Ottawa

Office of the Auditor General

2008 ANNUAL REPORT

Ottawa

Office of the Auditor General / Bureau du vérificateur général

November 25, 2009

Mayor and Members of Council:

I am pleased to present the 2008 Annual Report of the Auditor General of the City of Ottawa. My Office completed a total of 23 audits in 2008. The audits undertaken were either from the audit plan, the result of reports to the Fraud and Waste Hotline, or requested by Council.

This report represents the results of each 2008 audit. All of the recommendations arising from the 2008 audits where management is in disagreement are presented here as well, in order for Council to determine if direction should be given to take action on these issues. In addition, there are six other recommendations where I am recommending referral to the Audit, Budget and Finance Committee for discussion.

As with previous Annual Reports, this report also contains a discussion of the main messages or common themes arising from all of the audit work carried out during the past year. This discussion offers observations on some overall trends and issues from a corporate-wide perspective for Council and senior management to consider.

The fourth annual report on the Fraud and Waste Hotline is also presented here, including a summary of the results of audits arising from Hotline reports. Also, in accordance with the By-law governing the Office of the Auditor General, the Audit Plan for 2009 to 2013 is provided for Council's information.

Respectfully,

Alain Lalonde CIA, FCGA
Auditor General

Ottawa

Staff of the Office of the Auditor General

2008

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1 OVERVIEW OF ACTIVITIES IN 2008

In the 2008 Audit Plan for the City of Ottawa, several specific projects were identified based on a number of selection criteria (see Section 5 of this report). The mandate of the Office is to conduct three types of audits; financial audits (except for the annual attest audit), compliance audits and performance (or value-for-money) audits. A fundamental principal in developing the audit plan is to target risk areas where the Office could bring value to the City. The focus of the audit plan places a significant emphasis on performance audits; that is on examining economy, efficiency and effectiveness issues in areas within the City that provide direct services to the public.

In response to requests from Council for more frequent reporting by the Office of the Auditor General (OAG), several 2008 audit reports have already been presented. Listed below are all of the audits completed during 2008, including those which Council or a specific Board of Council has already received.

1.1 2008 Audits tabled at Council on November 25, 2009
- Audit of the Ottawa Paramedic Service
- Audit of the Long Term Care Branch
- Audit of the Children's Services Division
- Audit of Grants and Contributions
- Audit of Governance and Compliance with Community Funding Service Agreement of the Banff Avenue Community House
- Audit of Governance and Compliance with Access Management Agreement of the Southpointe Community Association
- Audit of Year-End Spending 2004-2007
- Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies
- Audit of Sick Leave Management
- Audit of the Traffic Operations Division
- Audit of Moonlighting and Corporate Risk Issues – Traffic Operations Division
- Audit of an Allegation of Blogging on City Work Time

1.2 2008 Audits tabled with Specific Boards
- Ottawa Community Housing (OCH): Audit of Technical Services – Tabled with OCH Board on April 16, 2009. The executive summary of the report is provided in Section 3.
- Ottawa Public Library (OPL): Audit of Budget Development Process – Tabled with OPL Board on August 19, 2008. The executive summary of the report is provided in Section 3.

- OPL: Audit of Governance - Tabled with OPL Board on August 19, 2008. The executive summary of the report is provided in Section 3.
- Ottawa Police Service: Follow-up to 2007 Audit of Ottawa Police Service Fleet - Tabled with Police Services Board on October 27, 2008. The executive summary of the report is provided in Section 3.
- Hydro Ottawa: Audit of Emergency Response Plan – Tabled with the Hydro Ottawa Board Audit Committee on August 20, 2009. The executive summary of the report is provided in Section 3.

1.3 2008 Audits tabled at Council on February 25, 2009

- Audit of IT Capital Expenditures and Project Approval Process
- Audit of the Parking Function
- Audit of the Building Code Services Process for 215 Preston Street
- Audit of Hospitality and Other Ethical Matters

1.4 2008 Audits tabled at Council on October 22, 2008

- Audit of the 2006 Sewage Spill
- Audit of the City of Ottawa Water Rate

1.5 Fraud and Waste Hotline

The City's Fraud and Waste Hotline was launched on November 1, 2005 to provide an anonymous and confidential vehicle for City staff to report suspected fraud or waste. Section 4 of this report contains the fourth annual report on the Hotline. It includes overall statistics on the types and frequencies of calls to the Hotline, as well as summary reports on specific audits undertaken on issues arising from Hotline reports. In some cases, Hotline reports are transferred directly to management to be addressed, while in other instances the OAG has undertaken its own review, conducted a separate formal audit or considered the matter as part of an ongoing planned audit. Some of the Hotline reports that resulted in an audit being conducted are presented here. In other cases, Hotline-related audits discuss specific individuals.

1.6 Follow-up Audits

Follow-up is a key component of an effective audit process in that it informs Council as to whether recommendations have been implemented. At the time the 2005 Annual Report was presented to Council in May 2006, Council created the Council Audit Working Group (CAWG). Since its inception, the City Manager and the Auditor General have been working with the Group to monitor implementation of audit recommendations that have previously been provided. As discussed below, the creation of the new Audit, Budget and Finance (ABF) Committee has changed the process by which Council monitors the AG's recommendations.

When the OAG was created in 2004, a decision was made to postpone conducting follow-up audits in order for the Office to focus on new audits and build a series of recommendations that would be followed up after a period of 4-5 years. As such, the 2009 work plan has focussed on these follow-ups, which will be reported upon in the Annual Report of 2010. At this point, it is appropriate that follow-ups occur on a more regular basis. This will also address Council's desire for more frequent follow-up. Accordingly, all work plans for 2010-2013 will include a follow-up component.

1.7 Tabling Protocol

In June 2008, Council confirmed the following as the tabling protocol for OAG report:

1. Notice of Tabling at Council;

2. Tabling at subsequent meeting of Council;

3. As directed by Council, referral of reports to Standing Committee(s) for public delegations;

4. Reports presented at the next scheduled meeting of Council for discussion; and,

5. Referral of all reports to the Audit, Budget and Finance Committee for follow-up of all recommendations and discussion of disagreements.

Council further delegated final authority for all audit recommendations related to administrative matters to the ABF Committee, while retaining final authority over any recommendations related to policy matters.

1.8 2008 Budget

The budget of the OAG is set at 0.08% of the total operating budget of the City. For 2008, this resulted in an office budget of approximately $1.9 million, including $200,000 devoted to the Fraud and Waste Hotline. The budget remains one of the lowest in Canada for municipalities with a similar audit function. All of the audits presented in this report were conducted within the 2008 budget.

2 ITEMS FOR SPECIAL CONSIDERATION

The audits conducted in 2008 led to 329 separate recommendations to management, designed to improve management practices, enhance operational efficiency, identify possible economies and address a number of specific issues. A summary of all 2008 audits and recommendations is presented in Section 3 of this report. Before discussing these audits, we would like offer some broader views and opinions of a corporate-wide nature.

2.1 The need to clarify custody and retention of personal records/documents created using City resources

Beginning in 2007, the OAG has had discussions with Legal and Information Technology regarding the process for custody and retention of personal records and documents created using City resources. Management has as yet made no decisions in this regard, however, a recent ruling by Information and Privacy Commission (IPC) on a specific City-related matter has provided some clarification and has significant broader implications. The ruling established that such records are in the care and custody of the City even though they are of a personal nature. The City is currently appealing the IPC ruling at Divisional court. If the ruling is upheld, the City has the obligation of treating these records as any other official City documentation and as such must determine the appropriate records management and retention schedule for them. An audit of records management is planned for 2011 to address these and other related issues.

2.2 Effectiveness of social assistance programs in reaching the most needy

In our view, a key goal of any social assistance program should be to ensure that most of the available funding is going to the most needy. Inconsistent application of rules and a lack of adequate supervisory/management oversight of activities have resulted in a situation where this cannot be assured. Concerns in this regard are identified in the 2008 audits of child care and social housing.

2.3 Processes and controls not utilized

In many areas the City has established adequate processes, rules and controls however, we note that in many cases these mechanisms are not being followed and are not properly enforced or overseen. For example, contracts and agreements have not been properly formalized or executed, are out of date for many years or have been put in place 'after-the-fact'. Contract terms and conditions are frequently ignored and documentation of controls is often lacking resulting in there being no verification of adequate oversight. Evidence of this was revealed in audits involving building permits, sick leave and grants during 2008.

2.4 Delegation to management without proper oversight/tools

In recent years, the City has moved to a model of delegated/decentralized authority for many areas of responsibility. Individual managers are responsible for areas such as HR processes, financial management, inventory management, etc. Currently, under this model, there is no oversight or intervention from corporate units and in many cases managers do not have the tools, information or expertise to be able to carry out these duties effectively. For example, as part of the Audit of Sick Leave, management indicated that it is the responsibility of individual managers to assess the validity of any medical certifications. Two problems are

obvious with this approach; managers cannot possibly be expected to have the required expertise to do this, and such certificates are considered personal information and are to be kept confidential so that managers would not even have access to them. Clearly this responsibility should rest with the appropriate staff in Human Resources. In our view, there has been an abdication of corporate responsibility to ensure proper lines of accountability are maintained resulting in a high risk of non-compliance to policy, inconsistencies, inefficiencies and lack of proper control.

3 2008 AUDIT REPORTS – EXECUTIVE SUMMARIES

The following presents all of the key issues and observations arising from each of the audits completed in 2008 that have not already been presented to Council or to a Board of Council. All recommendations are included here along with all management responses. The reader is encouraged to refer to the full audit reports for complete details. In total, the 2008 audits make 329 recommendations for management action. Of these recommendations, management has disagreed with 22. In addition, the OAG considers that six additional recommendations should also be raised to the attention of the Audit, Budget and Finance Committee for discussion. Appendix A provides a complete listing by audit of these recommendations.

3.1 Audit of the Ottawa Paramedic Service

Executive Summary

Introduction

The audit of the Ottawa Paramedic Service was included in the 2008 work plan of the Office of the Auditor General, which was first presented to Council in December 2005.

Audit Objectives

The 2008 audit plan for the Paramedic Service sets out eight key objectives as follows:

1. Execute Performance Data Validation (File Sample Audit) and Assess Existing Paramedic Service Measurement Framework

2. Assess and Verify Demand Trends for the Paramedic Service (Service and Budget Drivers)

3. Assess City Performance in Managing Growth Pressures via System Capacity/Design

4. Assess Paramedic Service Performance regarding Outcomes Based Business Planning, Target Setting and Achievement

5. Review Structural Paramedic Service "System Constraints" and Assess Factors Leading to Sub-optimal Resource Management

6. Assess Paramedic Service Productivity, Identify Opportunities for Implementing Business Process Improvements and Industry Best Practices

7. Assess and Review Paramedic Service Risk Management Processes, Strategies and Outcomes

8. Assess the adequacy of financial management processes

Summary of Key Findings

The Paramedic Service audit has yielded significant performance findings and has identified a number of service planning and delivery improvement opportunities:

1. After initial post-amalgamation improvement in 2001-2002, 90th percentile Code 4 emergency response times in Ottawa are now at risk of eroding to a level below the legislated service standard set out in the Ambulance Act. This response time non-compliance with the Ambulance Act is occurring across the Province of Ontario – a systemic health care system failure.

2. Patient offload delays at Ottawa hospitals are a major driver of response time erosion in City land ambulance services. Offload delays caused by complex

Provincial health system patient flow problems are worsening. Meaningful resolution of Province-wide health system patient flow problems is unlikely in the short to medium term.

3. Ottawa's current triage system used to dispatch emergency calls is flawed, ineffective and contributes to system inefficiency and eroding response times (see Table below). In 2006 and 2007 approximately 85% of emergency calls were triaged as life threatening Code 4 calls requiring a "lights and sirens" response. In fact, no meaningful triaging of calls is actually occurring and scarce ambulance resources are being exhausted in an inefficient and ineffective process. Replacement of the Province's current flawed triage tool (referred to as 'DPCI') with the North American standard Medical Priority Dispatch System (known as 'AMPDS') medically derived triage tool should be a top priority. The Province has been reluctant to approve this critical triage improvement tool, despite the AMPDS precedents already in place in Toronto and Niagara. Continued Provincial unwillingness (at the staff-to-staff level of dialogue) to allow the City to adopt AMPDS should prompt a fundamental re-examination of the City's role in operating ambulance dispatch.

Percentage Ottawa Emergency Calls Triaged as "Lights and Sirens" Response

CALL TYPE	2001	2002	2003	2004	2005	2006	2007
CODE 4	36,753	42,915	49,283	55,890	57,266	69,779	72,523
CODE 3	20,662	22,601	21,659	20,974	22 200	12,409	12,879
TOTAL	57,415	65,516	70,942	76,864	79,466	82,188	85,402
CODE 4 AS % OF TOTAL	64%	66%	69%	73%	72%	85%	85%

4. The City budget process has failed to supply regular and timely ambulance staffing growth increments to keep pace with ongoing call volume increases occurring between 2001 and 2008. Growth increments during this period were irregular and implementation was lagged over multiple years, thereby allowing call volume to overtake available ambulance resources. The result has been response time erosion and critical unit shortages.

5. As a result of increasing hospital wait times, substandard dispatch triaging, and a failure to supply ambulance unit growth increments to match increasing call

volumes, the Ottawa Paramedic Service now faces frequent erosion of ambulance unit availability to deeply unsafe levels. Erosion in available units below critical levels occurs daily, with frequent instances of zero ambulance unit availability. An eight-month survey conducted in 2007 identified 492 incidents of unit availability falling below seven available ambulances City-wide. In 22 cases the system reached zero unit availability. A significant public safety and liability outcome is possible unless City remediation is forthcoming. The table below features the audit analysis of response time impacts following critical levels of unit availability.

Eroded Ambulance Response Times at Critical Resource Availability Levels

CRITICAL AVAILABILITY LEVEL	90TH PERCENTILE RESPONSE TIME FOR NEXT CALL AFTER PAGE	ADDITIONAL TIME BEYOND 2007 HIGH DENSITY SYSTEM 90TH PERCENTILE OF 12:49
7 UNITS CRITICAL LEVEL	18:27	ADDITIONAL 5:38
6 UNITS CRITICAL LEVEL	20:56	ADDITIONAL 8:07
5 UNITS CRITICAL LEVEL	18:34	ADDITIONAL 5:45
4 UNITS CRITICAL LEVEL	21:09	ADDITIONAL 8:20
3 UNITS CRITICAL LEVEL	27:10	ADDITIONAL 14:21
2 UNITS CRITICAL LEVEL	30:00	ADDITIONAL 17:11
1 UNIT CRITICAL LEVEL	27:29	ADDITIONAL 14:40
ZERO UNITS CRITICAL LEVEL	19:23	ADDITIONAL 6:34
ALL CRITICAL LEVELS	21:34	ADDITIONAL 8:45

6. The 2007 response time analysis is troubling. In the 492 cases where critical resource levels fell below 7 available units, the next emergency call's 90th percentile response time is more than 8 minutes slower than the 2007 system-wide 90th percentile response time of 12:49.

7. Despite these significant "systemic" performance challenges beyond its immediate control, the overall audit evidence suggests that the Paramedic Service Branch operates in an efficient and effective manner that meets or surpasses many industry standards regarding quality and best practices. Single start, use of specialty teams, unit on-the-road scheduling tools, and logistics processes are all areas of clear operational excellence displayed by the

Paramedic Service. Paramedic Service efficiencies have been documented by the audit team in peer benchmarking analyses and performance data verification calculations. Regrettably, these efficiencies have been absorbed by the Provincial and City generated systemic performance problems noted above.

Recommendations

A compendium of the Paramedic Service audit recommendations appear below under the three audit themes used throughout this report:

1. Emergency Medical Services (EMS) Performance Context;

2. System-wide Performance Constraints/Core Drivers of Service Delivery Outcomes;

3. System Performance Verification and Review of Operational Processes and Practices.

Management Overall Response

Overall, management concurs with the audit findings and agrees with the recommendations put forward by the Auditor with only two disagreements.

Ottawa Paramedic Service supports the acquisition of AMPDS as a tool in the Communications Centre and a more liberal dispatch communications framework would provide the Service the capacity to improve outcomes and effectiveness.

There is recognition that the Paramedic Service is managed efficiently and effectively and that it is operating in a context of a heavily regulated and complex health care system.

The Paramedic Service agrees that as a mission critical service we require sustained, consistent and predictable funding on a long-term basis to safeguard the public.

Responses to each of the 34 audit recommendations are set out below.

Emergency Medical Services (EMS) Performance Context

Recommendation 1

That the City of Ottawa develop an intergovernmental advocacy strategy for major system reform that focuses on securing control over the necessary components of a high performance EMS system.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will develop an intergovernmental advocacy strategy as part of the strategic branch review exercise in 2010.

Recommendation 2

That the Paramedic Service performance measurement and reporting framework, upcoming strategic branch review exercise and existing service planning process be focussed on the management of risk events and performance erosion trends identified in this audit's 2001-07 land ambulance system performance overview.

Management Response

Management agrees with this recommendation.

The Paramedic Service performance measurement and reporting framework, upcoming 2010 strategic branch review exercise and existing service planning process, will be focused on the management of risk events and performance erosion trends identified in this audit's 2001-07 land ambulance system performance overview.

System-Wide Performance Constraints/Core Drivers of Service Delivery Outcomes

Recommendation 3

That the City adopt a clear, transparent position regarding the current DPCI triage tool and the renewal of the Ministry communications centre contract by:
a) **Immediately petitioning the Minister of Health for a communications dispatch framework identical to the framework enjoyed by the City of Toronto;**
b) **Establishing a results-based communications contract with the Ministry of Health based on outcomes and not prescriptive processes, software tools or triage methodologies;**
c) **In the absence of a results based contract featuring operator choice of triage methodologies, petitioning for the opportunity to dispatch calls without triage; and,**
d) **In the absence of either of the above options being accepted by the province, withdrawing from consideration for the renewed communications operator contract.**

Management Response

Management agrees with parts a), b) and c) of this recommendation.

The branch concurs with the acquisition of AMPDS as the dispatch tool and a more liberal dispatch communications framework. Management will continue to advocate to the MOHLTC for the implementation of this tool in Ottawa.

Management disagrees with part d) of this recommendation. In management's opinion, the audit report overlooks the operational and strategic value already realized in an integrated communications centre. The City's paramedic dispatch

unit has been recognized as the best performing dispatch centre (T0-T2) in the province as indicated in OMBI's 2007 public report.

The branch has found that an integrated dispatch team allows for several operational efficiencies such as, but not limited to:

- the availability of real time data enables staff to evaluate and adjust their performance on a daily basis; and,

- modification of the deployment plan in real time allows staff to adapt to changing situations in the community e.g., major events, road closures, etc.

In addition, management integration allows for common management objectives for the entire service, allowing us to meet Council and community expectations that would not be possible in two separate organizations.

Recommendation 4

That, once AMPDS is in place, the City pursue a centre of excellence designation to emulate best practices from across North America, including Niagara and Toronto.

Management Response:

Management agrees with this recommendation.

Timelines and funding to pursue this designation are dependent upon negotiations with the Ministry of Health and Long Term Care.

Recommendation 5

That the Ottawa Paramedic Service continue to participate on the provincial task force working on hospital wait times and off-load delays.

Management Response:

Management agrees with this recommendation.

The branch will continue to be an active participant on the provincial task force working on reducing hospital wait times and off-load delays.

Recommendation 6

That the measurement of patient offload delays be refined to include a "patient transfer to emergency triage nurse" time log in order to correct for potential overestimation of offload duration.

Management Response:

Management agrees with this recommendation.

Currently the data is captured in the hospital's Emergency Department Reporting Systems (EDRS). The proposed new provincial Ambulance Call

Report will include a "transfer of care" time, which will support this recommendation.

Recommendation 7

That the Ottawa Paramedic Service annually report to Council regarding the financial impact of lost ambulance unit hours due to hospital off-load delays.

Management Response:

Management agrees with this recommendation.

Management will report to Council annually on the financial impact of lost ambulance hours due to hospital off-load delays commencing in 2010.

Recommendation 8

That the Ottawa Paramedic Service include the calculation of time on task when considering paramedic staffing enhancements.

Management Response:

Management agrees with this recommendation.

Recommendation 9

That the Ottawa Paramedic Service conduct a quality improvement pilot project around the current hospital patient transfer process.

Management Response:

Management agrees with this recommendation.

The Offload Nurse Project, which reorganizes the current hospital patient transfer process, was initiated on September 29, 2008 – by contractual agreement with the Ottawa Hospital and the Ottawa Paramedic Service. The project is completely funded by the Ministry of Health and Long Term Care. (See Paramedic Hospital Wait Time Report ACS2008-CPS-OPS-0004 received by CPS Committee at its meeting of October 16, 2008.) The Ottawa Paramedic Service will provide a one-year update on the impact of this project to Committee and Council in Q4 2009.

Recommendation 10

That the Ottawa Paramedic Service bring forward a long-term master plan and budget for additional staffing and resources required to service growth.

Management Response

Management agrees with this recommendation.

An external consultant will be engaged to develop a long-term master plan and budget for additional staffing and resources required to service growth. Ottawa

Paramedic Service has already initiated this process (see Paramedic Trends Report ACS2008-CPS-OPS-0003 received by CPS Committee at its meeting of October 16, 2008), which includes a three-year staffing plan to be incorporated into the branch's 2009, 2010 and 2011 budgets.

Recommendation 11

That the Ottawa Paramedic Service revisit the master plan bi-annually to ensure developing and unforeseen challenges and pressures are considered and updated in the plan and reported to Council.

Management Response

Management agrees with this recommendation.

As indicated in recommendation 10, work is already underway in this area. The Ottawa Paramedic Service reports annually to Committee and Council with its "Paramedic Trends" report that outlines results for the first six months of each year including, outlining any challenges and pressures that should be reflected in the upcoming year's budget.

Recommendation 12

That the Ottawa Paramedic Service develop a resource plan that separates annual growth from other determinants for resourcing and staffing enhancements.

Management Response

Management agrees with this recommendation and has already implemented it.

The annual Paramedic Trends report separates growth (i.e., call volume pressures) from other factors such as hospital wait times, so that Council can readily identify the different factors affecting overall response to help isolate the resourcing requirements, which fall within the City's jurisdiction.

Recommendation 13

That the Ottawa Paramedic Service present in their annual reports the staffing approvals for the corresponding years.

Management Response

Management agrees with this recommendation. This has been current practice since 2007.

Recommendation 14

That the City obtain a legal opinion to assess the financial and liability risk associated with the ongoing daily erosion of the paramedic system to critical levels of unit availability (this action was taken in July 2008).

Management Response

Management agrees with this recommendation and completed this work in July 2008.

Recommendation 15

That the Auditor General inform the City Manager of the performance issues and risk profile associated with critical levels of resource availability in an interim briefing prior to the 2009 Annual Report (this action was taken in July 2008).

Management Response

Management agrees with this recommendation.

Recommendation 16

That the Chief of the Paramedic Service develop a contingency plan to address this critical unit availability shortfall on an immediate basis.

Management Response

Management agrees with this recommendation. Operational processes are currently in place and will be put into a policy framework in 2010.

Recommendation 17

That the Chief of the Paramedic Service report quarterly to Council on the incidence of critical resource levels and their associated next call 90th percentile response times.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service does not currently have the reporting technology necessary to implement this recommendation. The branch will solicit the Ministry of Health to assist with the acquisition of reporting technology to be able to report on critical resource levels.

System Performance Verification and Review of Operational Processes and Practices

Recommendation 18

That the Ottawa Paramedic Service establish annual response time performance targets based on actual percentages of emergency calls achieving 8:59 and 15:59 instead of the current 90th percentile targets.

Management Response

Management agrees with this recommendation.

Annual response time performance targets have been captured in the Paramedic Service 2007 Annual Report (received by CPS Committee at its meeting of August 21, 2008) and in the more recent 2008 Trends Report. This practice will continue in future annual and performance trend reports.

Recommendation 19

That the Ottawa Paramedic Service track and annually report the identified complete portfolio of performance measures set out in this audit.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will review the portfolio of performance measures set out in this audit for inclusion in future annual reports as part of the strategic branch review exercise in 2010.

Recommendation 20

That the Ottawa Paramedic Service include "scheduled unit counts versus actually deployed unit counts" performance data in its annual performance report to Committee/Council.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will review the portfolio of performance measures set out in this audit for inclusion in future annual reports as part of the strategic branch review exercise in 2010.

Recommendation 21

That the Ottawa Paramedic Service establish ongoing performance targets in its operational planning using "scheduled unit counts versus actually deployed unit counts".

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will review the portfolio of performance measures set out in this audit for inclusion in future annual reports as part of the strategic branch review exercise in 2010.

Recommendation 22

That the Ottawa Paramedic Service establish a target range for its key productivity ratio in the high-density system (calls per paramedic).

Management Response

Management agrees with this recommendation.

Calls per paramedic ratios will be discussed as part of the strategic branch review exercise in 2010 and will also be included in the scope of work being done by the consultant in developing a long-term master plan and budget as indicated in recommendation 10.

Recommendation 23

That the "calls per paramedic ratio" trend in Ottawa (and external peer ratios) be regularly reported and integrated into the recommended master planning framework and the upcoming branch strategic branch review.

Management Response

Management agrees with this recommendation.

Calls per paramedic ratios and external peer ratios will be discussed as part of the strategic branch review exercise in 2010 and will also be included in the scope of work being done by the consultant in developing a long-term master plan and budget as indicated in recommendation 10.

Recommendation 24

That the City of Ottawa petition OMBI to restructure its 90th percentile response time reporting to include T0-T2 data.

Management Response

Management agrees with this recommendation and has already implemented it. The City of Ottawa petitioned OMBI in 2008 to restructure its 90th percentile response time reporting to include T0-T2 data. OMBI has implemented and reported this in its annual report.

Recommendation 25

That the Ottawa Paramedic Service conduct an Advanced Care Paramedic (ACP) needs analysis.

Management Response

Management agrees with this recommendation. An ACP needs analysis will be conducted as part of work being undertaken on the Paramedic Master Plan in 2010.

Recommendation 26

That the Ottawa Paramedic Service refine and develop annual ACP capture targets based on patient transports as part of the annual business planning and reporting cycle.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will refine and develop annual ACP capture targets for inclusion in future annual reports as part of the strategic branch review exercise in 2010.

Recommendation 27

That the Ottawa Paramedic Service develop a deployment policy that would see ACP resources responding only to Code 4 calls, similar to their policy for Paramedic Rapid Response (PRU) response priorities.

Management Response

Management disagrees with this recommendation.

Present staffing precludes this recommendation from being implemented at this time. A change in legislation and the acquisition of a better dispatching tool (AMPDS) would be required for the branch to support and implement this recommendation.

Current legislation requires that the closest ambulance be sent to any life-threatening call; therefore, the choice of an ACP resource being sent versus a PCP resource could not be accomplished without legislative change. With the acquisition of AMPDS and appropriate resourcing, the principle could be applied by sending a second unit with ACP after the closest unit is sent. Operationally, the first unit would then clear and be available for another call. This cannot be accomplished in a service that is always at critical levels of availability.

Recommendation 28

That the Ottawa Paramedic Service track and annually report utilization, response times and other relevant performance data for all specialty teams.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will review the portfolio of performance measures set out in this audit for inclusion in future annual reports as part of the strategic branch review exercise in 2010.

Recommendation 29

That the Ottawa Paramedic Service expand the PRU program based on the findings of the 2005-2007 program analysis.

Management Response

Management agrees with this recommendation. Enhancements to the PRU program began in May 2008 and analysis is ongoing.

Recommendation 30

That the Ottawa Paramedic Service prepare a business case demonstrating the return on investment (ROI) and expected utilization associated with planned facility/base construction in the City capital plan.

Management Response

Management agrees with this recommendation.

An external consultant will be engaged to develop a long-term master plan for the Ottawa Paramedic Service and the scope of work will also include the preparation of a business case demonstrating ROI. This work is expected to be complete in 2010.

Recommendation 31

That the Ottawa Paramedic Service collaborate with public health and other stakeholders to research and develop a service demand-forecasting model that incorporates aging society impacts on call frequency, duration and acuity.

Management Response

Management agrees with this recommendation.

An external consultant will be engaged to develop a long-term master plan for the Ottawa Paramedic Service and the scope of work will also include the research and development of a forecasting model that incorporates the impact of an aging society on call frequency, duration and acuity. This work is expected to be complete in 2010.

Recommendation 32

That the annual paramedic growth staffing enhancements include proportional adjustments in support services staffing.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service presently undertakes to include proportional adjustments in support service staffing when front-line paramedics are hired and will continue to review such staffing enhancements in future. Improvements to growth staffing enhancements will be reviewed as part of the strategic branch review exercise in 2010.

Recommendation 33

That the Ottawa Paramedic Service provide an annual system planning resourcing business case (i.e., reflecting the modeled required resource capacity) as part of the annual City budget process.

Management Response

Management agrees with this recommendation.

An external consultant will be engaged to develop a long-term master plan and budget for the Ottawa Paramedic Service. The scope of work will also include the development of an annual system planning resource business case. Ottawa Paramedic Service has already initiated some of this work (as indicated previously - see Paramedic Trends report), which includes a three-year staffing plan to be incorporated into the branch's 2009, 2010 and 2011 budgets.

Recommendation 34

That quarterly and annual financial reporting integrate expenditure data with actual deployed units of service for the same period.

Management Response

Management agrees with this recommendation.

The Ottawa Paramedic Service will review the integration of expenditure data with actual deployed units of service in quarterly and annual financial reporting as part of the strategic branch review exercise in 2010.

Conclusion

The land ambulance service delivered by the Paramedic Service Branch is a "mission critical" protective service provided by the City of Ottawa. The Paramedic Service Branch annually consumes an operating budget that is now approaching $60 million – an increase of 93% since amalgamation.

The audit has yielded significant findings and has identified a number of service planning and delivery improvement opportunities:

- After initial improvement earlier this decade, 90th percentile Code 4 response times in Ottawa are now at risk of eroding to a level below the legislated service standard in the Ambulance Act. This systemic performance problem is occurring across the Province of Ontario.

- Patient offload delays at Ottawa hospitals are a major driver of response time erosion in land ambulance services. Offload delays caused by complex Provincial health system patient flow problems are worsening. Meaningful resolution of Province-wide health system patient flow problems is unlikely in the short to medium term.

- Ottawa's triage system used to dispatch emergency calls is flawed, ineffective and contributes to system inefficiency and eroding response times. Replacement of the current triage tool with the North American standard AMPDS medically derived triage tool should be a top priority. The Province needs to be compelled to approve this critical triage improvement, recognizing the AMPDS precedents already in place in Toronto and Niagara. Provincial unwillingness to make this improvement should prompt a fundamental re-examination of the City's role in ambulance dispatch.

- The City budget process has failed to supply regular and timely ambulance unit growth increments to keep pace with ongoing call volume increases occurring between 2001 and 2008. Growth increments during this period were irregular and were lagged over multiple years, thereby allowing call volume to overtake available resources. The result has been response time erosion.

- As a result of increasing hospital wait times, substandard dispatch triaging, and a failure to supply ambulance unit growth increments to match increasing call volumes, the Ottawa Paramedic Service now faces frequent erosion beneath safe levels of ambulance unit availability. Erosion in available units below critical levels occurs daily, with frequent instances of zero unit availability. A significant public safety, liability and service level outcome appears inevitable unless aggressive City remediation is forthcoming.

- Despite these significant "systemic" performance challenges beyond its immediate control, the Paramedic Service operates in an efficient and effective manner that meets or surpasses many industry standards around quality and best practices. Single start, use of specialty teams, unit on-the-road scheduling tools, and logistics processes are all areas of clear operational excellence displayed by the Paramedic Service. Regrettably, these efficiencies have been absorbed by the systemic system performance problems noted above.

- The Paramedic Service utilizes performance measurement and benchmarking data on an ongoing basis to generate service delivery improvement and enhance operational performance. Recommendations have been made to refine and improve an already noteworthy commitment to measurement and pro-active system planning.

- The planned 2008-2010 multi-year staffing increments represent a fundamental logistics challenge for the Paramedic Service in terms of recruitment and preserving an appropriate ratio of advance care paramedics. The need to ensure advanced care paramedic capture for appropriate calls is an ongoing challenge that will require attention.

- Preparation of a twenty-year master plan is a critical priority for ensuring ongoing match of service supply to demand; thereby achieving response time and clinical outcomes.

The audit has concluded that overall, the Paramedic Service outcomes have significantly eroded across 2001-2007. This erosion has largely been driven by systemic performance constraints such as offload delays and triage tool shortcomings – problems generated by Provincial decision-making and policies. Paramedic Service delivery efficiencies and operational innovations cushioned response times from these problems for a number of years after amalgamation. However, land ambulance system performance erosion now jeopardizes public safety – as evidenced by the frequency of critical unit level shortages.

The findings of the audit confirm that increased resources are required for the Paramedic Service to respond effectively to system growth. As part of this, improvements to monitoring time-on-task and hospital transfers is required to ensure efficiencies in these areas are identified and pursued.

Most importantly, there is a need to resolve the issues associated with the current triage tool used to assess calls for service. Without a change to the more effective AMPDS tool, any increase in resources will continue to be absorbed by an unrealistically high level of Code 3 and 4 calls. There are many benefits to the City managing the dispatch centre. In order to realize the full benefits of this, however, it is imperative that the City take steps to change the dispatch protocol to the one used not only by the City of Toronto but also across North America. An aggressive City response, consistent with the recommendations in this audit, is required to safeguard the public and avoid significant legal, financial and reputational risk.

In principle, the new MOHLTC performance model is a positive development because it introduces patient centric performance reporting and target setting for land ambulance services. However, in our opinion, the new patient centric performance measurement framework will likely highlight existing performance problems without focussing attention on a key driver of these problems; an ineffective Provincially mandated DPCI triage tool.

Finally, the two case studies conducted during the audit indicate that a significant return on investment could be achieved from implementing AMPDS-based dispatch in Ottawa. Both cases have documented significant response time and public safety improvements associated with this triage system.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management and staff.

3.2 Audit of the Long Term Care Branch

EXECUTIVE SUMMARY

Introduction

The Audit of the Long Term Care Branch was included in the 2008 Audit Plan of the Office of the Auditor General, first presented to Council in May 2005.

Background

At the time of this audit, the Long Term Care (LTC) Branch was part of the Community and Protective Services Department (CPS) and reported to the Deputy City Manager. The Branch consisted of four long term care homes each with an Administrator reporting to the Director of Long Term Care. In late 2008, the LTC Branch was dissolved and each home administrator now reports to the General Manager, Social Services. As the audit was conducted prior to this re-organization, the report reflects the previous administrative structure.

The homes receive support from the administrative arm of the Branch as well as from the Centres of Excellence (COEs). The COEs consist of the Financial Support Unit (FSU), Real Property Asset Management (RPAM) and Employee Services including Health and Safety.

Until the new Long Term Care Homes Act (2007) receives Royal Ascent, the City's homes continue to operate under the *Homes for the Aged and Rest Homes Act* (the Act) and service agreements with the Ministry of Health and Long Term Care (MOHLTC).

The Act also sets out a fundamental principle that represents a key consideration for this audit; that is, that the residents residing in the City homes receive quality care and services that meets their needs. This principle, as defined in subsection 1.1(1) of the Act states:

> *"The fundamental principle to be applied in the interpretation of this Act, the regulations and a service agreement relating to a home is that a home is primarily the home of its residents and, as such, it is to be operated in such a way that the physical, psychological, social, cultural and spiritual needs of each of its residents are adequately met and that its residents are given the opportunity to contribute, in accordance with their ability, to the physical, psychological, social, cultural and spiritual needs of others."*

Under the terms of the service agreement between the City homes and MOHLTC, the City agrees to operate the homes within the legislative provisions of the Act. The degree to which the homes' operations are compliant under the Act is determined through the annual compliance review program undertaken by

Compliance Advisors of the MOHLTC Performance Improvement and Compliance Branch. The homes also participate in the voluntary evaluation conducted by the Canadian Council on Health Services Accreditation.

In total, the Branch operates 711 beds across its four homes, thus representing 15% of the total 4,694 long term care beds operating in the City of Ottawa. The four homes are geographically distributed across Ottawa and each exemplifies unique characteristics, services and organizational cultures.

LTC Home	Number of Beds	Location	Opening Date of New or Renovated Building	MOHLTC Structural Compliance	Unique Characteristics
Carleton Lodge (CL)	160	Nepean	1989	A	On-Site ADP
Centre d'accueil Champlain (CAC)	160	Vanier	1998	A	On-Site ADP Francophone
Garry J. Armstrong (GJA)	180	Central Ottawa	2005	A	Bilingual
Peter D. Clark Centre (PDC)	211	Centrepointe	2001	A	Bungalows
Total Municipal Beds	711				

The 2007 budget for Branch operations was $46.3 million with a net levy requirement of $8.1 million exclusive of debentures.

Audit Objectives

As an audit, this assignment involved the following three components: compliance, value-for-money and financial statements with the primary focus being on the performance (value-for-money) component. The value-for-money component of an audit is intended to assess the adequacy of management systems, controls and practices including those intended to control and safeguard assets to ensure due regard to economy, efficiency and effectiveness. Further, the effectiveness of the programs and services is a key element to these types of audits. With respect to the auditing for compliance with legislative and related authorities, the intent is to express an opinion on whether the entity complied with specific legislative requirements and specific authorities.

As this is an audit in a public sector organization, Public Sector Accounting Board (PSAB) accounting and auditing standards apply (i.e., PS 5300 Auditing for Compliance with Legislative and Related Authorities in the Public Sector, PS 5400 Value-for-Money Auditing in the Public Sector). The auditors also followed the practices as recommended by the Canadian Comprehensive Auditing Foundation with respect to comprehensive and value-for-money auditing.

Audit Scope

The scope of this audit encompassed the four long term care homes operated by the City of Ottawa's LTC Branch. Due to the structure of the Branch and the financial services, this audit required significant analysis and interaction with the FSU assigned to LTC and Public Health as well as other COEs. The audit was comprised of three components including compliance, financial and performance (value-for-money) with the weight of the investigation focused on the latter component. Although data and information was available for the fiscal years from 2001 to 2007, the audit focused on the two fiscal years, 2006 and 2007.

In addition to the three audit areas described above, this report presents a summary of the analysis conducted in 2001 by the former Audit and Consulting Services Branch regarding potential alternate service delivery options for Long Term Care.

Summary of Key Findings

General

1. Overall, the observations of the audit indicated that the LTC Branch and the homes are providing quality care and services to the residents living in the City homes. Residents are well cared for as are the buildings in which they live. The high levels of customer satisfaction reinforce this favourable audit finding. The homes present a comfortable and safe living environment which provide myriad opportunities and supports for residents to experience good quality of life. There are many new and evolving operational and clinical initiatives that speak to the homes' commitment to best practices and quality improvement. The homes value relationships with and amongst the resident population, families, friends and staff.

2. The City supplements the operations with tax levy over MOHLTC level of care and envelope funding. This is typical among municipal homes across the Province. The financial constraints experienced by all municipalities including the City have necessitated a greater emphasis on cost reduction and enhanced operational efficiencies. While the City homes have engaged in these efforts to some degree, further opportunities may exist. These cost saving efforts will also require longer range planning as the relatively new buildings and their systems continue to age.

3. There are several key projects currently underway that will assist in the ongoing improvement of operational effectiveness and efficiency, and that may potentially increase revenue opportunities as well. In particular, the implementation of Goldcare (i.e., resident care documentation system) and Telestaff (i.e., staff scheduling system) both have the potential to enhance the effectiveness of documentation and the efficiency of staff.

4. Although the COEs provide good service to the LTC Branch and the homes, the significant segregation of duties between these units and homes has an impact on the effectiveness of the operations. There are consequences for accountability at the management levels of the Branch and the homes. This is particularly evident in financial accountabilities for budgets, trust accounts and accommodation billings. Financial reporting is undertaken at a very high level and managers have had to develop their own systems to assist them in making decisions. Although SAP, the City's financial system, is considered state of the art in the industry, it does not provide some of the information required by long term care.

Compliance

1. The MOHLTC compliance reports illustrate few unmet standards (e.g., mandatory in-service training sessions on an annual basis for 100% of staff and Food Service Worker Certification) and thereby suggest that the homes are diligent in their efforts to operate as per the policies, standards and legislation governing long term care operations. In some instances, certain homes have been particularly responsive to prior compliance issues and have recently realized more favourable reports. It is, however, unusual in an organization with multiple LTC sites that compliance plans are not forwarded to a central authority or other designate for review vis-à-vis consistency in approaches and commitments prior to submission to MOHLTC.

2. Policies and procedures are comprehensive and generally understood by managers and staff. There is, however, the opportunity, as part of the ongoing policy development and review process, to further refine the organization and structure of the manuals.

3. There are some inconsistencies in the implementation and adherence to policies at the home level. Furthermore, there is limited standardization in documentation practices across the homes. There are also some inconsistencies of understanding of the change process for policies and procedures.

4. The Branch relies heavily on the Employee Health and Wellness for occupational health and safety advice. There is an opportunity to review and update the organization and structure of the health and safety policies as well as to review these policies against the Health Care Regulations. Furthermore, the terms of reference for the Joint Health and Safety Committee contain a provision with respect to workplace inspections that are contrary to the intended provisions of the Occupational Health and Safety Act.

5. The training requirements and the Staff Training Policy do not fully satisfy the mandatory training expectations of the MOHLTC. The target for staff participation in training is set well below 100% of the staff complement. Furthermore, there is no comprehensive training manual complete with learning

objectives for each mandatory training topic, thus limiting the effectiveness of the training evaluation efforts.

6. Purchasing policies and practices are not followed in a consistent or congruent manner. In addition, there is no inventory management system to ensure that items are allocated appropriately and costed to the appropriate cost centre. Inventory controls are such that management cannot be confident that assets are safeguarded.

7. Trust and accommodation accounting practices lack proper documentation and do not fully meet program standards set by the MOHLTC. There is minimal guidance for staff in the homes, and there is no thorough or consistent annual admission agreement reviewing/updating process.

8. With respect to accounts receivable, there is no policy in this regard. The policies are unwritten and informal. Consequently, it is possible that the City is not realizing its full revenue and investment potential.

Financial Management

1. The homes meet their requirement to provide a minimum of 40% of their respective beds at the basic accommodation rate. At the Branch level, as a collective, the homes are exceeding the requirements for basic accommodation. It is recognized that Garry J. Armstrong continues to be challenged to maximize its preferred revenues.

2. There is limited understanding of the eligible expenses by funding envelope as permitted by MOHLTC. As well, there was little to no knowledge of the impact that the move to full accrual accounting under PSAB may have on this reporting. The MOHLTC has yet to change these program standards in light of PSAB changes.

3. The implementation of Goldcare may present greater opportunity to enhance resident care documentation and as such may help the homes realize increases in their Case Mix Measure (CMM)/Case Mix Index (CMI). These increases will thus reflect in their level of care funding in the nursing and personal care envelope.

4. The resident business files lack sound organization, consistency and required documentation. There are charges to the resident trust accounts that do not have appropriate back-up or authorization. Staff in the homes lack information to determine whether or not a particular charge can be charged to the resident as they do not have access to this resident-specific information.

5. Budget guidelines and parameters for the long term care homes' budgets are provided by Corporate Finance. This practice leaves fewer opportunities for decision making to the Branch or to the individual homes. There are top-down

targets provided to the Branch to meet without an assessment of risk from both the resident care and building operation perspective.

6. There was little understanding within the LTC Branch or the FSU regarding PSAB or the new reporting standard.

7. Each home currently employs staff who provide services that ideally should represent full cost recovery (e.g., hairdresser). In a number of instances, these cost recoveries are not being realized and there may be an opportunity to assess these services vis-à-vis standard practices across the long term care industry.

8. With respect to meal recoveries, there are some issues specific to catering and meal sales. The Branch does track costs and recoveries. It is clear from their own reconciliation that these costs are not being covered. Although there is no expectation for full recovery, cash management processes are weak in this regard. As well, it was recognized by managers that they had not been charging for paper products in their costs.

Performance

1. There is a lack of staffing indicators to assess the effectiveness and efficiency of the Service Delivery Model.

2. The resident and family surveys indicate very high levels of satisfaction with the homes across all care and service domains. There are some noteworthy trends (i.e., falling family satisfaction results at one home) which are receiving the full attention of the management teams in the affected home.

3. The resident and family surveys are limited in scope with respect to financial considerations and services. Consequently, service levels may not be fully explored.

4. There is insufficient control over inventory and there is no analysis undertaken in order to analyze usage and potential leakage. The inventory management systems are weak and/or non-existent.

5. Technology implementations (Goldcare and Telestaff) are still in their infancy but are not being directed by sound project management practices.

Potential Alternate Service Delivery Options

An assessment of potential alternate service delivery options for LTC was not included in the audit plan for this audit. However, in 2001, management requested that the former Audit and Consulting Services Branch undertake an analysis of possible long term care service delivery models to ensure the City is maximizing potential savings and making the most effective use of tax dollars. It was felt it would be useful to provide a summary of this 2001 study to management and Council as part of this audit report for consideration.

Given the analysis undertaken in the 2001 review, in particular the legislative and collective agreement constraints, complete divestment of the City's long term care program is not a realistic option for the short-term. Council may wish to give more serious consideration to the other options, specifically, private-sector management contract, devolution to a not-for-profit organization or maintaining LTC as a direct City service.

Recommendation 1

That staffing statistics be available to managers at the homes so that they are readily able to confirm that standard requirements are being met (for example Food Service Worker Certification, annual renewal of registration for staff and CPR certification status etc.).

Management Response

Management agrees with this recommendation and it is current practice. Staffing statistics are currently available to managers via a request to administration to print a report from the LTC staff training and development database, as well as in the employee's personnel file. Information in the staff training and development database is scheduled for conversion to SAP in Q1 2009 and will continue to be accessible to administration staff, but will be available to managers at their desktops.

Recommendation 2

That the Branch review the MOHLTC standard for mandatory training, measure adherence and revise accordingly with the goal of meeting the expectation that 100% of staff are attending all annual mandatory training as defined by MOHLTC standards.

Management Response

Management agrees with this recommendation. However, it is important to note that there is a difference between mandatory training requirements of the Ministry of Health and Long Term Care and developmental training provided by the LTC branch.

In an effort to improve delivery and effectiveness of mandatory training programs, management has reviewed a training delivery model that would ensure 100% completion of training by all full-time, part-time and casual staff members. The estimated costs of this model are $195,000 for staff attendance and $90,000 for implementation. Funding for this model will be brought forward as an identified pressure in the LTC 2010 budget.

Recommendation 3

That the Branch develop a process by which the compliance plans are vetted centrally prior to submission for consistency and are accessible by the other homes to allow all homes to be more proactive in ensuring that their home meets or exceeds compliance standards.

Management Response

Management agrees with this recommendation. The director of LTC currently reviews all compliance plans before submission to the MOHLTC. In addition, annual compliance plans are reviewed by the branch management team (which includes representation from all four of the City's homes) to identify policy, procedure and best practice implementation. The process will be documented to clarify for managers who may be non-compliant. The compliance plans are available centrally in the branch office. Electronic availability will be reviewed in Q2 2009.

Recommendation 4

That during the next round of policy reviews, a restructuring take place so it is easier for various levels of staff to find appropriate policies (for example, having discrete sections for resident information, trust accounting, human resources, etc.).

Management Response

Management agrees with this recommendation. LTC policies are currently divided into the following categories: food services, laundry, housekeeping, resident care, recreation and leisure, social work, medical, infection prevention and control, health and safety, emergency response and administration (home/office and branch).

Policies regarding trust accounting are maintained by the FSU. Human resources policies are corporate. All LTC and corporate policies are accessible to staff through Ozone. Also, all LTC policies are provided in print manuals located in designated areas at each home and in the branch office, which has been communicated at both general staff meetings and management meetings. The location of LTC-specific policies by service area will be reviewed as part of the three-year comprehensive cycle. The next cycle will begin in summer 2009. As part of this process, staff will review the policy and procedures manuals and associated indices from other LTC organizations of comparable size and structure.

Recommendation 5

That the Branch determine key locations for storage of policy manuals to ensure that staff have ready access to necessary information and a means to verify that they remain current.

Management Response

Management agrees with this recommendation. The branch office currently designates and maintains a list of the locations for policy and procedure manuals as indicated in the policy and procedure (reference no. 700:02 Policy and Procedure Manual) approved in November 2005 and revised in March 2006. The administrative assistants in each Home are responsible for replacing revised and new policies and procedures in each manual. In addition, all LTC branch policies and procedures have been accessible through Ozone since 2007. The location, both physical and electronic, of LTC-specific policies by service area will be reviewed as part of the three-year comprehensive cycle. The next cycle will begin in summer 2009.

Recommendation 6

That the Branch review its practices on home-specific policies to determine which policies and/or worksheets need to be home-specific and which are best to be Branch-driven to promote consistency.

Management Response

Management agrees with this recommendation. LTC has a policy and procedure regarding the development process for new policies and procedures (reference no. 700:02 Policy and Procedure Manual). All policies and procedures have a designated group for approval and any home-specific policies must be brought to the approving body for review and approval.

This level of consistency review may not have been clearly articulated in the policy and procedure document therefore, it has been modified to reflect a requirement for referral of home-specific policies and procedures to the branch management team for review and approval.

Recommendation 7

That the Branch's three year cycle for policy review include a work plan highlighting the policies to be reviewed and target dates.

Management Response

Management agrees with this recommendation. Work plans highlighting policy review target dates are coordinated by each functional team area, which maintains approval authority for the policies and procedures. LTC will review the centralization of these work plans in Q1 2009 and will include this

requirement in the functional team terms of reference. In addition, a requirement to report on progress will be incorporated into quarterly LTC reporting requirements. As a result of this review, the branch may need to request funding in the next budget for a centralized FTE to fulfill this role.

Recommendation 8

That the Branch review its Health and Safety policies to align them with the Health Care Regulations in order to assist the Branch to respond more succinctly to a Ministry of Labour Inspection and ensure that it meets operating requirements.

Management Response

Management agrees with this recommendation. The Occupational Health and Safety division will assist LTC with a review of their health and safety policies by the end of Q2 2009, in an effort to better align them with Health Care Regulations.

Recommendation 9

That methods of communicating policy change be measured for effectiveness and that access to online policies for care staff be explored as an option to increase accessibility.

Management Response

Management agrees with this recommendation. Access to online policies and procedures has been in place since 2007. Effectiveness of the communication of policy changes is measured as part of the annual compliance review by the Ministry of Health and Long Term Care and in the LTC accreditation process that takes place every three years. An internal measurement tool will be reviewed and considered in Q3 2009.

Recommendation 10

That policy changes be discussed and minuted at appropriate committees on a consistent basis.

Management Response

Management agrees with this recommendation and it is current policy. As part of branch policy and procedure (reference no. 700:02 Policy and Procedure Manual) it is the responsibility of functional teams to consistently review and record policy changes. The terms of reference for functional teams was reviewed in Q1 2009 and the specific responsibility for policy and procedure review will be documented to improve consistency in practice.

Recommendation 11

That the Branch develop a consistent policy regarding meeting protocols and records retention practices, including a standard meeting agenda format, a minute template to be used for all meetings and a master schedule with the various committees planned on an annual basis and distributed for reference.

Management Response

Management agrees with this recommendation. To meet accreditation requirements there are terms of reference in place for all committees of the LTC branch. The last review was completed in 2007. LTC will review the use of master templates across the branch versus across homes in Q1 2009. LTC will consider the expansion of master home schedules to a master branch schedule. As a result of this review, the branch may need to request funding in the next budget for an FTE to fulfill this function.

Recommendation 12

That the Branch adopt the practice that has been employed at Champlain for the "Journal interne Soins infirmiers".

Management Response

Management disagrees with this recommendation. There are branch and home templates for staff, resident and family newsletters. The practice at Champlain represents a diversion from branch policy and a duplication of work. This practice represents an inconsistency in staff communication and the branch director would like to see it discontinued by Q4 2008. Elements of the Champlain newsletter will be incorporated into the templates. The required process will be documented as part of a long term care comprehensive communication program for staff.

Recommendation 13

That the Branch review its purchasing practices to ensure that appropriate segregation of duties, documentation and settlement processes are implemented.

Management Response

Management agrees with this recommendation. LTC and Financial Services have conducted a review of the branch's purchasing practices and have implemented appropriate segregation of duties or mitigating controls.

Recommendation 14

That the Branch review its use of procurement cards and approval processes to ensure compliance with the corporate Purchasing Policy, including requiring any cardholders who allow others to make charges to their card to provide the appropriate written authorization.

Management Response

Management agrees with this recommendation. As stated in the corporate purchasing card policy and procedures, cardholders shall not share their cards with other individuals unless their director has given written approval, in order to meet operational needs of the department. LTC is now in compliance with this procedure as the management team have provided written authorization to the store person to place orders on their behalf. In order to minimize any additional future risks, the branch has implemented an internal policy whereby all orders placed by the store person will be processed against their purchasing card. The purchasing card is then reconciled and approved on a monthly basis by the store person's manager and Financial Services as outlined in the purchasing card procedures.

The Auditor General also noted in the audit report that items were purchased without competitive quotes. Competitive quotes were not required as the purchases were of an urgent nature and were of a small dollar value.

LTC implemented a cooperative purchasing process in 2007 through a consolidation of the request for tender process across the homes. Purchasing for medical supplies, food and environmental services is coordinated through standing offers.

Recommendation 15

That the City complete the procedures in the Managers Tool Kit and combine the various manuals into one key binder as well as update the Ozone intranet site.

Management Response

Management disagrees with this recommendation. The 'LTC Managers Tool Kit' was developed as an orientation tool for new managers in LTC. The toolkit is a reference manual, not a policy and procedure manual and refers managers to Ozone for various types of information. The toolkit is updated regularly, as new information becomes available via e-mails to managers. It is the individual responsibility of each manager to insert the revised information into their respective manual. This process will be reviewed and the reassignment of this task to the same responsibility centre for revisions to other policy and procedures manuals in each home will be considered. The toolkit has been shared at a departmental level. It is outside the scope of authority for the LTC branch to make this toolkit a corporate resource.

Recommendation 16

That a standardized work planning process be established across the Branch in order to roll up to the Branch-wide short and long term planning framework and that this process be developed in line with the City and CPS Department

planning frameworks and include both a reporting as well as a communication strategy.

Management Response

Management agrees with this recommendation and this is current policy. LTC has used a balanced scorecard approach to work planning since 2005. Every year LTC reviews corporate and departmental directions and priorities and incorporates these into branch-level planning. As an example, in 2008 LTC revised the balanced scorecard to reflect the City's direction toward service excellence and the departmental direction of customer service.

The LTC strategic planning and work plan development process, coupled with revision of performance measures is conducted as a collective every fall. This step is followed by the development of home-based work plans that reflect the major priorities of the LTC branch. LTC has a quarterly reporting process for the status of achievement on the branch work plan. This information is communicated at quarterly branch meetings and monthly general staff meetings. It is also communicated as an on-going component of the LTC accreditation process. The specific templates to be used will be added as supporting documentation to policy and procedure 700:34: Quality Management to increase consistency in the work plan templates.

Recommendation 17

That the Branch and FSU develop a consistent mechanism to analyze the gapping requirement against the Service Delivery Model and quality indicators such that the impact of the practice on residents can be assessed.

Management Response

Management agrees with this recommendation. A new corporate Vacancy Allowance policy has been approved by Executive Management Committee, which established a gapping rate of 1.6% per department. LTC, Financial Services and Human Resources will enhance current gapping reports to improve gap analysis so that quality indicators such as impact of the policy on service delivery can be assessed. This will be implemented by Q4 2009.

Recommendation 18

That the Branch and FSU develop a preferred accommodation policy and associated procedures to be shared with the Community Care Access Centre in order to provide clarity and an avenue for communication to continue to improve preferred revenue income.

Management Response

Management disagrees with this recommendation. LTC currently has policies and procedures in place to notify the Community Care Access Centre when bed

vacancies arise. This policy has been shared with the CCAC to ensure that preferred accommodation is maximized. It requires that the type of accommodation available (preferred or basic) be identified at the time of notification.

LTC complies with regulation 39.0.1 under the Homes for the Aged and Rest Homes Act which states that, "a home shall ensure that no more than 60 per cent of the bed capacity of the home is set aside as preferred accommodation". Collectively, preferred accommodation revenue was at 96% for 2006, 97% for 2007 and is at 99% as of the end of August 2008.

Recommendation 19

That, as part of the implementation of Goldcare, the Branch and FSU develop new reports or views from Goldcare to provide electronic census reports including flags to assist the social workers with bed moves to maximize preferred accommodation revenues.

Management Response

Management agrees with this recommendation. New reports have been developed and implemented to assist social workers to ensure that preferred accommodation revenue, which is currently maximized, will continue to be so into the future.

Recommendation 20

That the Branch and the FSU confirm its knowledge of the eligible expenses in each envelope on a regular basis and analyze these costs on a vertical and horizontal basis (between homes, between years and externally to other homes).

Management Response

Management agrees with this recommendation. Both Financial Services and LTC staff are aware of and understand the eligibility of expenses within each funding envelope. Annual third party audits are performed on expenditures to ensure compliance with specified ministry guidelines. Increased reporting and analysis of expenses within the funding envelopes will be undertaken by the branch, in conjunction with Financial Services, and will be implemented by Q2 2009.

Recommendation 21

That the Branch develop a comprehensive project plan for the Goldcare implementation with key milestones and deliverables, including regular reporting on its status, results and training activities as well as specifying years to payback of the system.

Management Response

Management agrees with this recommendation and a project plan, developed by the branch, IT and the vendor is currently in place.

A project plan has been in place since the project started for ongoing implementation and development. A branch steering committee and user group were established post implementation (Q4 2008). These teams meet on a quarterly and monthly basis as per their respective terms of reference to address emerging issues and to identify new opportunities as the software version upgrades are introduced. Status reports are provided as part of the standing agenda items to the branch management team.

Recommendation 22

That the Branch benchmark their Case Mix Measure prior to the implementation of Goldcare including the subsidy against post Goldcare implementation.

Management Response

Management agrees with this recommendation and it is current practice. The LTC branch has tracked the Case Mix Index and Case Mix Measure across the four homes for the past seven years and has continued to do so following the first phase of Goldcare implementation, which was completed in May 2008. This documentation is distributed to administrators and managers of Resident Care annually. Of note, is that as of Q4 2009 CMI will no longer be used to evaluate residents in LTC homes. This program conversion is in phase 6 of a provincial conversion to the Resident Assessment Instrument-Minimum Data Set (RAI-MDS). City homes will be participating in the provincial RAI-MDS program and will no longer receive CMI and CMM results.

Recommendation 23

That the Branch forward a copy of the High Intensity Needs claims to the FSU in order to improve accounts receivable practices and allow for proper reconciliation.

Management Response

Management agrees with this recommendation. A process for reconciliation of High Intensity Needs claims against Ministry revenue was developed and implemented as part of the first phase of Goldcare implementation, which was completed in May 2008.

Recommendation 24

That the Branch review the High Intensity Needs policy against internal practice to determine if there are additional cost recovery opportunities for the home.

Management Response

Management agrees with this recommendation. The branch conducts this practice on an annual basis to ensure all cost recovery opportunities are maximized. This practice will be documented in the Q1 2009 review of the terms of reference for the functional teams.

Recommendation 25

That the Branch coordinate grant program submissions and assist home management with the response.

Management Response

Management agrees with this recommendation and it is current practice. The ongoing practice is to coordinate grant submissions through the LTC branch management team. This practice was introduced in 2004 to maximize the homes' ability to access newly announced funds through the provincial nursing strategy. Upcoming funding opportunities are discussed at branch management team, an administrator is selected to coordinate the application on behalf of the branch and a central application is submitted. In some cases the Ministry of Health and Long Term Care requires an individual home submission and this requirement is assessed with each new funding opportunity. This process has continued since 2004 and is now used for other central applications, such as research due to the success the branch achieved in accessing funds with a centralized process.

Recommendation 26

That the Branch determine the appropriateness of the allocated costs, document the method of allocated administration costs and ensure that proper documentation is available for audit.

Management Response

Management agrees with this recommendation. Costs are allocated as per Financial Information Return (FIR) guidelines. The allocation methodology will be documented and kept on file for LTC staff and future audit requirements. This will be implemented by Q3 2009.

Recommendation 27

That the Branch, in concert with the FSU, develop policies and procedures for the management of trust accounting that are reflective of MOHLTC program standards and provincial legislation and regulations and which clearly define the accountabilities and responsibilities of the Branch and the FSU.

Management Response

Management agrees with this recommendation. LTC and the FSU currently comply with policies and procedures regulated under the Homes for the Aged

and Rest Homes Act. Each year a third party financial audit is conducted to ensure compliance with specified ministry guidelines.

Financial Services and LTC will formalize and document current policies and procedures by Q4 2009.

Recommendation 28
That the Branch update the admission agreement to include charges of accommodation fees to the trust, as well as all other fees, authorized by residents' initials.

Management Response
Management agrees with this recommendation. Prior to this review, the admission agreement listed the services provided by LTC which the resident or power of attorney accepted as a whole. The admission agreement has now been updated to include areas adjacent to each service to be initialled upon admission.

Recommendation 29
That an annual review process be undertaken for each resident/family to ensure that the fees charged to the trust are agreed to.

Management Response
Management agrees with this recommendation. Currently, each resident/family receives a monthly statement outlining balance remaining, fees charged and closing balance of their trust account. In addition, commencing for the 2008 year-end, Financial Services will provide a consolidated annual statement for review.

Recommendation 30
That, at least annually, residents and families be surveyed on their financial experience in order to assess client service of the FSU.

Management Response
Management agrees with this recommendation. This is incorporated in the annual resident satisfaction survey that has been undertaken since 2001 as part of the OMBI reporting process.

Recommendation 31
That Management review the interest policy for trust accounts to determine if there are some increased interest income opportunities for residents.

Management Response
Management agrees with this recommendation. The Homes for the Aged and Rest Home Act (Regulation 637) limits the type of investments that trust accounts can enter into as it requires that funds are accessible by residents at all times. The

resident trust accounts meet the requirements to have funds on demand and currently generate a return of prime less 1.75%, which is the most competitive rate on the market, as confirmed with the City's financial institution.

Recommendation 32

That Management review the signing authority with respect to the trust and the practice of closing off trust accounts and that improved controls over cheques be implemented.

Management Response

Management agrees with this recommendation. Signing authority for trust accounts has been implemented and forms part of the admission agreement.

The Auditor General states that control over cheques issued could be improved as cheques were found to be in open view. Financial Services operates in a secured area and cheques are locked away when not in use.

Recommendation 33

That the Branch review its accountability framework as it relates to financial requirements and move to an integrated budgeting approach in conjunction with the CPS Department and City as a whole.

Management Response

Management disagrees with this recommendation. The Auditor General has concluded that Corporate Finance provides guidelines and parameters for budgets and this practice leaves fewer opportunities for decision-making at the branch level. Management receives budget guidelines and parameters from City Council, not Corporate Finance. Yearly targets are identified through the branch hierarchy and are then reviewed at a branch/departmental level prior to being presented in the draft budget.

The Long Range Financial Plan also allows the branch to identify required needs within the City Operations department and the City as a whole.

Recommendation 34

That the Branch undertake an annual review be to assess potential efficiencies as well as revenue opportunities.

Management Response

Management agrees with this recommendation. An annual efficiency review is current practice. The first review was conducted through the Branch Process Review Program (BPRP) process in 2007 and included external benchmarking. LTC is currently concluding its second annual review through a Strategic Branch Review (SBR), which will be completed by the end of Q4 2008.

Recommendation 35

That the Branch move towards multi-year budgets taking life cycle costs and long term cost of capital into account in conjunction with PSAB compliance.

Management Response

Management agrees with this recommendation. LTC, along with all City branches participate in the annual budget process. Multi-year capital budgeting including lifecycle costing has been the practice since the City amalgamated and multi-year operating budgets were introduced in 2008.

Recommendation 36

That Branch operating budgets continue to be prepared on a per resident per day basis and that results be monitored for both expenses and revenues on that basis.

Management Response

Management agrees with this recommendation. The current practice is to prepare operating reports on a per resident per day basis so that results are monitored for both expenditures and revenues.

Recommendation 37

That Branch capital budgets be prepared on a life cycle cost basis to ensure that all costs are included in every capital project.

Management Response

Management agrees with this recommendation. While LTC receives a set allocation for minor capital, a lifecycle approach linked with the homes' preventative maintenance program, is used to identify capital replacement priorities across the four homes. These include: medical equipment, furniture, kitchen equipment, etc.

Recommendation 38

That the Branch and FSU collaborate to develop useful and timely variance reporting.

Management Response

Management agrees with this recommendation. Current practice is to provide monthly operating and capital reporting and ad hoc variance reporting as required. Financial Services will continue to review and develop the reports provided to ensure their effectiveness.

Recommendation 39

That the Branch in conjunction with the FSU develop an internal control framework with a full range of control policies including accounts receivable, inventory and tangible capital assets.

Management Response

Management agrees with this recommendation. Corporate policies are being developed on an ongoing basis as part of the Financial Control Framework. Accounts receivable policies are in place, however, are not fully documented. Proper documentation will be implemented by Q3 2009. With respect to tangible capital assets (TCA), the branch has postponed a fixed asset review until the new TCA protocol has been developed. Once the TCA protocol has been implemented appropriate counts and itemization will occur. Finance will comply with the PSAB 3150 requirement, coming into effect on 1 January 2009, for reporting on 2009 financial statements by mid 2010.

Recommendation 40

That the Branch review its payroll and scheduling process to determine if access cards can assist in payroll reconciliation.

Management Response

Management agrees with this recommendation. LTC and Human Resources will review the payroll and scheduling process to determine if access cards can assist in payroll reconciliation by the end of Q3 2009.

Recommendation 41

That the Branch work with the FSU to improve financial reporting and ensure PSAB compliance.

Management Response

Management agrees with this recommendation. Financial Services will continue to provide monthly operating and capital reports and ad hoc variance reporting as required. Finance will comply with the PSAB 3150 requirement, coming into effect on 1 January 2009, for reporting on the 2009 financial statements by mid 2010. New reporting standards are currently being developed by Financial Services and training of appropriate staff has commenced.

Recommendation 42

That the Branch review the need to staff a full time hairdresser in each home and the possibility of a contracted service (respecting the collective agreement).

Management Response

Management agrees with this recommendation. The City has a collective agreement provision that prevents contracting out of this service. LTC and Human Resources will work with the union to explore the possibility of exempting this service from the contracting out provisions in the collective agreement.

Recommendation 43

That the Branch review the food costs and recovery rates for Meals on Wheels, family meals, etc. to determine the appropriate rates.

Management Response

Management agrees with this recommendation. An annual review and contract process is currently in place. The annual process involves a review of food costs in long term care and considers any provincial increases that have been made to raw food.

Recommendation 44

That the Branch review its fundraising activities to assess possible revenue sources on behalf of residents.

Management Response

Management disagrees with this recommendation. The homes do not have a fundraising role. However, commencing February 2009, LTC will have staff representation on the new Long Term Care Prosperity Fund Board of Directors. This is a new community-based initiative with the intent to leverage community funds for supplemental long term care programs.

Recommendation 45

That the Branch ensure the most current admission agreement form is utilized for all new admissions across the homes.

Management Response

Management agrees with this recommendation and will ensure compliance with the current policy to use the updated form available on Ozone. A process has been in place since 2007 whereby current agreements are posted on Ozone to ensure admission agreement forms are consistent across all four homes.

Recommendation 46

That the FSU implement quality assurance measures to review admission documentation received from the social workers from each home including an admission checklist to ensure documentation is complete and an annual review

process of the resident business files with a full trust and accommodation statement.

Management Response

Management agrees with this recommendation. A process to ensure completeness of the resident business files has been implemented. As well, trust and accommodation statements will be placed on file annually.

Recommendation 47

That the Branch develop improved access card procedures, particularly with respect to the issuance of cards to residents/families and to the processes for after hours cancellation.

Management Response

Management disagrees with this recommendation. Effective procedures are currently in place with respect to access cards. In addition, there is a process in place for immediate cancellation of cards after hours. The Power of Attorney for personal care has the authority to contact the Home's administrator to verbally change the access hours for a card during a situation of end of life care. The facility charge nurse has the authority to contact the administrator or their designate to authorize a change in card access after hours as per policy and procedure (reference no. 750:25 Access cards – Families and Residents). This policy will be reviewed with staff in Q2 2009.

Recommendation 48

That the homes provide access to the vestibules of the buildings in a manner that does not compromise the security of the building.

Management Response

Management agrees with this recommendation. LTC has previously investigated this possibility with Corporate Security and will revisit it again in Q2 2009. To mitigate the potential risk to residents from exposure to heat or cold, an access card is required to exit the homes, thereby reducing the likelihood that a resident cannot regain entry to the building. Furthermore, a doorbell is presently in place that rings at reception or to the charge nurse's cell phone to allow for timely access.

Recommendation 49

That the Branch implement policies regarding vendor access in unsecured and/or unmonitored areas of the building including notification to reception when vendors are in the building.

Management Response

Management agrees with this recommendation and will ensure compliance with current policy. Current practice is that staff accompanies unauthorized vendors as indicated in (policy and procedure reference no. 700:21: Security – Salespeople, Contractors, Trades people).

Recommendation 50

That the Branch review its health and safety terms of reference in light of the stipulations for workplace inspections with the Occupational Health and Safety Act.

Management Response

Management agrees with this recommendation. A comprehensive review was completed in 2007 and LTC branch practices were found to be compliant. As part of the regular review process, Occupational Health and Safety will review the terms of reference with LTC and will recommend and/or complete a revision where required, by the end of Q2 2009.

Recommendation 51

That during the next round of strategic planning for CPS, the Branch take on a more active role to ensure the vision of the Branch is reflected in the CPS Plan.

Management Response

Management disagrees with this recommendation. LTC is actively involved in departmental planning and believes that the branch vision is adequately reflected in the City Operation department's plan. Since 2001, LTC has had a strong focus on resident/customer satisfaction. Both the departmental and corporate plans reflect this vision.

Recommendation 52

That the business planning processes, reporting mechanisms and business plan format used by the Branch and homes be standardized, including quarterly reviews of the business and departmental plans and variance analyses to ensure early corrective actions.

Management Response

Management agrees with this recommendation. This process is already in place, has been supported by the FSU since 2006 and will be formally documented by Q3 2009 to ensure consistent practice.

Recommendation 53

That the Branch continue to perform an indicator needs analysis on an annual basis based upon quality management activities to ensure relevance of Balanced Scorecard indices.

Management Response

Management agrees with this recommendation and it is current practice. An annual review process has been in place since LTC implemented the balanced scorecard approach in 2005. The branch will continue to perform an annual review of indicators as a part of this existing process that includes participation from all management levels in long term care. All managers have an opportunity to raise issues with indicators at their monthly functional team meetings, at quarterly LTC meetings and at the formal annual review of the balanced scorecard process. These submissions can be written or verbal. In the Q4 2009 review of terms of reference a documented requirement for a written submission of indicators will be considered.

Recommendation 54

That, as part of the implementation of Telestaff, the practice of generating staff models reports be established.

Management Response

Management agrees with this recommendation and confirms that it is part of the implementation plan. This is included in the phased implementation plan for Telestaff. Homes already implemented are currently receiving reports. Regular management reporting mechanisms will be fully established by Q3 2009.

Recommendation 55

That the Branch assess the risk of absence of the sole staff member responsible for the Balanced Scorecard indicators and respond with an appropriate contingency plan.

Management Response

Management disagrees with this recommendation. This function is not that of a sole staff member. All managers are responsible for entering their program data into the balanced scorecard templates and there is a manager with oversight responsibility for the program. To date there have been no issues with this approach, which is reviewed annually as part of strategic and operational planning process.

Recommendation 56

That respective roles and responsibilities of the FSU, RPAM, Employee Services, Branch staff and home staff be documented within a service agreement with performance standards and expectations.

Management Response

Management agrees with this recommendation. Service level agreements currently exist, but will be updated to reflect specific roles and responsibilities, performance standards and expectations.

Human Resources will work with LTC to update their service level agreement by the end of Q2 2009. RPAM will begin work with LTC to develop a service level agreement in Q3 2009. With respect to the FSU, roles and responsibilities will be documented as organizational restructuring develops. This will be completed by Q1 2010.

Recommendation 57

That the orientation program provided for new City Councillors incorporate a segment that outlines their responsibilities under the LTC Act and the OHS Act.

Management Response

Management agrees with this recommendation. As part of the next new Councillor orientation program, LTC will review information provided and will ensure that materials are updated to reflect any changes with respect to the new *Long Term Care Homes Act* by Q3 2010. In addition, Occupational Health and Safety (OH&S) will incorporate an overview of the employer's responsibilities under the *OH&S Act*.

Recommendation 58

That performance reviews be completed on a regular basis to assess training requirements and re-establish commitments and set goals for the upcoming years.

Management Response

Management agrees with this recommendation. Current practice is that annual performance reviews are completed for full-time CUPE 503 and CIPP staff and, every two years for part-time and casual CUPE 503 staff. A staff performance review database is maintained to ensure targets are met and managers are provided with a monthly report listing performance appraisals due for the month. Performance appraisals for supervisors and managers include an expectation for performance appraisal completion with staff and outcomes are monitored through this process. A pilot project was initiated at Armstrong Home in Q4 2008 to submit the training and development plan portion of all staff

performance appraisals to the coordinator of training and development to facilitate an analysis of the types of issues identified in developmental plans. Pending the outcome of this pilot project, changes to the process will be introduced to all homes in Q1 2010.

Recommendation 59

That, following the implementation of Telestaff, the Branch and FSU work together to produce staffing reports to measure against effectiveness of the Service Delivery Model.

Management Response

Management agrees with this recommendation. LTC, Financial Services and Human Resources will develop reports to measure service delivery model effectiveness following implementation of Telestaff in Q3 2009.

Recommendation 60

That quality management plans and initiatives be discussed regularly at the Branch level to establish their standardized requirements and to promote consistency amongst homes.

Management Response

Management agrees with this recommendation. Quality management plans have been reviewed quarterly at branch management team meetings and annually in concert with home managers since 2007. The quality management program is documented in policy and procedure 700:34 and was revised in Q1 2009 to reflect changes to the balanced scorecard program reporting process.

Recommendation 61

That the Branch and its homes continue to utilize quality management indicators to inform their reviews of policy and practice and that a routine review of the indicators be undertaken to ensure that they remain relevant to the organization as measures that assist in the monitoring of care and service quality, and mitigate the potential for undue risk.

Management Response

Management agrees with this recommendation.

Quality indicators are reviewed quarterly and work plans are established annually, and as part of the of the three-year accreditation process. The quality management program is documented in policy and procedure 700:34 and was revised in Q1 2009 to reflect changes to the balanced scorecard program reporting process.

Recommendation 62

That the Branch continue to explore cost effective methods to gain access to industry best practices with planned implementation of these practices throughout the organization.

Management Response

Management agrees with this recommendation. LTC undergoes an annual efficiency review and participates in OMBI. A recent realignment of the supervisor of Resident Care position in each home to the coordinator of Best Practice will allow a broader sector and interdisciplinary approach to these annual reviews and will include such components as provincial and national associations, content experts, conference proceedings, literature reviews and peer reviewed journals.

Recommendation 63

That the Branch continue their current active involvement and encourage others to become involved in local seniors' and long term care issues so that the City's LTC visibility is promoted.

Management Response

Management agrees with this recommendation and this is current practice. For the past four decades, LTC has led senior's initiatives and participated in long term care sector partnerships and community partnerships, such as Successful Aging Ottawa, the United Way/Centraide Seniors Impact Council, the Senior's Agenda, the Champlain Dementia Network and the Regional Geriatric Advisory Committee to improve the role of LTC and promote research and best practice in City LTC homes. This leadership role has traditionally been the responsibility of the Director LTC and will be continued wherever possible within current staffing and management levels.

Recommendation 64

That the Branch review training requirements in light of mandatory requirements as well as professional practice.

Management Response

Management agrees with this recommendation and the current practice will be formally documented as a policy to ensure consistency. Mandatory training is reviewed annually to ensure it is up-to-date with current practice. Professional training is reviewed annually to ensure regulatory requirements are met.

Recommendation 65

That the Branch review the requisite skills and roles of the social worker position to determine the best use of this staff position from the joint perspectives of its contribution to the interdisciplinary care to residents and cost effectiveness.

Management Response

Management agrees with this recommendation. This position is presently under review to identify the elements of the position that are administrative and the elements of the position that draw on social work expertise. Job evaluation results are expected to be complete by Q1 2010.

Recommendation 66

That more cooperative purchasing be pursued across all homes.

Management Response

Management agrees with this recommendation. LTC implemented a cooperative purchasing process in 2007 through a consolidation of the request for tender process across the homes. Purchasing for medical supplies, food and environmental services is coordinated through standing offers.

Recommendation 67

That project plans for the Goldcare and Telestaff projects be developed to include successes to date, milestones, training and deliverables with a view to facilitating timely implementation processes.

Management Response

Management agrees with this recommendation. Project plans for the Goldcare and Telestaff projects were developed by long term care to secure initial project funding and support from IT services. Telestaff has a multi-phase implementation plan, which will be completed by Q3 2009. A steering committee has been established to identify strategic opportunities and areas for policy development with regard to the ongoing use of the Goldcare system. In addition, a Goldcare user group has been established to support staff in the resolution of ongoing user issues and to identify additional user requirements related to annual software upgrades.

Recommendation 68

That upon implementation of the Telestaff system, the Branch and FSU work together to develop a regular schedule of reports and variance analyses that will assist managers in determining appropriate staffing levels.

Management Response

Management agrees with this recommendation. LTC, Financial Services and Human Resources will develop reports to measure service delivery model effectiveness following implementation of Telestaff in Q3 2009.

Recommendation 69

That the various survey tools be reviewed on a regular basis to ensure the questions are generating meaningful, useful information and to determine the relevance of the content for service improvement purposes across all operational domains.

Management Response

Management agrees with this recommendation. Survey tools, such as the resident satisfaction survey, the staff needs assessment survey, the palliative care survey, the admission survey, etc. are reviewed on an annual basis before they are re-implemented. As an example, in 2008 the resident satisfaction survey was modified to allow more detailed information in specific service areas to allow managers to capture specific program data to facilitate modification of their program offerings.

Recommendation 70

That the Branch and FSU engage in discussions with the PSAB lead at the City to assess the impact on LTC reporting in a full accrual accounting environment.

Management Response

Management agrees with this recommendation. Discussions have already taken place and will continue into the future to ensure that PSAB 3150 requirements are met prior to the 2009 reporting of financial statements by mid 2010.

Recommendation 71

That the Branch, in consultation with RPAM, develop a long-range asset management plan that encompasses a replacement plan over a minimum 20-year horizon for all buildings and equipment.

Management Response

Management agrees with this recommendation. As the corporate landlord, RPAM has conducted the necessary condition reviews on Carleton Lodge, Centre d'Accueil Champlain and Peter D. Clark Home in order to establish a long-range capital lifecycle renewal plan and comprehensive asset management plan for the City's long term care facilities. The results of these condition reviews have been factored into the overall lifecycle renewal plan over the next 20 years with a significant investment already being made, most notably, at Carleton Lodge. As it is a newer facility, a condition review of the Garry J. Armstrong Home will

take place in five years time and the result will be incorporated into the overall lifecycle renewal program.

Recommendation 72

That the Branch implement an inventory management system, including food management and medical supplies inventory.

Management Response

Management agrees with this recommendation.

The City is committed to protecting the assets of the corporation. Operational directors within the corporation are accountable for the control and safeguard of City assets they use in the delivery of services and are in the best position to align appropriate controls with their operational requirements. This is clearly stated under 'Management Responsibilities' within the City's Code of Conduct where it states: "The management of the City is accountable for protecting the assets of, and the public trust in, the City. Towards this end, management must make every effort to establish and maintain adequate systems, procedures and controls to prevent and detect fraud, theft, and breach of trust, conflict of interest, bias and any other form of wrongdoing."

There are corporate policies in place covering the capitalization, depreciation, identification, accounting, recording and safeguarding of City assets and inventory and these are clearly outlined in the responsibilities within the corporation. The food, medical supplies or other consumable materials used by the LTC branch are items expensed during the year and are not within a major asset class and do not go into a stores inventory system. The significant majority of these supplies and materials are purchased on a "just in time basis", are expensed and immediately consumed or used. Those items relate to purchases made in the delivery of LTC services and are not appropriate items for inclusion in inventory.

Notwithstanding, LTC in conjunction with Financial Services will review the current systems and will implement, where necessary, an inventory management system, additional controls or mitigating measures to limit risk. Funding requirements will be identified in the 2010 budget. This will be implemented by Q3 2010.

Recommendation 73

That the Branch and its education coordinators revisit the attendance target for in-service training and explore the best practices that have been developed by other homes to facilitate the comprehensive, cost effective strategies for delivering the MOHLTC mandatory training sessions to all staff on an annual basis.

Management Response

Management agrees with this recommendation and a review is underway. In an effort to continuously improve delivery and effectiveness of mandatory training programs, management is presently reviewing the delivery model. A recommendation regarding possible changes will be brought to branch management team in Q2 2009.

Recommendation 74

That the Branch develop a comprehensive staff development trainers' manual with comprehensive training profiles for each in-service topic.

Management Response

Management agrees with this recommendation and it is being implemented. LTC will consolidate existing training programs, develop a comprehensive manual which includes all items covered in general staff orientation, and will post it on Ozone by Q4 2008.

Recommendation 75

That the Branch develop a Staff Investment Strategy Framework to guide the home-specific training efforts and to align scarce resources for staff development effectively.

Management Response

Management agrees with this recommendation. The Learning and Growth Committee identifies training needs through the annual staff needs assessment. The Learning and Growth team submits an annual training plan for approval to the branch management team. The priority for funded staff attendance at training is established based on needs identified in this annual plan.

Conclusion

The LTC Branch and its four homes provide quality resident-centred care and services. Furthermore, the homes have put into practice the Resident Bill of Rights, they reflect adherence to the MOHLTC compliance standards and consistently follow, for the most part, the Branch policies. Although the homes, on occasion, were found to have unmet standards, the compliance issues were addressed in a timely and appropriate manner with the exception of mandatory in-service training sessions on an annual basis for 100% of staff and Food Service Worker Certification. There are examples of innovation and creative program development within the Branch and at specific homes. These advances and successes in care and service practices routinely shared across the organization for implementation as new best practices. There remain, however, notable differences between homes despite significant, ongoing standardization efforts.

With respect to the trust and accommodation accounting performed by the FSU, there are significant deficiencies in records management. Although there have been few complaints, the lack of policies and written procedures as well as documentary evidence poses risks for the City. These practices need to be reviewed in light of the MOHLTC program standards and the Trust Act. The practices should be revised to ensure proper and thorough documentation is present in all resident files. A new satisfaction survey should be developed to measure the success of these initiatives.

The Branch should review its financial management and accountability framework. There is an inherent lack of inventory/asset controls as well as limited oversight and long term vision in this area. There is lack of adequate reporting mechanisms available to the management to ensure proper prudence and probity over public funds. Budgetary processes have not embraced modern comptrollership practices and tend to be developed from a top down approach rather than involvement from various levels of management. Furthermore, budgets are developed based upon affordability rather than need and do not reflect life cycle costs or capital plans over the long term.

Acknowledgement

We wish to express appreciation to the staff and management of the LTC Branch; direct care and service staff and management of the LTC homes; and staff of the COEs, for their cooperation and assistance throughout the audit process.

3.3 Audit of the Children's Services Division

EXECUTIVE SUMMARY

Introduction

The audit of the Children's Services Division was included in the 2008 Audit Plan of the Auditor General, first presented to Council in May 2007.

Background

At the time of this audit, the Children's Services Division (CSD) was part of the Parks and Recreation Branch (the Branch). CSD administers the child care program at the City of Ottawa. CSD's mandate is to ensure that quality, affordable child care is available to the residents of the City of Ottawa. CSD works in consultation with the child care community on policy development issues to ensure the quality and safety of available services and to plan for the development of efficient services in the future.

The table below summarizes the CSD budgets and expenditures for 2006-2008.

	2006		2007		2008	
	Budget	Actual	Budget	Actual	Budget	Actual
FEE SUBSIDY	$51,726,840	$52,436,889	$52,157,062	$51,423,836	$53,076,564	$51,077,542
CHILD CARE ADMINISTRATION	$3,090,943	$2,978,298	$2,969,428	$3,045,567	$3,061,759	$3,273,276
CHILD CARE ONTARIO WORKS	$4,370,844	$4,274,473	$4,338,111	$4,243,064	$4,399,585	$4,478,274
WAGE SUBSIDY, SPECIAL NEEDS & EARLY YR	$20,550,872	$20,771,623	$20,925,867	$19,901,053	$20,549,180	$20,615,652
BEST START	$6,557,132	$3,920,861	$7,614,389	$9,898,065	$10,581,232	$10,812,022
CC SMALL WATER WORKS	$0	$99,515	$0	$70,730	$70,730	$70,730
TOTAL	$86,296,631	$84,481,659	$88,004,857	$88,582,315	$91,739,050	$90,327,496

The role of the CSD includes the management of subsidy programs and the provision of funding to community child care agencies. Although municipalities are given wide discretion in the manner in which they implement the various programs; all standards and regulations are set by the Province in order to ensure accountability, openness and fairness in allocation of child care subsidies and spaces while ensuring rigorous stewardship of these resources. The Ministry of Children and Youth Services approves licensed spaces under the Day Nurseries Act.

Child care programs fall within two broad categories: licensed and unlicensed. The Fee Subsidy Program provides child care fee subsidy / assistance for parents that are eligible within licensed child care programs. Ontario Works Child Care (OWCC) clients, through OWCC funding, are eligible for both licensed child care

spaces (not subsidized) and OWCC formal and informal child care funding payments. To be eligible for subsidy, parents must be participating in approved employment assistance activities unless the child or parent has a special need or the child has a social need.

At the City of Ottawa, informal child care funding is available only to Ontario Works clients. OWCC funding is administered by CSD while Ontario Works financial assistance is administered by the Employment and Financial Assistance (EFA) Branch. Clients must fill out an application form in order to be considered for subsidized day care. An income test and social criteria determination approach is subsequently utilized in order to determine whether the client is eligible. As OWCC clients usually need child care quickly in the evening, overnight and weekends, the City, through OWCC informal funding will provide OWCC informal payments to fund informal child care situations or utilize the Municipal Home Child Care Program. However, the City policy supports the promotion of licensed child care. If spaces permit, formal subsidized child care is offered and provided by a licensed child care agency. The key differences between the three options are as follows:

a) Informal child care – These situations involve private provision of child care between two private citizens. The client receives the OWCC informal funding via reimbursement of child care paid. Receipts are required to be filed with the City as proof of payment.

b) Municipal Home Child Care Program– In these situations, the City directly provides licensed home child care services and at times by soliciting the collaboration of other licensed home child care agencies, enters into agreements with home child care providers across the City to provide licensed home child care. These providers are paid directly by the City with OWCC formal funding.

c) The Fee Subsidy Program provides child care fee subsidy / assistance for licensed spaces under the Day Nurseries Act. When a space is available, the client is income tested and subsidies are paid directly to the child care centre / home child care agency if the client is eligible.

Limited financial assistance, under the child care subsidy, is available to families living in Ottawa where the parents are working, looking for work, or going to school and also meet certain financial requirements. According to the Fee Subsidy Guidelines issued by the Ministry of Children and Youth Services, no family pays more than the total cost of child care for all children. For example, if adjusted income is $75,000 the family is eligible for subsidy as long as the daily cost is over $48. The table below shows the daily parental fees based upon various levels of income:

Annual Adjusted Income	Daily Parent Fee
$5,000-20,000	$0.00
$25,000	$1.92
$30,000	$3.83
$35,000	$5.75
$40,000	$7.66
$46,000	$13.41
$50,000	$19.16
$55,000	$24.90
$60,000	$30.65
$65,000	$36.40
$70,000	$42.15
$75,000	$47.89
$80,000	$53.64
$85,000	$59.39
$90,000	$65.13
$95,000	$70.88
$100,000	$76.63

Subsidy Coordinators are responsible for determining income and the related parental fees based upon the criteria found in the O.Reg 262.

There are approximately 19,300 licensed child care spaces in the City of Ottawa. CSD provides funding to over 200 child care agencies under the formal child care program and over 7,200 subsidized spaces. The City has a large waiting list with 3,700 clients waiting for subsidized child care spaces. The full audit report provides additional background information regarding the subsidized child care program in Ontario.

In 2006, the City received a report to its Fraud and Waste Hotline alleging that the majority of OWCC subsidies for informal child care were fraudulently obtained and staff were aware of this fraud. No evidence of this fraud was discovered in the audit conducted by the Office of the Auditor General in response to this Hotline report. Recommendations flowed from the audit conducted in 2006 primarily with respect to communication between CSD and EFA, documentation, internal controls and processes. More recently, some concerns were raised by representatives of child care providers regarding the distribution of child care spaces across the City and the budgetary submission process utilized by the City to determine annual subsidies. This audit provides observations and recommendations in these areas.

Audit Objectives

The audit was undertaken in order to provide a professional opinion on the overall administration of child care subsidies as part of the Auditor General's overall audit plan. The audit is intended to provide an opinion on the openness, transparency and fairness of the determination of child care subsidies as well as compliance with

legislation and policies. Further, the audit is intended to assess the degree to which CSD developed and implemented improved policies, procedures and documentation requirements as a result of the recommendations contained in the 2006 audit conducted by the Auditor General with respect to OWCC subsidies. The audit is intended to assess the fairness and transparency of the allocation of subsidized spaces.

Audit Objective 1: To evaluate the degree to which the 2006 audit recommendations from the Office of the Auditor General have been implemented and documented.

a) Eligibility criteria for OWCC subsidies are documented and effective and participation agreements are up to date.

b) Monthly receipts are received and verified by Subsidy Co-ordinators and subsidies suspended when receipts are not provided.

c) Participation agreements and client status changes are communicated between the CSD and the EFA and subsidies are adjusted in a timely manner.

d) Communications between the EFA Branch and the CSD with respect to OW client eligibility are effective.

e) Child care provider authenticity is verified.

Audit Objective 2: To evaluate the effectiveness of the current internal control framework based upon any changes undertaken by the CSD and the EFA Branch since 2006.

a) Appropriate segregation of duties is evident and documented in policies and procedures.

b) Internal Control Policy Framework includes such controls as segregation of duties, mandatory vacations, rotation of duties and training. Policies are adhered to by all sections of CSD and EFA Branch.

Audit Objective 3: To assess the degree to which the Branch is in compliance with the Provincial directives including delivery standards and management of the child care funding.

a) Policies are adapted in accordance with changes required by the Ministry of Community and Social Services and Ministry of Children's and Youth Services or other governing bodies prior to effective date of regulatory/standard changes.

b) City processes for policy changes are designed to respond to unexpected legislative and standard changes.

c) City has implemented the regulatory changes required by August 1, 2008 with respect to the implementation of the Ontario Child Benefit and Transition Child Benefits.

Audit Objective 4: To assess the extent to which the City has maximized its fee subsidies and related cost of administration based upon the outcome based performance measures.

a) Budgets are maximized and reconciled in accordance with Provincial guidelines.

Audit Objective 5: To evaluate the extent to which the City ensures open, equitable and transparent access to the child care spaces across the City.

a) Subsidized spaces are allocated based upon fair and equitable policies and procedures.

b) Child care providers are provided adequate and fair access to City staff resources. Budget submission processes are consistent between providers and years of service.

Audit Objective 6: To evaluate the budget submissions and process for Day Care Service Providers to ensure equitable treatment between providers and overall accountability of the Branch.

a) Budget submissions for child care agencies are consistent and benchmarks are utilized to establish individual budgets.

Audit Objective 7: To assess the appropriateness of the organizational structure of the CSD within the Parks and Recreation Branch.

a) The current organizational structure provides efficient and effective administration and delivery of children's services across the City.

Audit Scope

The scope of this audit focused on compliance with legislative authorities and policies as well as financial management and controls. In particular, the audit assessed the degree to which CSD has addressed the issues raised in the 2006 audit and the effectiveness of any changes with respect to informal child care. As such, the audit concentrated on client files for fiscal years 2007 and 2008. With respect to the allocation of subsidized child care spaces and budgetary processes, the audit included a review of budgetary submissions to assess trends and to gain sufficient information to express an audit opinion. To this end, the audit assesses policies, procedures, the allocation of spaces, the demographic information of child care spaces and the waiting list.

Audit evidence was gathered within CSD, EFA, the Ministry of Children and Youth Services (the Ministry) and the Corporate Financial Support Unit. As well, interviews with child care agencies were undertaken to understand and assess the budgetary submission process as well as the allocation methodology for subsidized spaces.

Sufficient and relevant audit evidence was gathered and analyzed through various evidentiary techniques in order to express an opinion on compliance and financial management of the CSD operations with respect to subsidies.

Summary of Key Findings

1. Currently, the City of Ottawa is the only Ontario municipality that allocates fee subsidies to child care agencies rather than directly to clients. This methodology has resulted in an under-utilization of fee subsidies and an overly complex budgetary process. As well, due to the fact that the City allocates fee subsidies to agencies rather than the client, those most in need are not necessarily receiving subsidies. As income testing simply determines whether a person meets the test, once this is the case and the client has found a subsidized spot, they are eligible for subsidy. This means that a client may occupy a subsidized space and yet receive little subsidy. This prohibits those who require significant subsidies based upon lower income from obtaining a subsidized spot. CSD should explore the elimination of the allocation of fee subsidies to child care agencies in favour of a client based fee subsidy system.

2. The child care providers interviewed expressed general dissatisfaction with the centralized waitlist system which is currently operated by Andrew Fleck Child Care Services. Interviews conducted during the audit indicated that the child care agencies that have been mandated to utilize the system find it complicated and time consuming. The expectation of the waitlist provider is that the agencies update the list each month. This expectation is unrealistic as the agencies only review the list if they have a need. Agencies also indicated that they are in fact doing the City's job in many respects such as defining child care alternatives and advising clients with respect to the day's away policies. In most cases, City staff do not provide these services and the agencies feel they are put in a difficult situation.

3. The total number of licensed child care spaces within the City of Ottawa is approximately 19,300. The total number of children waiting on the centralized waitlist totals approximately 11,800. Based upon these statistics, it would seem that, in order to meet the demand for licensed child care, it would require the City to produce 61% more spots in order to fulfill the demand. However, it is important to note that the waitlist is deceiving in three ways: (1) clients can access the waitlist before the child has arrived; (2) the waitlist does not include those looking for informal child care; and, (3) the waitlist is not regularly updated to remove those who have found a child care space and therefore the number does not accurately reflect families waiting.

4. Child care agencies also indicated that the waitlist prohibits the City from realizing full utilization of subsidies due to the fact that clients can put themselves on the list for several agencies, and yet, an agency would not know if

the client has been offered an available child care space by another agency. Child care agencies regularly have vacant child care spaces while they wait for clients to return contact when a space becomes available. In many cases, the agencies do not receive return calls from clients, particularly in cases where the client has already secured a space with another agency. As such, the current waitlist does not accurately reflect true needs within the community.

5. The centralized waitlist has also been criticized for the fact that the contract was provided to one child care provider without a competitive process and creates an unfair competitive advantage to the provider. A competitive process would provide greater transparency and allow the City to ensure the waitlist is accurate and effective.

6. The City has also been criticized in its approach to subsidized spaces in that it is not prepared to handle non-traditional services such as 24/7 operations or sporadic subsidy requirements. Although many parents require service during non-traditional hours, the City (and the OCCMS system) does not provide easy support yet many day care providers are offering this increasingly requested service.

7. Overall, there has been only limited progress to address the issues and recommendations contained in the 2006 Audit of the OWCC subsidies. In particular, the requirement for monthly receipts for informal child care is sporadic and is not enforced in a systematic manner. Ongoing proof of participation in approved activities is also irregular. Documentation within client files is unorganized and inconsistent between files and Case Coordinators. There are still significant improvements required to ensure that OWCC subsidies are appropriately administered.

8. The 2006 OWCC audit recommendation with respect to child care provider authenticity also causes some concern. In the 2006 audit, it was stated that it was inappropriate to utilize the caregiver social insurance number to determine whether or not the caregiver was an Ontario Works client in the social services system. The recommendation indicated that CSD undertake other means to determine child care provider authenticity. On this recommendation, CSD has indicated that it is using 411 and reverse telephone directories as a way of verifying caregivers. However, there is little evidence that this is occurring or that this approach is effective.

9. There are poor documentation controls contained in the physical and electronic files, both for OWCC and regular fee subsidies. The implementation of the Ontario Child Care Management System (OCCMS) has resulted in an over reliance on the system to the detriment of documentation controls within the physical files. OCCMS, although relied upon, does not contain standard requirements for file contents and file reviews such as the application form and

other signed documentation. Therefore, information captured in the system is not adequately supported by required documentation. In particular, receipts are not on file consistently.

10. The implementation of income testing in 2007 has significantly simplified the financial determination for subsidies. In particular, testing of income is now based upon the Notice of Assessment from the previous year and reviewed each year. Prior to this change, financial assessment was based upon need and required much more detailed review by the Subsidy Coordinator. Although income testing is easier, it has also meant that parental contributions for child care increased in many cases. As a result, in order to continue to receive subsidies, Subsidy Coordinators have counselled clients to contribute to RRSPs in order to reduce their income and increase their subsidies.

11. Policies and procedures are out of date or under review. Some of these policies have been in draft form for over three years. Other policies date back over 10 years and refer to the pre-amalgamation structure and old regulations, prior to income testing. Although the 2006 audit recommended detailed eligibility criteria for subsidies be documented, policies and procedures are in draft form only. Further, there is currently no policy and procedure structure in place creating confusion as to the most recent version.

12. The annual subsidy review and internal review policies are documented. However, the actual reviews undertaken are not. That is, there was little or no evidence that files had been reviewed by supervisors on a regular basis or based upon a workplan. The annual reviews to be completed by Case Coordinators are done sporadically based upon individual bring forward systems.

13. The budgetary process required for child care agencies to apply for fee and wage subsidies is extremely labour intensive and overly complicated. In addition, the lack of completeness and supporting documentation in the sample files raises concerns about the consistency of treatment between providers. Recently, the City withdrew funding from a particular child care provider due to concerns regarding proper documentation and the response from the child care provider. Although this decision may be valid, the City needs to ensure that a rigorous review of files is undertaken in all cases equally to ensure that it is not criticized for inconsistency in such decisions. The audit team did not find this consistency.

14. At the outset of this audit, CSD was part of the Parks and Recreation Branch. Audit Objective 7 was intended to examine the merits of this structure versus a closer alignment to EFA. In the organizational re-structuring announced in late 2008, CSD was re-assigned to the new Social Services portfolio, which includes EFA. The audit work performed regarding organizational structure issues

supports the recent change and no further observations or recommendations are required.

Recommendations

Recommendation 1

That CSD ensure a regular system of policy review and update is in place.

Management Response

Management agrees with the recommendation.

Children's Services was formalizing a policy development, review and approval process during the audit. As part of the process initiated in May 2008, Children's Services will continue to update and prioritize the list of policies for review and development on an ongoing basis. With the recent realignment of Children's Services in the new Community and Social Services department, the current branch policy development and approval process will be reviewed to see how it can be coordinated within the new departmental structure. Children's Services is targeting Q3 2010 for the completion of the process review.

Recommendation 2

That CSD develop a policy manual that encompasses all policies in a consistent framework that is accessible by all staff (electronically and/or paper format).

Management Response

Management agrees with the recommendation.

Children's Services policies and procedures are currently accessible to Children's Services staff electronically from a shared drive area. In addition, Children's Services posts new policies and procedures as they are approved on the City's Intranet (Ozone) so that all branch front-line staff, departmental and interdepartmental stakeholders are provided with an efficient and accessible self-serve information access system. Children's Services is targeting Q2 2010 to complete the transfer of existing policies to Ozone.

Recommendation 3

That, once the policies have been revitalized, CSD undertake a training program for its workers to ensure consistent understanding of these policies.

Management Response

Management agrees with the recommendation.

Information and training is currently provided to all employees through team meetings and information sessions. With the recent realignment of the Children's Services branch in the new Community and Social Services

department, the availability of the Business Support and Integration branch for training and policy specific support to Children's Services, will be determined and included in the branch work plan. Children's Services is targeting Q3 2010 for implementation of an ongoing training program to ensure consistent understanding of policies.

Recommendation 4

That CSD undertake a more structured approach with respect to reviewing of OWCC client files in order to ensure that eligibility is retained and reported.

Management Response

Management agrees with the recommendation.

This recommendation is consistent with a new approach under development since January 2009 to monitor OWCC client eligibility, collect supporting information, and hold payments when documentation and proof of requirements are outstanding. The processes include: a yearly meeting with all OWCC clients to confirm participation agreements, to complete and obtain documents; quarterly confirmation of client eligibility through telephone interviews; and monthly file reviews and controls for compliance of requirements. This practice introduced in January 2009 will be formalized in a policy targeted for completion in Q4 2009.

Recommendation 5

That CSD implement improved bring forward systems to provide reminders to Case Coordinators to follow up on specific areas such as income verification.

Management Response

This recommendation is consistent with the new approach under development outlined in Recommendation 4, which includes a follow-up mechanism. In order to ensure that files requiring follow-up are identified, OWCC staff has initiated a new monthly report identifying active OWCC cases with outstanding information.

The report tracks the status of the participation agreement for all active OWCC clients and any updates received with respect to a client's information, income, and Centralized Waiting List registration status. Social Service centre staff has begun reviewing the report on a quarterly basis and follow-up as required. Issues related to specific clients are discussed with OWCC case co-ordinators. The Branch will formalize the use of this report in the policy for reviewing OWCC files targeted for completion in Q4 2009.

Recommendation 6

That CSD develop a standardized form that provides a step-by-step approach to determine the subsidy payable in adjustment cases.

Management Response

Management agrees with the recommendation.

The current documentation system used by OWCC provides the required information on more than one form. Children's Services will modify the existing "adjustment" form to consolidate all details of the initial payment and ongoing adjustments. The targeted implementation date for use of the modified form is Q4 2009.

Recommendation 7

That, if CSD's intention is to move away from paper files, the Client's File policy be revised to reflect the documentation requirements in the clients physical file and in electronic form (OCCMS).

Management Response

Management agrees with the recommendation.

OWCC, Municipal Home Child Care programs and Community Purchase of Service programs currently use physical files. The Purchase of Service program will explore a fully electronic process that would enable the City to conduct its business electronically eliminating poor quality faxed documents and mail-outs. Children's Services is targeting an implementation date of Q2 2010 for full migration to electronic filing for the Purchase of Service component. OWCC and Municipal Home Child Care programs will continue to use physical files as it is not feasible for all clients to have access to the required technology.

Children's Services will develop a policy on file content, to formalize the process currently documented in a memo, with a target timeframe of Q3 2010.

Recommendation 8

That CSD develop standards with respect to the utilization of OCCMS, including when OCCMS is used and the syntax to be used in case notes.

Management Response

Management agrees with the recommendation.

Children's Services will develop a policy on the utilisation of OCCMS, outlining circumstances requiring the use of OCCMS, verification standards and a glossary of terms to formalize the process currently documented in a memo. Management will present the policy at a staff meeting. Implementation is targeted for Q1 2010.

Recommendation 9

That CSD formalize the policy regarding reviews of participation agreements in order to outline the expectations for clients.

Management Response

Management agrees with the recommendation.

Children's Services will finalize an internal policy outlining expectations for clients with respect to participation agreements. It will include an OWCC rights and responsibilities document that will be dated and signed annually by parents and OWCC Coordinator and placed on the physical file. Management will present this policy and document to staff at team meetings. Implementation is targeted by Q4 2009.

Recommendation 10

That CSD undertake increased diligence to ensure that monthly receipts be submitted, be date stamped and put on the required physical files.

Management Response

Management agrees with the recommendation

This recommendation is consistent with the new approach under development since January 2009, outlined in Recommendation 4, which includes processes to monitor OWCC client eligibility and the collection of supporting information. All files missing receipts will be forwarded to OWCC Pending Files and reviewed monthly.   OWCC clients, whose file is pending verification, will be notified by telephone that payments will be withheld until receipts are submitted.   A significant amount of receipts are received by fax and are, therefore, automatically date stamped. Other receipts will be manually date stamped by the verification specialist before being added to the physical file.   Training will be provided at staff meetings. The process that will include a biannual file review is targeted for implementation in Q4 2009.

Recommendation 11

That CSD use OCCMS to identify inconsistencies with regard to receipts and follow-up being completed.

Management Response

Management agrees with the recommendation.

Children's Services will implement a process using the "custom reminder feature" of OCCMS to flag inconsistencies with regard to receipts to ensure that the existing follow-up process is initiated.   The process will require OWCC staff

to print weekly "reminder reports" in order for the supervisor to verify that actions have been completed. Implementation is targeted for Q2 2010.

Recommendation 12

That CSD redesign the OWCC receipt to include the number of children and the number of hours they were cared for.

Management Response

Management agrees with the recommendation.

Children's Services will redesign the "OWCC receipt" form to include the number of children, the child's name and the number of hours of care they receive. Implementation of the new form is targeted for Q3 2009.

Recommendation 13

That EFA and CSD work to address changes in participation agreements and seek an increased automated approach to notification.

Management Response

Management agrees with the recommendation.

OWCC staff has begun generating a monthly report that identifies the status of the participation agreement for all active OWCC clients and updates to the client's information, income and Centralized Waiting List registration status in January. This report is provided to Social Services centre staff for review on a quarterly basis. Issues related to specific clients are discussed with OWCC case co-ordinators. In addition, the report is used internally to update client eligibility status. This practice has resulted in the closing of up to 50% of OWCC cases.

OWCC will identify the need for training new Social Services centre employees as to where to access OWCC information on SDMT and to understand the implications and the required follow-up. Implementation of the new Social Services staff training is targeted for Q2 2010.

Recommendation 14

That CSD ensure that any documentation received from EFA, including emails and SDMT profiles, form part of the OWCC files.

Management Response

Management agrees with the recommendation.

Children's Services will add all documentation, including messages and SDMT profiles received from Social Services centre staff to the OWCC physical files on a go forward basis by Q3 2009.

Recommendation 15

That CSD ensure that OWCC Case Coordinators review files on a more regular basis, particularly in instances where attendance reports are not being filed by OWCC clients.

Management Response

Management agrees with the recommendation.

Consistent with recommendation 4, Children's Services' new approach to monitor OWCC client eligibility and to collect supporting information under development since January 2009, includes monthly file reviews to ensure receipt of proper documentation prior to releasing payments. Attendance report/activity schedules are required when care is provided outside regular schedules such as in the case of shift work. Confirmation of receipts is determined prior to OWCC funding being released or suspended. This practice introduced in January 2009 will be formalized in a policy targeted for completion in Q4 2009.

Recommendation 16

That CSD provide Case Coordinators with increased training to assist them in detection of potential issues with respect to authenticity of child care providers.

Management Response

Management agrees with the recommendation.

Children's Services will review the current mechanisms available to determine the authenticity of informal child care providers. A policy will be formalized based on the outcome of the review and staff training will be done through regular staff meetings. The implementation of this recommendation is targeted for Q3 2010.

Recommendation 17

That CSD supervisors perform a regular review of files on a sample basis, particularly with respect to informal child care and that these reviews be properly documented on file and within OCCMS.

Management Response

Management agrees with the recommendation.

Children's Services supervisors currently review a sample of files for each subsidy coordinator as part of the Performance Development Process but do not record the results of the review in the client file. Children's Services is targeting Q2 2010 to develop an administrative policy that requires supervisors to record client file reviews in OCCMS and/or within the physical file.

Recommendation 18

That CSD ensure that documentation controls be improved to incorporate new forms that include a section for the Case Coordinator's name and signature in order to clearly show the responsible Case Coordinator; and appropriate documentation of any adjustments or changes.

Management Response

Management agrees with the recommendation.

Children's Services is revising all forms to include the name and signature of the case co-ordinator. Children's Services is targeting Q4 2009 to introduce the revised forms. Children's Services will also develop a documentation requirement policy targeted for completion in Q2 2010.

Recommendation 19

That CSD ensure that the policies regarding self-employment and special circumstances for OWCC subsidies be revised to include more rigorous requirements for documentation, particularly with respect to participation.

Management Response

Management agrees with the recommendation.

The provisions of the Ontario Works program have been set by the Ministry of Community and Social Services. Participation agreements are determined between the client and Social Services centre staff. OWCC relies on an active participation agreement to determine client eligibility. OWCC will continue to ensure that a copy of the active participation agreement is present on the physical file.

The Child Care Subsidy program is revising its policy on self-employment including special circumstances and is targeting completion in Q4 2009.

Recommendation 20

That CSD undertake a review of its appeal process to ensure appropriate segregation of duties and to provide the appearance of fairness and transparency.

Management Response

Management agrees with the recommendation.

Children's Services have reviewed the appeal process to ensure transparency, and will have a supervisor from a different team review files in cases of an appeal. This practice will be effective June 2009 and will be included in the revised appeal policy targeted for completion by Q3 2009.

Recommendation 21

That CSD implement a system of rotation of files to different Case Coordinators.

Management Response

Management agrees with the recommendation.

Management agrees that different staff members should manage active files and has an informal system of rotation. In the case of subsidy co-ordinators, a rotation of files currently occurs at the time the reapplication appointments are set as these are scheduled to the first available subsidy co-ordinator. This, combined with the policies regarding vacations and carryover, in that staff must take their annual vacations do provide adequate controls. With respect to OWCC, both case co-ordinators manage all of the files thereby ensuring adequate controls.

Recommendation 22

That CSD undertake a rigorous approach to policy changes and that the policy review plan be executed in order to reflect recent changes to legislation.

Management Response

Management agrees with the recommendation.

Consistent with recommendation 1, Children's Services was formalizing a policy development, review and approval process at the time of the audit. As part of this process initiated in May 2008, Children's Services will continue to update and prioritize the list of policies for review and development on an ongoing basis. With the recent realignment of Children's Services in the new Community and Social Services department, the current branch policy development and approval process will be reviewed to see how it can be coordinated within the new departmental structure. Children's Services is targeting Q3 2010 for the completion of the process review.

Recommendation 23

That CSD explore the elimination of the allocation of fee subsidies to child care agencies in favour of a client based fee subsidy system.

Management Response

Management agrees with this recommendation.

In April 2009, City Council approved the Child Care Fee Subsidy Stabilization Plan - Phase 1 (ref. ACS2009-COS-SOC-0003). Among other issues, the Plan examined the benefits and drawbacks of each allocation system and ultimately recommended implementing a fee subsidy stabilization plan using the current Council approved system of fee subsidy distribution in Ottawa. The Plan also

proposes the introduction of portable spaces as part of Phase 2 of the fee subsidy stabilization plan to add flexibility and responsiveness in the current system. Consideration will be given to directing retrieved funds not used for the indexation of rates and any future funding for subsidized child care towards client based portable spaces. Phase 2 is targeted for completion in Q1 2010 with a report to Committee and Council. That report will include a comparison and assessment of different municipal subsidy systems (i.e., parent-based versus provider-based) and take into consideration the impact of the recent announcement respecting full day early learning and care for 4 and 5 year olds.

Recommendation 24

That CSD undertake an updated demographic analysis of the child care requirements.

Management Response

Management agrees with this recommendation.

Children's Services is presently conducting a demographic analysis using the 2006 Statistics Canada census information. Children's Services is also revising the methodology to be used to analyze the Francophone demographic using the same statistical information. Phase 2 of the Child Care Fee Subsidy Stabilization Plan calls for this analysis to be completed every five years to coincide with the release of new Statistics Canada data. Phase 2 is targeted for completion in Q1 2010 with an information report to Committee and Council.

Recommendation 25

That CSD ensure that the analysis of subsidized spaces include francophone and anglophone demographics on a regular basis.

Management Response

Management agrees with this recommendation.

Children's Services has been reviewing Francophone and Anglophone funding distribution on an annual basis since 2005 in order to meet Council's direction with respect to the Francophone Catch-up Plan. As mentioned in the response for recommendation 24, Phase 2 of the stabilization plan calls for a demographic analysis to be completed every five years to coincide with the release of new Statistics Canada data. Phase 2 is targeted for completion in Q1 2010 with an information report to Committee and Council.

Recommendation 26

That CSD undertake a review of the agencies providing bilingual services to determine if these agencies are providing adequate francophone services.

Management Response

Management agrees with this recommendation.

Children's Services had identified in its workplan the need to develop a criteria-based designation mechanism to recognize the provision of quality Francophone child care programs. The designation process currently being developed in consultation with the child care community will include a review of child care programs using established criteria. The new process is targeted for implementation in Q4 2009.

Recommendation 27

That, should the current approach to subsidy allocation be retained, CSD review the budgetary processes to reduce the burden on the child care agencies and streamline the process to reduce the timeframe for approval and that final approved copies of budgets be placed on the agency files.

Management Response

Management agrees with this recommendation.

For the 2009 Purchase of Service budget process, Children's Services has developed a more efficient and streamlined process. The new process documents decision-making and funding adjustments. The required supporting documentation is analysed and correlated to the budget approval process.

As part of the City Council approved Child Care Fee Subsidy Stabilization Plan - Phase 1 and new Fee Subsidy Management Policy, Council approved the staff recommendation for the development of the Child Care Service Provision Price Index (CCSPPI). The price index identifies changes in costs that affected the provision of child care services in Ottawa over the previous twelve months and will determine the annual Purchase of Service rate increase beginning with the 2010 budget process. The CCSPPI increase for 2010 will be announced in September 2009.

As the amount of each agency's increase to operating expenses is now pre-calculated using the CCSPPI, the budget process will require that the agency identify the expense distribution of any new funding. Agencies will have the option to accept the indexed per diem rate(s) calculated automatically or submit revised daily rates that respect the total amount of approved expenses. The 2009 User Guidelines have been updated to reflect the new budget approval process.

This updated budget process will allow Children's Services to finalize the 2010 budget process by Q4 2009, apply new per diem rates beginning January 2010 and ensure final approved copies of budgets are placed on the agency physical and electronic files. Child care agencies can now plan budgets in a predictable environment knowing that the City will provide annual rate increases to be paid at the start of each year.

Recommendation 28

That CSD supervisors take a more rigorous approach to quality assurance and review of budget files to ensure consistency of application and treatment of child care providers.

Management Response

Management agrees with this recommendation.

Children's Services is currently developing a framework for Purchase of Service funding initiatives and budget file reviews that will include quality controls mechanisms, procedures and tools to ensure consistency. Completion is targeted for Q4 2009.

Conclusion

The City of Ottawa continues to strive to administer child care subsidies effectively, nevertheless there is room for improvement. With the implementation of the recommendations presented herein, the audit team believes that the City will be well on its way to better utilizing essential subsidy funds.

That being said, in our opinion, the current approach of fee subsidy allocation to the child care agencies rather than to families is not necessarily providing the best service for Ottawa citizens. The City should consider restructuring the way in which it allocates fee subsidies to follow the client rather than the child care provider. All other Ontario jurisdictions follow this approach. This will allow for a redirection of funds away from administering these fee subsidy agreements to providing direct fee subsidies to clients. A policy review also will assist the City in improving documentary controls to ensure that those most in need receive the limited fee subsidies.

It is recommended that the City review the effectiveness of the current centralized waitlist system. A competitive procurement process should be considered to assess options for providing this important service to City parents.

Child care provider files are currently not kept up to date and all required documentation was not on file. The recent decision to eliminate subsidies from one particular child care provider for lack of proper documentation seems to be inconsistent with the approach taken with other providers given that many of the child care provider files were incomplete and lacked supporting documentation. Consequently, CSD should ensure that it develops policies that provide more detailed direction to Child Care Specialists. These practices should be monitored and tested on regular basis by supervisors.

With respect to the recommendations contained in the 2006 Audit of the OWCC subsidies, CSD have made only limited improvements in the requirement for receipts from child care providers or policy reform. CSD need to continue to

improve these processes and ensure that ongoing reviews of files are undertaken. Supervisors need to take on a greater role in regularly monitoring child care files.

Finally, the City has taken a different approach to providing child care services than seen in other municipalities. Although there is some merit to this approach, it has created challenges in administering the programs and there are valid concerns from those contacted during the audit. These concerns should be analyzed in the context of delivering the best value for tax dollars while fulfilling the policy objectives of the City.

Acknowledgement

We wish to express appreciation to the staff and management of the CSD; the EFA, the various child care agencies that were interviewed; the waitlist provider (Andrew Fleck Children's Services), the Ministry of Children and Youth Services and the Financial Support Unit (FSU), for their cooperation and assistance throughout the audit process.

3.4 Audit of Grants and Contribution

EXECUTIVE SUMMARY

Introduction

The Audit of Grants and Contributions was identified in the 2008 Audit Plan of the Office of the Auditor General, which was received by Council in May 2006.

Background

In February 2003, the former Audit and Consulting Services Branch of the City presented a report to Council entitled *Audit of the Corporate Grants and Funding Programs – Corporate Policy and Management Framework*. The 2003 audit did not include a comprehensive review of specific funding programs. Rather, it was focussed on assessing the extent to which harmonization of the funding programs had been achieved and the adequacy of the Corporate-wide framework and approach to the use and management of these programs. Specifically, the objective of the 2003 audit was to assess whether adequate policies and procedures had been established to:

- Effectively manage and control funding programs; and,
- Ensure the appropriate and effective use of City funding.

The single recommendation arising from the 2003 audit was:

> *That Management establish a clear and comprehensive corporate policy framework governing all mechanisms for funding to external organizations, to ensure:*
> - *An appropriate control environment exists for funding programs,*
>
> - *Corporate consistency in the use of funding mechanisms;*
>
> - *Clear roles and responsibilities are established across the City administration;*
>
> - *Clear direction and guidance is provided to departments in establishing, managing and monitoring these programs;*
>
> - *The timely, accurate and complete capture of all related information;*
>
> - *The identification and resolution of any systemic problems; and,*
>
> - *That funding allocations accurately reflect Council priorities.*

Scope and Objectives

The first objective of the 2008 audit was to follow up on the 2003 audit described above to determine what action has been taken in response to the recommendation made at that time, and to identify areas which may still require improvement. The

approach to this component of the audit was to identify all corporate funding programs and assess the extent to which a corporate-wide framework has been established to guide the management of these programs in a consistent manner.

An area of particular focus in the audit was the funding programs managed by the Cultural Services and Community Funding Branch of the then Community and Protective Services Department. This Branch manages the largest portfolio of grants and funding programs, totalling approximately $27 million.

A second area of focus, selected at random from the list of other grant programs, was the Protective Plumbing Devices Program, managed by the Water and Wastewater Division. This program had a 2008 budget of $1.8 million.

In November 2007, Council approved changes to the mandate of the Auditor General (AG), which included extending the jurisdiction of the AG to all grant recipients. The second main objective of the 2008 audit was therefore to select specific grants made by the City in 2007 and assess:

- The effectiveness of the grant application and evaluation process;
- The effectiveness of management oversight procedures related to grant recipients;
- Whether the programs and/or services intended to be delivered as a result of the grants were undertaken by the recipients; and,
- Whether grant recipient organizations maintain appropriate management practices and controls to ensure provision of expected services/programs required by the grant agreement.

The results of the audits of the two specific recipients selected in 2008 are contained in separate reports titled, *Audit of the Banff Community House* and *Audit of the Southpointe Community Association*. It is the intent of the AG to continue to select specific grants recipients on an annual basis to conduct audits based on the above criteria.

Summary of Key Findings

1. As was the case during the 2003 audit, currently there is no overall policy framework governing the establishment and management of grants and funding programs to external organizations.

2. Accounting for these various funding programs within the Corporate financial system remains inconsistent and the data and reports currently available do not facilitate effective management.

3. On January 24, 2005, Council directed staff to undertake a review of all grants (exempting Community Services Grants) as per the 2003 audit report. To date, this review has not taken place.

4. The impacts of a lack of clear corporate direction on funding programs include:

   - A risk of inequitable treatment of applicants for funding;

   - A lack of clear direction and guidance provided to departments in establishing and monitoring these programs;

   - Unclear roles and responsibilities;

   - A lack of clear accounting procedures and a resulting inability to capture timely, accurate and complete information;

   - The risk of ineffective use of limited corporate funds; and,

   - An impeded ability to measure and compare the performance of various funding programs and ensure value for money is received from these programs.

5. No clear definition of "Grants" currently exists and as a result, accounting for these various funding programs within the corporate financial system remains inconsistent, and the data and reports currently available do not facilitate effective management. As such, a full reconciliation of current financial data related to grants and contributions is required.

6. Cultural Services and Community Funding (CSCF) has made a number of improvements since 2003 to address much of the recommendation made at that time, including clarification of procedures for submitting and evaluating proposals under the various funding programs. Opportunities for further improvement exist in the areas of pre-screening for eligibility, conflict of interest and management oversight and follow-up.

7. CSCF should re-examine its practice of requesting complimentary tickets to events.

8. CSCF conflict of interest procedures should be revised to ensure any juror declaring a conflict does not participate in the assessment of other organizations requesting funding form the same envelope.

9. Within the Protective Plumbing Devices program there is the need to ensure that all required steps are performed and documented.

Recommendations

Corporate Policy and Management Framework

Recommendation 1

As was recommended in 2003, that the City establish a clear and comprehensive corporate policy framework governing all mechanisms for funding to external organizations, to ensure:

a) An appropriate control environment exists for funding programs;

b) **Corporate consistency in the use of funding mechanisms;**

c) **Clear roles and responsibilities are established across the City administration;**

d) **Clear direction and guidance is provided to departments in establishing, managing and monitoring these programs;**

e) **The timely, accurate and complete capture of all related information;**

f) **The identification and resolution of any systemic problems; and,**

g) **That funding allocations accurately reflect Council priorities.**

Management Response

Management agrees with this recommendation.

A grant is a provision of funding to a third party or organization, not directly receiving goods or services, to further a City service, program or objective.

A review of where and how all funding grants are currently processed throughout the corporation will be initiated once the corporate re-alignment is complete. Following this review, staff will develop the scope, scale and approach for the development of a comprehensive corporate-wide policy framework governing all mechanisms for funding to external organizations for Committee and Council consideration in Q3 2009.

Although a corporate-wide framework has not been developed, the Community Funding division initiated a review of community funding processes following the City Auditor's report to Council in February 2003. This led to the development and Council approval of a Community Funding Process Review in September 2004, followed by approval of the Community Funding Framework Policy on February 8, 2006.

The Community Funding Framework Policy responded to the audit recommendations by establishing a formal, written policy identifying the purpose, goals, eligibility criteria, funding priorities, risk assessment criteria and funding contribution mechanisms of the Community Funding Program.

Recommendation 2

That the City complete a full reconciliation of existing financial data related to Grants and Contributions.

Management Response

Management agrees with this recommendation.

Management will compile annually a full reconciliation of existing financial data related to grants and contributions by Q1 2010.

Cultural Services and Community Funding

Recommendation 3

That the City ensure applicants identify all other sources of City funding as part of their submissions.

Management Response

Management agrees with this recommendation.

All funding application forms currently ask for information on other sources of City funding. A mechanism will be built into the Corporate Framework, which will be brought forward for Committee and Council approval in Q3 2009, to perform a City-wide search to confirm whether organizations are receiving other City funding.

On page 8 of the audit report (section 4.2.1.1), the Auditor General made reference to City staff adding a special condition to one particular funding agreement, which contradicted the requirement for audited financial statements. In addition, the Auditor indicated that CSCF staff provided advice to this recipient regarding accounting principles, which conflicted with generally accepted practices. Management would like to clarify why this occurred. This change was made to address a concern from the signing officer of an organization (food program) who was extremely reluctant to proceed with Generally Accepted Accounting Practices (GAAP) for fear of having to proceed with full inventory, including all items of food, etc . After consultation with Legal, the organization was told that they could follow the Generally Accepted Accounting Principles (GAAP), but did not have to conduct the detailed inventory of food items. The Special Condition and the Agreement, which were reviewed by both Legal and the FSU, provided the organization with that reassurance and resulted in a signed agreement.

Recommendation 4

That the City carryout and retain on file a risk assessment of all proponents.

Management Response

Management agrees with this recommendation.

Both Cultural Services and Community Funding staff conduct a risk assessment on all agencies receiving funding prior to issuing funds. The risk assessment looks at governance, financial stability, level of City funding, years in operation, operational and program capacity and level of collaboration and partnership with other community agencies.

Community Funding staff currently perform a risk assessment for Renewable Community Funding to determine whether the Service Agreement will be a one-

year or a three-year agreement. Effective immediately, staff will also do a risk assessment for Non-Renewable Community Project Funding. These risk assessments are currently retained in the agency's electronic file, but will also now be included in the agency's corporate file.

Cultural and Community Funding staff perform a risk assessment by reviewing all applications and annual reports, using a checklist to ensure that all documents and information are included and the file is complete. General comments are recorded and staff follows up with applicants when information is missing or clarification is required. These checklists will now be filed as part of the applicant's official file.

Recommendation 5
That the City ensure all official files contain complete evidence of checking of documentation including follow-up notes, additional commentary, etc.

Management Response
Management agrees with this recommendation.

The Community Funding Policy and Procedures Manual includes a section on records management, which was developed in collaboration with corporate records management staff. In addition, a checklist is attached to all funding submissions or application forms when received by the Community Funding division. This checklist identifies all requirements and lists mandatory documents. Staff indicate whether those requirements have been met and initial the checklist. Staff note on the checklist any follow-up actions that have been taken. The checklist is included on file with each application/funding submission form.

Recommendation 6
That the City ensure all Board and Annual Meeting minutes are properly signed.

Management Response
Management agrees with this recommendation.

All application forms and funding submissions for 2010 will specify that the Annual Meeting minutes must be properly signed by the signing authority of the organization. Staff will ensure that this is being done on a consistent basis. The Community Funding Policy and Procedures Manual will also be revised to reflect this requirement by Q2 2009.

Recommendation 7
That the City re-assess the practice of requesting complimentary tickets to events.

Management Response

Management agrees with this recommendation and has re-assessed the practice of requesting complimentary tickets to events.

Management believes that requesting a complimentary ticket to attend performances, art shows and other cultural events of organizations that receive cultural funding from the City is an important part of the monitoring process. Management has reviewed the Corporate Gifts, Entertainment and Hospitality Policy and does not believe that this practice is a conflict of interest and will, therefore, continue to ask for one complimentary ticket for monitoring purposes.

Recommendation 8

That the conflict of interest procedures be revised to ensure any juror declaring a conflict does not participate in the assessment of other organizations requesting funding from the same envelope.

Management Response

Management agrees with this recommendation for Community Funding but disagrees for Cultural Services Funding.

The Community Funding Policy and Procedures Manual includes a procedure that requests Allocations Committee members for the Community Project Funding (Non-Renewable) program sign a confidentiality/conflict of interest agreement. The Allocations Committee for the 2008 Community Project Funding program also recommended that any agency applying for Community Project Funding not be included on the Allocations Committee. This revision will be made to the Community Funding Policy and Procedures Manual by Q2 2009.

Cultural Funding staff makes every effort to recruit assessors who are free of conflict of interest with all applicants. However, the purpose of the peer assessment system is to select qualified and knowledgeable assessors from the field and these assessors may have contacts with one or more of the applicants. It would be extremely difficult to recruit and retain jurors if they were completely excluded from a jury because of a declared conflict. The City follows the example of other grants agencies such as the Canada Council and has established strict protocols to address the issue of conflict.

All potential Cultural Funding jurors and independent assessors sign a confidentiality and conflict of interest agreement that requires them to declare any current or former involvements that could influence or appear to influence the objectivity and impartiality of their judgements. Where an actual or potential conflict of interest exists, it must be disclosed and the assessor must abstain from any and all participation related to it, and leave the meeting for the duration of the discussion. The Cultural Funding juror must also refrain from attempting to directly or indirectly influence the decision of the jury with respect to the

application. Cultural Funding jury notes record the juror's disclosure of interest, their withdrawal from the meeting and the fact that they did not take part in the discussion.

Recommendation 9

That all documentation related to allocation determination be retained on file.

Management Response

Management agrees with this recommendation.

The records management section of the Community Funding Policy and Procedures Manual was developed in collaboration with corporate records management staff. Files include the funding applications / submissions as well as the letters to agencies confirming decisions.

For Cultural Services, documentation related to funding determination includes the funding applications/submissions as well as the letters to agencies confirming decisions. In addition, the original copy of the signed jury recommendation sheet from each Cultural Funding program jury is retained in an official file. The Cultural Funding staff records the decisions and grants recommended by the committee, ascertaining with the committee that these records accurately reflect their views and ensures that members attest to their accuracy by signing-off on the records.

Recommendation 10

That the City ensure all legal documentation is completed in a timely manner.

Management Response

Management agrees with this recommendation.

Service Agreements (prepared pursuant to the Community Funding Framework Policy approved by Council on February 8, 2006) for the allocation of funding from the renewable funding envelope are sent to Legal Services for review and approval of content before being sent to agencies and management for signature. Once all signatures have been obtained, the Service Agreements are filed. All attempts are made for Service Agreements to be renewed prior to their date of expiry. If that is not possible, a letter of extension, as approved by Legal Services, is sent to the agency to extend approval for a maximum of three months, until such time as a new Service Agreement can be signed. This process ensures that funding is not allocated to agencies in the absence of a binding Service Agreement.

Recommendation 11

That all files retain narrative summaries of follow-up undertaken including site visits, attendance at meeting, telephone calls and email correspondence.

Management Response

Management agrees with this recommendation.

Narrative summaries for Community Funding agencies are currently stored electronically. Effective immediately, staff will also print and file a copy of the summaries on the agency's official file.

As indicated in recommendation 5, Cultural Funding staff use a checklist to ensure that all requirements have been met and to note any follow-up actions that have been taken. Staff will also ensure that all other supporting correspondence is included on file.

Recommendation 12

That the City ensure oversight and monitoring processes are consistent and equitable for all recipients.

Management Response

Management agrees with this recommendation.

The Community Funding Policy and Procedures Manual ensures that there is appropriate oversight and monitoring and that these processes are consistent with all staff and all agencies (applicants and recipients). The new corporate-wide funding framework will ensure that clauses for insurance, audit and occupational health and safety are consistent in the various agreements across programs and will also establish a standardized monitoring template to be used by staff. The corporate-wide funding framework will be developed for Committee and Council consideration in Q3 2009.

Protective Plumbing Devices

Recommendation 13

That the City ensure all required actions are performed and that all necessary documentation is collected and retained on file.

Management Response

Management agrees with this recommendation.

Staff will develop a checklist identifying all of the required documentation that will be placed on each file in order to ensure compliance with the program requirements through the application and approval processes. Staff will also add a requirement to its processes that when someone acts on behalf of a property

owner for the grants program, there is authorizing documentation from the property owner in place. These procedural changes will be completed prior to the end of Q1 2009.

Conclusion

Although initiatives have been undertaken in some areas of the City to establish more formal frameworks with respect to specific funding programs, no action has yet been taken to address the 2003 recommendation for a corporate-wide framework for grants and contributions. As a result many of the same issues and risks identified in that audit remain.

In the absence of a corporate framework, the Cultural Services and Community Funding Branch has implemented a number of revised policies and procedures to ensure more consistency and structure to the programs and funding envelopes under its jurisdiction. This audit identifies opportunities for further improvement in the areas of pre-screening for eligibility, conflict of interest, determination of the allocation amount, and management oversight and follow-up.

As part of the annual process to select specific grants and contributions programs for detailed review, the Protective Plumbing Devices program was chosen at random in 2008. Progress has also been made in this area to improve consistency and oversight. Further work is needed in this area to ensure all required steps are performed and documented.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.5 Audit of Governance and Compliance with Community Funding Service Agreement of the Banff Avenue Community House

EXECUTIVE SUMMARY

Introduction

In November 2007, Council approved an expanded mandate for the Office of the Auditor General (OAG). This revised mandate authorized the OAG to conduct audits of any recipients of City of Ottawa grants, whether direct funding or in-kind services. In 2008, one of the recipient organizations selected for an audit was the Banff Avenue Community House (BACH), located at 2084 A & B Banff Avenue.

Background

BACH is 1 of 16 Community Houses in the Ottawa area. It was formed to meet many of the needs of the residents of the social housing development in which it is located. It entered into a Community Funding Service Agreement with the City of Ottawa for the period December 1, 2006 to November 30, 2009. Under this agreement the City of Ottawa agreed to provide annual conditional funding payments of $60,147 subject to City Council's annual approval of the City budget.

Audit Objectives

The objectives of the audit were to determine whether:

1. BACH maintains appropriate management practices and controls to ensure adherence to the funding service agreement with the City of Ottawa; and,

2. The Executive Committee of the Board follows governance practices that provide effective direction and support based on the Office of the Auditor General's standard Governance Audit Criteria recognizing that the organization is relatively small and volunteer-based.

Audit Scope

In addition to the assessment against the OAG standard Governance Audit Criteria, the audit considered BACH's compliance with the February 12, 2007 Community Funding Service Agreement and how funds received from the City of Ottawa were used during the period January 1, 2007 to December 31, 2007.

The compliance portion of the audit was conducted during the month of August 2008 at BACH's offices. The governance portion of the audit was conducted during the month of November 2008.

Summary of Key Findings

- The funding contribution was applied to the services and activities as set out in the agreement with the exception of a payment of $1,511 for supplies that did not relate to the services and activities supported by the City of Ottawa.

- Included in coordination was an amount of $3,075 paid to the administrative assistant who was engaged as a contract worker. However, this amount was traced to the payroll records and, as such, there could be confusion as to whether this person is an employee or should be considered self-employed for Canada Revenue purposes.

- Advances to employees should be accounted for as assets and not as expenses.

- The amount relating to the City of Ottawa supported administration assistance and operational costs was combined with funds received from other sources and not shown separately.

- Generally, BACH follows the Operational Principles and Guidelines Manual of a Community House. However not all guidelines are being followed.

- While it is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based, there are some fundamental governance principles that the City needs to have in palace to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

Recommendations and Responses

Recommendation 1

That the BACH Manager ensure that workers are appropriately treated as employees or self-employed in compliance with the Canada Revenue Agency publication *Employee or Self-Employed.*

Management Response

In 2010 all positions funded by the City of Ottawa, Community Funding will be employees of the Banff Avenue Community House and not contracted as self employed.

Recommendation 2

That BACH utilize the bilingual formulation for acknowledgement as specified in the agreement.

Management Response

The Board of Directors has continued to struggle to obtain in-kind translation services (since this is a costly expense) to no avail. We will continue to seek out this support.

Recommendation 3

That advances to employees be accounted for as assets and when the expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.

Management Response

The Community House Director has implemented a petty cash float to rectify the advances to employees. The Board will ensure all assets are accounted as assets. When expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.

Recommendation 4

That BACH account separately for all funds received from the City of Ottawa.

Management Response

The Board of Directors will ensure that all City of Ottawa categories be separated in the ledger.

Recommendation 5

That BACH ensure it is fully complying with the health and safety requirements of the Occupational Health and Safety and Workplace Safety and Insurance Act and the requirements of the Operational Principles and Guidelines Manual.

Management Response

The Board of Directors will ensure that BACH is fully compliant with the health and safety requirements of the Occupational Health and Safety and Insurance Act. The Board will be closely reviewing the operational Principles and Guidelines Manual, specifically the health and safety section to gear it more to the operation of the Banff Avenue Community House. This will be conducted in 2010.

Recommendation 6

That, in accordance with Article 7 of the Banff Avenue Community House Board Constitution, an additional resident of the Banff Community be appointed to the Executive Committee.

Management Response

The Board of Directors will continue to seek out potential community members to join the Board.

Recommendation 7

That ongoing training be provided for members of the Executive Committee on issues relating to their governance responsibilities.

Management Response

The Board of Directors does not have the funds for Board development at this time. However, we will continue to ensure all members of the Board receive adequate orientation and are made aware of their governance responsibility.

Recommendation 8

That the Executive Committee establish a process to conduct an annual self-evaluation of its performance and of individual member performance.

Management Response

The Board of Directors will inquire about getting the training needed to set up an evaluation process of the performance indicators and of individual member performance.

Recommendation 9

That the Executive Committee present its budget of all expenditures to the members at the Annual General Meeting for their approval.

Management Response

The Treasurer of the Board will present its budget and all expenditures to the members at the AGM for approval. The Board will continue to consult with the House Director regarding revenues and expenses at Board meetings.

Recommendation 10

That the objectives established by the Executive Committee be more fully developed and that performance indicators be established to measure success in achieving the objectives.

Management Response

The Board of Directors will seek the support of local resources to better assist with the organization's objectives. As well performance indicators will be established to measure success in achieving the objectives. There is no model to assist with the development of this tool and measurement process at this time however.

Recommendation 11

That the Board establish an in camera meeting policy similar to that of Ottawa City Council.

Management Response

The Board of Directors is in the process of establishing an in camera policy similar to that of the City of Ottawa Council.

Recommendation 12

That the Executive Committee ensure there is an individual who is qualified to assume the responsibilities of House Director, in the event the position becomes vacant.

Management Response

The Board of Directors has implemented a personnel organizational chart along with a business plan to respond to a vacancy/absentee should the House Director's position suddenly become vacant. The senior staff person would step in for the immediate interim until the position of House Director could be properly posted as required by our policies.

Conclusion

The audit has revealed some areas where there is a lack of compliance with Community Funding Service Agreement. Most significant are the areas where compliance with the Occupational Health and Safety and Workplace Safety and Insurance Act must be ensured. In addition, some of the Governance criteria have not been met. These areas should be examined bearing in mind the small size and limited resources of the organization and the desire to avoid overburdening it with bureaucracy and inflexible rules.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the management of the Banff Avenue Community House.

3.6 Audit of Governance and Compliance with Access Management Agreement of the Southpointe Community Association

EXECUTIVE SUMMARY

Introduction

In November 2007, Council approved an expanded mandate for the Office of the Auditor General (OAG). This revised mandate authorized the OAG to conduct audits of any recipients of City of Ottawa grants, whether direct funding or in-kind services. In 2008, one of the recipient organizations selected for an audit was the Southpointe Community Association.

Background

The Southpointe Community Association (SCA) is a volunteer organization staffed by and serving the residents of the community. It entered into an "Access Management Agreement to Enter City of Ottawa Facilities" with the City of Ottawa for the period September 1, 2004 to September 1, 2005. Under this agreement the City of Ottawa agreed to make Southpointe Community Centre, located at 220 Stoneway Drive, available to community organizations to meet their objectives. SCA is responsible for booking and providing user organizations with keys to enter and make use of the Southpointe Community Centre.

Audit Objectives

The objectives of the audit were to determine whether:

1. SCA maintains appropriate management practices and controls to ensure adherence to the requirements of the Access Management Agreement with the City of Ottawa; and,

2. The Executive Committee follows governance practices that provide effective direction and support based on the Office of the Auditor General's standard Governance Audit Criteria recognizing that the organization is relatively small and volunteer based.

Audit Scope

In addition to the assessment against the OAG standard Governance Audit Criteria, the audit considered SCA's compliance with the July 20, 2004 Access Management Agreement during the period January 1, 2007 to December 31, 2007.

The compliance portion of the audit was conducted during the month of September 2008 at the SCA building. The governance portion of the audit was conducted during the month of January 2009.

Summary of Key Findings

- The last Access Management Agreement to Enter City of Ottawa Community Facilities between the City of Ottawa and Southpointe Community Association was dated July 20, 2004 and covered the period July 2004 to July 2005. This agreement was signed by the Southpointe Community Association but was not signed by the City of Ottawa. No Access Management Agreement has been signed covering subsequent years.

- Article 6.h of the Access Management Agreement requires SCA to visit and check the facility to ensure that users/organizations have secured the facility. The Acting Building Manager advised that these visits and checks are conducted regularly however there was no evidence of this as the Facility Inspection Form Pre & Post Event form is not used to document the visits and checks of the facility.

- While it is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based, there are some fundamental governance principles that the City needs to have in place to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

Recommendations and Responses

It should be noted that on June 15, 2009, the Auditor General requested a management response from the SCA for those recommendations directed at the Association. On July 27, 2009 a second letter was sent to the SCA indicating that, since no response was received, the OAG would assume agreement with the facts of the report as well as the recommendations.

Recommendation 1

The City ensure that all Access Management Agreements are signed by a City of Ottawa representative.

Management Response

Management agrees with this recommendation.

All Access Management Agreements will be reviewed for compliance by September 30, 2009.

Recommendation 2

That City and the Southpointe Community Association enter into a new Access Management Agreement to cover the current period.

Management Response

Management agrees with this recommendation.

A new agreement between the SCA and the City was executed on September 9, 2008. The Access Management Agreement was revised in 2004 and it now contains a clause specifying that agreements are automatically renewed until such time as the parties agree to revoke or amend the agreement.

Recommendation 3

That the new Access Management Agreement clearly define the users/organizations and that any related guidelines be amended to conform to the terms and conditions of the Agreement.

Management Response

Management agrees with this recommendation.

The Access Management Agreement template will be revised to comply with this recommendation by December 31, 2009.

Recommendation 4

That the City require for all users/organizations to provide the original signed copy of Annex B of the Access Management Agreement (the response to this recommendation should be developed in concert with the City Solicitor).

Management Response

Management agrees with this recommendation.

Clause 3e of the Agreement requires that user groups sign and return Annex B to the Building Manager, and Clause 3f requires that the Building Manager provide the Department with original signed copies of Annex B annually. Management intends to revise the wording of Clauses 3e and 3f, by December 31, 2009, to more clearly identify responsibilities, and to modify Clause 3f to require the Building Manager to provide the City with Annex Bs on a quarterly basis. The City Solicitor has been consulted and concurs with this direction.

Recommendation 5

That the Building Manager ensure all Building Request Forms are signed by the Building Manager and that the Building User initial each term and condition.

Management Response

Management agrees with this recommendation.

The Building Managers will be instructed to seek initials for each term and condition on existing form. As part of a review and revision of all Access Management Agreement forms, Management will seek the City Solicitor's input

on the adequacy of a statement on the permit that would alleviate the need to have each term and condition initialed. Current permit includes "The undersigned agrees to abide by the terms and conditions stated on the back of this form". The current permit includes a space for initialing next to each term and condition that could lead to the perception that the absence of initials indicates disagreement.

Recommendation 6

That the Building Manager provide a copy of Annex J for all user/organizations to the appropriate City of Ottawa officials.

Management Response

Management agrees with this recommendation.

Management has contacted the Southpointe Community Association and they have agreed to provide the Department with signed copies of Annex J for all their users by September 30, 2009.

Recommendation 7

That the Building Manager document the pre- and post-event inspections of the facility.

Management Response

Management agrees with the intent of this recommendation.

Management supports pre and post event inspections and documentation for new, unknown user groups and for high-risk events where damage and loss are more likely to occur. Building Managers will be instructed to document these pre and post event inspections in those instances where they are completed.

Management does not believe, however, that inspections for bookings by known groups with an established record of responsible use of facilities are warranted. There are very low incidents of damages and injuries during regular user group use of City and Partner facilities. Pre and post facility inspections for use by all groups would be very onerous on a volunteer Building Manager group and would establish a level of service that exceeds what is in place at City operated facilities.

Recommendation 8

That an additional Vice-President be appointed to the Executive Committee.

Recommendation 9

That the Executive Committee be charged with the responsibility for search and nomination of Board members whenever vacancies arise.

Recommendation 10

That the Executive Committee establish annual objectives and performance indicators so that it is can measure its success in achieving its objectives.

Recommendation 11

That the Executive Committee establish an annual self-evaluation of its performance and of individual member performance.

Recommendation 12

That the Executive Committee approve, at each meeting, the minutes of the previous Executive Committee meeting.

Recommendation 13

That the Executive Committee establish an in camera meeting policy similar to that of Ottawa City Council.

Recommendation 14

That the Executive Committee ensure there is an individual who is qualified to assume the responsibilities of Building Manager, in the event the position becomes vacant.

Conclusion

Although the City and SCA continue to work under the Access Management Agreement, no signed agreement has been in place since July 2005. A new agreement should be entered into each year or the new agreement should make provisions for it to be applied to periods subsequent to the one covered in the new agreement. The audit has revealed some areas where there is a lack of compliance with Access Management Agreement. In addition, some of the Governance Audit Criteria have not been met. These areas should be examined bearing in mind the small size and limited resources of the organization and the desire to avoid overburdening it with bureaucracy and inflexible rules.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management of the Southpointe Community Association.

3.7 Audit of Year-End Spending 2004-2007

EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of a motion of Council at its September 26, 2007 meeting.

Background

On September 19, 2008 the Auditor General informed all members of Council that due to difficulties in obtaining the required data from Financial Services, the audit would be delayed pending receipt of adequate data. The data was ultimately received in October 2008 and the analysis was then undertaken.

Objectives

The objectives of the audit were to:

- Examine year-end expenditure patterns to identify where spending in the fourth quarter was excessive or unreasonable, indicating an attempt to fully expend budgets prior to year-end; and,
- Identify any issues regarding reasonableness, appropriateness and adherence to financial policy.

Scope

The scope of the audit included monthly expenditures for all branches and divisions within each department for the last quarter of each year (i.e., October to December) for the period 2004-2007 inclusive. Transactions from the Ottawa Police Service and the Ottawa Public Library were not considered in the analysis.

As we established that four years represented a sufficient period to establish any trends and as there was a change in SAP structure in 2004, the period 2001-2003 was excluded.

Key Findings

Year-over-year expenditure levels in the fourth quarter were consistent and reasonable. As such, there was no indication that budgets are being systematically emptied in the final quarter of the year.

Although no pattern of excessive fourth quarter spending was observed, the total annual budgets for certain accounts are regularly overspent, in some cases by significant amounts. These areas include: Conferences and Conventions, Consultants, Receptions and Luncheons, Office Furniture and Equipment, and Computers/Peripherals/ Software.

Various obstacles relating to the financial system resulted in our obtaining the data six months after our initial request. Files from three systems needed to be analysed. Specifically, SAP data does not contain details of the M4/M5 system for fleet expenditures as well as the Access Direct system for purchasing, credit, travel and vehicle card expenditures. We also observed that the reasons for, or description of, the expenditure is not always populated in SAP. Additional limitations, such as out of scope transactions, (i.e., transactions that did not pertain to the fourth quarter) were also identified with the data.

Recommendation 1

That the City fully review and validate the data generated for this audit to ensure it is complete and accurate for any future year-end spending analysis.

Management Response

Management agrees with this recommendation. Management has reviewed and validated the data to ensure it is complete and accurate for any future year-end spending analysis.

Recommendation 2

That the City ensure appropriate budgeting practices are followed for all accounts.

Management Response

Management agrees with this recommendation. In 2008 a Budget Challenge Working Group was formed to undertake a review of the 2009 Budget and as part of the 2010 budget challenge process there will be an analysis of overspending/underspending of major account groupings. A review of planned versus actual spending will assist in establishing an appropriate base for the succeeding budget.

City of Ottawa budgeting policy and practice directs management to maintain appropriate budget levels to support City operations. Expenditures against budgets are monitored on an ongoing basis with variances reported and explained on a quarterly basis through status update reports to Council. When permanent changes are identified, budget adjustments are processed updating the annual provision requested. Budget adjustments are not, however, processed for minor variations reflecting temporary situations.

The accounts reviewed by the Auditor demonstrated that the budgets are adjusted regularly. The overspending highlighted by the Auditor is a corporate total whereas budgets are built at the cost centre level (approximately 2,500 cost centres). For example, the cost element for Conferences and Conventions was used in 284 cost centres in 2007. Overspending or underspending at the cost element level varies from year to year and budgets are only adjusted if any

overspending is known to be of a permanent nature. The analysis provided by the Auditor General for the Conferences and Conventions element highlights that the budget has been adjusted each year and the variance between budget and actual has been reduced from $201,000 in 2004 to $35,000 in 2007. Certain accounts may be overspent, however, this can vary by branch each year depending on program requirements.

Management monitors their budgets for the purchases of materials, supplies and services on a bottom line basis. If there is overspending in one cost element typically there is underspending in another to ensure it does not result in a bottom line deficit.

It should be noted that the analysis included the BIAs and the Pineview Golf Course. Management would like to clarify that the beer purchases referenced in Table 2 were for the Golf Course.

Recommendation 3
That the City reconcile M5 data with that in SAP at least twice a year.

Management Response
Management agrees with this recommendation. Reconciliation of data between M5 and SAP was conducted as part of the SAP implementation in October 2008. Regular inventory reconciliations were conducted within SAP (including Fleet inventory) as part of the December 31, 2008 year-end. Future reconciliation will be completed at least twice a year commencing in 2009.

Conclusion

Although there were challenges and obstacles that had to be overcome for Financial Services to gather and provide the requested information, the analysis indicates that fourth quarter spending was consistent and reasonable. Of greater concern is the fact that for a number of the accounts selected for review; the total annual budgets were regularly overspent, albeit not as the result of excessive year-end spending. In addition, as a result of concerns with respect to the Fleet system (M5) and its interface to the City's financial system, the Office of the Auditor General will undertake an audit of the M5 system in its 2010 work plan.

Finally, the difficulties encountered in producing useable data for this audit is cause for concern. It raises questions about the City's financial system and whether its current functionality is adequate to efficiently provide accurate and timely information to inform management decision-making in the future.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.8 Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies

EXECUTIVE SUMMARY

Introduction

On May 14, 2008 the City Council approved the following motion:

- That Council request the Auditor General to conduct an audit of the eligibility assessment and on-going monitoring processes of the Service Manager or designate for social housing applicants and tenants as part of the 2008 work plan;
- That Council request the Auditor General to conduct an audit of the role and mandate of the Housing Branch as part of his 2008 work plan.

As such, these two audits were added to the 2008-2009 work plan for the Office of the Auditor General.

Background

There are eight different social housing programs and six rent supplement programs administered by the Service Manager. The City funds Rent Geared to Income (RGI) subsidies in six of the social housing programs and all of the rent supplement programs. In general terms, RGI subsidies cover the gap between what low-income tenants can afford to pay for the housing unit, based on spending no more than 30% of their gross household income or the Ontario Works (OW) and Ontario Disability Support Program (ODSP) scale rents, and the actual market rent for the unit.

Currently, in Ottawa there are approximately 16,500 rent-geared-to-income subsidy units and 1,900 rent supplements under the Social Housing Reform Act (SHRA). These are managed by 56 local housing providers (HP) or through agreements between the City and more than 50 private landlords (See Appendix C for details).

Subsidizing social housing is a significant cost to the City. Overall, housing providers and landlords with Rent Supplement agreements in Ottawa received $107.8 million in operating subsidies in 2008 (2007 - $104.7 million). The City received $32.7 million in funding from the Federal government in 2008 and 2007, and $2.7 million for rent supplements from the Province in 2008 and 2007, leaving a net cost of $72.4 million to the City in 2008 (2007 - $69.3 million).

There are almost 10,000 households on the centralized waiting list (CWL) for RGI social housing. The number on the waiting list has been relatively constant over the last five years. Approximately 20% of the list is housed each year. The average wait time is five to eight years, with seniors, singles and those with either a local or

provincial placement priority being housed more quickly, such as victims of abuse, the homeless, and persons requiring urgent safety or are a medical priority.

Audit Objectives

The Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies is intended to provide assurance to the City that households deemed to be eligible for social housing are in fact eligible and that the related calculation of the RGI is accurate and updated to reflect a household's changing circumstances, such as income levels and/or a household's composition. The objective was to conduct a thorough compliance audit of all aspects related to the processes and controls that the City has in place for assessing and monitoring eligibility for social housing subsidies as mandated under the SHRA. In addition, the audit assessed any processes and controls that are in place to ensure that the funding paid by the City to the housing providers is used for the intended purposes. Finally, the audit reviewed the processes and controls with respect to the determination of the benchmark market rents, which are used to calculate the RGI subsidies, to ensure that the risk of overpayment is minimized. The specific criteria for the audit are detailed, by organization audited, in Section 4 of this report.

The audit methodology and approach included a planning, execution, and reporting phase. The details of our findings are summarized in the observations and recommendations sections of this report. A summary of the findings and recommendations are presented below by Organization.

In addition to the audit of Assessing and Monitoring Eligibility for Social Housing Subsidies, Council requested an audit of the Role and Mandate of the Housing Branch. This audit began in the fall of 2008 however at the conclusion of the planning phase management's corporate re-organization resulted in the disbanding of the Housing Branch and the elimination of the Director of Housing position. As a result of this re-organization the audit of the role and mandate of the Housing Branch was halted. Based on the work that was completed, management was provided a set of observations and suggested actions. These are summarized below.

Observations and Recommendations

Assessing and Monitoring Eligibility - The City of Ottawa (the City)

Overall, the City needs to improve its management controls and practices with respect to the RGI Administration processes and oversight function as Service Manager in the following areas:

- RGI oversight functions need to be formalized by drafting procedures to guide the staff in carrying out their duties, including those to be performed

during Housing Provider (HP) site visits such as testing the RGI subsidy calculations.

- Not all HP Service Agreements between the HPs and the City are signed by both parties and there is not always a signed copy maintained on file.

- The Annual Information Returns (AIR) reconciliation process is often subject to significant delays. A thorough analysis of the major causes for this is required along with a plan of action for remedying the situation. This could result in the redistribution of responsibilities related to this task.

- The follow up process related to HP Site Visit Report recommendations is not always completed on a timely basis. A record of any form of communication with the HPs is not maintained in the HP file for future reference and follow up.

- A risk profile to identify HPs that should be given priority during the site visit cycle would make the process more effective and efficient.

- Periodic site visits to the Registry are required to test the Registry's compliance with the SHRA and with the Registry's Agreement with the City.

Assessing and Monitoring Eligibility - The Social Housing Registry of Ottawa (Registry)

With regard to the Registry:

- Consideration should be given to expanding the role of the Registry beyond the current assessment of residency status to include an initial needs assessment based on the applicant's current income status. This would ensure a more consistent approach to needs assessment, allow for more efficient oversight by the City of this process and increase the accuracy of the Central Waiting List (CWL).

- A reduction in the types of documentation accepted to assess applicants' residency status would increase efficiency and reliability.

- Documentation of the rent arrears verification process can be improved.

Assessing and Monitoring Eligibility - Ottawa Community Housing Corp. (OCHC) and Other Housing Providers

With respect to Ottawa Community Housing and other HPs we noted a lack of standard policies and procedures related to RGI administration. However, it must be noted that the OCHC is in the process of preparing a policy and procedures manual that will include RGI administration. The City should be involved in this process to assist and ensure that all HPs are managing the RGI processes and controls in a consistent and equitable manner.

Assessing and Monitoring Eligibility - Rent Supplement Office (RSO) of the City

With respect to the RSO, we noted that the Office is duplicating the efforts of the Registry in the area of residency verification, which could be eliminated.

Role and Mandate of the Housing Branch

As explained above, although the audit of the role and mandate of the Housing Branch was halted due to a re-organization of this function during the audit, detailed observations and suggested actions were provided to management on a number of issues based on the work completed, including:

- Balancing the Service Manager's dual role as regulator and facilitator

- Actively monitoring the effectiveness of the central waiting list function

- Ensuring reliable and accessible records and information

- Considering new affordable housing options and strategies and

- Ongoing development of the Housing Strategy and communications with Council Members

Recommendations

Recommendation 1

That the City develop formal procedures for all RGI administration oversight functions including procedures to be performed during Housing Provider site visits such as testing the RGI subsidy calculations.

Management Response

Management agrees with this recommendation.

Although informal procedures have been in place for a number of years, staff are in the process of planning and developing a detailed procedure manual. The procedure manual will capture and formalize in writing, the procedures for all RGI administration oversight functions including procedures to be performed during Housing Provider site visits. This process will be completed in Q1 2011.

Recommendation 2

That the City ensure all HP Service Agreements between the HPs and the City are formalized (i.e., signed by both parties) and that a signed copy is maintained on file.

Management Response

Management agrees with this recommendation.

A review of all HP Service Provider Agreements has been completed. The review clarified that a total of four agreements were either missing or not

properly executed. Appropriate action is underway to rectify the situation and will be completed in Q1 2010.

Recommendation 3

That the City review and analyze the major cause(s) of the delays in the AIR reconciliation process and establish a plan of action for eliminating these delays.

Management Response

Management agrees with this recommendation.

A review has been completed and action is now underway to create a second Financial Co-ordinator position by eliminating an existing position. The job description for the Financial Co-ordinator has been updated to appropriately reflect the responsibilities regarding RGI administration, reconciliation and duties related to the SHRA. Staffing will be completed in Q2 2010.

Recommendation 4

That the City implement a process for periodic validation of the HP self-assessment of compliance.

Management Response

Management agrees with this recommendation.

It is current practice for the Program Administrator to review and confirm accuracy of the HP self-assessment during a site visit with a housing provider. This review also includes a governance practices review, a property management review, a tenant file review and a review of RGI calculations. This process, which includes a tracking system, will be formalized through the development of the policy and procedure manual referenced in management's response to Recommendation 1. The procedure manual will be completed in Q1 2011.

Recommendation 5

That the City ensure follow up of the Site Visit Report recommendations is completed on a timely basis and that a record of any form of communication with the HPs be maintained in the HP file for future reference and follow up.

Management Response

Management agrees with this recommendation.

Staff will incorporate standardized procedures in the policy and procedure manual for RGI administration (refer to management's response to Recommendation 1) to ensure timely reporting to and from the Housing Provider regarding Site Visit Reports. A tracking system has been implemented to ensure reporting timelines are met with appropriate notification and follow-

up according to a prescribed schedule. The procedure manual will be completed in Q1 2011.

Recommendation 6

That the City develop a risk profile to identify the sample of HPs that should be given priority for site visits.

Management Response

Management agrees with this recommendation.

A risk assessment tool will be incorporated into the procedure manual referenced in management's response to Recommendation 1. The risk assessment tool will take into consideration information received through the Annual Information Review (AIR) process and site visits. It will include an evaluation on how the Housing Provider meets the housing standards outlined in the Social Housing Standards document which was developed by housing providers and the City in 2008. The procedure manual will be completed in Q1 2011.

Recommendation 7

That the City perform periodic site visits to the Registry to test the Registry's compliance with the SHRA and with the Registry's Agreement with the City.

Management Response

Management agrees with this recommendation.

A formal site visit and operational review will be conducted in the winter of 2010. Site visits are scheduled to occur every three years or more often if the Service Manager deems it necessary. The formal site visit and operational review will be completed in Q2 2010.

Recommendation 8

That Council petition the Ministries of Community and Social Services and Municipal Affairs and Housing to develop legislation that allows greater sharing of social assistance information across municipal programs.

Council Response

Management agrees with this recommendation.

The item will be brought forward to Council in Q2 2010.

Recommendation 9

That the City ensure the job descriptions of the positions involved in the RGI administration process are current and specifically include responsibilities related to RGI administration and other duties related to the SHRA.

Management Response

Management agrees with this recommendation.

A majority of the job descriptions involved in the RGI administration process have been updated (Program Administrator, Technical Assessor, Financial Coordinator, Rent Supplement Clerk, Housing Officer). The remaining job descriptions will be updated by the end of Q3 2010.

Recommendation 10

That the City pursue an expansion of the role of the Registry to include an initial needs assessment.

Management Response

Management agrees with this recommendation.

Completing an initial household income verification at the time of application would assist in determining if households are eligible for the "below market rent" (BMR) income threshold. If eligible, they can be placed on the BMR waiting list in addition to the social housing Centralized Waiting List which, will improve options for housing. This, however, will not replace the requirement that household income verification be completed by the housing provider at time of offer. The rent subsidy is based on a unit specific calculation of household income in relation to the market rent for the specific unit offered and income. Those contributing to the income in a household may, and often do, change between the time of the initial application and the time of offer which may be several years later.

The income verification process and procedure will be completed by Q2 2010 and will be included in the procedure manual referenced in management's response to Recommendation 1. In addition, a directive will be issued to the Registry regarding this issue.

Recommendation 11

That the City seek Council direction on the desire to petition the Ministry of Municipal Affairs and Housing to allow the City to require confirmation that anyone claiming abuse has commenced legal proceedings.

Management Response

Management disagrees with this recommendation.

Individuals fleeing abuse may lack financial or other resources required to commence legal proceedings, or they may not be ready or willing to do so. Although confirmation that legal proceedings have commenced would be helpful in documenting an individual's situation, a letter signed by a doctor,

social worker, or other acceptable representative, as is the current requirement, is a more appropriate indicator of need.

Recommendation 12

That the Registry reduce the types of documents that establish that a household meets the residency eligibility requirements by only allowing for example the following types of proof:
- **Canadian passport**
- **Birth Certificate issued by a Canadian Province or Territory**
- **Landed Immigrant Status paper**
- **Residency card issued by the Canadian Government**

Management Response

Management disagrees with this recommendation.

Management agrees that the list of acceptable documentation should be limited but also believes that the Service Manager needs to retain flexibility so as not to deny an eligible household who may be without the aforementioned documents at the time of application. Examples of such circumstances could include: a household fleeing abuse or a family becoming homeless because of a fire in their residence – leaving their documentation behind. It takes time and money to re-establish residency and some temporary discretion should be allowed in situations such as these. In addition, current legislation allows and promotes flexibility in residency eligibility documentation in cases of provincial housing priority (Special Provincial Priority) for households experiencing domestic violence.

Management believes that it is reasonable to substitute alternative documents such as Ontario Works (OW) or Ontario Disability Support Program (ODSP) pay stubs as proof of residency status. OW and ODSP have rigorous standards which must be satisfied confirming residency status before funds are issued.

Recommendation 13

That the Registry document that arrears checking has been performed in all cases.

Management Response

Management agrees with this recommendation.

A directive has been issued to the Registry to ensure this is procedure is followed. Compliance with this requirement will be monitored through site visits and normal exchange of data. Site visits are scheduled to occur every three years or more often if the Service Manager deems it necessary.

Recommendation 14

That the City work with HPs to develop standardized procedures for Housing Placement, Annual Review Process, Changes to Household Occupancy and Overhoused Households, including:

- **Placement decision processes to ensure only Provincial- and City-mandated criteria are used and other criteria (i.e., ethnic, religious, etc.) are not;**
- **Calculating the RGI subsidy under various circumstances;**
- **Utilizing T1 Assessments for all household members;**
- **Requiring a second person to check the RGI calculations for households reporting self-employment income;**
- **Calculating interest income; and,**
- **Proof of residency to be obtained for cases where an occupant is added to a household.**

Management Response:

Management agrees with this recommendation and will work with Housing Providers to meet the objectives as outlined in the recommendation. However, requiring a second person to check RGI households for self-reporting income may not be feasible for the smaller providers who rely on only one half-time coordinator to manage the administration of the building. In these cases, there is no other employee to check RGI calculations. By developing clear and consistent guidelines for the calculation of RGI including those households with self-employment income, the risk of error will be minimized. Standardized procedures (refer to management's response to Recommendation 1) will be completed in Q1 2011.

Recommendation 15

That Housing Providers ensure all households with overhoused units are placed on the Registry's CWL within one year of becoming overhoused and that these lists are updated on a quarterly basis.

Management Response:

Management agrees with this recommendation.

This requirement will be incorporated into the standardized procedures being developed in response to Recommendation 1. A directive has been sent to all Housing Providers regarding this requirement, and the Service Manager will check for compliance as part of site visits by the end of Q1 2010.

Recommendation 16

That the City establish a clear timeframe for elimination of duplicate RGI calculations by the Rent Supplement Office.

Management Response:

Management agrees with this recommendation. Staff are currently testing a revision of the SHAMIS software that will eliminate the need for manual calculations. Commencing Q1 2010, staff will use only the SHAMIS software to complete calculations.

Recommendation 17

That the RSO rely on the residency verification performed by the Registry and discuss the file transfer process with the Registry to ensure that a mutually agreeable timeframe can be established for the transfer of the files.

Management Response:

Management agrees with this recommendation. However, management wishes to clarify that if a household has changed composition since the last update to the application file at the Registry, the RSO will still need to verify that anyone added meets the residency verification. The RSO and the Registry will develop a protocol to ensure the timely transfer of files by the end of Q1 2010.

Conclusion

The objective of this audit was to provide assurance that households deemed to be eligible for social housing are in fact eligible and that the related calculation of the Rent Geared to Income (RGI) is accurate and updated to reflect a household's changing circumstances, such as income levels and/or a household's composition. Individual Housing Providers remain the key player in ensuring this as they have been delegated the responsibility for assessing and monitoring need. The City's process for financial oversight of HPs to ensure funds are used appropriately is comprehensive. However, its effectiveness is limited by ongoing delays in procedures such as AIR reconciliation and site visit follow-up. It is important to note the City's jurisdiction in this regard is limited by the fact that, with the exception of OCHC, HPs are fully independent bodies governed by Boards that do not report to Council.

The lack of consistent and formalized procedures and the current gaps in the City's process for monitoring Housing Providers via validation of self-assessments, site visits and follow-ups makes it difficult to provide complete assurance. There is a perception among some citizens that there are instances of abuse in this area. The lack of consistency in many areas creates the real risk that these concerns are more than just perception. Although no specific cases of abuse were identified in the audit, action on the recommendations contained herein is intended to minimize these risks and result in greater assurance that those most in need are receiving the available assistance.

Acknowledgement

We would like to acknowledge the transparent and continued cooperation of all the Social Housing & Shelters Management Branch personnel contacted and interviewed throughout the course of this audit. We also wish to acknowledge the cooperation and input of the representatives of the Registry, the Rent Supplement Office (of the City), Ottawa Community Housing Corporation, as well as the other HPs that were contacted and provided information during this audit.

3.9 Audit of Sick Leave Management

EXECUTIVE SUMMARY

Introduction

The Audit of Sick Leave Management was included in the 2008 Audit Plan of the Office of the Auditor General, first presented to Council in May 2007.

Background

The City manages sick leave using its Attendance Management Program (AMP). The present program recognizes exemplary and improved attendance, fosters employee awareness of the importance of good attendance, and provides assistance to employees in improving attendance through a variety of programs. The City should endeavour to improve both on an individual and collective level its employees' health. Reducing sick leave leads to both a savings for the City and better service to the public.

A certain amount of sick leave is inevitable, that is when employees are sick they should not be at work.   However, studies have shown that corporations with a strong wellness strategy benefit from: reduced absenteeism; employees having better workplace morale; employees having better attitude toward the employer; increased productivity; and, reduced overall costs. As well, healthier employees may be less likely to be in an accident, may be sick less often or recover from sickness more rapidly.

During 2007, the City of Ottawa employed approximately 17,000 employees with annual compensation (salaries, wages, and benefits) of $1.1 billion[1].

Not all employees are provided sick leave benefits, e.g., casual. In 2007, 11,470 employees used 881,547 paid sick hours costing taxpayers approximately $27.8 million or 4.5% of the $618. 5 million total employee's compensation budget eligible for short-term disability.

The City's Enterprise-wide Resources Planning (ERP) System (SAP) 2007 sick leave data used in this report excludes, Ottawa Police Service and Ottawa Public Library, which are both out of scope. Also not included in the data are areas not reporting to the City Manager - namely, the Office of the Auditor General (21.3 days of sick leave – average of 2.7 days per employee) and Committee of Adjustment (125.0 days of sick leave – average of 8.9 days per employee).

The Attendance Management Program (AMP) provides short-term disability data to management internally in days. Conversely, Employee Services has participated

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[1] 2007 City of Ottawa Annual Report

in the external Human Resources Benchmarking Network (HRBN) - Annual Benchmarking Survey in hours. The latter is reported in hours to standardize the data between participating organizations as various employees' and organizations' workdays vary in length.

The former Attendance Improvement Program (AIP) was modified and reissued in January 2007 as AMP. One of the audit's objectives was to evaluate and assess if there was strict adherence to AMP procedures. AMP is governed by corporate procedures dated October 25, 2006, as amended following the award by the Board of Arbitration on October 1, 2006. As reported under AMP, City employees covered under the program used an average of 10.64 days in 2007.

AVERAGE SICK LEAVE STATISTICS 2005-2007

Per Employee Services

Year	Average Sick leave day per employee	Employee Count
2005	10.3	9,588
2006	10.1	10,034
2007	10.6	10,539

The Centres of Expertise relating to sick leave resides in the Employee Services Branch, primarily in the Health and Safety Division, although Payroll Division and Labour Relations and Human Rights and Employment Equity (HREE) have integral roles. Staffing and Client Relations also play a role in the Priority Placement Process. This process is triggered when there is a need to secure permanent suitable accommodations for employees with permanent medical and functional restrictions.

Below is the 2007 organizational chart for Employee Services.

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                        ┌───────────────────────────┐
                        │     Employee Services     │
                        │       174.6 FTEs          │
                        └───────────────────────────┘
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Staffing & Client Relations	(2) Payroll	Corporate Health & Safety	(1) Labour Relations & HREE	Compensation & Benefits	Planning & Development
33.5 FTEs	48 FTEs	2 FTEs	18 FTEs	33 FTEs	10.1 FTEs

Analyst, H&S (AMP)
1 FTE

Employee Health & Wellness
13 FTEs

Safety
9 FTEs

EAP
5 FTEs

(1) Part of City Clerk and Solicitor Department in 2009
(2) Part of Finance Department in 2009
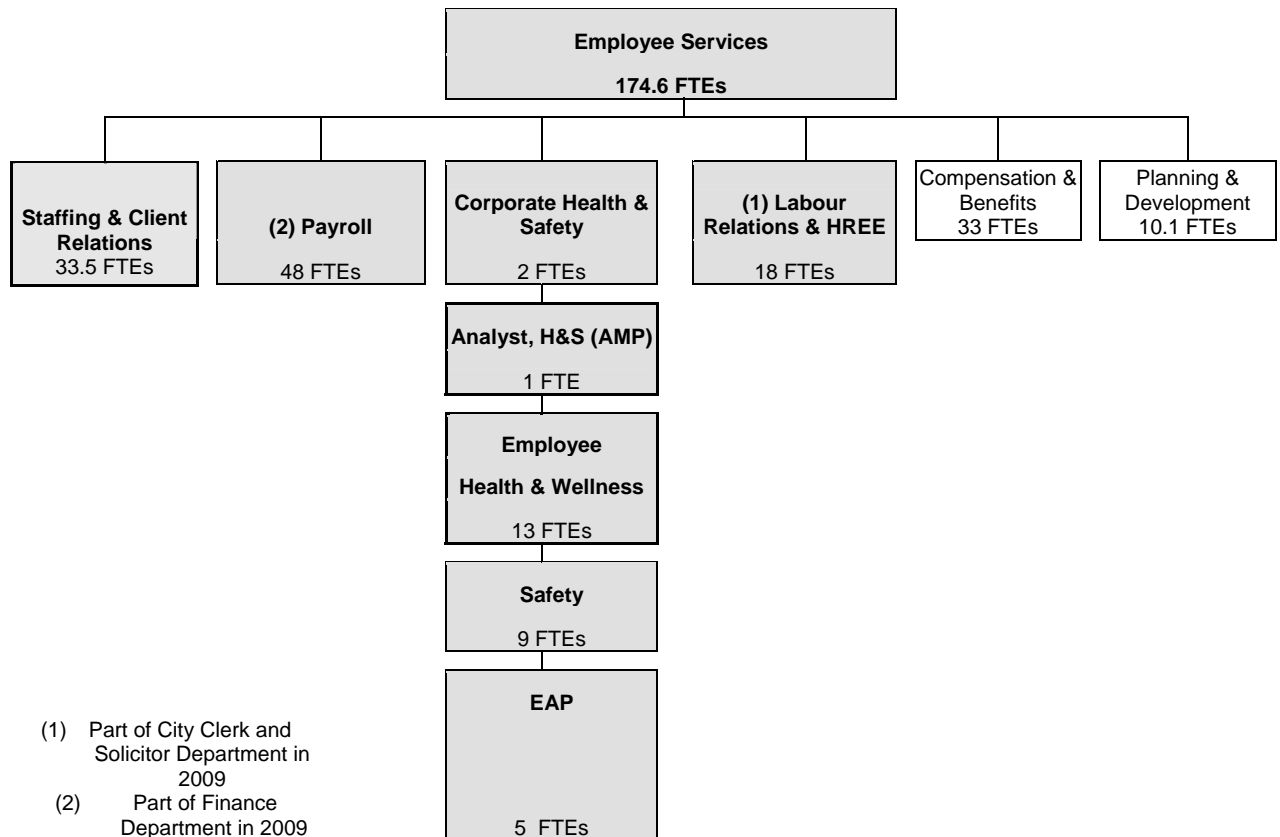
Scope

The scope of the audit included the:

- Overall 2007 absenteeism related to all short-term disability (e.g., certified, uncertified, paid, unpaid, etc.); and,

- Attendance Management Program.

The audit excludes:

- Absences related to Workplace Safety and Insurance Board of Ontario (WSIB) injuries/illnesses and long-term disability (LTD) claims;

- Absences related to a declared disability;

- Ottawa Public Library; and,

- Ottawa Police Service.

Objectives and Key Findings

Audit Objective 1: Assess if absenteeism related to sick leave is appropriately managed.

The City of Ottawa has managed its employee's sick leave through two programs: the Attendance Improvement Program, and from January 2007 on, through the Attendance Management Program. The objectives of AMP are to:

- "Recognize exemplary attendance and/or improved attendance
- Foster employee awareness of the importance of good attendance
- Assist employees in improving attendance through a variety of programs
- Encourage the reduction of the excessive use of IPP or sick leave benefits
- Accommodate employees with disabilities as defined under the Ontario/Canadian Human Rights legislation
- Encourage the proper use of sick leave"

As decreasing sick leave is not, at present, an objective of the City's current program, no efforts are specifically made to do so. It is our opinion that a fundamental goal of any attendance management program should be to decrease sick leave. Unless the City clearly establishes such a goal and that senior managers communicate it to lower level employees, decreasing sick leave will continue to represent a challenge for the City.

The average paid sick hours per eligible employee has slightly increased from 2006 to 2007. Employee Services reported in the HRBN - Annual Benchmarking Survey, for 2007, that 11,470 City employees used 881,547 paid sick hours for an average of 76.9 paid sick hours per eligible employee. Management estimates that, including Ottawa Public Library, sick leave costs taxpayers approximately $27.8 million or 4.5% of the $618. 5 million total employee's compensation budget eligible for short-term disability. This represents an average increase of 3 paid hours per participating employee from 2006. During 2006, a total of 844,089 paid sick hours were incurred for an average of 73.9 paid sick hours per eligible employee (11,417 City employees).

When comparing Ottawa to other cities that have responded to the HRBN survey, it was observed that many cities, such as Mississauga, had paid sick leave hours per eligible employees lower than Ottawa.

Occupational Health Consultants (OHC) feel that corporate policies do not clearly define the roles of the OHCs, managers and Labour Relations in the sick leave management process. The Employee Health and Wellness (EH&W) unit perceives that some employees look at short-term sick leave as a benefit owed to them and not a form of insurance to be used for bona fide short-term disability. Managers across the City share this view. There is a perception that as long as an employee provides a medical certificate from a doctor, which has been accepted by their

manager, very little can be done to manage sick leave. OHCs report that they do not feel supported when they determine that the medical information provided does not support an employee's sick leave, and that they are often unclear as to what Labour Relations and Legal expect from them when preparing for sick leave-related grievance or arbitration proceedings. They also report that they are often requested to seek/provide information that could violate their nursing code of practice. OHCs are also uncomfortable attending grievance/arbitration hearings alongside LR and Legal, jeopardizing their ability to appear somewhat neutral in the disability management process, and to fulfill their other wellness role with employees.

EH&W indicated that some medical certificates found to be unsatisfactory and/or questionable, are nonetheless accepted. EH&W provided us with 25 examples where employees should have provided an appropriate medical certificate and did not. Six employees had not provided any certificates at all. EH&W have introduced a process to identify employees who have not provided the appropriate certificate, however the information may not be timely. Concerns related to medical certificates provided by employees relate to (examples can be associated to more than one category):

- 18 of 25 where the medical certificate was submitted more than 10 days from the start of the absence;
- 6 of 25 were "shopping lists" where one medical certificate is provided by an employee covering multiple unrelated absences under an extended period (months). This practice is more common in Fire Services. (e.g., A memo was sent in September to Fire Services employees requesting a medical certificate for previous sick leave days, e.g., from January, February, etc.);
- 11 of 25 where a physician did not see the employee during the illness period and/or not under their care received medical certificates. In some cases, a physician was seen within a relatively short period after the absence/illness. However, in other cases the medical certificate was obtained months later;
- 2 of 25 where the employee's absences and dates provided on medical certificate differed; and,
- 1 of 25 where the medical certificate was not dated.

Satisfactory medical certificates are not always coded certified in SAP prior to being put on record in an employee's human resources file. We tested a separate sample of 24 absences where a medical certificate should have been received from the employee and found:

- 12 medical notes were on file but the leave was not coded as certified in SAP;

- 3 medical notes were on file and the leave was not coded as certified in SAP due to lack of dates and one was a fax; and,
- 9 employees did not have a medical note on file.

The audit reviewed the following four areas where 2007 average number of short-term sick days per employee was high.

Sample Area Reviewed	Absence Days	Head Count	Average Day per Headcount
EFA Centre Central Division	2,547	142	18
Centre d'accueil Champlain	1,801	169	11
Signal Design and Specification, Traffic Ops.	767	39	20
Ottawa Paramedic Service, Platoon B&D	2,010	115	17

We also examined an additional sample of timesheets for 25 employees: 5 from each of the areas being reviewed (i.e., EFA Centre Central Division; Centre d'accueil Champlain Division; Signal Design and Specification Unit, Traffic Operations; and, Platoon B&D, Ottawa Paramedic). Management indicates that all references to B&D Platoons are only valid in SAP. They further state that Paramedics listed in SAP may (and often) are not aligned with the actual B&D Platoons as managed in Telestaff. Telestaff manages platoon assignments separately and not necessarily in accordance with SAP. If a high percentage of those staff who took sick leave were shown in the sample as reporting to Platoon B&D and are now assigned on the schedule to a different Coordinator, the report would incorrectly reflect a higher absenteeism with that Platoon. The reporting structure in the Paramedic Service differs from other departments within the City where the employee's supervisor oversees a Platoon. The Platoon is based on the work schedule. When an employee changes work schedules, they change Coordinators and Platoons. This was not being captured in SAP when employees changed schedules. Employees will frequently change schedules to maintain balanced staffing levels throughout the year.

However, as the City's Enterprise-wide Resources Planning System, SAP's accuracy should continuously and consistently be maintained for all personnel including Paramedics.

In addition, we selected a sample of five employees City-wide (i.e., Para Transpo; Client Service Centre; Technology Infrastructure; Roads; and, Drinking Water). We noted ineffective control over the submission, approval, and capturing of sick leave forms for employees on exception reporting. Although the City has established procedures, we found that lapse times for employees on exception reporting were not always enforced which resulted in inadequate control over submissions. Delays were noted in both employees submitting a timesheet and supervisory

signing.   In one case, the employee submitted four timesheets during 2007 with absence being reported to Payroll months after their occurrence.   By not submitting a timesheet in a timely fashion, an employee can potentially:

- Be compensated at 100% of his/her salary when in fact, it should be at a reduced rate of 67% (e.g., using second bank of sick leave);
- Not be placed on the AMP or not advance to the next step;
- Draw down on more than their uncertified sick leave allocation, etc.

For the sample of timesheets from 5 employees in each area covered and 5 employees selected City wide for a total of 25, we also reviewed the number of occurrences where uncertified sick leave days were attached to a statutory holiday or a weekend. Where an employee was absent on consecutive uncertified days, e.g., a Thursday and a Friday, this is considered as one occurrence; a Friday and the following Monday, is also considered one occurrence. In addition, it is important to note that only uncertified sick leave days are included in the following table. We found:

UNCERTIFIED SICK LEAVE

Five Employees from:	Total Occurrences of Sick Leave	# of Occurrences on a weekend / Attached to Weekend or Statutory Holiday	%
City wide	36	23	64%
EFA Centre Central Division	27	15	56%
Centre d'accueil Champlain Division	30	19	63%
Signal Design and Specification employees	28	16	57%
Platoon B&D employees, Paramedic	19	13	68%

In addition, 6 of these 25 employees had taken greater than their collective agreements allotment of uncertified leave days.

The practice of recovering compensation for uncertified sick leave days in excess of collective agreements allocation is inconsistently applied across the City. Although three of the four areas reviewed had considered recovering compensation, only Ottawa Paramedic Service and Traffic Operations have successfully recovered compensation for uncertified sick leave days in excess of allocations. We found that the City has not established a consistent City-wide initiative to recover those days uncertified which are in excess of an employee's collective agreement allotment. This was originally identified in the 2006 audit of the Financial Control Environment.

During the course of this and previous audits, we noted that SAP had not been fully programmed to eliminate and/or reduce the number of manual processes which staff are required to conduct. One of these processes relates to the top-up or top-down of short-term sick banks being performed by OHCs. A risk exists, that if this

manual process is not conducted on time, an employee may take greater than the 85-day bank for an illness and be compensated at 100% of his/her salary when in fact, it should be at a reduced rate of 67% (e.g., using a second bank of sick leave).

Accommodations (modified work arrangements) are not consistently provided to staff across City departments. Some employees on sick leave could return to work at an earlier date if they were provided modified work. The City lacks a City-wide inventory of modified duties position, which could be matched to employees.

We found that SAP's utilization continues to be a struggle for some managers.

Three of the four areas reviewed did not conduct trend analysis. Although Ottawa Paramedic Service did conduct trend analysis, we identified a number of occurrences where two employees residing at a same address and either working in a same unit or branch, took sick leave on a same specific day. This trend was also identified in Employment and Financial Assistance Branch. The following table highlights those employees living at a same address, which took three or more days of sick leave concurrently and nine or more days of sick leave concurrently.

BRANCH	Took 3 > days of sick leave concurrently.		Took 9 > of sick leave concurrently.	
	Pairs of Employees residing at the same address	% of Employees residing together	Pairs of Employees residing at the same address	% of Employees residing together
Employment & Financial Assistance (see table 8)	7 of 24	29%	4 of 24	17%
Ottawa Paramedic Service (see table 15)	8 of 26	31%	3 of 26	12%

Audit Objective 2: Assess appropriateness and effectiveness of the Attendance Management Program.

An AMP cycle covers a period of six months. There are lengthy delays from the end-of-cycle to the issuance of an attendance letter to employees. In all cases, at least half of the next cycle had expired before an employee was given an attendance letter.

The City has no "wellness strategy" and no overarching initiative to decrease sick leave. Using the AMP data, we found that approximately:

- 29% of employees received letters for good or excellent attendance during 2007;

- 8% of employees were on AMP at various steps; and,

- 63% of employees captured by the database did not have good or excellent attendance nor did their sick leave meet the AMP criteria and therefore were not being addressed under any strategy. Cases of high absenteeism falling within the 63% may still need to be addressed. From both an operational and financial aspect, the City would also benefit by decreasing sick leave of those employees not meeting the AMP criteria.

AMP is a monitoring and reporting tool. Days, which managers deem an employee to be legitimately sick, may be excluded using discretion. The remaining days are eligible to the program. Although AMP forces managers to take notice of their employees' sick leave every six months, in our opinion, it has limited chances of decreasing sick leave as AMP is a non-disciplinary program and managers do not have the right to know the cause of absences.

Ottawa Paramedic Service has established a "discretion committee", consisting of 10 coordinators and 1 officer from OPS as well as the AMP administrator from Employee Services to convene and evaluate all requests for discretion. In other areas of the City, one manager grants discretion for their direct reports. We reviewed both the issue of the existence of a discretion committee and the recording of personal information with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) and Elections Services Division. We were informed that although specific names of employees are not given to the committee, discussion of staff medical conditions in this forum infringes on an employee's privacy. In addition, as there is no legislative reason to capture any employee personal medical information on a database, we were informed that OPS do not have the right to do so. In fact, only Health and Safety Division have this legislative right.

The City has not established and communicated objectives and set measurable targets to decrease sick leave absences. Goals and objectives would give managers a clear definition of where the City sees itself within a distinct timeframe.

AMP reporting tool is not automated which creates a high risk of unintentional inaccuracies. Specifically we found that previous cycle data was not re-extracted. As SAP is a dynamic system, any sick leave entered to SAP for a previous cycle but after the data extract date, failed to be captured on the AMP databases. Management indicated that ensuring AMP's data accuracy rests with managers. However, we disagree with this approach. The AMP administrator should be disseminating to departments accurate data. It should not require a manager to verify its validity. There is also no verification that each manager re-ran the data in SAP to confirm its accuracy. We conclude that the effectiveness of the program is jeopardized and the program administrator's role is questionable when the onus for the accuracy of the information is placed on managers.

Some employees were not included on the AMP databases provided. We reviewed four divisions and identified 33 employees that were not included in either AMP databases but which incurred 452 sick leave days during 2007.

DIVISION	SAP Headcount	AMP Missing	TOTAL Sick Leave Day by Division (per SAP)	AMP missing	% Sick Leave Missing
EFA Centre Central	142	3	2,547	91	4%
Centre d'accueil Champlain	169	9	1,801	70	4%
Operations Division, OPS	352	9	5,028	114	2%
Traffic Operations	197	12	2,201	177	8%
TOTAL	860	33	11,577	452	4%

For the four divisions we reviewed, an average of 4% of sick leave reflected in the AMP databases was understated due to employees not captured. This does not take into account any inaccuracies, such as understatements of sick leave taken, resulting from AMP data not being regenerated for previous cycles.

As part of AMP, the Health and Safety Division of Employee Services calculate the average number of sick days per employee. However, these statistics have not been communicated to operational managers as an evaluation of how they compare to other areas and to City Council for information purposes. Because absenteeism is a significant cost to the City, in our opinion, Employee Services should communicate each cycle's results downward from Executive Management Committee all the way down to program managers as well as to City Council. Reporting should reflect both the number of days as well as the related costs.

We noted that the City of Toronto was able to over time reduce its average sick leave day per employee from 9.2 days in 2001 to 7.9 days in 2007.

Management advised us that the City of Toronto's *Short Term Sick Leave Plan* differs significantly from the City of Ottawa's plan. City of Toronto employees accrue sick leave based on hours worked. Once the accrued number of days or hours have been utilized, there are no provisions for the leave to be replenished until the employee is able to accrue more, whereas, with the City of Ottawa, permanent full-time employees with at least six months service are eligible for Income Protection Plan (IPP) benefits of 17 weeks (85 days) annually. Some of this is paid at full salary, and some at 66 2/3% of salary, based on years of service (i.e., 1 year of service – 2 weeks at full salary, and 15 weeks at 66 2/3%; 10 years of service – 17 weeks at full salary). This entitlement can also be reinstated within the same year under certain conditions (i.e., employee returns to work for at least one full shift and needs to go off work again for a different medical condition; or employee returns to work and subsequently goes off again for a related medical condition, as long as 30 calendar days have elapsed between the cessation of the previous claim and the commencement of the related claim CUPE 503). Nonetheless, it is important to note that the City of Toronto has decreased its sick leave.

The following table compares the City of Toronto's AMP averages for the last three years to the City of Ottawa's levels.

Year	City of Ottawa	City of Toronto
2005	10.3	8.7
2006	10.1	7.6
2007	10.6	7.9

Recommendations and Management Responses

Recommendation 1

That the City establish and communicate a fundamental AMP objective of decreasing sick leave.

Management Response

Management agrees with this recommendation. The objective has been established and communicated.

The Application section of the Attendance Management Program (AMP) procedures document clearly states that the program's primary objectives are to:

- Encourage and recognize exemplary attendance and/or improved attendance; and,
- Address absenteeism related to the use of sick leave.

The section further states that culpable absences, and any related disciplinary action, will be dealt with outside of this program.

The program information is available to managers and employees on Ozone.

Recommendation 2

That the City create SAP standard reports to assist managers in monitoring, investigating and managing employees sick leave trends.

Management Response

Management agrees with this recommendation and has implemented it.

Standard SAP sick leave reports are now available on Ozone under ManagerInfo > HR Reports > Sick Leave Usage Reports. The availability of these reports was communicated in a Management Bulletin on May 12, 2009.

Recommendation 3

That the City ensure that employees on exception reporting submit timesheets promptly and remind managers/supervisor of their responsibility to ensure direct

reports submit timesheets within the required 5 to 10 days after the leave or additional hours are worked.

Management Response

Management agrees with this recommendation.

Management agrees that all City employees are responsible for submitting their time sheets and leave requests in a timely manner to their supervisors/managers, who are in turn responsible for ensuring that the time and leave is approved and entered into SAP. Managers are also responsible for completing timesheets on behalf of employees who are away from work for more than four consecutive days.

Managers were advised of the importance of submitting time and leave reporting forms in a timely manner in recent communications issued in the spring of 2009 regarding the automated sick leave tracking process. A broader communication to managers and staff is planned for summer 2009 via employee communications and City Briefs to outline the same requirement and the benefits of having up-to-date information.

The importance of submitting forms in a timely manner will also be reinforced during New Employee orientation sessions commencing Q3 2009.

Recommendation 4

That the City ensure that all employees provide the required satisfactory medical certificates to EH&W within the prescribed number of days, as stipulated by individual collective agreements and that the City not pay these absences until a satisfactory medical certificate is received.

Management Response

Management agrees with this recommendation.

Management agrees that it is an employee's responsibility to submit satisfactory medical certificates in a timely manner to their manager, to whom falls the responsibility for accepting or rejecting the certificates on the basis of established criteria and ensuring satisfactory certificates are forwarded to EH&W for inclusion in the employee's medical file.

Management also agrees that it is a manager's responsibility to ensure that approved, certified sick leave is entered into SAP for payment only after a satisfactory medical certificate has been received and approved per the applicable collective agreement.

Recent improvements have been made to the sick leave tracking process. Since May 2009, managers have been receiving emails advising them when their employee(s) sick leave has been entered into the SAP system and that a medical

certificate is required. This allows the manager to better manage the certification process and to ensure that sick leave is appropriately approved and paid.

By September 2009, if an employee submits time sheets for uncertified sick leave and his or her uncertified sick leave is exhausted, the time submitted will automatically revert to unpaid sick leave if a medical certificate has not been submitted and approved to support certified sick leave.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 5

That the City document and communicate a policy/procedure/guideline clearly stating the criteria when a medical certificate will be deemed unsatisfactory and will not be accepted, (e.g., listing of an employee's absences in more than one period; doctor's medical certificate where the employee was not seen by the doctor during the absence; medical certificate for an absence which occurred at a much earlier date, etc.) and that responsibility for refusal of a medical certificate be clearly established.

Management Response

Management agrees with this recommendation.

Management will establish and document criteria for acceptable medical certificates, and communicate it to management, employees and unions by Q4 2009.

Recommendation 6

That Employee Health and Wellness ensure that medical certificates are appropriate and meet the City's requirements and be given the final authority to challenge medical certificates.

Management Response

Management partially agrees with this recommendation.

Management agrees that only those medical certificates that meet established criteria are to be accepted for substantiating sick leave (criteria to be formalized as outlined in Recommendation 5).

However, management disagrees with the suggestion that EH&W has the responsibility and final authority for the approval of medical certificates: this is the responsibility of managers.

EH&W will establish the criteria for acceptable medical certificates based on their expertise and recognized industry practice, and will continue to provide guidance to management in the application of the criteria in support of managers' responsibility to approve leave and manage the attendance of employees. Going forward, managers will be reminded of their responsibility

for approving all types of leave (including sick leave), and will be provided training in support of this responsibility.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 7

That Employee Services ensure that employees be advised of those certificates, which are found unsatisfactory and that a consistent follow-up process occur to get a satisfactory certificate.

Management Response

Management agrees with this recommendation. EH&W already undertakes this practice on a regular basis.

Under the newly implemented process, the responsibility for follow-up will be with managers/supervisors with support from EH&W. The May 12, 2009 Management Bulletin regarding the new sick leave tracking process explained to managers their responsibility for contacting employees to remind them of the need for medical certificates once they have exhausted their uncertified sick leave entitlements. This has also been reinforced during management briefing sessions held in conjunction with the management bulletin.

Management will ensure that the communication to managers under recommendation 5 also reminds managers/supervisors of their responsibility to follow up on their employees' outstanding satisfactory medical certificates. Employees will also be reminded of what constitutes a satisfactory medical certificate.

Recommendation 8

That Employee Services ensure that those certificates, which are received and satisfactory, are promptly and accurately entered in SAP.

Management Response

Management partially agrees with this recommendation.

Management agrees that the receipt of satisfactory medical certificates should be promptly and accurately recorded in SAP.

However, management disagrees that this is a responsibility of Employee Services (Human Resources): ensuring that time/leave is approved and properly submitted is a management responsibility. Accordingly, managers are responsible for accepting or rejecting medical certificates based on established criteria, and for approving employee time/leave in accordance with the applicable collective agreement or policies through the established processes.

As part of the current time/leave automation project, the capability for management to indicate their approval of medical certificates while entering the corresponding time/leave will be developed by Q4 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 9

That the City determine the length of an appropriate wait-period/final date after which it will no longer accept medical certificates.

Management Response

Management agrees with this recommendation and has established this standard.

The City's new automated sick leave tracking system, introduced in May 2009, established 10 working days (plus seven calendar days to allow for travel time) for the medical certificate to be received by EH&W.

Employee Services (Human Resources) will work with Labour Relations, Payroll and the City's unions to establish and communicate these criteria in Q4 2009.

Recommendation 10

That the City establish a process to advise employees that recovery of compensation will take place in the absence of an appropriated medical certificate; and, that the City recover compensation for uncertified absence in excess of collective agreements bank consistently City-wide.

Management Response

Management agrees with this recommendation. This process is currently in place.

Management explored the automation of sick leave tracking and such a system was found to be achievable. Accordingly, through 2009, the City is implementing an automated sick leave tracking system for the majority of the organization. This will ensure that sick leave in excess of entitlements allowed in the collective agreements are automatically recovered if employees do not supply medical certificates in a timely fashion per the applicable collective agreement. ATU 1760 and IATSE are currently in a statutory freeze (due to bargaining) and will be implemented at a later date.

In May 2009, communications via Ozone and through regular inter-office mail were sent to all managers and employees regarding the recovery of compensation in the absence of valid medical certificates.

It is expected that the practice will be implemented corporate-wide once discussions take place with the unions, which is anticipated to be by the end of Q1 2010.

Recommendation 11

That the City explore possible automation of the top-up and top-down of employees sick leave banks to ensure compensation is at the appropriate rate.

Management Response

Management agrees with the intent of this recommendation, but has determined that automation would not be cost effective.

The City explored automating the top–up and top–down of sick leave during the IBS project in 2003-04. Given every top-up/top-down situation is unique and the numerous variables associated with it, it was determined that the actual top-up and top-down would be very difficult to automate and would not be a cost-effective solution.

However, the City acknowledges that there was a gap in the process. As such, effective May 1, 2009, Employee Health and Wellness and Payroll implemented a new process for top-ups and top-downs with appropriate controls and sign-offs in place: Payroll is now responsible for all top-ups and top-downs in SAP, as directed by EH&W; all top-ups require the approval of the program manager, EH&W; and, Payroll validates all pay adjustments as a result of top-ups and top-downs to ensure accuracy.

Recommendation 12

That the City institute a process to ensure that any over compensation, where an employee should have been paid at 2/3 of salary is promptly recovered.

Management Response

Management agrees with this recommendation.

Further to the new top-up/top-down process described in management's response to Recommendation 11, an SAP report will be developed by Q4 2009 and incorporated in a review process to ensure that employee banks are topped down as required. The majority of overpayments are automatically recovered through SAP. Where the employee does not have sufficient funds to make the recovery, the employee is contacted by Payroll to make arrangements to recover per the Payroll Guidelines for Recovery of Overpayments.

Recommendation 13

That the City treat accommodations as a corporate initiative and that staff that can perform modified work be accommodated.

Management Response

Management agrees with this recommendation.

A significant number of employees are accommodated in modified work at the City every year, as a result of either work-related or non-work-related injuries or illnesses. Management acknowledges that there is always room to improve program performance and that increasing the awareness and understanding of both management and employee responsibilities is an important part of this process.

Occupational Health and Wellness will address the need for broader awareness and understanding as a component of a broader wellness strategy that is scheduled for Senior Management Committee (SMC) approval and implementation in Q2 2010.

Recommendation 14

That the City prepare an inventory of modified duty positions and match employee capabilities to available work in order to provide timely and effective returns to work for all employees who are partially disabled, or are returning to work from sick leave with temporary restrictions.

Management Response

Management agrees in principle with this recommendation.

While management agrees with this recommendation in principle, they also realize that a "modified duty" position may not always be suitable for every employee's limitations. Quite often, employees are accommodated in their own position with changes made to accommodate their temporary or permanent limitations and precautions. Therefore, attempting to prepare a modified duty position "inventory" for the City would not be practicable or feasible. However, management agrees to create an inventory of the positions that are currently most frequently used to provide modified work for employees returning from sick leave, along with any job demands analyses that may have already been completed for these positions.

As part of Recommendation 13, EH&W, along with management representatives, will be tasked with commencing the development of a Citywide inventory of modified duty positions. The stakeholder team will begin by identifying and documenting an inventory of the positions that are currently most frequently used to provide modified work for employees returning from sick leave, along with any job demands analyses that may have already been completed for these positions by Q2 2010.

Recommendation 15

That the City clarify the roles and responsibilities of employees, managers and/or supervisors and of the Centres of Expertise, e.g., EH&W, LR, Payroll, etc. in relation to the sick leave management process.

Management Response

Management agrees with this recommendation.

Roles and responsibilities for employees, managers, supervisors and Human Resource (Employee Services), Labour Relations and Payroll are clearly set out in the AMP Procedures. Roles and responsibilities are also set out in the Return to Work Program document.

Representatives from Employee Services (Human Resources), Labour Relations, Legal Services and Payroll will review the current sick leave management process roles and responsibilities to identify any areas that require modification or clarification. Once identified, the required changes will be made to the affected documents and communicated to managers and staff by Q1 2010.

Recommendation 16

That EFA Centre Central Division's supervisors perform quarterly analysis of sick leave including, but not limited to:
- **Implement follow-up of uncertified sick leave or alternately not pay any absence greater than the collective agreement allocation unless certified;**
- **Implementing a follow-up of greater than four day uncertified sick leave;**
- **Determine trend in weekday usage and investigate as required; and,**
- **Investigate all occurrences of sick leave taken by two employees residing at a same address.**

Management Response

Management agrees with this recommendation. This practice is currently in place.

The EFA Central division has implemented an enhanced quarterly review process (Q1 2009) of sick leave for staff identified as exceeding the collective agreement allocation or the four day uncertified sick leave allotment. This review is done on the 30th day of the last month of each quarter. Each manager's administrative assistant produces the report for the manager's review and dissemination as required.

Staff that were in either of these categories were identified and follow-up was completed, the results of which included not being paid or the creation of an overpayment; both of which were done in consultation with Labour Relations.

While managers/supervisors are to maintain their individual leave tracking and follow-up processes with staff, the new automated tracking system (that alerts

the manager or supervisor of uncertified sick leave days exceeding the allotment) will assist management in the monitoring and follow-up process.

SAP quarterly analysis will also include trends in weekday usage and occurrence of sick leave taken by two employees residing at the same address. The HR consultant will complete the analysis on the 30th day of the last month of each quarter and forward it to the manager for review and follow-up with the management team. Any further investigations of staff will be done in consultation with Labour Relations.

Recommendation 17

That EFA Centre Central Division ensure that SAP access of sick leave report be made available to managers/supervisors with direct reports. These supervisors should also receive SAP training on how to obtain the required information.

Management Response

Management agrees with this recommendation.

Management agrees that managers/supervisors with direct reports should have access to key human resource reports, such as sick leave, for the purpose of monitoring, analysis and follow-up.

The recent and future enhancements of having these reports available to managers/supervisors through the Management Self Serve (MSS) application on Ozone will enable staff and supervisors to monitor and update their records easily and efficiently from their desktop.

Human Resources continue to update the functions of MSS. Some management staff attended the HR Automation update and training on the new enhancements. Additional training and support will be offered to ensure all managers and supervisors are trained on the tools and reports by Q3 2009.

Recommendation 18

That Centre d'accueil Champlain Division clearly define and assign responsibility for day-to-day management of sick leave and routinely monitor short-term sick leave absences in addition to the twice-yearly AMP review.

Management Response

Management agrees with this recommendation.

The program managers at Centre d'accueil Champlain are responsible for day-to-day management of sick leave. The Long- Term Care Branch is presently in the process of implementing the Telestaff automated staff scheduling system at Centre d'accueil Champlain to support managers in their routine monitoring of sick leave. The Telestaff system is implemented in three of the four long-term

care homes and staff anticipates it will be fully implemented at Centre d'accueil Champlain by Q3 of 2009

Recommendation 19

That Centre d'accueil Champlain Division perform trend analysis for individual employees using either SAP or Telestaff and investigate possible trend.

Management Response

Management agrees with this recommendation.

The Telestaff system provides regular sick leave reports to program managers to assist them in their ongoing monitoring of sick time and to improve trend analysis.

With respect to the findings of sick leave days attached to weekends, it is important to note that long-term care staff work every second weekend. Consequently, Mondays and Fridays are not necessarily attached to a "weekend" for these employees.

The Telestaff system is implemented in three of the four long-term care homes and staff anticipates it will be fully implemented at Centre d'accueil Champlain by Q3 2009.

Recommendation 20

That Traffic Operations institute trend analysis of sick leave days taken.

Management Response

Management agrees with this recommendation. This practice is currently in place.

The Sick Leave Usage report available on Ozone under Managers' Self Serve has been enhanced so that detailed information regarding sick leave usage can be tracked and analyzed.

The report is now being used by management on a monthly basis to track and analyze the types of sick leave being taken (i.e., certified, uncertified) for all employees. The trend analysis resulting from this report will be presented to the Roads and Traffic Operations and Maintenance branch management team to discuss any remedial action that may be required.

In addition, the newly introduced automated tracking of sick leave provides managers with the ability to manage sick leave pro-actively by monitoring consecutive and cumulative sick hours taken. It also assists managers in taking the necessary steps to notify employees when medical certificates are required.

Recommendation 21

That Ottawa Paramedic Service ensure that, as the City's Enterprise-wide Resources Planning System, SAP's accuracy is continuously and consistently maintained for all Paramedic personnel.

Management Response

Management agrees with this recommendation.

Although SAP is the City's Enterprise-wide Resources Planning System, it does not have the functionality to capture Ottawa Paramedic Service dynamic scheduling needs and operational imperatives. Therefore, Telestaff will continue to be a necessary tool for OPS because of its industry-specific capabilities.

OPS will ensure that SAP and Telestaff are recording the same data elements for the purpose of sick leave management by Q3 2009.

Recommendation 22

That Ottawa Paramedic Service investigate trends and take appropriate action as required, including, but not limited to, addressing absences of two individuals living at a same address taking sick leave on a specific day.

Management Response

Management agrees with this recommendation. This practice is currently in place.

The Ottawa Paramedic Service will continue to monitor trends in employee absences and will take action as required in consultation with EH&W and Labour Relations.

Recommendation 23

That Employee Services provide further training to all supervisors with direct reports who contribute and/or are involved in the AMP process.

Management Response

Management agrees with this recommendation.

Work is currently underway to include an overview of the AMP in the new supervisor/manager development sessions (currently under development).

Employee Services (Human Resources) will work with Labour Relations to develop initial and refresher AMP training sessions for managers in Q1 2010. Once developed, Human Resources and Labour Relations will communicate the availability of the training and will begin to schedule and offer sessions by Q2 2010.

Recommendation 24

That Employee Services ensure all employees are captured in the AMP databases, rerun the export of the data from SAP for the previous cycle to ensure data accuracy, and that the databases be reviewed by another resource before spreadsheets are provided to departments.

Management Response

Management partially agrees with this recommendation.

Human Resources (Employee Services) will ensure that all sick days for employees within the scope of the AMP are captured in the AMP database, including those employees who retire/leave the City during the year (with the exception of firefighters on pre-retirement leave in accordance with their collective agreement provisions).

While management agrees with the need to work with accurate data, management disagrees with re-running of the previous cycle's data export for every six-month cycle, as conducting the second data download is not cost effective.

SAP data is accurate and reflects the information inputted by the branches. Historically, there have been approximately 20 discrepancies in each cycle out of 11,000 employees in the AMP. These discrepancies are largely due to timesheets being entered after the semi-annual data download is complete. If timesheets are entered in a timely fashion and if management compares their AMP spreadsheets with their branch records and responds back to the AMP administrator with discrepancies, the necessary corrections will be made.

There is no recognized value in the database being reviewed by another resource because there would be no way for this second resource to know whether data was missing or not. This has primarily been an issue for a small number of employees in those groups where Telestaff is used to schedule employees in 24/7 operations. When Recommendation 21 is implemented by Paramedic Services, the occurrence of this problem will be greatly minimized.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 25

That Employee Services in consultation with Information Technology Services investigate the use of an automated tool for AMP reporting.

Management Response

Management agrees with this recommendation.

Employee Services, in consultation with IT, will investigate the possibility of increasing the automation capability of the AMP system tools by Q4 2009.

Recommendation 26

That the City ensure all step letters are filed in individual employee's human resources file.

Management Response

Management agrees with this recommendation. This practice is currently in place.

Managers are instructed to send copies of signed letters back to the AMP administrator, who then forwards them to Records for inclusion in the employeees' personnel file.

The AMP administrator will send a reminder of this requirement to all managers who are receiving employee letters for the next AMP cycle by Q3 2009.

Recommendation 27

That the City develop and document a wellness strategy aimed at decreasing sick leave; that it further establish objectives and set measurable targets for the organization; and, that these be effectively communicated.

Management Response

Management agrees with this recommendation.

Management agrees that development of a corporate wellness strategy would benefit employees and the organization; however, it must be holistic in nature, and its objectives much broader in scope than just the reduction of sick leave.

With input from the Senior Management Committee, Employee Services (Human Resources) will develop a wellness strategy (see Recommendation 13) that is linked with, and supports the corporate service excellence strategy and workplan by Q2 2010.

Recommendation 28

That the City report to all levels of management as well as City Council on:
- **The status of the set targets vs. improvements in absenteeism; and,**
- **Days taken by branch as well as related costs each cycle.**

Management Response

Management agrees with this recommendation.

A corporate-wide performance reporting framework, which will rise through standing committees and Council, is currently being developed. As part of this development effort, Employee Services (Human Resources) will be

recommending performance measures to be included in the framework, including measures related to employee attendance, by Q2 2010.

Recommendation 29

That Employee Services ensure that all employees who incurred sick leave for the period, including those no longer employed by the City, are included for reporting purposes.

Management Response

Management agrees with this recommendation.

Employee Services (Human Resources) will ensure that all sick days for employees within the scope of the AMP are captured in the AMP database, including those employees who retire/leave the City during the year (with the exception of firefighters on pre-retirement leave in accordance with their collective agreement provisions), by Q4 2009.

Recommendation 30

That Employee Services explore alternative means to minimize the lapse between the end of the program cycle; supplying letters to all operating departments and the issuance of the letter to an employee.

Management Response

Management agrees with this recommendation.

Means to minimize the time lapse between the end of a cycle and the provision of letters to employees has been investigated, with the following findings:

- The time that Payroll requires (one month) from the end of a cycle to ensure that all leave is entered (some groups are paid three weeks in arrears) cannot be reduced.

- An additional resource could help reduce time required to download data from SAP to AMP database and manipulate data to prepare spreadsheets for managers by as much as two weeks. Human Resources will explore the feasibility of providing additional support to the AMP administrator through the HR Service Centre, which will be established during Q3 2009.

In some instances, there is significant lapse between the time managers receive letters and the actual dissemination to employees. The AMP administrator will remind managers of the need to promptly provide letters to employees at the next program cycle in Q3 2009.

Recommendation 31

That Ottawa Paramedic Service immediately discontinue both the existence of its discretion committee as well as the capturing of personal medical information of

employees on a database and that MFIPPA and Elections Services Division review all such practice in the City.

Management Response

Management agrees with this recommendation.

As of June 30, 2009, the Ottawa Paramedic Service discontinued the use of a discretion committee for decisions related to AMP, including the capture of personal medical information.

Recommendation 32

That the City closely monitor and assess if positive results materialize from providing ATU employees with monetary incentives for taking less sick leave and perform a cost-benefit analysis of these.

Management Response

Management agrees with this recommendation.

To the extent that relevant data is available, by Q4 2009, Employee Services (Human Resources) will investigate whether or not the monetary incentive provided to ATU 1760 employees has resulted in a reduction in sick leave days taken, or sick leave costs, since the introduction of the incentive.

Conclusion

Studies have shown that corporations with a strong wellness strategy benefit from: reduced absenteeism; employees having better workplace morale; employee having better attitude toward their employer; employees having increased productivity; reduced overall costs; and, that healthier employees may be less likely to be in an accident, may be sick less often or recover from sickness more rapidly.

However, the City lacks a proactive strategic initiative aimed at improving wellness and thereby decreasing sick leave. Until such a strategy is devised, that objectives are established, that measurable targets are set, and results analysed, in our opinion, decreasing sick leave has less chance of success.

AMP is not a sick leave management system but simply reports sick leave absences. Efforts in sick leave management are mainly directed at the tracking and reporting of absences. Although important, it is only one facet of managing sick leave. AMP's reporting tool (presently two Excel spreadsheets) also needs to capture all information accurately and should be improved through the use of SAP.

For the most part, employees with perfect or good attendance are provided a letter as a form of positive reinforcement; and at the other end of the continuum, staff with problematic sick leave are provided a letter as a form of negative reinforcement. Sick leave of employees not included within either of these categories is not directly addressed. From both an operational and financial aspect,

the City would benefit by not only decreasing sick leave of those employees which are at an Attendance Management Program step but in decreasing all short-term sick leave. Issues with inaccuracies in the reporting of AMP (Excel spreadsheet – reporting tool) and the timeliness of providing staff with attendance letters require attention.

In order to put the initiative to the forefront, continuous reporting of sick leave and related costs to all levels of management as well as to City Council also needs to be introduced.

A change of culture where employees cease to look at short-term sick leave as a benefit owed to them and preferably as a form of insurance to be made use of for bona fide short-term disability is needed.

The management of the medical certificates needs to be improved. Specifically, inappropriate medical certificates need to be challenged more aggressively; and, certification of the leave needs to be coded more timely in SAP.

Management of trends, such as employees living at a same address and taking leave concurrently also needs to be improved.

When comparing Ottawa's short-term sick leave to other cities that responded to the HRBN survey, it was observed that many cities had paid sick leave hours per eligible employees lower than Ottawa.

Furthermore, while comparing Ottawa's AMP results to those of the City of Toronto, we determined that Toronto more successfully reduced over time its average sick leave day per employee. In 2007, Toronto stood at 7.9 days per employee compared to Ottawa at 10.6 days.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.10 Audit of the Traffic Operations Division

EXECUTIVE SUMMARY

Introduction

The Audit of the Traffic Operations Division was included in the 2008 Audit Plan of the Office of the Auditor General that was presented to Council.

Audit Scope

The scope of this audit was to examine aspects of the Traffic Operations Division of the Transportation and Parking Branch, Department of Public Works and Services, generally excluding elements being addressed under separate concurrent audits; more particularly the 2008 Audit of the Parking Function and the 2008 Audit of Moonlighting and Corporate Risk Issues – Traffic Operations.

The audit addressed the overall coordination and administration of traffic management, control and right of way lighting systems on municipal roads throughout the City of Ottawa. Specifically, the audit addressed areas of the Division's activities related to: signs and pavement markings; traffic control systems; traffic engineering; signal design and installation; maintenance management; and, street light asset management.

The work undertaken by the Division has remained consistent over the past five years with limited changes to the Division's organization, all addressed through internal reorganizations, the latest of which was implemented in Spring/Summer 2008.

Audit Objectives

The audit included an examination of the Division to assess whether the objectives that have been set are being achieved. Seven broad audit objectives were identified to assess if:

- The existing Traffic Operations mandate is comprehensive, the processes for updating the strategies address relevant municipal policies and priorities, and to determine if staff accountabilities are appropriate and effective;

- Appropriate processes are in place to plan daily, monthly, annual, long-term and capital activities in a manner that provides for efficient, effective and economic service delivery;

- Appropriate financial systems are in place to budget, record, track and monitor all expenditures within the Division in an efficient, effective and economical manner which facilitates service delivery;

- Appropriate systems, policies and processes are in place to manage staff;

- The City receives value for money for services performed;

- Appropriate standards exist, are communicated to staff, are maintained, monitored and enforced; and, are used to assess performance and refine practices; and,

- The City has risk management processes in place to identify risk[1] and implement mitigating procedures.

Key Findings

1. Traffic Operations Division derives its general mandate and direction from Council approved broad policies (i.e., Official Plan (OP) and Transportation Master Plan (TMP)) that offer significant latitude for interpretation and application.

2. The Traffic Operations Division has not established strategic objectives, goals and priorities for traffic management to ensure achievement of Council approved high level policies identified in the OP and TMP.

3. The type of work conducted by Traffic Operations Division lends itself to being quantified in terms of outcomes and performance measures, as the detailed engineering involved in ongoing monitoring and operations is designed to meet more general user outcomes (related to speed of travel, reductions in congestion and delay, longevity and effectiveness of signage and line painting performance and other operating priorities by travel mode). At the time we conducted the audit, the Traffic Operations Division did not use any performance measurement systems to measure work conducted and publish statistics on its performance to Council, although there was a corporate initiative underway to characterize performance measurements.

4. Division officials confirm that year-to-year planning is conducted in association with the corporate budget process, but that a strategic plan for the Division does not currently exist.

5. The audit of individual work units within the Division provided evidence of organizational systems and prioritization of weekly, seasonal and day-to-day priority setting.

6. This high degree of organizational interdependence within the Division, combined with limited space, forces a large majority of work by the Division to be conducted in a 'just-in-time' manner; requiring substantial organizational effort to be allocated to weekly, monthly and seasonal priority setting and coordination.

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[1] the chance of something happening that will have an impact upon objectives

7. Day-to-day workload planning appears to be organized within all work units providing detailed explanations of priority setting systems, supervision and management direction.

8. Traffic Operations Division represents a relatively constant operational requirement to City budget, with annual operating budgets ranging from $33.5 million to $35.9 million over the period 2006 to 2007. Expenditures are controlled by the Division, with few divisional activities being unusually impacted by external factors.

9. Operating and capital budgets preparation is based on percentage increases over previous years only and is not based on technical assessment of need (e.g., zero-based budgeting) nor are they reflective of financial requirements needed to implement Council approved programs or directives. By all accounts, this approach appears to address departmental and/or corporate directives beyond the control of the Traffic Operations Division.

10. Division financial tracking and control (by projects and individual budget elements) is supported by the Division's administration with managers at all levels provided with monthly tracking and control documents to adjust programs to remain within budget.

11. The Division is responsible for cost recovery and claims, which is well coordinated with the City's Legal Services Branch.

12. The Division maintains a financial system to control and track 'Outside Sales' (sales to private organizations, developers, external municipalities and others including traffic control system and signals equipment, signage (stock and specialized); signage hardware and steel; and, service charge-backs for in-field work required to facilitate the moving of houses (modifying signals for clearance, wires, etc.)). While this service is an extension of a longstanding inter-municipal cooperation program, the risks and costs of the Outside Sales program, given the limited space available at 175 Loretta Avenue yards for materials handling, the cost of the program, risk of program abuse and the ready availability of similar product through numerous private sector suppliers and contractors supports the notion that this program is no longer required (with the exception of house move escorts).

13. Overtime costs within the Division included over 45 employees earning an average of $10,270 in overtime wages in 2007; with the top 10 overtime earners receiving more than $17,000 in overtime and the highest earner taking home $21,710 (35% additional to base salary).

14. While the Division necessarily undertakes a significant amount of work on a 24-hour basis, opportunities may exist for the reduction of overtime through the establishment of a regular evening/night shift.

15. While the Division provided evidence of a structured approach to the assignment of on-call and after-hours services; rotation of some on-call and after-hours duties were being made to employees that do not currently hold the requisite position within the organization, and as such the conduct of their duties and overtime claims goes unsupervised (these two individuals earned an average of $17,160 of overtime in 2007).

16. The inherent and implicit internal controls to manage moonlighting which exist in the organizational structure of a normal business environment are compromised and ineffective within the Traffic Operations Division due to the presence of Partham employees and the owner at many levels within the City's reporting structures.

17. City employees who moonlight for Partham Engineering Ltd. are not adequately supervised by their City supervisors, both immediate supervisors and management, to ensure that the moonlighting activities do not interfere with City responsibilities.

18. The current Employee Code of Conduct does not adequately provide direction on moonlighting as it relates to limiting unacceptable situations where City supervisors and subordinates are jointly involved in related profit-motive ventures.

19. The City should have recognized the inappropriateness of the reporting relationships of Partham/City staff as they developed over time and highlighted them when documenting the staff working for Partham, as well as highlighting them when staff were promoted within the Division.

20. In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

21. We found no action by senior branch or departmental management aimed at monitoring or assessing conflict of interest by Partham employees. That is, there are no systems, procedures or controls in place to prevent or detect excessive and/or inappropriate moonlighting. There was no evidence of seeking advice from the City Solicitor or City Treasurer (regarding internal controls). It was evident however that senior management had been involved in investigating and responding to complaints received.

22. Parking functions are not related to other activities of the Traffic Operations Division and should, more appropriately, directly report to the Director of Traffic and Parking Operations.

23. While the audit identified no significant deficiencies in the conduct of street lighting through the private sector contract (now in place with Black and McDonald) the City should renegotiate the current contract to address minor deficiencies at normal renewal milestones and should retain well-qualified staff to prepare for such negotiations.

24. The Traffic Operations Division has, over time, developed a widespread 'do it ourselves' approach to materials procurement, engineering analysis and traffic controller planning, design and construction. The result is additional costs to the City in the areas of research, development and training; or for equipment, the costs of equipment storage, handling, breakage and loss. This could also put the City at risk if the internal resources are no longer available.

25. Division staff were well informed about legislation, regulations and other compliance issues they should address in their work, however, it was apparent that limited technical interaction occurs between Division staff and staff of other government jurisdictions, technical associations, etc.

26. At present, the Division does not maintain a database on non-regulatory roadway signage. Current systems are inadequate and a comprehensive signs inventory system should be created to track both regulatory and required non-regulatory signage as well as special signage (warning signs, hazard markers, etc.) for which the Division is responsible.

27. In-field quality testing of regulatory and non-regulatory roadway signage is no longer conducted by divisional staff and should be reintroduced to meet regulatory obligations set out by the Ministry of Transportation of Ontario for signs condition upkeep reflectivity / luminosity. Court records confirm that the municipality is exposed to significant liability when it does not meet minimum care standards set out in legislation and published best practices.

28. The senior staff decision over the past decade to develop a relationship with a sole-employee business, Thompson Technologies, for the planning and design of traffic controller technology used in the City, leaves the City without an effective alternative should Thompson Technologies, for any reason, be unable to meet its obligations or escalate prices beyond fair market prices. The City is exposed to substantial risk of service loss, and/or added service costs.

29. The City is not protected to ensure that any revenue generated by contracted companies using both funds and research derived from the City contracts, accrues to the City, in particular the technology developed by Thompson Technologies, Luxcom, Multilek and/or Rogers Digital Communications while under contract to the City of Ottawa.

30. Key dates relating to Partham Engineering and Jim Bell:

Date	Event
████	New Hire - Jim Bell, Manager of Signal and Communication, RMOC
1985 to 1990	RMOC offers inter-municipal support to nearby municipalities and townships to assist with their limited traffic signal needs
1990	Committees directed that the inter-municipal support program cease
1990	Partham was formed. Owned and operated by Jim Bell and Andy Thompson
1996	Jim Bell declares moonlighting conflict of interest
1997	Jim Bell and his wife, Sue McInnis (Office Manager) take over Partham as sole shareholders
1997	Four Traffic Operations employee declare moonlighting conflict of interest
1999	Data Change from Manager of Signal and Communication to Manager Traffic Operations, RMOC
1999 to present	Multilek starts supplying the City of Ottawa the Multilek Traffic Controller
1999 to present	Thompson Technologies (Andy Thompson) first under contract for a number of research and development initiatives and projects related to traffic signal technology advances
2001	Promotion: Jim Bell Manager, Traffic Operations Division, New City of Ottawa
2008	City Auditor General undertakes an audit of Traffic Operations Division
Spring 2008	Three additional Traffic Operations employee declare moonlighting conflict of interest
January 2009	City Auditor General raises audit findings pertaining to Partham Engineering conflict of interest to General Manager, Public Works
February 2009	City Auditor General issued, earlier than scheduled, the draft audit report to the City Manager (prior to his bringing the re-organizational restructuring before the March 25, Council)
March 2009	Jim Bell ██████████████ as part of the City administrative reorganization (████████████)
April 2009	Competition for Manager, Traffic Operations posted
April 27, 2009	Competition for Manager, Traffic Operations closes

Recommendations and Management Responses

Recommendation 1

That the City develop, for Council approval, standards and a related detailed performance measurement program by which their activities can be monitored

and reported for Council and public review; and, recommend to Council clarifying policies to further direct the Division on traffic management priorities.

Management Response

Management agrees with this recommendation. Currently, there are traffic sign and pavement marking crews operating off-site from 175 Loretta at three different roads and maintenance facilities throughout the City; however, by Q1 2010, the Roads and Traffic Operations branch will review opportunities for locating additional work units off-site and will explore further opportunities to contract out work unit activities within the parameters of the applicable collective agreements.

Recommendation 2

That the City prepare a five-year strategic plan with detailed direction for change and growth within each of the services areas they perform with the intent of rationalizing, optimizing or expanding their works in line with Council's directives or to reduce expenditures.

Management Response

Management agrees with this recommendation. The Roads and Traffic Management branch, in conjunction with the Traffic, Engineering and Technical Services Unit, is preparing a five-year plan that aligns with Council's strategic directions. The five-year plan will be guided by the current principles of the Transportation Master Plan and the Transportation System Management (TSM) module.

Council will be presented with the terms of reference, currently being developed, in Q4 2009

Recommendation 3

That the City review policies related to Outside Sales, immediately removing the City of Ottawa from competition with the private sector for the sale of goods and services that can be provided by others.

Management Response

Management agrees with this recommendation. All outside sales, with the exception of house movers, have been suspended; however, requests from charitable organizations or not-for-profit agencies will continue to be considered on a case-by-case basis using appropriate documentation and procedures until such time as they too can be phased out.

Recommendation 4

That the City review traffic engineering practices within the Division and the need for upward of 6 to 12 months of internal training before new hires are able to contribute to Division traffic engineering and consider either:

a) **Modifying divisional structures to permit the employment of additional lower qualified engineers who would be retained/advanced over time;**

b) **Identifying opportunities for external engineering resources to assist the unit in the traffic engineering analysis during seasons of peak demand/reduced staff; or,**

c) **Maintaining published standards for traffic engineering which place added responsibilities for advanced traffic engineering unto proponents of projects that impact traffic flows (e.g., developers, other government agencies, etc.).**

Management Response

Management agrees with the intent of this recommendation.

The City believes it has been successful over the past 30 years in recruiting and retaining qualified engineers, technologists, and technicians in the field of traffic engineering. Moreover, many of the City's current professionals were hired for full-time positions after having completed successful co-op terms in the Traffic Engineering unit.

Through a cross-training program, engineers are also routinely rotated between the Traffic Engineering, Design Review and Traffic Engineering Technical Support units.

The Roads and Traffic Operations and Maintenance branch will review opportunities to engage external engineering services as required through the Professional Engineering Services Standing Offer. However, a considerable portion of the traffic engineering analysis undertaken by staff involves the review of Traffic Impact Reports submitted by consultants to the City. In these instances, the effect of this recommendation would be a situation in which external consultants were reviewing other external consultants' traffic engineering submissions.

The City currently follows requirements contained in the Transportation Impact Assessment Guidelines.

Recommendation 5

That the City review causal factors influencing the large number of individuals with high overtime costs, and investigate the best means of reducing overtime costs; and that such a review include the assessment of the creation of an after-hours crew (e.g., to cover the afternoon peak traffic period, etc.) to reduce overall overtime and call-out costs.

Management Response

Management agrees with this recommendation. The Roads and Traffic Operations and Maintenance branch, in conjunction with Legal Services, Finance and Employee Services, is currently conducting a review of employee overtime and is taking steps to reduce overtime costs where possible. This review will be completed by Q3 2009.

The new management team has implemented a monthly financial report for all functional areas in the new Public Works department, which monitors all program areas and tracks key expenditures, including overtime. The departmental senior management team reviews this report on a monthly basis.

Recommendation 6

That the City plan and implement a program of staff involvement in existing traffic operations organizations (International Municipal Signal Association, Institute of Transportation Engineers; Transportation Association of Canada, etc.) with a view to enhancing technology and knowledge transfer and bridging the growing uniqueness of Ottawa's Traffic Operations standards and procedures (i.e., signals, communications, signs and painting) and ensure a higher degree of industry conformity.

Management Response

Management agrees with the intent of this recommendation. Staff from the Roads and Traffic Operations and Maintenance branch are actively involved with, and participate in the identified organizations, as the City's traffic operations system is considered best practice in the industry. For example, an employee from Traffic Engineering represents the City on the Canadian Association of Transportation Engineers (CATE).

Traffic engineering staff regularly sit on project steering committees for the Traffic Operations Management Steering Committee of the Transportation Association of Canada. Traffic Operations employees, representing the City, have also assisted with the development and updating of Ontario Traffic Manuals, including Book 12 – Traffic Signals.

In addition, Traffic Signals, Signs and Pavement Marking employees have received training at varying levels from the International Municipal Signal Association (IMSA), commensurate with their positions. In fact, in recent years the organization has conducted training in Ottawa, as opposed to Mississauga, where it did so previously, because of the high number of City staff enrolled in the IMSA training program. As a result, the City was able to avoid considerable travel expenses it would have otherwise incurred.

The Roads and Traffic Operations and Maintenance branch will continue to encourage branch staff to participate in these organizations, as well as any others that may enhance the City's traffic operations systems.

Recommendation 7

That the City ensure that on-call traffic signal staff hold all necessary certification, and ensure that adequate management oversight is in place to ensure that no individual be responsible for excessive amount of shift work.

Management Response

Management agrees with this recommendation. A training matrix has been developed that tracks and flags training requirements for individual employees commensurate with their position. The Roads and Traffic Operations and Maintenance branch are reviewing the current certifications held by Traffic Signal staff, identifying any gaps, and will implement appropriate training by Q1 2010 in order to ensure that shift work requirements are balanced throughout the work unit.

Recommendation 8

That the City immediately clarify the Employee Code of Conduct to provide that employees involved in moonlighting be prohibited from working as supervisor-subordinates (direct or indirect subordination) within a single department work unit at the City.

Management Response

Management agrees with this recommendation. The Legal Services branch will be undertaking a significant review of the *Employee Code of Conduct* in order to clarify and consolidate various sections that have been noted in audit reports over the course of the past few months, including the "Outside Business Activity (Moonlighting)" provisions. The Legal Services branch will complete this review by the end of Q3 2009.

Recommendation 9

That the City clarify the Employee Code of Conduct – Moonlighting through supporting procedures, systems, documents and forms to provide guidance to managers and supervisors in assessing whether moonlighting is appropriate.

Management Response

Management agrees with this recommendation. Within the context of the aforementioned review, the Legal Services branch proposes to include a "Supplementary Questions and Answers" section to the "Outside Business Activity (Moonlighting)" section of the Employee Code of Conduct by the end of Q3 2009. (Similar guidance is already provided with respect to the Gifts,

Entertainment and Hospitality Corporate policy, and is intended to provide managers and supervisors with practical examples to assist in outlining the City's ethical requirements.) Legal Services will also reinforce the fact that any questions regarding the interruption or application of the Code, or other related advice or guidance, may be sought from the City Clerk and Solicitor.

Recommendation 10

That the City take immediate action to put in place necessary interim management oversight and controls over the activities of Partham Engineering and their employees consistent with the provisions of the current Employee Code of Conduct.

Management Response

Management agrees with this recommendation. The Public Works department is working in collaboration with Legal Services, Human Resources and Labour Relations to identify, implement and monitor measures and controls to ensure there are no conflicts or violations of the *Employee Code of Conduct* by the end of Q2 2009.

Recommendation 11

That the City take immediate action to cease the moonlighting activities of all City employees, including Mr. Jim Bell, with Partham Engineering.

OAG COMMENT: In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

Management Response

Management agrees with this recommendation. The Legal Services branch will work closely with senior management in the Public Works department to address any real or perceived conflicts of interest or violations of the Employee Code of Conduct within the context of the revised organizational structure and in compliance with the requirements of any contract of employment or collective agreement, by the end of Q3 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 12

That the City identify work units whose work can be effectively conducted off-site from 175 Loretta or sub-contracted to the private sector as a means of

relieving the pressures of core divisional activities and reduce the need for just-in-time materials supply and improved storage.

Management Response

Management agrees with this recommendation. Currently, there are traffic sign and pavement marking crews operating off-site from 175 Loretta at three different roads and maintenance facilities throughout the City; however, by Q1 2010, the Roads and Traffic Operations branch will review opportunities for locating additional work units off-site and will explore further opportunities to contract out work unit activities within the parameters of the applicable collective agreements.

Recommendation 13

That the Traffic Operations Division maintain a staff of highly qualified individuals to oversee and police contractual obligations for contract delivery of street lighting services.

Management Response

Management agrees in principle with this recommendation. Lessons learned from the first five years of the street light maintenance contract will be incorporated into future discussions regarding the extension of that contract scheduled for Q3 2010. The future direction of this contract is being led by the General Manager of the Public Works department.

Recommendation 14

That the City undertake a full review of the current 'do it ourselves' procurement model, with a view to shifting the cost of research and development as well as material purchasing and handling to the private sector. More particularly, where continued procurement of locally developed technology is justified, it is recommended that the City initiate a process to introduce healthy private sector competition in the supply chain; and that a long range plan for traffic control signals control and communications be developed that reduces City of Ottawa risk by soliciting expertise from a broad base of traffic control experts and manufacturers.

Management Response

Management agrees in principle with this recommendation; however, it is important to note that the decision to move towards a 'do it ourselves' model was based in large part on a lack of both a commitment from the private sector and the technical support needed to maintain and expand their products in a timely and cost-effective manner due to the relatively small niche market and the complications associated with bringing different technology processes together. Details and a full rationale are contained in the Transportation System

Management (TSM) Working Paper, prepared for the former Region of Ottawa-Carleton's Transportation Master Plan in 1997.

The 'do it ourselves' approach is not unique to Ottawa: other cities, such as San Francisco, Los Angeles, New York City and Winnipeg, are using the same approach. However, Supply Management will work with Roads and Traffic Operations and Maintenance to undertake a full review of the current 'do it ourselves' procurement model by Q1 2010 with the objective of shifting the cost of research and development, as well as material purchasing and handling, to the private sector. A further objective will be to introduce healthy private sector competition in the supply chain, with the goal of safeguarding the City's future ability to meet traffic operations technology needs and to achieve best value.

Recommendation 15

That the City develop a formal inventory of regulatory and non-regulatory roadway signage for all City roadways.

Management Response

Management agrees in principle with this recommendation. Staff are currently developing a procedure for labeling and tracking newly-issued regulatory signs which will be completed by Q1 2010. In addition, the Roads and Traffic Operations and Maintenance branch will identify the financial impacts of, and timeframe associated with the development of a formal inventory system for all roadway signage by Q2 2010.

Recommendation 16

That the City meet all regulations and best practices related to ensuring the inspection and maintenance of minimum condition standards for regulatory /traffic control signage.

Management Response

Management agrees with this recommendation. The Roads and Traffic Operations and Maintenance branch will continue to develop and refine a series of policies, procedures, manuals and best practices with respect to the inspection, maintenance, manufacture and installation of all regulatory, warning, guide and information signs in order to ensure that appropriate signage standards are achieved in conjunction with the Ontario Traffic Manual and the Ontario Highway Traffic Act.

Recommendation 17

That the City report to Council on staffing levels required to meet current demand for all areas of activity directed by City Council approved policy, Provincial Legislation/Regulations and industry best practices, with an

explanation of risks to the Corporation should Council decide to provide reduced staffing levels than required to meet minimum standards.

Management Response

Management agrees with this recommendation. Council will be presented with a comprehensive report identifying budget and resource requirements in Q3 2010.

Recommendation 18

That the City undertake a review of the procurement practices in place within the Traffic Operations Division in the areas of engineering services acquisition; traffic controllers hardware and software purchasing; and, materiel purchasing (in lieu of specifications development) to ensure that the City's best interests are met and that the current practice does not expose the City to unreasonable additional costs or risk assignment.

Management Response

Management agrees with this recommendation. Supply Management will work with Roads and Traffic Operations and Maintenance to develop a supply chain strategy by the end of Q1 2010 for the acquisition of engineering services, traffic controller hardware and software and associated materials with the goal of safeguarding the City's future ability to meet traffic operations technology needs and to achieve best value. Staff will also work with Legal Services to ensure that any necessary changes are incorporated into the terms of the City's standard contracts.

Recommendation 19

That the City explore opportunities to derive profits from technologies sales and services derived from the development of existing and future technology and products developed through City of Ottawa research and development funding, and, in particular, products developed by Thompson Technologies, Luxcom, Multilek and/or Rogers Digital Communications while under contract to the City.

Management Response

Management agrees with this recommendation. The Roads and Traffic Operations and Maintenance branch has asked IBM to examine the possibility of generating revenue from the use of the City's intellectual property rights as part of the Corporate Efficiency Review, recognizing the legal limits of the City's ability to generate profits and the practical difficulties associated with the management and marketing of the City's intellectual property. IBM is expected to report on its findings by Q3 2009.

Recommendation 20

That the City develop a long range plan for the design and sourcing of traffic controller and communications equipment (through standard competitive processes) and that contracts with successful firms include a significantly reduced degree of risk for the City (e.g., private sector involvement in R&D funding; Public-Private Partnership, etc.), or, if technology is developed at the cost and risk of the City, that the ownership, application rights and proceeds of R&D is wholly owned by the municipal corporation, with the City maintaining detailed full specifications of all R&D products to allow for the City's use in future competitive contracts.

Management Response

Management agrees with this recommendation. Supply Management and Roads and Traffic Operations and Maintenance have taken significant steps to open up competitive bidding on traffic controllers in the past year. There are now two competing suppliers for traffic controllers.

Supply Management will continue to work with Roads and Traffic Operations and Maintenance to develop a sourcing plan for the acquisition of traffic controllers and communication equipment by Q1 2010, with the goal of increasing competition in order to net more competitive pricing, properly allocate risks between the supplier and the City, and explore options for ownership of technology.

Legal Services, in cooperation with Supply Management and Roads and Traffic Operations and Maintenance, will review the standard terms and conditions of contracts on an ongoing basis to ensure they fully protect the City's intellectual property interests.

Conclusion

The audit of the Traffic Operations Division confirmed that the full range of day-to-day services is offered by the Division. In general, the Division provides some training opportunities for their staff, and their services are generally provided in a manner as to ensure that they remain in compliance with legislation, regulations and industry best practice. Administrative support systems are in place and the Division's senior management is supported by Financial Services in the conduct of their work.

Notwithstanding the condition of the current operation and maintenance activities, 20 recommendations for change are provided. Key findings address the lack of sufficient strategic planning, insufficient reporting of important performance measurement outcomes provided to Council, and serious human resources management problems. These staffing issues range from excessive overtime, an

inadequate complement of trained staff and a significant lack of related management oversight, monitoring and controls related to extensive moonlighting.

There are widespread problems related to the retention of a significant number of divisional staff by Partham Engineering. We have serious concerns about the lack of preventive and detective internal controls, especially with respect to the management of these employees and related financial systems (e.g., overtime, outside sales, etc.). Additionally, we are very concerned that this situation had been allowed to continue unquestioned for such an extended period of time (i.e., 17 years) without senior management intervention to address needed management oversight, supervision and controls.

We further believe that the City should, in compliance with the current Employee Code of Conduct, immediately cease to allow the moonlighting activities of City employees with Partham Engineering. Further, to arrest risk to the City related to the long-term relationship that has existed between the City and Partham employees, that the divisional employees be directed not to have any relationship or conduct business (including outside sales) with Partham and/or their clients.

As discussed in the report, we believe that there are several violations of the current Employee Code of Conduct by numerous levels of senior management, managers and supervisors. We firmly believe that the current situation would not have arisen had Jim Bell (owner of Partham Engineering) been denied permission to operate Partham in tandem with the City's operations, and that senior staff hold responsibility for the current situation based on decisions made when presented with the situation over the years.

We believe risks to current City operations related to Partham Engineering will be satisfactorily mitigated only if recommendations 10 and 11 (the ceasing of moonlighting activities) are adopted and fully acted upon. In addition, audit recommendations 8 and 9 call for changes to the Employee Code of Conduct which, while arising out of the situation presented by Partham Engineering, are offered as appropriate changes in policy across the Corporation to prevent similar situations from arising in the future.

Finally, recommendations are made to address problems with a long-standing practice of operating a City sponsored research and development program through the letting of sole source contracts and sole respondent competitive contracts. More particularly, the audit concludes that current contracting practices for the design, development and manufacture of traffic controllers are risk intensive, and that senior management must take action to reduce the City's risk exposure, ensure the City recoups research and development costs through contracted profit sharing, and establish a longer range plan to acquire traffic controllers through a process that promotes healthy private sector competition.

More generally, a number of recommendations are also set out to address deficiencies or improve Division management, these relate to:

- Improved strategic planning;

- Development of a performance measurement system;

- Changes to systems which allow for sale of goods and materials to other organizations;

- Changes to goods and services procurement to increase private sector competition;

- Changes to traffic engineering services to address shortcoming of current services;

- Opportunities to reduce excessive overtime, including a review of alternate shifts;

- Increased staff involvement in external professional development / training organizations;

- Ensure that staff meet minimum training requirements for after-hours crew chief duties;

- Implement improvements to the road signs inventory, and generally ensure that they meet minimum standards for regulatory and traffic control signage; and,

- Reductions to the Corporate risk exposure through a thorough review of procurement standards for traffic control and communications systems.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.11 Audit of Moonlighting and Corporate Risk Issues – Traffic Operations Division

EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of reports to the Fraud and Waste Hotline. It was not originally identified in the 2008 Audit Plan that was presented to Council.

The report is divided into three areas:

- Moonlighting and Conflicting Supervisory Risk (Partham Engineering);
- Conflict of Interest (Partham Engineering); and,
- Sole Source Contractors and Proprietary Systems Risk (Thompson Technologies, Luxcom, Multilek).

Background

Partham Engineering Ltd. (Partham) is an Ontario-registered engineering company, owned and controlled by Jim Bell, Manager of Traffic Operations Division. Mr. Bell indicates that Partham evolved based on the need of smaller nearby municipalities requiring affordable, convenient external expertise in traffic signal systems. The firm designs, builds and maintains traffic control signals and related street lighting. Its client base is small municipalities primarily in Eastern Ontario. On occasion, they provide subcontract work to contractors serving these municipalities and also work directly with private sector developers in these areas. No work is done within the City of Ottawa boundaries. Partham is primarily staffed with both current and retired employees of the Traffic Operations Division. Of note, Mr. Bell voluntarily invited the Office of the Auditor General (OAG) to examine, in detail, all Partham financial records and documents to facilitate this review. The Audit of Traffic Operations was completed in October 2008.

Thompson Technologies is a Gloucester-based consulting organization owned and operated by Andy Thompson, a former Regional Municipality of Ottawa-Carleton (RMOC) employee and original founding partner of Partham Engineering Inc. Thompson Technologies, an unincorporated organization, first began to produce work for the RMOC in the mid 1990s when Mr. Thompson was co-owner in Partham Engineering with Jim Bell (Mr. Bell and his spouse took over as sole shareholders in 1997). Thompson Technologies conducts research and development for the City of Ottawa for the design and manufacture of traffic controllers. These specialized electronic circuits are installed at every signalized intersection to read, interpret and control traffic flows, and, for most intersections, to then communicate with the central Traffic Operations Control Room on ongoing traffic operations. It is estimated that there are over 1,000 such controllers in

current operation at all times within the City. Mr. Thompson, a former City employee, is Thompson Technologies' only identifiable technical employee.

Luxcom Technologies (Luxcom), an Ottawa-based manufacturer of electronic communication equipment, is the manufacturer of specialized communication devices (e.g., telephone line and cellular modems) used by the City of Ottawa for the transmittal of digital information from traffic signal controllers. Luxcom was introduced to Thompson Technologies by the City of Ottawa, as Thompson Technologies was being used to develop designs and specifications for communication modems and traffic controllers which required manufacturing optimization and production.

Multilek Systems (**Multilek**) is an Ottawa-based manufacturer of civilian and military grade electronics. Over the period 1999 to 2008, Multilek has been supplying the City of Ottawa the 'Multilek Traffic Controller' and related traffic controller computer hardware used exclusively in traffic controllers and traffic control systems across the City of Ottawa.

Key Findings

Moonlighting and Conflicting Supervisory Risk (Partham Engineering)

This audit concludes that current and historic senior management within Traffic Operations Division and Public Works and Services, acted against the general management provisions of the current Employee Code of Conduct by not establishing necessary management systems to "establish and maintain adequate systems, procedures and controls to prevent and detect fraud, theft, breach of trust, conflict of interest, bias and any other form of wrongdoing".

It is our opinion that Mr. Bell should not have been promoted to Manager, Traffic Operations at the City while he directly or indirectly hired, supervised and disciplined staff while they were working for both Partham and the City. This is further supported by the assertion that, in order to properly exercise management responsibilities in the case of Partham (it is their decision to permit, within a single work unit at the City, several staff (supervisors and subordinates) to actively work for a separate private sector business), Senior management would necessarily take on themselves the added role of unit management, control and oversight with a special need to address anticipated conflicts of interest; all this at significant cost to the City. This should have been addressed when the City first accepted Mr. Bell's declared intent to create and operate Partham and then revisited over time at each potential appointment to higher levels of management.

At this time, best practises clearly support the termination of Partham activities by City of Ottawa employees primarily due to:

1. The ineffective management of the impact of Partham Engineering activity, real or perceived, on City work by past and current City senior management (i.e., unaware of compromised management/supervisory internal controls);
2. The ineffective management of Partham staff by current and past Traffic Operations Division supervisors and managers which may have allowed for inappropriate actions on the part of City staff working for Partham (e.g., undetected work performed for Partham on City time);
3. The continued potential for inappropriate behaviour given current compromised/ineffective supervisory and managerial inherent internal controls;
4. The future requirement for time consuming vigilant monitoring by supervisory staff to monitor behaviour of joint City/Partham staff to ensure inappropriate behaviour does not continue; and,
5. Disciplinary measures required to address the behaviours of ████████

Conflict of Interest (Partham Engineering)

While there is no evidence that there was fraud or a breach of trust in any Partham transaction or activity or by any actions of Mr. Bell, the implicit and inherent internal controls which both Council and the public would reasonably expect to exist are seriously compromised; the onus to ensure there is no wrongdoing is entirely reliant upon the honour and ethics of Mr. Bell rather than on standard preventive and detective internal controls.

While Mr. Bell has stated that he intends to continue the status quo with Partham operations upon his retirement (and not expand) there is nothing to prevent Mr. Bell, potentially with a strategic alliance with another competitor such as Black and McDonald, from soliciting an Ottawa option bid for the design, build and maintenance of all City traffic signals, controllers and street lights. While this may or may not be beneficial to the City, it may also be a costly alternative forced upon the City if Mr. Bell leaves with a number of senior City officials, several who already work for Partham. It would be difficult for Council to ensure they were receiving objective advice on the potential Ottawa option due to Mr. Bell's history with the City. Either way, the City would be exposed to substantial unanticipated risk.

Best practises clearly support the immediate termination of moonlighting (Partham activities) by both Mr. Bell and other City of Ottawa employees if they continue to work for the City. In addition to points raised in the previous section this is recommended due to:

1. The unfair advantage (real or perceived) afforded Partham in acquiring contracts with neighbouring municipalities as a result of Mr. Bell's position at the City;
2. The level of effort required by Mr. Bell and his key Partham employees (who also work for the City) for Partham activities and the potential for reduced levels of effectiveness in their City position;
3. The negative impact on morale within Traffic Operations resulting from the perceived favouritism and biased treatment of City staff employed by Partham; and,
4. When City staff work for Partham Engineering, they deal with consultants and contractors that are also providing services to the City. This conflict could also affect the City's relationships with consultants and contractors.

Ultimately, the City is accountable for protecting the assets of, and the public trust in, the City. The current and continued activity of the City's Traffic Operations Division staff employed by Partham Engineering compromises this function.

In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

Sole Source Contractors and Proprietary Systems Risk (Thompson Technologies, Luxcom, Multilek)

The staff's decision to rely on an unincorporated business, Thompson Technologies with a single technical employee for the planning, design and specifications of all traffic controllers used in the City, leaves the City without fall back or any reasonable alternative should Thompson Technologies, for any reason, be unable to meets its obligations. In particular, the use of sole source contracts and single qualified contractor contracts for traffic controller development through Thompson Technologies now exposes the City to substantial risk of service loss, price gouging and/or added service costs.

Given the strong historic linkages between Jim Bell, (Traffic Operations/Partham) and Andy Thompson (original Partham partner, now Thompson Technologies) and the strong reliance the City now has on Multilek and Luxcom for the supply of traffic technological products, it is critical that the City safeguard its future ability to meet traffic operations technology needs through the development of a longer term strategic plan which provides for the supply of an integrated traffic control system while also addressing these risks. In addition, the City needs to explore legal options for ensuring the protection of future income derived from the technology developed by Thompson Technologies, Luxcom, Multilek Technologies and/or

Rogers Digital Communications while under contract to the City of Ottawa, in particular technology currently being touted by Rogers Digital Communications as having substantial transferability to other markets.

The progressive development of a management culture within the Traffic Operations Division that favours a 'do it ourselves' approach to procurement, assessment and service delivery presents certain significant added costs and risks to City operations. The City's approach to traffic management includes significant program cost associated with research and development for traffic technology development (in lieu of market acquisition of commercially available product). In addition to the items mentioned in this report, in the Audit of Traffic Operations report (produced under separate cover) we note similar costs and risks associated with the Traffic Operations approach of 'doing it themselves' when developing exclusive local engineering analysis standards (in lieu of standard engineering practices); when purchasing, storing and handling materials for construction (in lieu of establishment and policing of specifications, etc.) and in other R&D and manufacturing program conducted by the Division.

Recommendations

Recommendation 1

That the City immediately clarify the Employee Code of Conduct to provide that employees involved in moonlighting be prohibited from working as supervisor-subordinates (direct or indirect subordination) within a single department work unit at the City.

Management Response

Management agrees with this recommendation. The Legal Services branch will be undertaking a significant review of the *Employee Code of Conduct* in order to clarify and consolidate various sections that have been noted in audit reports over the course of the past few months. The Legal Services branch will include the "Outside Business Activity (Moonlighting)" provisions within the ambit of this review. This review will be complete by the end of Q3 2009.

Recommendation 2

That the City clarify the Employee Code of Conduct – Moonlighting, through supporting procedures, systems, documents and forms to provide guidance to managers and supervisors in assessing whether moonlighting is appropriate.

Management Response

Management agrees with this recommendation. Within the context of the review noted above, the Legal Services branch proposes to include a "Supplementary Questions and Answers" section for the "Outside Business Activity (Moonlighting)" section of the *Employee Code of Conduct* by the end of Q3 2009.

Similar guidance is set out with respect to the Gifts, Entertainment and Hospitality Corporate policy and is intended to provide managers and supervisors with practical examples to assist in outlining the City's ethical requirements. Legal Services will also reinforce the fact that any question regarding the interpretation or application of the *Code*, or other related advice or guidance, may be sought from the City Clerk and Solicitor.

Recommendation 3

That the City take immediate action to put in place necessary interim management oversight and controls over the activities of Partham Engineering and their employees consistent with the provisions of the current Employee Code of Conduct.

Management Response

Management agrees with this recommendation. The Public Works department will work in collaboration with Legal Services, Human Resources and Labour Relations in identifying, implementing and monitoring measures and controls to ensure there are no conflicts or violations of the *Employee Code of Conduct* by the end of Q2 2009.

Some immediate measures have already been implemented as a result of the recent corporate realignment. The Manager of Street Lighting is now reporting directly to the new Manager of Roads & Traffic Operations and Maintenance. In addition, other key positions identified in the audit will have a new manager overseeing their functions.

Recommendation 4

Where a declared conflict of interest has been determined to have a serious operational impact, (either actual or perceived) and it impairs the employee's ability to carry out his/her responsibilities, that the City give the employee the option of terminating the conflict, or being removed from the position. This recommendation applies to Mr. Bell and all City staff working for Partham Engineering.
OAG COMMENT: In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

Management Response

Management agrees with this recommendation. The Legal Services branch will work closely with senior management in the Public Works department to address any real or perceived conflict of interest or violation of the *Employee Code*

of Conduct within the context of the revised organizational structure and in compliance with the requirements of any contract of employment or collective agreement by the end of Q3 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 5

That the City take appropriate action, including disciplinary, regarding the misuse of sick leave and overtime by employees.

Management Response

Management agrees with this recommendation. The City of Ottawa investigates all allegations of the misuse of sick leave and overtime by employees. Where warranted by the findings of such investigations, appropriate disciplinary action is taken by management following consultation with Legal Services (Labour Relations) and consideration of all relevant factors. Management will immediately review any specific incidents of alleged sick leave and overtime abuse identified in this audit and will take the appropriate disciplinary action that may be warranted as a result of the findings.

Recommendation 6

That the City Manager, to mitigate the City's risk exposure, assess the feasibility of a non-compete agreement (e.g., cooling off period) with ███████████████

Management Response

Management agrees with this recommendation. However, ███████████ ██ ███████████ during Phase III of the corporate realignment exercise. Legal Services will include consideration of non-compete agreements as part of the overall review of the Outside Business Activity (Moonlighting) provisions of the *Employee Code of Conduct*. With regard to ███████ the City's *Re-employment Policy* stipulates that "a former employee may not be re-employed on a permanent, temporary, fee for service or contract basis, whether independently or as part of a consulting firm, until the complete period of time equal to the length of their notice period and/or payment at departure has expired. A former employee may be employed by a consulting firm, but may not be assigned to work on a City contract by the firm until their combined notice period and/or payment at departure has expired." Given the restrictions imposed by the Policy, a further agreement is not necessary.

Recommendation 7

That the City undertake a review of the current procurement practices in place within the Traffic Operations Division in the areas of engineering services acquisition; traffic controllers hardware and software purchasing; and material purchasing to ensure that the City's best interests are met and that the current practice does not expose the City to unreasonable additional costs or risk assignment.

Management Response

Management agrees with this recommendation. Supply Management will work with Traffic and Parking Operations to develop a supply chain strategy by the end of Q1 2010 for the acquisition of engineering services; traffic controller hardware and software; and associated materials with the goal of safeguarding its future ability to meet traffic operations technology needs and to ensure best value is achieved. Staff will also work with Legal Services to ensure that any necessary changes are incorporated into the City's standard contract terms.

Recommendation 8

That the City develop a long range plan for the design and sourcing of traffic controller and communications equipment (through standard competitive processes) and that contracts with successful firms include a significantly reduced degree of risk for the City (e.g., private sector involvement in R&D funding; Public-Private Partnership, etc.), or, if technology is developed at the cost and risk of the City, that the ownership, application rights and proceeds of R&D is wholly owned by the municipal corporation, with the City maintaining detailed full specifications of all R&D products to allow for the City's use in future competitive contracts.

Management Response

Management agrees with this recommendation. Supply Management and Traffic and Parking Operations have taken significant steps to open up competitive bidding on traffic controllers in the past year. There are now two competing suppliers for traffic controllers.

Supply Management will continue to work with Traffic and Parking Operations to develop a sourcing plan for the acquisition of traffic controllers and communication equipment by Q1 2010 with the goal of increasing competition resulting in more competitive pricing, properly allocating risks between the supplier and the City, and exploring options for ownership of technology.

Legal Services, in cooperation with Supply Management and Traffic and Parking Operations, will review on an ongoing basis, the standards terms and conditions of contracts to ensure that they fully and adequately protect the City's intellectual property interests.

Recommendation 9

That the City explore opportunities for the City to derive profits from technologies sales and services derived from existing inventions developed through City of Ottawa research and development funding, and, in particular, products developed by Thompson Technologies, Luxcom, Multilek and/or Rogers Digital Communications while under contract to the City.

Management Response

Management agrees with this recommendation. Staff will examine the possibility of generating revenue from the use of the City's intellectual property rights, recognizing the legal limitations on the municipality's ability to generate profits, as well as the practical difficulties associated with the management and marketing of the City's intellectual property.

With regard to the identified firms, staff will review the relevant contractual documents to determine whether the City

Conclusion

The case reviewed in this audit indicates that the City does not have any mechanisms to manage conflict of interest. The main employee properly disclosed his conflict of interest but neither the employee nor the City exercised proper monitoring actions to ensure that private activities had no detrimental effect on the operations of the City.

In our opinion, every case of a declared conflict of interest should be evaluated to determine the impact on the operations of the City. If determined that the conflict of interest cause a real or perceived negative impact, such conflict of interest should be rejected and the employee should have a choice of either proceeding with the private activities and leave the City or stop the private activities and stay an employee of the City.

A City should not accommodate an employee conflict of interest to a point that it has a negative impact on its operations nor on it image of guardian of public good.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management and by the owners of Partham Engineering Ltd.

3.12 Audit of an Allegation of Blogging on City Time

EXECUTIVE SUMMARY

Introduction

The Audit of an Allegation of Blogging on City Time was conducted as a result of a report provided to the Fraud and Waste Hotline. It was not originally identified in the 2009 Audit Plan that was presented to Council.

Background

On November 14, 2008, the Senior Administrative Assistant, Planning Branch forwarded an e-mail with a link to a blog (http://zeromeanszero.blogspot.com) to the global address list for all Councillors' Assistants. She also forwarded this e-mail to the home e-mail address of the Coordinator, Strategic Support, Business Service and Evaluation Unit of the Infrastructure Services and Community Sustainability Department; as well as to her own home e-mail. In total, the link to the blog was forwarded to 37 separate e-mail addresses. One of the recipients that read the e-mail was a Councillor.

The City's Responsible Computing Policy (the Policy) governs how City employees use corporate information and information technology (IT) assets and services. It states that: "All users shall read this Policy, be familiar with their responsibility and comply with the provisions of this Policy".

The Policy permits employees to visit message boards and forums, which includes blog sites, except per Appendix A titled Website Blocking Standard of the Responsible Computing Policy blocks: "Personals and Dating, Social Networking and Personal Sites, and Web Chat categories". Sites chiefly devoted to personal expression by individuals (as in diaries or personal blogs) or small groups, often but not necessarily involving multiple links to similar sites. Management has indicated that employees are permitted to visit message boards and forums including blogs, but are blocked from contributing to these forums.

Scope

The scope of the audit included a review of:

- August 1 to November 18, 2008 Internet traffic to assess the employee's blogging activities; and,
- September 1 to November 18, 2008 e-mail correspondence.

The review of the employee's e-documentation was limited to a three-month period as the City's server drives are backed up to tape on a 90-day rotation. After 90 days, the data is overwritten as transitory records if not declared as official business records.

The audit also included a review of the employee's job description and human resources file.

Objectives

Audit Objective 1: To assess the extent to which the employee visits blogs during regular working hours.

Audit Objective 2: To assess the degree to which the employee is in compliance with the Responsible Computing Policy.

Key Findings

Extent to which the employee visits blogs during regular working hours

1. The Senior Administrative Assistant, Planning Branch forwarded an e-mail with a link to a blog http://zeromeanszero.blogspot.com to the global address list of Councillors' Assistants, to the home e-mail address of the Coordinator, Strategic Support, Business Service and Evaluation Unit of the Infrastructure Services and Community Sustainability Department; as well as to her own home e-mail. Based on the information for the period reviewed, we conclude that the employee does not regularly visit blogs, but that she had demonstrated a lack in judgment by sending Councillors' Assistants an e-mail with a link to a blog. In addition, all visits to blogs occurred during regular work hours.

Compliance with the Responsible Computing Policy

1. The City's Responsible Computing Policy governing staff usage of corporate information and information technology (IT) assets and services permits "incidental personal use by City staff, provided the privilege is not abused". The employee reviewed had 35% non-business e-mail usage s, equating to approximately 20 personal e-mails per day based on actual days of attendance at work.

2. The City's Responsible Computing Policy does not define what constitutes "incidental usage". As neither guidance nor parameters are provided, incidental usage is subjective.

3. Over a 3.5 month period, the employee had 14,890 Internet hits at permitted sites and 92 hits at blocked sites. Non-business related hits accounted for 95% of the employee's Internet traffic. The employee had an average of 263 hits per day, based on actual days of attendance at work.

4. The Senior Administrative Assistant, Planning Branch is responsible for providing administrative, secretarial and clerical support, ensuring confidentiality and efficient conduct of business through the office. We observed that there were two sensitive e-mails that she forwarded to her husband (also working for the branch) that were not intended for him, which

she obtained from the mailbox of the Director, Planning Branch. One e-mail related to an organizational change, and the other to the creation of a new position. This behaviour is contradictory to the skills requirement, namely exercising sound judgment, discretion and a high degree of confidentiality, as listed on the employee's job description and of those expected from a Senior Administrative Assistant. Senior level officials often give privileged access to their e-mail box to their administrative support and it is reasonable for them to expect that information sent to them will remain confidential and not be provided to unintended staff.

5. The employee did not have a performance appraisal conducted in 10 years, with the latest dated May 6, 1999.

6. The employee was involuntary terminated on March 25, 2009 due to organizational restructuring and received a nine month termination package. Our understanding is that the position will be re-staffed which indicates that an organizational restructuring was not the reason for the termination of this employee.

7. We noted that some letters pertaining to the Attendance Management Program (AMP), formerly the Attendance Improvement Program, were absent from the employee's human resources file. As the employee had past known attendance issues, it was important for these letters to have been issued to the employee and filed on the employee's human resources file. We were able to verify that the employee should have received additional letters using the AMP database provided as part of our Audit of Sick Leave Management.

8. We conclude that this employee's usage was not incidental, contravened the Policy, and may have interfered with her work duties and responsibilities. An assessment by management of the requirement for the position would be appropriate.

9. The OAG requested the electronic information from the IT Security Unit of the IM/IT Architecture and Security Division two days after a Network Analyst, Network Services Unit of Technology Infrastructure Division requested that the Senior Administrative Assistant delete a large personal folder.

   - IT management indicated that Technology Infrastructure Unit does not advise the IM/IT Architecture and Security Unit when they come across a large personal folder on an employee's H:/ drive and request that it be deleted;
   - The operational manager was not made aware of this deleted folder; and,
   - The OAG was not made aware of this deleted folder.

10. Although the Responsible Computing Policy holds the manager responsible for ensuring that their employees comply with the Policy's provisions, in this case,

the Director, Planning Branch was not advised that Network Services Unit had discovered a large personal folder in his Senior Administrative Assistant's H:/ drive and that they were requesting her to delete it.

11. Specific folder content is not tracked.

12. The review of the employee's e-documentation was limited to a three-month period as the City's server drives are backed up to tape on a 90-day rotation. After 90 days, the data is overwritten as transitory records if not declared as official business records. The Office of the Auditor General has raised in previous audits, namely the 2008 Audit of Hospitality and the 2005 Audit of Internet, that the City should keep its e-documentation for a period greater than 90 days.

Recommendations

Recommendation 1

That the City ensure all employees abide by the Corporate Responsible Computing Policy through active and documented monitoring practices.

Management Response

Management agrees with the recommendation.

Currently, the ITS department and Labour Relations conduct two Internet usage audits per year that examine the Internet use of 50 employees for each audit cycle. Awareness reminders regarding the City's Responsible Computing Policy are provided twice weekly to all staff with network accounts. City managers are responsible for monitoring their staff and can, where warranted, request technology usage reports and work with Labour Relations when interpreting certain data sets.

Recommendation 2

That the City revise the Corporate Responsible Computing Policy to clearly define what constitutes "incidental use".

Management Response

Management agrees with the recommendation.

The ITS department is satisfied that the Responsible Computing Policy addresses "incidental use" appropriately, however, further clarification and examples of acceptable incidental use will be communicated to City managers in Q1 2010.

Recommendation 3

That the City ensure that performance appraisals are completed for each employee yearly and filed to their human resources file and more frequently when there are known issues with an employee's performance

Management Response

Management agrees with this recommendation.   This practice is currently in place.

A formal performance development process was implemented for SAS staff in 2009. This includes tools, processes and training for management staff on how to manage performance, document and complete a yearly evaluation. It includes training on how to deal with performance issues throughout an annual cycle, including the need for documentation.

One of the management accountabilities included in the MPE performance development program is the responsibility to complete annual performance appraisals for their employees.

Management bulletins advising managers of the requirement to complete annual performance appraisals, training, and updates to PDP programs are sent out periodically. All tools and processes are accessible through the Manager Info tab on Ozone.

HR will conduct random, periodic employee file reviews to ensure completeness of files, including annual appraisals.

Recommendation 4

That the City ensure that when there is a situation, such as this example, where an employee's productivity and performance are questioned, that the requirement for the position be assessed.

Management Response

Management agrees with this recommendation.

The City has numerous checks/balances in place to ensure managers address productivity and performance issues with employees towards resolution, or to re-assess the requirement for a position. They include:

- The annual budget process where management must defend their position requirements

- Annual performance reviews where management is evaluated on their ability to manage their employees (absenteeism, performance, discipline)

- Access to qualified expertise to assist them in formulating strategies/solutions to address employee productivity and/or performance issues. This includes access to specialized resources trained in job design/function with the ability to advise managers on the need for that function as part of the managers complement and mandate

- Access to training and qualified expertise on how to manage employees, productivity, and absenteeism tailored to City processes and Collective Agreement requirements

Recommendation 5

That the City ensure completeness of the employee's human resources file, including but not limited to the Attendance Management Program letters.

Management Response

Management agrees with the recommendation.

Managers are instructed to send copies of signed letters back to the AMP Administrator, who forwards them to Records for inclusion in the employees' personnel file. The AMP Administrator will send a reminder of this requirement to all managers who are receiving employee letters for the next AMP cycle in Q3 2009.

The Human Resources department will conduct random, periodic employee file reviews to ensure completeness of files, including AMP letters.

Recommendation 6

That the City's Responsible Computing Policy be reviewed with the purpose of addressing employees' on-going receipt of non-business subscription materials, e.g., e-flyers.

Management Response

Management agrees with the recommendation.

The Responsible Computing Policy will be revised in Q3 2010 to advise staff that they are not to use their City of Ottawa email address for non-business subscriptions.

Recommendation 7

a) **That the City advise an employee's manager in all cases where the employee is found to abuse the City's IT resources, e.g., storing large files or large quantities of files not related to City business on the City network, etc.**

b) **That the City hold the manager accountable for rectifying the situation and, as appropriate, taking immediate disciplinary action with the employee, once the manager is advised of their employee's abuse.**

Management Response

Management agrees with the recommendation.

The ITS department has revised its process to include notification to an employee's manager when personal files are detected on the City network. The

Responsible Computing Policy will be revised in Q3 2010 to set out management's responsibility to rectify the situation and take disciplinary action when required.

Recommendation 8

That the City change its ITS retention period of purging all e-mails older than 90 days and change the retention period to two years which represents the statutory limitation period.

Management Response

Management agrees with the recommendation.

In accordance with Councillor McRae's motion related to the 2008 Hospitality Audit tabled in November 2008, the ITS department had included these changes in its workplan for 2009, with a view to presenting the revised policy to Committee/Council in the early fall of 2009, following review by Executive Committee/Senior Management Committee. However, Legal Services has advised IT Services that as a result of litigation before the Divisional Court, the two-year e-mail archive should not be implemented until the court case has concluded and the decision of the Divisional Court regarding MFIPPA and personal employee e-mails has been rendered. Divisional Court will likely hear this matter either in late 2009 or in 2010, at which time the revised policy will be considered. In the interim, IT Services is proceeding with the costing of technology solutions, which will enable the policy to be implemented.

Conclusion

A Fraud and Waste Hotline report alleging that an employee may be blogging during work hours led us to audit the Senior Administrative Assistant, Planning Branch. We found that over the three and a half month period reviewed, the employee did not regularly visit blog sites. However, she had demonstrated a lack of judgment in forwarding an e-mail with a link to a blog to Councillors' Assistants.

The investigation led us to observe that the employee used both the Corporate e-mail system and Internet for non-business use and disregarded the City's Responsible Computing Policy. Closer supervision of this employee together with the completion of regular performance appraisals may have prevented this situation from occurring.

The City's general philosophy is to let managers manage without intervention from corporate units. In this case, the process failed because corporate units did not provide managers with the tools necessary to carry out their managerial responsibilities.

Our review also uncovered a need for IT to establish a process where managers are informed each time sizeable personal folders are discovered on an employee's

individual drive (i.e., H:/drive). IT Services also need to review the Responsible Computing Policy for the purpose of defining incidental personal use of the Internet and corporate e-mail system, and addressing on-going receipt of non-business related subscription materials.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.13 Ottawa Community Housing – Audit of Technical Services

EXECUTIVE SUMMARY

Introduction

The Audit of Ottawa Community Housing (OCH) Technical Services was added to the 2008 work plan of the Office of the Auditor General at the request of the OCH Board of Directors.

Background

The City of Ottawa's Office of the Auditor General (OAG) reviewed the current processes and capability of the Ottawa Community Housing Corporation (OCH) related to building and technical services. This report summarizes the findings and provides recommendations to improve organizational effectiveness in the areas of Asset Management / Technical Services / District Operations organizational structure, process, and qualifications.

Role of the Office of the Auditor General

The role of the OAG on this project was somewhat different from past audits. Initial discussions with the OCH Chief Executive Officer (CEO) confirmed recognition on the part of OCH senior management of the need for significant improvements in the area of building and technical services. In addition, concurrent with the proposed audit, the CEO was to undertake a broader organizational re-structuring of OCH, which the audit of technical services would complement. As such, the OAG has worked collaboratively with the CEO and with the team assigned to complete the broader organizational review, as well as with OCH Board members, to ensure that the audit findings support and are consistent with the conclusions arising from the organizational review, while providing an independent assessment of future requirements for building and technical services.

Building Maintenance and Capital Work Program

OCH is responsible for the overall management of its housing portfolio including the development of new housing, physical improvements and upkeep of housing units and the general security of its buildings and communities. Day to day building maintenance requirements are attended to by the Corporation's four District Offices (i.e., South, Central, East and West). Routine repairs and maintenance work are carried out by OCH maintenance staff and by contractors based on operational requirements and available funding. More specialized work is performed by independent contractors. The work is tracked through a system of work/purchase orders.

The District Offices also oversee some building improvements which are more substantial in nature and classified as capital work. This category of work is funded by Capital Reserve Funds set aside for this purpose.

Major repairs and improvements to OCH's housing stock are attended to primarily by the Corporation's Technical Services Division. In addition to its function of administering the Capital Building Improvement Program, the division is also involved in the provision of a number of building related services.

Building Condition Assessment Study (BCA)

In 2006, in response to Shareholder (City of Ottawa) direction, OCH carried out a detailed assessment of the physical state of its housing portfolio. In general terms, the study included:

- Identification of the type and extent of repairs required to bring buildings, sites and housing units up to modern day standards;
- An assessment of the physical state of each building including building systems and finishes;
- The development of a customized Asset Management Software System including the inputting of the results of the above assessment into the system;
- The identification of opportunities for reductions in energy costs;
- An assessment of buildings with respect to security improvements;
- The "renewal" of the housing stock in terms of identifying: which units should be retained, opportunities for building additional housing units, re-development opportunities, sites offering commercial development potential; and,
- A summary report incorporating the development of a business case to assist OCH in obtaining necessary funding to implement various solutions for modernizing its housing stock.

Based on the findings in the Building Condition Assessment, there is significant need to increase the capital spending for Ottawa Community Housing's 14,783 units over the next five years. In fact, if all required repairs are to be made, capital funding will need to be increased to $66 million for five years, and then approximately $25-$30 million per year after that.

Summary of Key Findings

1. Overarching themes and issues related to Asset Management challenges identified during the audit can be summarized as follows:

   - Lack of strategic plan for property portfolio;
   - "BCA readiness";

- Conflicting roles and responsibilities for District Operations and Technical Services;
- Lack of focus on preventative maintenance;
- Lack of integration of information systems;
- Lack of staff training and development;
- Lack of focus on health and safety;
- Outsourced services management;
- Need to break down silos;
- Poor communication between and within departments;
- Ineffective or missing standards and procedures;
- Conflicting demands for resources by District Operations and Technical Services;
- Lack of accountability;
- Lack of credibility with local contractors;
- Difficulty attracting quality contractors; and,
- Lack of focus on sustainability and energy management.

2. The current reporting and accountability structure does not foster interaction between technical/capital group and operations groups within the organization. Dual responsibility for capital budgets is a source of friction between Technical Services and District Operations. Technical Standards Development, Sustainability and Preventative Maintenance are all areas currently not being effectively addressed because nobody is specifically accountable for or focused on improving each of these areas.

3. The current structure and processes will not support the expenditure of any significant additional infusion of capital programming which will result from the BCA.

4. The current information systems, asset databases and financial management systems are not integrated and there is no easy way to report on the data and even at the Director level, there is a lack of understanding of systems not used in their immediate areas.

5. The call center and work order system are not part of a completely integrated asset management system.

6. OCH does not have an effective Preventative Maintenance program at present. There is inconsistency between Districts and between Property Managers regarding the use of preventative maintenance, accountability is not clearly defined and very little preventative maintenance is routinely done that is not a regulatory requirement such as for fire safety systems and elevators.

7. The lack of adequate preventative maintenance results in continually deteriorating physical condition and value of OCH's facilities and ongoing

significant spending on unplanned repairs. The lack of adequate preventative maintenance also results in higher levels of risk for OCH in the areas of safety, cost, tenant satisfaction and the organization's public and political image.

8. There is a need to develop and implement technical standards, contracting standards, and standardized procedures manuals.

9. Much more could be achieved using the existing maintenance workforce more effectively before the justification for additional resources can be made.

10. The Capital Planning process needs to be re-engineered in order to implement the BCA and an identifiable team of technical experts is needed that the Project Managers can call on to provide technical guidance on capital projects.

11. While there are purchasing policies available and staff appear to be knowledgeable about purchasing procedures, spending authority and requirement for approvals for budget increases, no inventory management system is in place currently and therefore there is no easy way to find out if an item that is required is available in inventory already or whether a purchase must be made.

Summary of Recommendations

1. Create the following positions with the required skills and expertise to more effectively and efficiently manage building and technical services in the future:

   - Executive Director, Asset Management Services;
   - Director, Development and Renewal;
   - Manager, Engineering & Consulting;
   - Technical Specialists including Architectural/Structural Officer, Energy and Sustainability Officer, Site, Landscape and Pest Management Officer, Building Systems Coordinators and Life Safety and Elevator Systems Coordinator;
   - Manager, Preventative Maintenance Program responsible for developing OCH's Comprehensive Preventative Maintenance program;
   - Maintenance Coordinators;
   - Restoration Projects Officer; and,
   - Manager, Asset Database.

2. Create a Technical Specialist Group in Asset Management including the positions of:

   - Energy and Sustainability Officer;
   - Architectural / Structural Officer;
   - Pest Management Officer;
   - Site / Landscape Officer;
   - Mechanical Building Systems Coordinator;

- Electrical Building Systems Coordinator;
- Life Safety and Elevator Systems Coordinator; and,
- Draftsperson.

3. Create cross functional building teams using a matrix approach that cuts across the Operations and Asset Management groups with responsibility for specific buildings / communities. Each building will have a Property Manager; a Project Manager; a Turnover Manager and a Maintenance Coordinator assigned. Mutually dependent building performance measures should be developed and applied to each member of the team.

4. Develop OCH technical standards and standard operating procedures manuals.

5. Eliminate the separation of services performed by Contract Managers, and convert the Contract Manager positions to four additional Property Managers.

6. Improve integration and accessibility of all computerized maintenance management and facilities related databases and associated reporting functions.

7. Increase the focus on Contracting and Vendor management.

8. Update the BCA database at least once every five years (ideally 20% of the assets / year will be reviewed) to keep the short-term capital plan fresh and accurate so that it can continue to be used as the basis for upcoming year capital planning.

9. Develop standards and effective Fleet Management processes including pursuing opportunities for purchasing bulk contracts for vehicle maintenance / fuel etc.

10. Undertake a comprehensive review of IT Requirements, Tools and Systems review for the organization including the implementation of inventory management systems and practices.

Management Response

The management response to the audit is contained in the following letter from the OCH Chief Executive Officer.

Head Office / Siège social

39 Auriga Drive, Ottawa, Ontario K2E 7Y8 (613) 731-7223 fax: (613) 731-4463

March 18, 2009

Mr. Alain Lalonde
Auditor General
City of Ottawa
110 Laurier Avenue West
Ottawa, ON   K1P 1J1

Dear Mr. Lalonde:

OCH Senior Management would like to express its appreciation for the substantive work undertaken by the Auditor General to review its maintenance, capital work and building related services. This report will form the basis for an organizational workplan in several areas.

This review was very timely as the completion of the Building Condition Assessment (BCA) was scheduled for completion by the fall 2008. The implementation of the recommendations contained in the report will guide the work of the organization for the next several years as we implement a five year capital plan, derived from the findings of the BCA report.

The collaborative approach taken by all parties allowed this review to be undertaken in the context of an overall organizational review. The consultants, Jacques Whitford (Auditor General) and Deloitte's consultants also collaborated in order to coordinate the findings and proposed organizational redesign. The results include very comprehensive recommendations related to maintenance and capital work activities.

OCH agrees wholeheartedly with all recommendations contained in this report. Many of the findings have resulted in the following actions:

- the CEO performance objectives contain specific references to the development of workplans related to proposed actions (a mid-year status report will be provided)
- all senior management positions have identified performance objectives related to the completion of workplans
- the recruitment of the Executive Directors (Asset Management and Organizational Effectiveness) is well underway
- we are in the process of securing the services of a consulting firm to undertake a review of the OCH information systems infrastructure
- the organizational changes as recommended are being funded and implemented over the next 2 years

- several work groups have been created and have begun their work
    - purchasing (contract/vendor management)
    - capital planning (cross-functional teams) implementing a re-engineered capital planning process
    - asset management
    - standards (maintenance and construction)
    - energy management
- the work on preventive maintenance has begun – a dedicated position has been created and is developing terms of reference
- a staff training and development plan is being developed as part of the Human Resources plan
- an accountability framework is being developed in conjunction with the Manager, Performance and Quality. This will include accountability reports to the Asset Management Committee as well as the establishment of performance indicators
- once the Executive Director, Asset Management has been recruited, a joint working group will be created with the Executive Director, Tenant Services to create a workplan for collaborative work.
- An energy management plan is being developed
- A cross-functional team has begun the work of defining roles and responsibilities for community and building accountability (property managers / project managers)

In summary, there will be ongoing monitoring of progress undertaken through the various functional workplans and performance objectives for all senior staff. Updates will be provided as part of the CEO performance objectives. It is anticipated that the main tasks will be completed as part of the organizational renewal over the next two years.

We look forward to implementing all recommendations as contained in this report, and regular status reports will be provided to the Board of Directors.

Sincerely,

Jo-Anne Poirier
Chief Executive Officer

Conclusion

The full audit report contains extensive detail on the specific roles and responsibilities of new positions recommended herein as well as a more comprehensive set of recommendations in all areas examined. It is estimated the cost of implementing the recommended organizational changes are as follows:

Impact of New Organization Model for Asset Management Services	Number of Positions	Year 1 Salary Costs	Year 2 Salary Costs	Total Salary Costs
New Positions	8	$ 406,545	$ 252,854	$ 659,399
Eliminated Positions	-3	$ (161,356)	$ (60,559)	$ (221,915)
Net New Positions	5	$ 245,189	$ 192,295	$ 437,484
Renamed Positions	15	$ -	$ -	$ -
Converted Positions	4	$ 5,251		$ 5,251
Total Salary Impact		$ 250,440	$ 192,295	$ 442,735
Total Investment in Salaries and Benefits				$ 552,400

Although much work remains to done in order for OCH to improve its management practices in the areas of building and technical services and to better position itself to address the challenges arising from the recent BCA exercise, it is felt that the recommendations proposed by the audit will provide the basis for a solid strategy for future.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the management and staff of OCH throughout the project.

3.14 Ottawa Public Library – Audit of Budget Development Process

EXECUTIVE SUMMARY

Introduction

The Audit of the Budget Development Process at the Ottawa Public Library was requested by the OPL Board at its February 2008 Board meeting.

Background

The Ottawa Public Library system consists of 33 branches: a Main branch, district branches and different levels of community-based branches. The OPL is the largest bilingual, French-English, library in North America. This is reflected in its collection, programs and services. The Ottawa Public Library serves over 790,000 people in a geographic area of 2,760 sq. km, 90% of which is rural.

The Ottawa Public Library is governed by a Board, as required under the *Public Libraries Act* (1990). The OPL Board is appointed by Council to provide oversight and direction to the Ottawa Public Library. The Board is made up of 14 Members appointed by Council, including 6 City Councillors and 8 members of the public. The role of the Library Board is to provide oversight and ensure that the library remains accessible, accountable and relevant to the needs of the citizens of Ottawa.

The Ottawa Public Library Board is also accountable to the provincial Minister of Culture and a must submit an annual report to the Ministry.

The approved total net operating budget for the Ottawa Public Library in 2008 is $36 million, broken down as follows:

- Compensation and benefits – 74%

- Materials and services – 15%

- Program facility costs – 10%

Objectives and Scope

The objective of this audit was to assess the adequacy and effectiveness of the current procedures used by the Ottawa Public Library in preparing, reviewing, adopting and monitoring its annual budget. The scope included the processes used in preparing the 2008 budget. The audit did not question the specific funding decisions and allocations as determined by the Ottawa Public Library.

Audit Criteria

Audit criteria for this audit were developed based upon the Government Finance Officers Association's Recommended Budget Practices – A Framework for

Improved Local and State Government Budgeting. Current practices were assessed against a number of specific criteria in the following categories:

1. Goals, Objectives and Needs Assessment

2. Policy and Procedure Development

3. Budget Preparation and Review Processes

4. Budget Documentation

5. Performance Monitoring

6. Budget and Related Adjustments.

Summary of Key Findings

Overall, the current processes used at the Ottawa Public Library to develop its annual budget are effective. The audit found that a large majority of the audit criteria are being met, particularly with regard to assessment of needs, establishing organizational goals and objectives and budget preparation, internal review and documentation.

Areas that need to be strengthened to improve the process include:

- A thorough review and update of the financial policies to ensure they are complete and provide clear direction to the Chief Librarian;

- Developing forecasts for expenditures and revenues to establish a multi-year budgeting process;

- Clarifying the reporting and accountability relationship between the OPL Board and Council, and the Chief Librarian and the City; and,

- Developing and implementing a more relevant performance measurement framework.

Recommendations and OPL Board Responses

Recommendation 1

That OPL senior management strengthen its budget development process and require each operational area to present potential cost saving opportunities, which are then presented to the Board for discussion and debate.

OPL Board Response
Agreed.

That the Board direct the City Librarian/senior management to present to the Board potential cost savings to debate in conjunction with the development of the OPL annual budget. Timeline: Q3-Q4 2008

Recommendation 2

That the OPL Board review and update the Board financial policies to ensure they are complete and provide clear direction to the Chief Librarian and the Treasurer.

OPL Board Response

Agreed.

That the Board direct the Governance Committee to review and update financial policies; identify any new policies required; and report back to the Board. Timeline: Q1 2008

Recommendation 3

That the OPL Board clarify its arms-relationship with the City by developing a clear and concise policy that defines the relationship in terms of reporting and accountability.

OPL Board Response

Agreed.

That the Board direct the Governance Committee to develop a Board policy and report back to the Board. Timeline: Q1 2008

Recommendation 4

That the OPL Board reinforce the Chief Librarian's sole reporting relationship to the Board (see Recommendation 2 in the Governance Audit of the OPL Board).

OPL Board Response

Agreed.

That the Board direct the Governance Committee, to review the current Board policies and recommend any necessary revision and strengthening to the policy and including a related communications strategy. Timeline: Q4 2008

Recommendation 5

That the OPL Board direct the Chief Librarian to include, as a part of the annual budget development process, various budget scenarios which are presented to the Board for discussion and debate.

OPL Board Response

Agreed.

That the Board direct the City Librarian to continue the current practice of developing various budget scenarios for the Board during the annual budget development process. Timeline: Ongoing

Recommendation 6
That the OPL develop multi-year budgets to present to the Board which clearly outline the anticipated impact on service levels and funding requirements.

OPL Board Response
Agreed.

That the Board direct the City Librarian to continue to present multi-year forecasts for capital budgets and to begin to provide multi-year forecasts for operating budgets as part of the budget development process. Timeline: Q3 2008

Recommendation 7
That the OPL should expand its reporting to the Board to include regular reports on the status of efficiency targets and capital projects.

OPL Board Response
Agreed.

That the Board direct the City Librarian to include the status of efficiency targets and capital projects as part of the quarterly financial reports to the Board. Timeline: Q4 2008

Recommendation 8
That the OPL Board work with senior management and provide direction on a more relevant performance measurement framework for the OPL (see Recommendation 22 in the Governance Audit of the OPL Board).

OPL Board Response
Agreed.

That the Board direct the new Ad Hoc Performance Measures Committee work with the City Librarian to expand the current, board-approved performance measurement framework and present to the Board. Timeline: Q3 2008

Recommendation 9
That the OPL Board consider creating a Performance Measurement Committee to oversee the development, implementation and monitoring of a performance measurement framework (see Recommendation 23 in the Governance Audit of the OPL Board).

OPL Board Response
Agreed.

That the Board establish an ad-hoc Performance Measures Committee to expand/improve the current board-approved performance measurement

framework, and include a monitoring schedule, and report to the Board. (as per Recommendation 8) Timeline: Q3 2008

Conclusion

Overall, the current processes in place to develop the budget for the Ottawa Public Library are adequate. However, the audit has made recommendations to strengthen the budget development process which include a thorough review and update of the financial policies to ensure they are complete and provide clear direction to the Chief Librarian, developing multi-year budgets, clarifying the arms-length reporting relationship that the OPL has with the City and reinforce a direct reporting relationship to Council, and developing a more relevant performance measurement framework.

Finally, the OPL Board along with Library senior management need to be more rigorous in presenting and considering budget reduction scenarios and efficiency targets.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the OPL Board and OPL senior staff.

3.15 Ottawa Public Library - Governance Audit of the Ottawa Public Library Board

EXECUTIVE SUMMARY

Introduction

Board governance has been defined broadly as the means of interface with an organization's stakeholders, the source of strategic decisions that shape the organization and its work, and the ultimate accountability for the work and actions of the organization. There is, however, no one-size-fits all model or approach to governance; not in the private sector or in the public sector. What can be applied to all Boards, regardless of size or industry, are the basic concepts of good governance.

The City of Ottawa's Auditor General introduced the importance of and the need for governance audits in the 2005 audit work plan. The City's Boards are responsible for overseeing multi-million dollar budgets on behalf of Council and the public, and are accountable for effective organizational performance and for efficient expenditure of municipal tax dollars. The review of governance structures and practices should be seen as a proactive approach to good governance, not as a reaction to suspected weaknesses at any of the City's Boards.

Background

The Ottawa Public Library system consists of 33 branches: a main branch, district branches and different levels of community-based branches. Library services are also offered within city boundaries to communities without a local branch by mobile services. The OPL is the largest bilingual, French-English, library in North America. This is reflected in its collection, programs and services.

The library system also consists of a number of centralized services: Access, Outreach & Volunteer; Adult and Readers' Advisory; Children and Teen; Circulation; Collection Development; Community Partnerships and Programming; Information Services; Technical Services and Virtual Library Services.

The Ottawa Public Library serves over 790,000 people in a geographic area of 2,760 sq. km, 90% of which is rural.

The Ottawa Public Library (OPL) is governed by a Board, as required under the *Public Libraries Act* (1990). Other legislation that have governing authority over the OPL Board include:

- The *Municipal Act*
- The *Municipal Affairs Act*
- *Government Efficiency Act*

- *Municipal Freedom of Information and Protection of Privacy Act*

The OPL Board is made up of 14 members appointed by Council, including 6 City Councillors and 8 members of the public. The role of the Library Board is to provide oversight and ensure that the library remains accessible, accountable and relevant to the needs of the citizens of Ottawa.

The Ottawa Public Library Board is also accountable to the provincial Minister of Culture and must submit an annual report to the Ministry.

Objectives and Scope

The objective of this audit was to examine the current governance structures and practices to ensure that the Board is equipped to provide effective direction, support, and oversight to the Ottawa Public Library (OPL). The current governance structures and practices were assessed against best practices, not against the practices of other Public Library Boards.

This audit was conducted within the context of the Public Libraries Act and the Municipal Act, which set out the role and authority of Public Library Boards in Ontario.

It was not within the scope of this audit to:

- Review the appropriateness of the provincial and legislative framework;

- Review the Carver governance model that the Board has adopted; and,

- Audit OPL operations.

The intent of this report is to provide the Ottawa Public Library Board with concrete examples of Board governance best practices to ensure long-term success of the Ottawa Public Library.

Key Findings

The Ottawa Public Library (OPL) Board has satisfied many of the criteria used in this audit and is, overall, operating in an environment where good governance practices have been established.

The OPL Board has demonstrated several key strengths. One of the key strengths of the Board is the strong, professional leadership of the current Board Chair who has established a strong, professional working relationship with the Chief Librarian and has represented the OPL and library services in general as President of the Canadian Library Trustees' Association, as a Member on the Executive Council of the Canadian Library Association, and as an organizing committee member for the 2009 Ontario Library Association Super Conference.

Other strengths of the Board include a comprehensive strategic plan that serves as a guiding document for the OPL, as well as high attendance and participation at Board meetings and Committee meetings.

The audit found that the following areas needed to be strengthened:

1. **Roles, Responsibilities and Duties of Board Members –** The audit found that the arms-length relationship between the OPL and City is not clearly defined. This has resulted in some practices are that are not in line with good governance, specifically the Chief Librarian reporting both to the Library Board and the Deputy City Manager of the Community and Protective Services (CPS) Department. The audit also found that the Board Policy Manual needs to be reviewed to ensure that it is complete and provides clear direction to the Chief Librarian.

2. **Board Membership, Composition and Selection –** Many areas of the recruitment and selection process need to be improved in order to ensure that appropriate candidates are appointed to the Board. Also, the Board needs to develop a "staggered term" strategy in attempt to minimize the disruption and improve the continuity to the Board with each new term of Council.

3. **Board Evaluation Process –** The audit found that Board self-evaluation is not being done, even though it is outlined as a requirement in the Board Policy Manual.

4. **Board Meetings and Information –** In 2007 Board attendance was very high. However, the Board's Attendance Report should be expanded to include Board Member attendance and participation at all OPL related events.

5. **Strategic Planning and Performance Measurement –** The Board recognizes the importance of strategic planning but must formalize the requirement to develop and report against the strategic plan in its Board Policy Manual. The Board must also be more diligent in fulfilling its responsibility in the following areas:

   - Ensuring that risk management is being carried out;
   - Ensuring that a relevant performance measurement framework is in place;
   - Conducting the Chief Librarian's performance evaluation on an annual basis; and,
   - Ensuring a comprehensive succession planning process is in place for the Chief Librarian position.

Recommendations

Recommendation 1
That the OPL Board clarify its arms-length relationship with the City by developing a clear and concise policy that defines the relationship in terms of reporting and accountability.

OPL Board Response

Agreed. That the Board direct the Governance Committee to report back with a policy that defines the relationship of the Board with the Council, in terms of reporting and accountability; and that the Board present this policy to Council. Timeline: Q1 2009

Recommendation 2

That the OPL Board reinforce the Chief Librarian's sole reporting relationship to the Board.

OPL Board Response

Agreed. That the Board direct the Governance Committee to review the existing Board policies and recommend any necessary revisions and strengthening to the policy, and a related communications strategy and report to the Board. Timeline: Q1 2009

Recommendation 3

That the OPL Board ensure that only the Board Chair or the Chief Librarian (when delegated by the Board) speak on behalf of the OPL. Timeline: On-going

OPL Board Response

That the Board maintain current practice.

Recommendation 4

That the OPL Board exercise a more pro-active oversight role in terms of the reporting and information brought to the Board by:

- **Requiring the Board Secretary to maintain an annual calendar of reports to be received by the Board;**

- **Requiring reports or information to appear as an agenda item on the date they are scheduled to appear; and,**

- **Requiring OPL senior management to formally respond if a report or request for information is not going to meet a scheduled deadline.**

OPL Board Response

That the Board direct the City Librarian to implement these recommendations. Timeline: Q1 2009

Recommendation 5

That the OPL Board maintain a sufficiently independent voice from OPL senior management.

OPL Board Response

That the Board maintain current practice. Timeline: Ongoing

Recommendation 6

That the OPL Board work with the Chief Librarian to provide input into the Board Assistant position and provide direction on any changes that may be required. Changes to the Board Assistant position should be considered in conjunction with Recommendation 1 when clarifying the arms-length relationship between the OPL and the City.

OPL Board Response

That the Board direct the City Librarian to investigate the practices of the Ottawa Police Services Board organization, and the large public libraries of Ontario, and report back to the Board. Timeline: Q4 2008 (October)

Recommendation 7

That the OPL Board include a detailed Terms of Reference for each Committee of the Board in the Board Policy Manual.

OPL Board Response

Agreed. That the Board's Policy manual be revised to include the existing detailed terms of reference for each committee. Timeline: Q4 2008

Recommendation 8

That the OPL Board review the Committee structure on a regular basis to assess its appropriateness.

OPL Board Response

Agreed. That the Board direct the Governance Committee to incorporate the review of committee structures into the annual Board Planning cycle (Policy B.7) and report back to the Board. Timeline: Initiate Q1 2009, continue on bi-annual basis

Recommendation 9

That the OPL Board conduct a thorough review of the Board Policy Manual to ensure that it is complete and the policies are not conflicting.

OPL Board Response

Agreed. That the Board direct the Governance Committee to review the manual for comprehension and completeness and report back to the Board on a quarterly basis. Timeline: Q4 2009

Recommendation 10

That the OPL Board continue, as per the Board Policy Manual (section B.7: Annual Board Planning Cycle), with its practice of ongoing and scheduled monitoring of all the policies contained in the Board Policy Manual. This monitoring should not be delegated to OPL senior management.

OPL Board Response

Agreed. That the Board revert to its practice of receiving and reviewing all monitoring reports of board policies contained in the Board Policy Manual. Timeline: Resume original practice Q1 2009

Recommendation 11

That the OPL Board revisit the decision to delegate the Secretary and Treasurer positions to the Chief Librarian, and determine if any changes are required to existing Board policies to minimize the potential for conflict and lack of independence from management.

OPL Board Response

Agreed. That the Board direct the Governance Committee to explore the possibility of having an audit and finance committee; and direct the City Librarian to solicit information on current practices by the large urban libraries of Ontario; and direct the Governance Committee and City Librarian to report back to the Board. Timeline: Q4 2008 (November)

Recommendation 12

That the OPL Board include in the Board Policy Manual the requirement to develop a Composition Report at the end of each term of Council, specifying what should be contained in the report.

OPL Board Response

Agreed. That the Board direct the Governance Committee to continue the practice of developing a Composition Report at the end of each term; to revise the Board Policy Manual to include this requirement; to consider the development of a trustee recruitment policy and related procedures; and that the Board Chair present a report to Council before the end of each term. Timeline: Q4 2008

Recommendation 13

That the OPL Board determine the collective skill set required for the Board to successfully achieve its mandate of providing sound governance and oversight to the Ottawa Public Library.

OPL Board Response

Agreed. That the Board direct the Governance Committee to develop a collective skill set for Board members; and that this be developed in conjunction with a review of Policy B.21-*Trustee Responsibilities, Accountabilities and Skills;* and that this be presented to the Board. Timeline: Q1 2009

Recommendation 14

That the OPL Board develop detailed duties and responsibilities for Board Members that outline expected workload and time commitment, including all activities that Board Members may be required to participate in such as training, conferences, committee work, ceremonial events, and other relevant activities.

OPL Board Response

Agreed. That the Board direct the Governance Committee to review the current documentation used; and direct the City Librarian to investigate best practice in other large urban Canadian Libraries (e.g., Calgary); and to report back to the Board. Timeline: Q1 2009

Recommendation 15

That the OPL Board develop a "staggered term" strategy to ensure that a minimum of three Board Members remain on the Board when the Board is appointed with each new term of Council.

OPL Board Response

That the Board request the Provincial Government to amend the Public Libraries Act to provide for staggered terms for library boards; and that the Board request Council to develop a policy to provide for an appointment process to the Library Board that would result in staggered terms. Timeline: Q4 2008

Recommendation 16

That the OPL Board exercise all of its options under the City's Appointment Policy by outlining more specific skills sets for Board Members in the Composition Report, having the Chair and/or Vice Chair (or a designate) sit on the Selection Panel, and ensuring that interviews with potential Board Members are conducted.

OPL Board Response

Agreed. That the Board direct the Governance Committee to review and report back to the Board with options for recommending to Council; and that the final recommendations of the Board be presented to Council. Timeline: Q3 2009

Recommendation 17

That the OPL Board develop performance evaluation measures for the Board and conduct a Board Self-Evaluation, as per the Board Policy Manual (section B.15), and report publicly on the results of the evaluation.

OPL Board Response

Agreed. That the Board direct the Governance Committee to develop:

- The tools to implement the self-evaluation policy;
- A schedule for implementation; and,
- Options for publicly reporting the results and reporting back to the Board.

Timeline: Q3 2009

Recommendation 18

That the OPL Board expand the Attendance Report to include information on hours of commitment by Board Member for Board activities such as Board meeting, Committee meetings, ceremonial and community events attended, training and conferences, Council presentations, etc.

OPL Board Response

Board did not agree. That the Board request the City Librarian to expand the attendance reporting system to track attendance at Board Committee meetings only; and that this report be reviewed by the Board in public at the beginning of each year (for the previous year); and that this requirement be incorporated into the Board Policy Manual. Timeline: Q1 2009

Recommendation 19

That the OPL Board direct the Board Secretary to present a report at each Board meeting that lists all of the outstanding inquiries and motions, as a regular agenda item.

OPL Board Response

Agreed. That the Board direct the City Librarian to develop a regular reporting framework to cover outstanding enquiries and motions beginning from February 2007 and continuing onwards. Timeline: Q4 2008

Recommendation 20

That the OPL Board include the requirement for the Board to develop a strategic plan in the Board Policy Manual along with reporting requirements.

OPL Board Response

Agreed. That the Board direct the Governance Committee to revise the Board Policy Manual to include the requirement for the Board to develop a strategic

plan including reporting requirements; and report back to the Board. Timeline: Q4 2008

Recommendation 21

That the OPL Board ensure a risk management framework has been developed for the Ottawa Public Library and that it is monitored regularly.

OPL Board Response

Agreed. That the Board direct the City Librarian to develop a risk management framework in consultation with the City of Ottawa Risk Management Office; and include a recommended monitoring schedule; and report back to the Board. Timeline: Q2 2009

Recommendation 22

That the OPL Board work with senior management and provide direction on a more relevant performance measurement framework for the OPL.

OPL Board Response

Agreed. That the Board direct the ad-hoc Performance Measures Committee to work with the City Librarian to expand/improve the current, board-approved performance measurement framework for the OPL, and report back to the Board. (See also recommendation #23) Timeline: To be determined following establishment of Board Ad Hoc Committee

Recommendation 23

That the OPL Board consider creating a Performance Measurement Committee to oversee the development, implementation and monitoring of a performance measurement framework.

OPL Board Response

Agreed. That the Board establish an ad-hoc Performance Measures Committee and direct it to work with the City Librarian to expand/improve the current, board-approved performance measurement framework and report back to the Board. (See also recommendation #22) Timeline: Q3 2008

Recommendation 24

That the OPL Board update the Board Policy (C.6: Monitoring Executive Performance) to formalize the process recently used and continue to review the Chief Librarian's performance on an annual basis.

OPL Board Response

Agreed. That the Governance Committee be directed to update the Board Policy C.6-*Monitoring Executive Performance.* Timeline: Q4 2008

Recommendation 25

That the OPL Board ensure a comprehensive succession planning process is in place for the Chief Librarian position and senior management that will adequately address the staffing challenges currently facing the OPL.

OPL Board Response

Agreed. That the Board direct the Chair, Vice-Chair, Chair of the Governance Committee to work with the City Librarian to develop a comprehensive succession planning process for the City Librarian and senior management and report back to the Board. Timeline: Q4 2008

Recommendation 26

That the OPL Board direct the Chief Librarian to ensure compliance to the policy on carrying forward annual leave for all levels of OPL staff.

OPL Board Response

Agreed. That the Board direct the City Librarian to prepare a monitoring report for all levels of the OPL. Timeline: Q4 2008

Recommendation 27

That the OPL Board, as a part of the Chief Librarian's annual performance review, monitor the vacation leave bank to ensure excessive amounts of leave are not being carried forward.

OPL Board Response

Agreed. That the Board include the monitoring of the City Librarian's vacation leave bank as part of the annual performance review process and that this be incorporated into the written documentation describing the process (Board Policy C.6 *Monitoring Executive Performance*). (See also recommendations # 25 and #26). Timeline: Q2 2009

Conclusion

Overall, the current governance structure and practices of the Ottawa Public Library Board have a good foundation due to the leadership of the Board Chair and the strong, professional working relationship that has been established with the Chief Librarian. However, an organization cannot rely solely on good working relationships to achieve good governance, as the people in those key positions will change over time. The Board needs to ensure a strong framework of policies and procedures that is regularly monitored and reviewed to ensure continued good governance of future Boards. Specifically, the Board needs to focus its attention on developing and strengthening policies in the area of succession planning and Board recruitment and selection. The Board also needs to work with senior management

and provide direction on a more relevant performance measurement framework for the OPL.

Finally, the Board needs to clarify the reporting and accountability relationship with Council and the CPS Department, both in policy and practice as this will result in an improved governance framework for the OPL.

It is our opinion that any costs associated with implementing these recommendations can be absorbed within the existing budget for the Ottawa Public Library Board.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the OPL Board, OPL staff, and City staff.

3.16 Follow-up to 2007 Audit of Ottawa Police Service Fleet

Background

During 2006, the Office of the Auditor General conducted an Audit of the City's Fleet Services, which was presented to City Council in May 2007 as part of the Auditor General's Annual Report - 2006. This audit identified that a distinct process, then that of the City's Fleet Services Branch, was in place to manage police vehicles, which prompted our 2007 Audit of Ottawa Police Service Fleet.

The latter audit was presented to the Ottawa Police Services Board at its April 28, 2008 meeting, where a motion was approved requesting the City's Auditor General to report back to the Finance and Audit Committee and the Board in six months to provide an update on all of the recommendations set out in the 2007 Audit of Ottawa Police Service Fleet.

Audit Objective and Approach

The objective of the follow-up audit was to assess the adequacy and the extent of the actions taken, in the first three months, to implement the six audit recommendations presented to the Ottawa Police Services Board in April 2008.

General Observations

The 2007 Audit of Ottawa Police Service Fleet made six distinct recommendations. For each of these, we provide management's follow-up action, as at July 31, 2008 and our assessment of progress as at August 29, 2008.

Recommendation 1
That the Ottawa Police Service consider the full integration of its fleet within the Municipal Fleet Services.

Management Response
Management can support this recommendation provided that it results in significant financial savings for the Police Service and that it does not impact on Police operations. Accordingly a proposal from the City will be requested to outline the COE services that would be provided under a new fleet arrangement. It will be evaluated as part of the 2008 Strategic Deployment Review.

OPS Follow-up Action
OPS Fleet Model has been in place since 1997, following detailed review by Paragon Consulting. Two part model leverages specific expertise: OPS staff responsible and accountable for vehicle acquisition/replacement, daily deployment, fit up, fuel procurement, vehicle shuttling Vehicle acquisition (2008

Budget $3.42 million) completed by OPS Fleet Manager through provincial purchasing cooperative for police package vehicles (2008 Budget $2.65 million), and through purchase of used vehicles for unmarked and covert fleet. Through SLA, City of Ottawa Fleet staff is responsible for vehicle maintenance. OPS Fleet is resident on City M5 system. Maintenance completed through dedicated garage at central headquarters, and mix of City and commercial vendors in suburban and rural setting. Model is unique in City of Ottawa municipal fleet context, but common in Police sector. See November 2006 Report to PSB.

Management response % complete as of July 31, 2008   **90%**

Auditor General's Comment on Follow-up

OPS indicated that full integration was considered during meetings between the City and Ottawa Police Service. It was concluded during these meetings that full integration would not generate significant efficiencies and would not satisfy operational goals better than the current model. Regardless of these discussions, the opinion of the OAG is that a proposal should still be requested from the City for full integration of the Police Fleet within Municipal Fleet Services.

OAG response % complete as of August 29, 2008   **20%**

Recommendation 2

That the Ottawa Police Service renew the fuel card agreement and assigns each card to a vehicle:
1. **Gather all pertinent information on newer fuel management programs by issuing a Request for Information or meeting with potential suppliers;**
2. **Go to tender to renew the outdated card services agreement;**
3. **Assign each card to a vehicle. Attach each card to its matching set of vehicle keys if necessary. Continue signing off the cards if users keep losing them but the card has to be dedicated to a specific vehicle;**
4. **Track fuel consumption systematically and identify exceptions; and,**
5. **Require a credit card receipt for all miscellaneous expenses.**

Management Response

Management agrees with this recommendation, and a new fuel procurement plan is currently in the pilot program stage, with full implementation planned for May 2008. The new plan is twofold, and includes the use of City of Ottawa fuel depots, and Imperial Oil retailers. In both cases the former cards will be replaced with transponders, or "fobs", that can be affixed to the vehicle key chain enabling tracking of fuel consumption by vehicle, and reducing the occurrence of misplaced or damaged cards. This plan will provide significant fleet management reporting and administrative advantages. As well, the financial discounts achieved by either option are anticipated to be five times greater than with the previous universal fuel card plan. A budget efficiency of

$95,000 was approved in the OPS 2008 Operating Budget in anticipation of the new fuel plan.

OPS Follow-up Action

Control of cards improved in 2007. For the period May 2007 to May 2008, 30 cards were misplaced and cancelled. Maximum number misplaced in one day was 5. In 2006, only the Fleet Manager had on-line access to update card status. In 2007 access was granted to additional staff for purposes of cover for Fleet Manager. Project to replace/upgrade fuel procurement plan in progress since early 2007. Full implementation May 2008. See 2008 Budget, January 2008 in-camera report to PSB, and May 2008 public Report to PSB.

*Management response % complete as of July 31, 2008*_____*100%*

Auditor General's Comment on Follow-up

As at the end of August 2008, OPS had completed the transition from PHH cards to Esso (Imperial Oil) cards. The new process will have OPS fuel at both Esso stations as well as City fuel stations. In both instances a transmitter called "fob" is used. There are approximately 34 Esso stations in and around Ottawa. The Esso fuelling process does not require that the actual credit card ever be provided to the officer. In lieu, an Esso "fob" which has been allocated to a specific vehicle is attached to its set of keys. During the site visit the credit cards were kept in boxes in the manager's office. Although the office is locked, the cards were not further secured. This represents approximately 600 activated credit cards. In addition, the manager keeps an additional stock of 180 cards for special events (e.g., out-of-town officers required to supplement OPS during President Bush's visit). When an officer signs-out a vehicle and gets the keys, one or two fobs are attached.

New Recommendation

That OPS either secure the new Esso credit cards if they are required or alternatively destroy the cards.

Management Response

Usage of the Esso credit cards, similar to the transponder, requires a unique password to be entered by the user. Regardless, management agrees that the custody of the cards could be improved, and the cards are now locked in a safe accessible only by Financial Services staff.

Esso fuel rate for OPS is the posted pump price at day of fill-up less the contract discount rate per litre. To fuel a vehicle at an Esso station, an officer would swipe a fob; enter his/her password and vehicle odometer reading. OPS perform weekly reports of odometer readings and of multiple fuel-ups; and

monthly reports on non-fuel purchases; premium fuel purchases and premium car washes.

OPS have also established a proactive practice where an Esso "point-card" is placed in each vehicle and swiped at each fuel-up. Accumulated points may be redeemed for valuable merchandise such as car washes, oil, windshield fluid, etc. This equates to additional benefits not obtained while using PHH cards.

The process to fuel-up at a City facility is very similar to an Esso station except that the officer swipes their employee identification card as well as fob. Control features programmed in City's fob include a vehicle's required fuel, e.g., gas or diesel as well as the fuel tank size. A $0.02 premium per litre is charged when City sites are used. This premium would be waived if OPS integrate their fleet to the City.

From the approximate 600 PHH cards from one year ago, 73 PHH cards remain in existence: 9 regular cards for out-of-town travel; 62 cards dedicated to covert operations; and 2 U.S. cards. Cards are retained and controlled by the OPS Fleet Manager for instances were neither Esso nor City stations may be in the vicinity.

OAG response % complete as of August 29, 2008　　　　　　　　　　　　*100%*

Recommendation 3

That the Ottawa Police Service assure continuity of the OPS fleet management function by civilianizing the position.

Management Response

Management agrees that a review of the merits of civilianizing the fleet manager position should be completed, and is in the process of doing so as a component of the 2008 Strategic Deployment Review.

OPS Follow-up Action

Current model remains as Sworn Sergeant. Turnover is now 6 Sergeants in 9 years, as previous Sergeant held position for 3.5 years. Strategic Deployment Review has also identified position as one for review for civilianization, as law enforcement powers are not required. Link to OPS Fleet model review is key. Sworn experience for vehicle acquisition, deployment and fit up, vs. specific fleet management expertise. Fleet Manager opportunity provides Sergeant with requisite administrative and budget responsibility for promotional purposes. However, majority of budget is allocated to maintenance charges and capital acquisition that is ultimately accountable to City Fleet through SLA, or the Director of Finance, respectively. Sworn fleet managers are the norm in Ontario Police Services. Recommendation for designation as sworn specialty position requiring a minimum commitment of 5 years has been forwarded to the OPS tenure committee for review. If specialty designation accepted, sworn manager

will be provided fleet manager training as provided by the Canadian Association of Fleet Managers (CAFM). Business Case to be prepared.

Management response % complete as of July 31, 2008   *50%*

Auditor General's Comment on Follow-up

As part of OPS's Tenure Project, the Fleet Manager's position was examined. The objective of the questionnaire is to assess length of service as opposed to reviewing the sworn versus civilianized status of a position. OPS consider that there is merit in maintaining the position within its sworn complement. At the time of our review, a business case to keep the position as sworn was planned but had not yet been developed.

OAG response % complete as of August 29, 2008   *25%*

Recommendation 4

That the Ottawa Police Service identify supervisory and/or administrative positions that require a vehicle.

Management Response

Management agrees with the recommendation that such vehicles be identified, and has followed this practice. The vehicles presented in Table 11 have been assigned for three distinct reasons. Executive Command (Chief, Deputies, and Director General) are assigned exclusive use vehicles by employment contract with the Police Services Board. Sworn Senior Officers (Superintendents and Inspectors) are assigned exclusive use vehicles by OPS policy. These vehicles are equipped with covert lighting and siren to enable operational response capability. The final reason for the allocation of supervisory or administrative vehicles is for an otherwise identified business need. Such requests come forward through Executive Command during the annual budget process, and if approved through both management review and Board review of the budget, the vehicle is added to the fleet complement.

Management response % complete as of July 31, 2008   *90%*

Auditor General's Comment on Follow-up

OPS reviewed vehicles, which were allocated to civilianized positions. These represent 11 vehicles.

OAG response % complete as of August 29, 2008   *90%*

Recommendation 5

That, for those supervisory and/or administrative positions with assigned vehicles with less than 20,000 km/year, the Ottawa Police Service reimburses the kilometres at a predetermined rate and de-allocates the vehicles.

Management Response

Management agrees with the intent of the recommendation, and will continue to review the fleet for opportunities to achieve efficiencies through mileage reimbursement as opposed to fleet allocation. With reference to Table 12, it should be noted that nine of the vehicles presented are allocated as a result of Executive Command employment contract or Senior Officer vehicle policy. It is also worth noting that the de-commissioning of a vehicle in lieu of mileage reimbursement is only a viable option if the function to which the vehicle is assigned is truly administrative, and not deployed for policing operations in any way.

OPS Follow-up Action

Review is in progress. Vehicle inventory sub categorized as:

1) Sworn operational requirement;
2) Executive Command Contract;
3) Senior Officer Policy;
4) Specific functional standard;
   a. Mail trucks
   b. Property van
   c. Etc.
5) Specialty; and,
6) Other civilian.

The other civilian category (less than 15 vehicles) to be reviewed for 2007 usage and costs. Break-even usage metrics to be calculated.

Management response % complete as of July 31, 2008   **20%**

Auditor General's Comment on Follow-up

OPS indicated that they would be conducting a break-even analysis. Analysis is planned to determine both the financial and operational implication of maintaining, or not, commissioned vehicles.

OAG response % complete as of August 29, 2008   **20%**

Recommendation 6

That the Ottawa Police Service tender commercial repairs.

Management Response

Management agrees with this recommendation. A new tender and /or a review of options to expand the services provided by City Fleet Services in the West End is overdue. The need is enhanced by the fact that a new West Division facility is scheduled to open in the near future, which will likely increase the size of the fleet deployed from the west end of the city. OPS management will work with

City Fleet Services and City Supply Management to complete this tendering process.

OPS Follow-up Action

City Fleet have updated the previous proposal using 2007 data, and provided to OPS management in July. Evaluation of comprehensive proposal will determine if additional standing offer issue is required. If standing offer is recommended, City Supply will be involved as well. Consideration of impact of new West Division Patrol Station also to be considered. Additional review meetings scheduled for August.

Management response % complete as of July 31, 2008   *40%*

Auditor General's Comment on Follow-up

OPS were provided with a proposal from the City to integrate some of OPS's west end servicing at the City's Moodie Drive facility. OPS are currently reviewing the proposal. Although OPS are in the process of building a new facility for its west division, no attempt was made to tender commercial repairs for the possible interim period.

The tendering for commercial repairs in the west is still required.

OAG response % complete as of August 29, 2008   *40%*

Conclusion

Of the six recommendations presented to Ottawa Police Services Board in April 2008, one was fully implemented at the time of our review in August 2008. Although action has been taken and progress made, the remaining five recommendations are incomplete at this time.

Ottawa Police Service Management Response

Ottawa Police Service management concurs that action has been taken and progress made on all recommendations. Additional comments on each recommendation are provided below.

Recommendation 1: OPS Management disagrees with the OAG assertion that a formal proposal from City Fleet Management is still required. Both OPS Management and City Fleet Services Management believe that sufficient due diligence has been applied regarding the full integration of the OPS fleet with the City fleet. The issue has been thoroughly vetted in a series of meetings, and there is concurrence that there will not be significant savings to the OPS, nor a significant benefit to the operations of the fleet. Following these discussions, a formal proposal from the City on this topic is not warranted, nor an effective use of time and resources.

Recommendation 2: OPS Management concurs that response to this recommendation is 100% complete. A clarification is necessary regarding the $0.02 premium levied when OPS vehicles use City fuel sites. Prices achieved at the City sites vary from week to week, but range from $0.06 to $0.09 cheaper than retail rates per litre due to the City's bulk purchasing power. As a user of the City sites, the OPS are charged a $0.02 per litre premium on those weekly rates. The "premium" is effectively a fee for fuel system management reporting, billing etc. that the City charges to clients that use the sites. Even with that fee, the price per litre is competitive, if not better, than the Esso rates achieved. Should the OPS fully integrate with City Fleet, a management fee per vehicle would be applied to cover the City's apportioned costs of procurement, disposal, and reporting. The OPS is not currently charged any management fee by the City, as our model does not merit that charge. That management fee for the entire fleet would be significantly greater than the premium per litre based on OPS usage of the City sites.

Recommendation 3: OPS Management concurs with the OAG comments regarding completion as at August 29. The Business Case to retain the sworn position is in development and is subject to management approval.

Recommendation 4: OPS Management concurs with the OAG comments regarding completion as at August 29.

Recommendation 5: OPS Management concurs with the OAG comments regarding completion as at August 29. The operational impact of the break-even usage analysis is in progress.

Recommendation 6: OPS Management concurs with the OAG comments regarding completion as at August 29. Further meetings with City Fleet Management and City Supply Management have been completed, and the preparation of specifications for the tender for commercial repairs in the West End is in progress.

City of Ottawa Fleet Services Branch Comments

Recommendation 1 Fleet Integration - Concur: we have met with OPS and concluded that given the nature of the OPS fleet (approx 80% are police package vehicles on a set duty-cycle and life-cycle) and the method of procurement (purchased through the provincial purchasing coop) at this point we do not believe we would generate significant savings through fleet integration.

Recommendation 2 Fuel Procurement - Concur: Fleet clients that do not pay a management fee (eg OPS) are charged a $0.02/L surcharge for fuel to cover fuel system operating costs. Clients that pay a management fee receive full fleet management services in addition to fuelling services.

Recommendation 3, 4 and 5 - N/A

Recommendation 6 <u>Commercial Contract West End Services</u> - We have provided a vehicle maintenance proposal to OPS for West End operations in June 2008 that reflects savings over current practice.

ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.17 Hydro Ottawa – Audit of the Emergency Response Plan

EXECUTIVE SUMMARY

Introduction

The Audit of the Hydro Ottawa Emergency Response Plan was included in the 2008 Audit Plan of the Office of the Auditor General (OAG), following adoption by Council of the revised mandate for the Auditor General.

Background

Hydro Ottawa Limited, is a wholly owned subsidiary of Hydro Ottawa Holding Inc., and is the third largest municipal electricity distribution company in the Province of Ontario. Hydro Ottawa is responsible for the safe, reliable delivery of electricity to more than 285,000 residential and business customers in the City of Ottawa and the Village of Casselman.

Audit Scope

The scope of the audit was to review Hydro Ottawa's Emergency Response Plan, all policies, procedures, and standard operating procedures in relation to emergency management, business continuity and pandemic plans.

Audit Objectives

The objectives of this audit were to:

- Assess and determine if Hydro Ottawa is prepared in the event of an emergency situation and that all the necessary plans are in place.

- Assess if Hydro Ottawa is compliant with the Independent Electricity System Operator (IESO) Regulations.

Management Response

Hydro Ottawa welcomes this report by the Office of the Auditor General on the company's Emergency Response Plan and the recommendations contained herein.

Management is pleased that the audit confirms that Hydro Ottawa is compliant with all of the Independent Electricity System Operator's regulations regarding emergency preparedness, as well as ISO standards, and has the tools and processes in place to restore power when there is a blackout.

Management agrees substantially with all of the recommendations in the audit report, and already significant progress has been made in implementing all of the recommendations. For example, while Hydro Ottawa specified at the outset of the audit process that it did not have a Business Continuity Plan (BCP) in place,

the company has since completed a draft plan. As such, the company is now finalizing its integrated Business Continuity Management Plan, which includes both its Emergency Response Plan and its draft BCP.

Similarly, while the company has had in place a formal procedure on Loss of Workforce/Pandemic Plan since February 2007, the external consultants who assisted in the development of the BCP provided recommendations to supplement that procedure, and a revised Pandemic Plan for the company will be finalized for the fall of 2009.

The audit also acknowledges that Hydro Ottawa has sufficient training for dealing with an emergency event, and makes recommendations for ongoing training in this area. We welcome these recommendations, and will continue to invest in appropriate training for those individuals with responsibility for Emergency Response and Business Continuity, as well as ensuring awareness of both throughout the company.

Past events, including the 1998 ice storm and the 2003 blackout, have shown that Hydro Ottawa has been able to respond effectively to emergency situations in the past. The recommendations in this audit report will assist us in our ongoing efforts to ensure we are equally prepared to respond to any future events.

Summary of Key Findings

1. Hydro Ottawa has a Hazard Identification and Risk Assessment (HIRA) in place to identify potential issues and threats to its facilities. This type of assessment provides the foundation for any emergency management or business continuity plans, procedures or policies. This HIRA will assist Hydro Ottawa to establish the training that is required to deal with the issues identified and those which pose a threat. This will also enable Hydro Ottawa to establish logistical priority issues so that a proper inventory can be maintained instead of a just-in-time inventory. The HIRA should be reviewed annually.

2. Hydro Ottawa does not have a Business Continuity Plan (BCP) to resume its operations in the event of an emergency. Hydro Ottawa needs to develop a BCP as soon as possible. Hydro Ottawa can restore power, but need to prepare further by developing the BCP which will address operational, logistical, financial and human resources issues, and administrative details. The next emergency may not be about their ability to restore power, but maintaining operations for customers. Hydro Ottawa advised the OAG at the commencement of the audit that they did not have a Business Continuity Plan and that they had engaged a consultant to assist with the development of a Plan.

3. Hydro Ottawa does have a Pandemic Plan to resume its operations in the event of an emergency. A Pandemic Plan will ensure Hydro Ottawa's ability to perform the tasks required to continue services during such an event with drastically reduced numbers of staff. This plan can also be used as a foundation

for any serious event which could cause a reduction in the number of employees.

4. Hydro Ottawa has sufficient training for dealing with an emergency event. Certain employees key to the emergency management function have training related to emergency management. Other employees who are directly involved in the emergency management process should also have the Basic Emergency Management Course which is offered by Emergency Management Ontario.

5. Hydro Ottawa Emergency Management Committee is responsible and takes ownership for the development of all emergency and business continuity plans. This committee is responsible to make sure that these plans are always current, operational, and to develop the necessary training strategies.

6. Hydro Ottawa needs to develop a better strategy for keeping records, policies, standards, procedures and plans for their emergency management process. Having all of these files available in a single database would assist with response times, and better assist the emergency managers during an event.

7. Hydro Ottawa is compliant with IESO regulations and has the tools and processes needed to restore power when there is a blackout.

Recommendations and Management Responses

Recommendation 1
That Hydro Ottawa ensure that its Hazard Identification and Risk Assessment is reviewed annually.

Management Response
Management agrees that its Hazard Identification and Risk Assessment should be reviewed regularly. As per our integrated Business Continuity Management Plan, the Business Continuity Management Committee will review the Hazard Identification and Risk Assessment annually.

Recommendation 2
That the Emergency Preparedness and Response Plan (ERRP) group meet at least quarterly and that the members of this group form the Emergency Management Committee.

Management Response
Management agrees and has in place a Terms of Reference for a Business Continuity Management Committee to provide oversight, direct and monitor its integrated Business Continuity Management Plan which includes both its existing Emergency Response Plan and its draft Business Continuity Plan. The frequency of meeting of this Committee is quarterly.

Recommendation 3

That the role of the Emergency Management Committee include monitoring Hydro Ottawa's entire emergency management program.

Management Response

Management agrees that the role of its Business Continuity Management Committee includes monitoring of its integrated Business Continuity Management Plan which includes both its existing Emergency Response Plan and its draft Business Continuity Plan. This is reflected in the Committee's Terms of Reference.

Recommendation 4

That Hydro Ottawa ensure that all employees of Hydro Ottawa are familiar with the process and the emergency management program.

Management Response

Management agrees that employees should be aware of the existence of its Business Continuity Management Plan, which includes both its existing Emergency Response Plan and its draft Business Continuity Plan, and will be communicating such accordingly.

Recommendation 5

That Hydro Ottawa's Emergency Management Committee monitor their emergency response plan, procedures, policies and work instructions relating to emergency management.

Management Response

Management agrees that the role of its Business Continuity Management Committee includes monitoring of its integrated Business Continuity Management Plan which includes both its existing Emergency Response Plan and its draft Business Continuity Plan. This is reflected in the Committee's Terms of Reference.

Recommendation 6

That Hydro Ottawa ensure that the person holding the portfolio responsible for the emergency management program has the knowledge, skills and ability to perform these tasks, and that this person continue to be given the opportunity to obtain additional training in emergency management.

Management Response

Management agrees. Currently, Hydro Ottawa has a dedicated Supervisor of Environmental Protection and Business Continuity who is responsible for the emergency management and business continuity portfolio. The incumbent has

all the required qualifications and skills to fully perform the functions of the portfolio. Ongoing training and development opportunities are regularly provided to ensure that these qualifications and skills are kept current.

Recommendation 7

That Hydro Ottawa develop a Business Continuity Plan to enable its operations to continue during a business disruption.

Management Response

Management agrees and has in place a Business Continuity Management Plan, which incorporates both its existing Emergency Response Plan and its draft Business Continuity Plan. The Emergency Response Plan has been in place formally for 6 years and enables Hydro Ottawa to restore power and communicate effectively with our customers, the public, and key stakeholders. The Emergency Response Plan is also compliant with IESO and ISO regulations and standards. The Business Continuity Plan was developed throughout 2008 and the first quarters of 2009 with the assistance of an external consultant and a draft is presently being reviewed by management.

Recommendation 8

That the Emergency Management Communications Director and his/her alternate receive instruction in emergency management communications.

Management Response

Management agrees that those responsible for Communications during an emergency should receive emergency management communications training. As such training is not readily available externally, Hydro Ottawa has had in place for a number a years a training program for this purpose for the members of the Crisis Communications Team. This training is delivered by a qualified external service provider.

Recommendation 9

That Hydro Ottawa establish a formal communications process with the City of Ottawa Office of Emergency Management and the Emergency Operations Centre.

Management Response

Management agrees and has a formal communications process with the City of Ottawa, Office of Emergency Management through the Emergency Operations Centre when an emergency is declared.

Recommendation 10

That all persons dealing with emergency management and their alternates for Hydro Ottawa be available to attend the City's Basic Emergency Management Course.

Management Response

Management agrees and remains prepared to have all persons dealing with emergency management and their alternates participate in this training, as invited by the City.

Recommendation 11

That Hydro Ottawa ensure all employees of Hydro Ottawa who are responsible for the Emergency Management Program attend training programs and or Table Top Exercises that would allow them to enhance their ability to respond to emergent situations.

Management Response

Management agrees and has in place a multi-year scenario/exercise testing/drill schedule. Tests/drills are scheduled at least 3 to 4 times per year and are table top exercises, simulations, actual hands-on exercises in the field or a combination thereof. Hydro Ottawa also participates annually in provincially organized exercises.

Recommendation 12

That the Hydro Ottawa Emergency Preparedness and Response Plan Group and the City of Ottawa Office of Emergency Management set a mutually agreed-upon list of priority users. This list should be formalized with the priority users.

Management Response

Management agrees and has established priority users in accordance with the requirements of the Independent Electricity System Operator's requirements.

The current protocol of working with the City of Ottawa, Office of Emergency Management and the Emergency Operations Centre in event specific situations ensures that available energy corresponds with the identified priorities specific to the event.

Recommendation 13

That Hydro Ottawa develop an on-line database of all emergency management programs, training and maintenance of equipment which is needed for emergency management.

Management Response

Management agrees and does maintain an electronic training database. Manual tracking of testing and preventative maintenance of equipment will soon be transitioned to an automated system. All documents regarding our Business Continuity Management Plan will also be available electronically to all employees responsible for both business continuity and emergency response.

Conclusion

Hydro Ottawa has a HIRA in place to identify potential issues and threats to its facilities. The HIRA should be reviewed annually.

Hydro Ottawa does not have a Business Continuity Plan to resume its operations in the event of a business disruption. Hydro Ottawa needs to develop a Business Continuity Plan as soon as possible to ensure that operations are maintained in a business disruption.

Hydro Ottawa does have a Pandemic Plan to resume its operations in the event of an emergency. The Pandemic Plan will ensure Hydro Ottawa's ability to perform the required tasks to continue its services with drastically reduced staff numbers during such an event.

Hydro Ottawa Emergency Management Committee is responsible for the development of all emergency and business continuity plans. This committee is responsible to make sure that these plans are always current, operational, and to develop the necessary training strategies.

Hydro Ottawa is compliant with all of the IESO and ISO regulations and standards and has many elements of a well-developed emergency plan. Hydro Ottawa has the tools and processes needed to restore power in an emergency.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the management of Hydro Ottawa.

3.18 Audit of the 2006 Sewage Spill

Executive Summary

Introduction

This audit was undertaken at the request of Council, following reports that the closures of the Petrie Island beaches in August 2006 were likely caused by a major unreported sewage spill at the Keefer regulator site adjacent to the John Street-Sussex Drive intersection.

Background

The combined sewer system was designed to convey sanitary sewage during dry weather and both sanitary sewage and storm water runoff during wet weather. The combined sewer system of the City of Ottawa has 18 known overflow sites, of which the largest 5 are controlled by regulators.

These regulators are simple mechanical devices which operate using a system of gates, floats, pulleys and chains. The five regulators operate on the same basis and are controlled by float-activated gates. In simple terms, within each regulator the gate is kept open by a float that acts as a counterweight during dry weather. When the gate is open, flow in the combined sewer is designed to flow into the outlet sewer and onto the sewage treatment facility at the Robert O. Pickard Environmental Centre (ROPEC). During a rainstorm event, as the flow in the combined sewer increases, the gate starts going down toward its closed position. If the flow in the combined sewer is high enough, the gate will shut completely until the flow starts to go down. As the gate begins to close, it forces the flow into the overflow sewer which leads into the river.

It is important to differentiate between a combined sewer overflow (CSO) and a sewage spill. A CSO, which can occur during rain events and is the result of the normal operation of the regulator, is permitted due to the design of the combined sewer system (CSS) used in this part of the City. After the rain event peak flow, the CSS should return to normal operation in which the sewage and storm runoff are taken to the sewage treatment plant. Under normal conditions, the combined sewer overflow into the river should end at this point.

During dry weather no sewage flow should be discharged into the river. If there is dry weather flow being directed to the river, the discharge is an unauthorized spill and not a CSO. Therefore, in the case of the August 2006 event, the initial part of the event (from July 31 to August 3) was a combined sewer overflow, which is permitted and not subject to reporting to Ministry of the Environment (MOE) or any other agency. The flow that discharged to the river from August 4 to August 15 inclusive was abnormal and the result of a malfunction at the Keefer regulator. It was therefore a sewage spill and was required to be reported to the Ministry of the

Environment (MOE) immediately. Subsequently, it was found that the volume of this spill was 764 million litres.

Audit Objectives

The objectives of this audit were as follows:

1. Determine the reasons for the August 2006 sewage spill;
2. Examine the response by City staff, including reporting responsibilities, communications methods, protocols, improvement;
3. Review the staff and management responsibilities with respect to inspection, maintenance, and operation;
4. Review the training levels of City staff;
5. Review the reasons for non-reporting of the spill; and,
6. Review the alarm system, regular inspections, and emergency inspections of the regulators.

Audit Scope

The audit scope encompassed the reasons for the sewage spill and the reactions by City staff to the spill. The audit comprised the following main tasks:

1. Review legislative framework;
2. Review background data;
3. Conduct interviews with City staff and MOE representatives involved in the project.

Summary of Findings

Chronology of Events

The following table briefly summarizes the key events in the chronology of the August 2006 sewage spill at the Keefer regulator site:

Date	Key Events
July 31st 2006	▪ Rainfall event started late in the evening
August 3rd 2006	▪ Rainfall ended but the Keefer regulator failed to return to pre-storm condition allowing flows to continue into river.
August 15th 2006	▪ A staff technician noticed an anomaly in the flow monitoring data and went to the site to verify that there was flow in the pipe leading to the river. ▪ The technician contacted his Supervisor, two other Supervisors and the Section Manager by e-mail informing them of the malfunction. ▪ The Operations Supervisor dispatched a crew to the site to repair the regulator and the flow to the river ended.

Date	Key Events
Mid-March 2007	▪ A Senior Engineer in Infrastructure Services Branch (ISB) noticed a discrepancy in the flow data from August 2006. ▪ The Engineer contacted Operations and received confirmation of closed regulator that was cleared on Aug. 15th 2006. ▪ The Engineer contacted the Manager, Wastewater and Drainage Services Division (WDSD) and the WDSD Program Manager by e-mail and advised them of the issue.
April 23rd 2007	▪ Discussion between City Engineer and MOE Engineer. ▪ The Engineer advised the MOE that the event would be documented in the upcoming 2006 annual report on CSOs. ▪ The Engineer estimated magnitude of the spill event to be approximately 1 billion litres.
May 1st, 2007	▪ Detailed information from which the Keefer Regular report can be prepared is provided from Infrastructure Services Branch (ISB) to WDSD.
May 2nd 2007	▪ The WDSD Manager directed his Program Manager to prepare a report to MOE describing the event in 2006. This would be done independently of the CSOs report being prepared by ISB.
May 16th 2007	▪ A letter is sent to MOE from WDSD Program Manager with copies to the Manager WDSD and Manager Infrastructure Management regarding the malfunction of the Keefer regulator and stating that incident was never formally reported to MOE.
April 2nd 2008	▪ The Senior Engineer in ISB becomes aware of a Public Health (PH) report on beaches. ▪ The Engineer calls the PH analyst regarding the possible correlation of beach closures to overflows and the August 2006 event spill. ▪ The Director of Water & Wastewater (W&W) is copied on an e-mail from the Senior Engineer to WDSD management regarding the link between overflows and beach closures, and informing him of the request by PH to be notified of spills. ▪ Director W&WS requests Manager WDSD provide a report on the events of the spill that same day. ▪ The Manager WDSD directs his Program Manager to add PH to the spills reporting protocol.

April 3rd 2008	• The Director W&W attends a Committee discussion on the PH 2007 beach report. Great deal of discussion around:
	   o Impact of CSOs; and,
	   o Untreated Stormwater.
	• Environment Canada Study (Presence of E. Coli, as detected by EC is not indicative of poor performance at ROPEC during storm events. In fact presence of EC does not distinguish between viable and non-viable bacteria.)
	• Director clarifies that delays in commissioning Digester at ROPEC and Waste Management Facilities at Lemieux and

Date	Key Events
	Britannia are not adversely impacting Petrie Island.
	▪ No mention is made of the link between the August 2006 event, CSOs and beach closures.
April 23rd 2008	▪ The 2007 PH report on beaches is presented to Council.
	▪ No mention is made of the link between the August 2006 event, CSOs and beach closures.
May 7th 2008	▪ During a tour of the treatment facility, the Manager WDSD informed Councillor Monette that the problems at Petrie Island during 2006 were likely the result of the August 2006 event at the Keefer regulator.
May 13th 2008	▪ The Deputy City Manager (DCM) of Public Works and Services first becomes aware of the August 2006 spill from the Director W&W.
May 20th 2008	▪ The DCM issues a statement to Council to explain the event in 2006 and indicates that it was reported to MOE "shortly after the overflow is discovered…"
May 22, 2008	▪ The DCM issues "Sequence of Events Regarding August 2006 Combined Sewer Overflows from Keefer Regulator" memo complete with attachments of May 2007 Keefer Regulator report and first annual CSO report. In this memo, DCM reports that MOE verbally informed in August 2006 of spill.
May 27th 2008	▪ The DCM issues a new statement to Council retracting the statement of reporting the spill to MOE when it occurred in August 2006.

The occurrence of the August 2006 sewage spill at the Keefer regulator site was the result of an almost complete lack of proper preventative maintenance and proactive management of this equipment. Once the event had occurred and been corrected, a culture of not understanding the significance of sewage spills took over and the 2006 event was never viewed as noteworthy. It is our opinion that this represents incompetence on the part of the managers involved. Knowledge of the event was never escalated from Managers to their Directors and onto to executive management, as one would expect given the magnitude of the spill. Furthermore, the event was never reported to the MOE – as required by law – until 8 to 9 months later. Only the front-line staff deployed to repair the malfunctioning regulator can be said to have performed their duties effectively in this case by repairing it within hours of being informed.   Similarly, the Senior Engineer who reported the spill to MOE in April 2007 fulfilled his duties and responsibilities.

Maintenance

In July 1970, the American Public Works Association (APWA) reported that float-operated gate regulators require a continuous preventive maintenance program in order to function properly. Nearly forty years ago, the APWA was recommending inspections once per week and after each storm, and in no case less frequent than

twice per month and after each storm. It further recommended that, during each inspection, the gate be operated through a complete cycle of closing and opening; that the float well be cleaned to remove sand or sludge and debris; that chains and gears be lubricated; and that any parts that are excessively worn or corroded be replaced.

A condition assessment of the Keefer regulator dating back to 1992 indicated:

- It is the largest gate and float system;
- A railing system was required at the bottom;
- The pulley and axle system were corroded;
- The chains, gate and float were in good condition;
- The vertical post for the float needed to be replaced;
- The landings were in good condition but safety to be addressed;
- The grate was too loose at bottom of the ladder; and,
- The concrete was in good condition.

The next complete condition assessment of these regulators was not carried out until June 2008, 16 year later. It indicated:

- In most cases the chain is the wrong size so it does not sit properly on the wheel sprockets;
- The steel I-beam supports are in very bad condition;
- Pillow blocks are either in bad condition or are seized;
- Chain bolts are in the wrong location, causing the bolts to support the chain (not designed for this);
- Regulator gates and floats are very rusty;
- Float guide posts are missing in some cases (Keefer regulator is one); and,
- In all cases, access to the chambers is tight, particularly considering the amount of safety equipment that needs to be worn by the operators.

On May 20, 2008, Management had indicated to Council that, after the 2006 spill was reported to the MOE in May 2007, corrective action began. In fact, no corrective action was ever taken at that time, as noted in the May 22, 2008 memo to Council. Had such action been taken, it is unlikely that the Keefer regulator would have failed again later in the summer of 2008.

Safety

As a result of the lack of effective maintenance of this equipment, a number of safety concerns remained unresolved, including:

- Poor lighting;

- Poor air quality;
- High noise levels;
- No platform to permit inspection of the float and gate lift mechanisms;
- Water infiltration; and,
- Unprotected electrical wiring.

This information was provided to the City Manager in August 2008 after it was raised to the attention of the Auditor General.

Inspections

Shortly after amalgamation, the frequency of inspections of the regulators was reduced to only once per month and not after rain events, as opposed to the APWA recommended once per week and after each rainfall. The rationale given for the reduction in inspections was a lack of resources, however, the Collections Unit of WDSD had a budget surplus of approximately $563,000 in 2005, $1.88 million in 2006 and $667, 000 in 2007. The budget surplus at the Division level was even greater with $1.9 million in 2005, $4 million in 2006 and $3.6 million in 2007 left unspent. We estimate that the cost of increasing inspections to the level recommended by the APWA would be approximately $110,000 per year which, given these surpluses, could have been easily absorbed within the existing budget.

This frequency of inspection is woefully inadequate and is even more of a concern given that the regulators had not received suitable maintenance since they were installed, even though 1995 reports noted that they had reached their expected design life and required renewal. In addition to the inadequate inspection frequency, the work done during the inspections was the bare minimum and included only application of grease to joints and chain, cleaning of all components, cleaning of float and float chamber, and tightening of bolts.

The low frequency of inspections prevented anyone from discovering the August 2006 gate malfunction for more than 10 days. If the procedure had been to inspect the regulators after every rainstorm, as is the industry standard, the malfunction would have been discovered in less than 24 hours after the rainfall stopped. As such, the volume of the sewage spill would have been less than one-tenth of the amount spilled.

Alarms

The former Regional Municipality of Ottawa-Carleton (RMOC) had a system of alarms on these regulators. The alarms were connected to the pagers of the program managers and supervisors in the sewer maintenance system. The alarms would go off frequently and a number of false alarms occurred. Shortly after amalgamation, the alarm system was allowed to fail and was never repaired. During interviews for the audit, the Manager, WDSD and Program Manager, Sewer

Maintenance acknowledged responsibility for the decision to reduce the frequency of inspections and to not replace the alarm system.

Reasons for Sewage Spill

In general, it is clear that this equipment has not been inspected and maintained in an adequate manner. The maintenance program was not based on any regular inspections, planned condition assessments, risk-based setting of priorities for renewal or life-cycle costing of renewal options. As evidenced by the lack of maintenance that the Keefer regulator had received, the fact that the gate became stuck in the closed position during the July 31 to August 2, 2006 rain storms was not an extraordinary event. In fact, the staff mechanic who conducted the June 2008 condition inspection expressed that he "wasn't surprised" that this regulator had failed given its current condition.

Real Time Control

The "Real Time Control" project, as presented by management, is intended to reduce the volume of combined sewer overflow to the Ottawa River and enhance the City's ability to monitor and regulate flows in the combined sewer system on a real-time basis. The objective is that, once operational, sewage spills will be prevented and combined sewer overflows will be significantly reduced.

Real-time control, and upgrades to regulators have been identified as a priority for nearly a decade. The project first received funding in 1999.

In the inaugural capital budget for the newly amalgamated City of Ottawa (2001), regulator upgrades were identified as a priority (11th) in the Sanitary Sewer Program. At that time, the project was described as "Upgrade / replacement, completion of design, construction of the structures and implementation of a real time control strategy to ensure an integrated approach to system operation". It was expected to be complete by 2003 at a total estimated cost of $9.7 million. Council approved a total of over $1.0 million before the project was closed in 2003, at which time none of the approved funds had been expended.

In 2005, the Regulator Upgrade & Real Time Control project resurfaced again in the Capital Budget. In 2006, this project was identified as the number 1 priority within the Combined Sewer Area Management Program. The 2007 Capital Budget specifically identified 6 locations where "Real-Time Control of combined sewer overflows" would be implemented. These locations are: Booth – Wellington; Lloyd – Booth; Lloyd – Preston; Keefer; Rideau Canal; and Cathcart regulators. To date, this project has an approved budget of $20.45 million, with $3.7 million spent and $13.8 million committed. The majority of the commitments (90%) were for 2 contracts in 2008 & 2009. Management now estimates that the project will be completed by 2010.

Legislative Requirements

Among the many pieces of federal and provincial legislation governing the operation of a sewer system is the Licensing of Sewage Works Operators, Ont. Reg. 129/04. It requires that:

1. The owner shall designate an Overall Responsible Operator (ORO), who must have a license applicable to the type of facility;
2. If the ORO is absent, an Operator In Charge (OIC) with licence equal or not more than one level lower than the facility must be designated;
3. The owner must ensure that logs or other record-keeping mechanisms are provided and that entries be chronological;
4. Only the OIC can make an entry into log;
5. Specific information for each shift shall be entered into log, including:
   i. Any departures from normal operating procedures that occurred during the shift and the time they occurred.
   ii. Any special instructions given during the shift to depart from normal operating procedures and the person who gave the instructions.
   iii. Any unusual or abnormal conditions that were observed in the facility during the shift, any action that was taken and any conclusions drawn from the observations.
   iv. Any equipment that was taken out of service or ceased to operate during the shift and any action taken to maintain or repair equipment during the shift.

6. Logs shall be kept for two years; and,
7. The owner of a facility shall ensure that operators and maintenance personnel in the facility have ready access to comprehensive operations and maintenance manuals that contain plans, drawings and process descriptions sufficient for the safe and efficient operation of the facility.

At the City of Ottawa, in August 2006:

1. The ORO had never been designated; rather, the operators made assumptions with respect to who this was at the time;

2. The OIC for each shift was never clearly designated;

3. No log was kept in the Sewer Maintenance section;

4. No comprehensive operations and maintenance manuals, including plans, drawings, and process descriptions had been developed;

5. No safety procedures had been developed for access to the regulator chambers;

6. The Environmental Services and Technical Support Division had no role in monitoring compliance to legislation and no policies, procedures or protocols

for maintenance management of the wastewater collection system emanated from this Division;

7. No written procedures existed in the Operations and Maintenance (O&M) Manual for the maintenance of the regulators; and,

8. The protocol for spill notification was the one prepared by the RMOC prior to amalgamation and was found to be very unclear, in particular with relation to the definition of a spill and when it should be reported.

This situation was not changed until June 2008.

Key Management Responsibilities

The organizational structure of WDSD with respect to wastewater collection includes three management positions in addition to the operations supervisor. These positions are all staffed with Professional Engineers:

- Manager, Wastewater and Drainage Services (Professional Engineer required);

- Program Manager, Wastewater Collection (Professional Engineer required); and,

- Section Manager, Sewer Maintenance.

The position descriptions make it quite clear that these positions are responsible among other duties for:

- Developing and maintaining a proactive approach to loss control (i.e., reduction of risk, liability, safety, etc.);

- Ensuring maintenance management systems are in place and functioning effectively to maintain compliance with applicable legislation, including:
  - Reviewing all pertinent legislation, regulations, and regulatory process;
  - Ensuring that staff are knowledgeable in pertinent legislation, changes to legislation and regulations, responsibilities within legislation, and consequences of non-compliance;
  - Overseeing the management of the wastewater collection system; and,
  - Ensuring that employees are provided with and use appropriate equipment, material, and/or procedures required to perform the assigned duties.

In our view, as the professional position closest to the front line staff and the only one having a "Level 4" MOE certification, the key responsibility for ensuring that adequate operational and maintenance procedures are in place rests with the Section Manager, Sewer Maintenance. Management from both Water & Wastewater and Infrastructure Management identified this position as having the primary responsibility for the maintenance of this equipment. However, this manager did not develop maintenance methods or operating procedures; he did not

develop appropriate operating policies and work programs to adequately maintain and inspect the regulators; he did not ensure that the employees are provided with and use appropriate equipment, material and procedures required to perform their assigned duties; and, he did not follow the City of Ottawa corporate and departmental policies and procedures.

Overall, it can be concluded that neither the Manager, WDSD, nor the Program Manager, Wastewater Collection, nor the Section Manager, Sewer Maintenance delivered the duties required of their positions as they relate to the sewer collection system. It is our opinion that their failure to correctly and completely deliver these duties was responsible for the malfunction in August 2006, the length of time of the malfunction, and the failure to notify the MOE about the sewage spill.

It is our opinion that these professional engineers may have failed to fulfill their duties as required under the Professional Engineers Act. Under regulations made pursuant to the Act, professional misconduct includes "failure to make responsible provision for complying with applicable statutes, regulations, standards, codes, by-laws and rules in connection with work being undertaken by or under the responsibility of the practitioner."[2]

Finally, the linear structure of this area, with three levels of management between the Branch Manager and front-line supervisors, was a contributing factor in the disconnect regarding the events of August 2006 and the lack of proper operating procedures. This structure should be re-visited in order to streamline communication and enhance managerial oversight.

Additional Sewage Spills

Since the acknowledgement of the August 2006 sewage spill in May 2008, two additional spills have occurred at different locations, one in June 2008 and another in July 2008. There was a delay in reporting the June 15, 2008 spill to Council. It was not reported to Council until July 23, 2008. Management has since undertaken a review of historical flow monitoring data from 1998 to 2008 and has identified another nine spills at various regulator locations.

As part of this audit, the Auditor General also examined this flow monitoring data as well as work orders produced by the Collections Unit. Our assessment of the data indicates that, in addition to the spills identified by management, four other spills occurred during the period of 1998-2008. In total therefore it would appear that since 1998, 16 separate sewage spills of various magnitudes have taken place at these sites.

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[2] Definition of Professional Misconduct: Section 72 (2)(c) of Ontario Regulation 941, made under the Professional Engineers Act, R.S.O. 1990, C28

Management has agreed with one of these four additional spills and it was reported to the MOE on October 17, 2008 as a result of the audit. Throughout the audit, management disagreed that the other three incidents identified by the Auditor General were spills. However, on October 17, 2008, management discovered and provided to the Auditor General an MOE Incident Report dated April 4, 2005 concerning one of these incidents. It had in fact been deemed a spill at that time and was reported to the MOE by the Supervisor, Sewer Maintenance and Operations. Management maintains that the other two incidents are not spills.

The flow data discussed above is generated by sensors located in the regulator chambers. These sensors allow flows to be monitored on a daily basis so that any anomalies in the sewage flows can be quickly identified and investigated to prevent spills from occurring. In fact, the sensors are functional at only two of the five sites and the data generated was either never generated or never used to conduct daily flow monitoring for sewage spills. The identification of the unusual flows in August 2006 resulted from the technician at the time essentially noticing the abnormal data by chance and alerting operations to a potential issue.

Communications and Reporting of Sewage Spills

In our opinion, the operations staff did not receive clear instruction regarding the circumstances in which a CSO becomes a sewage spill. Furthermore, there is no requirement in the outdated protocol for the operator to record the incident number provided by the MOE. We conclude that the responsibility for reporting spills had been given in an informal manner to the Supervisor, Sewer Maintenance but in such a way that he considered his duty to report only in cases where he initiated the spill, such as when he opened the gate at the Wellington-Booth Street structure to relieve flooding pressure in the West Nepean Collector. The way in which the instructions for reporting were provided did not clearly include an event such as a sewage spill due to a closed or partially closed regulator gate as a reportable incident.

It is apparent that, prior to May 2008, a sewage spill from a malfunctioning regulator was not perceived by staff or management to be a sewage spill but a CSO. This is indicative of an organizational culture that, in our view, fails to regard these events as significant but as merely a normal course of operations.

The existing attitude and culture and the associated lack of effective reporting and communication protocols not only resulted in the August 2006 event not being reported to the MOE but also in it not being communicated properly to more senior levels in the organization. It is interesting to note that attendees at the March 25, 2008 meeting of the Fallingbrook Community Association were told of the event and its likely connection to the Petrie Island beach closures by a City Engineer (and also a member of the community association). In other words, the attendees at this meeting knew of the event and its likely consequences before the Director Water

and Wastewater Services, the Director of Infrastructure Services, the Deputy City Manager, the City Manager or Council were ever informed.

Recommendations

Recommendation 1

That the City immediately implement the maintenance standards and procedures for regulators as recommended by the APWA and required by legislation.

Management Response

Management agrees with this recommendation.

Over the last six months, the City of Ottawa has taken aggressive steps to improve the operations, monitoring, regulatory compliance and maintenance standards for the regulators.

Since May 2008, City staff have implemented more frequent maintenance inspections of the regulators. Current regulator inspection frequency is weekly and post a rainfall event consistent with the APWA maintenance standards and procedures. This has resulted in more than 320 site and regulator inspections and prompt identification and response to malfunctioning regulators.

As detailed in the management response to Recommendation 4 the City will be implementing a Quality Management System that will take an environmental risk- based approach. An important element to this system is to develop appropriate risk mitigation strategies, including maintenance and asset renewal strategies. For the regulators, the overall asset investment/renewal strategy will take into consideration the fact that many of the largest regulators (Rideau Canal, Keefer/John Street and Cathcart) are scheduled to be decommissioned within 6-8 months.

Recommendation 2

That the City address all safety issues related to the regulators.

Management Response

Management agrees with this recommendation.

Existing protocols/procedures ensure that any identified problems are promptly repaired and hazards are eliminated. Providing a safe work environment through a combination of hazard removal, appropriate safety equipment, policies, procedures and training is an essential management responsibility.

Operations and maintenance manuals will be reviewed, on a risk assessment basis, to prioritize the review and strengthen current practices.

Once approved in the 2009 Budget, management will develop and implement an Environmental Quality Management System as a first order priority. One of the

advantages of implementing an ISO-based (International Organization for Standardization) management system is its relatively easy expansion to incorporate other management systems, including safety. During the development and implementation of the Environmental Quality Management System, management will consider developing an associated Quality Management System specifically directed at safety issues.

Recommendation 3

That the City ensure the effective monitoring of flow data to identify anomalies and undertake investigations and required remediation in a timely manner.

Management Response

Management agrees with this recommendation.

The City has implemented a number of changes to improve upon the previous flow monitoring strategy. Regulator and/or outfall sewer operational information is available to operational staff ensuring 24/7 post rainfall event monitoring of the five monitored sites and, if necessary, appropriate response. This work included the installation of an interim status monitoring system. This will be supplanted with a permanent Real Time Status Upgrade on the three most significant outfalls by mid-2009.

As mentioned previously, management is proposing an Environmental Quality Management System that will cover all wastewater services. A key component of this work will be to identify all sites with a significant risk of environmental impacts. Combined sewer overflows and their associated regulators will be among those sites. Continuous site monitoring will be an important means of enabling staff to minimize the risk of future occurrences.

As a part of the 2009 Rate Budget, staff have requested $5 million in authority to assess the current monitoring strategy and undertake the identified infrastructure improvements for the remaining outfall and overflow sites in addition to those sites, which will receive priority asset reinvestment as part of the Real Time Control Project. A risk-based assessment of these sites will be undertaken in accordance with the development and implementation of the Environmental Quality Management System described in Recommendation 4. If approved, this assessment is expected to be completed by Q2 2009.

Recommendation 4

That the City review the organizational structure of the WSDS to ensure adequate communication and operational oversight is maintained.

Management Response

Management agrees with this recommendation.

A number of steps have already occurred to ensure that the previous operational oversight and communication concerns have been fully addressed. In addition, management have retained the services of SP3 Consultants to conduct a branch-wide assessment. This assessment will provide the management team with a thorough understanding of current strengths of the organizational design and will identify any remaining areas that require adjustment. This work is currently underway with a projected completion date of Q2 2009.

Management is proposing to implement an Environmental Management System for all wastewater services. The benefits of the proposed Environmental Management System (which is modelled on the ISO 14000 standard) include:

- Reassuring customers of our commitment to demonstrable environmental management;
- Reducing and avoiding incidents that could result in liability;
- Facilitating compliance with all regulations, permits and authorizations;
- Helping improve public and community relations;
- Strengthening cost control;
- Conserving input material and energy;
- Fostering the development and sharing of environmental solutions; and,
- Improving relations with regulatory bodies.

These goals are attained through a Quality Management System model, which is centred around strategies to -- Plan, Do, Check and Improve. These improvements are similar to those recently implemented for the Drinking Water Quality Management System.

Key elements of the Quality Management System model include:

Plan:

- Risk-based environmental impact assessment of all ongoing operations;
- Development of a comprehensive and rigorous risk identification process looking at all services provided in wastewater collection and treatment. This includes risk identification and the establishment of clear objectives and targets for all identified environmental impacts.

Do:

- Strategies for risk avoidance including a thorough review of internal system planning, policies and procedures, organizational structure and responsibility, internal and external communications, operations and maintenance control activities, staff training, awareness and competence and emergency preparedness and response.

Check:

- Improved internal audit and reporting functions that can include external third party auditing and reporting; and,

Improve:

- A commitment from management to continually improve. This commitment includes an annual review of the results of operations, and an annual update on internal and external audits. There will also be a renewed commitment to service improvement strategies and an ongoing plan will be developed, implemented, and refreshed annually.
- The Environmental Management System will be developed incrementally with the first comprehensive internal audit complete by Q4 2010.

Recommendation 5

That the City review the reporting and communications protocols across all Departments to ensure proper and appropriate dissemination of information to executive management, Council and all regulatory bodies.

Management Response

Management agrees with this recommendation.

As has been previously reported to Council, significant improvement to communication protocols and training have already been developed and implemented within the branch. These protocols ensure that all interested parties, including the Public Health Branch, the Ministry of the Environment, downstream drinking water suppliers, senior management and Council, are promptly informed of any combined sewer overflows and sanitary sewage spills.

The communication protocol will be reviewed and included in the branch's, department's and, the Corporate Incident Escalation and Response plans. The branch will explore opportunities with the Corporate Emergency Management group to test this protocol using simulated exercises.

The development and implementation of a 360-degree communication strategy is a very important element of the Environmental Quality Management System as noted in the management response to Recommendation 4, and if approved, will be implemented within the branch and across departments. It is expected that this will be completed by Q2 2009.

Recommendation 6

That the City consider pursuing a complaint with the appropriate professional engineering association regarding the professional engineering staff identified in this report.

Management Response

Management agrees with this recommendation.

The City Solicitor will review the findings contained in the report, along with the provisions of the *Professional Engineers Act* and regulations and the associated

definition of "professional misconduct", as well as all other relevant factors, and will provide a legal opinion to the City Manager in this regard.

Conclusion

The August 2006 sewage spill was the result of long-standing inadequacies in the operation and maintenance of these regulators. The reduction in the frequency of inspections, the disabling of the alarm system, the lack of attention to legislative and job requirements and the absence of proper preventative maintenance procedures made such an event inevitable. Given these shortcomings, it is entirely likely that similar events have also occurred in the past. Furthermore, the magnitude of the August 2006 event was never recognized and, even now, it is unclear if the significance of such events on river water quality or public confidence is truly appreciated by all staff.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management and staff.

3.19 Audit of the City of Ottawa Water Rate

EXECUTIVE SUMMARY

Introduction

The City of Ottawa has finalized an agreement with the Township of Russell to provide potable water from Ottawa's water distribution system, via a pumping station and a water metering chamber, to the Township of Russell. City Council requested that the Auditor General review the cost of providing water to the Township. Below is the motion passed by Council on October 10, 2007.

"That the License of Occupation and Water Supply Agreement be required to include the following clause: Notwithstanding anything to the contrary, the Township agrees to pay to the City the Water rate within the City for the consumption of Water. The Township further acknowledges that the Auditor General of the City of Ottawa is reviewing the cost of providing Water to the Township. In the event that the Auditor General determines that the Water Rate does not adequately cover the cost of providing Water to the Township, the Township agrees to pay such additional charges to ensure there is full cost recovery to the City of Ottawa as a direct result of providing Water to the Township." (City of Ottawa Council Minutes No. 22, October 10, 2007, Motion No. 22/5, pages 13 and 14.)

Audit Objectives and Scope

The audit reviewed the current agreement between the City of Ottawa and the Township of Russell regarding the Water Transfer, commenting on the "full cost recovery" component. The audit also reviewed the City's current method of supporting the Water Fund and provides comments and recommendations on the City's position with regard to current regulations and practices. The audit also reviewed the status of the implementation of recommendations from the 2005 Audit of Drinking Water Services concerning items related to financial planning, revenue, billing and collection.

Key Findings

1. The overall revenues from the water rate, the fire protection service charges and other miscellaneous water related revenues cover all currently known water system related expenditures. Some water related expenditures are currently unknown, such as source water protection and long-term asset requirements.

2. The water rate that will be charged to the Township of Russell will be the same as the rate being charged to all City of Ottawa consumers. This rate will cover all currently known City costs related to the supply of water to the Township of Russell.

3. The City does not, at present, have a detailed asset management plan developed and in place for use in long-term planning.

4. The 2008 City Budget projected water reserve fund balances over a ten-year period (2008 to 2017). The balance varies from a low of $1.8 million in 2008 climbing to a projected high of $50 million in 2017. The balances projected are very low for a system the size of Ottawa. A water cost of service analysis (including an asset management plan study) would be required to verify if the balances are sufficient for long-term system sustainability.

5. The new financial regulations will take effect in 2010 and the City is planning on completing appropriate studies and introducing new financial accounting principles to meet the new regulations. Once all the studies are completed, the water rate should be revised to ensure full cost recovery.

6. The revenue from the City's fire supply charge is below average for a municipality the size of Ottawa. The City's fire supply charge should be calculated so that all infrastructure and water resources that are dedicated to fire protection services are included in the calculation. The current fire protection charge is based on water meter size. Best practices suggest that the fire protection charge should be based on the value of the asset being protected.

Recommendations and Management Responses

Recommendation 1
That the City consider establishing water rates based on a fixed meter charge plus a consumption charge as this will provide the Water and Wastewater Services Branch a more predictable and stable cash flow. In this fashion, a customer that may not consume any water for a prolonged period (e.g., vacant building) would have a minimal meter charge that should cover the cost of the basic infrastructure that is required to provide water to the property.

Management Response
Management agrees with this recommendation.

The City has initiated a comprehensive cost, revenue and rate study. The development of appropriate water and sewer rates are an important element of this study. Among the concepts to be considered will be the development of fixed and variable rate components consistent with the overall service delivery goals of the City. It is anticipated that this comprehensive study will be completed by April 2010.

Recommendation 2
That the calculation method for establishing fire protection costs should be reviewed to make certain that all infrastructure and water resources that are dedicated to fire protection services are included in the calculation.

Management Response

Management agrees with this recommendation.

The cost, revenue and rate study will also include a review of all service delivery costs, including those associated with installation, operation, maintenance and rehabilitation/replacement of the fire protection infrastructure to ensure they are included in the overall cost recovery strategy. It is anticipated that this comprehensive study will be completed by April 2010.

Recommendation 3

That the City undertake a cost of service study which would include a detailed asset management study of the system. Preparation of the asset management plan would include a complete infrastructure inventory and valuation; detailed condition assessments; and repair, replacement, and refurbishment plans. Once all the studies are completed, the water rate should be revised to ensure full cost recovery.

Management Response

Management agrees with this recommendation.

One of the key elements in the cost, revenue and rate study will be the inclusion of an asset management plan. A City of Ottawa Corporate Asset Management Working Group is in the process of developing an integrated asset management plan, expected in Q4 2009.

It is anticipated that this report will provide the necessary information for the cost, revenue and rate study. Further refinement and development of these plans will occur beyond Q4 2009, which will include the continuing development of condition-based assessment and individual asset replacement schedules.

Recommendation 4

That the City prepare an integrated asset management plan in conjunction with the streets and sewers that address the following six questions.

1. What assets does the City own?

2. **What is the condition of those assets?**

3. **What level of service are the assets providing?**

4. **When will the assets need to be replaced?**

5. **What is the cost of replacement? and,**

6. **Are the reserve fund balances sufficient?**

Management Response

Management agrees with this recommendation.

One of the key elements in the cost, revenue and rate study will be the inclusion of an asset management plan. A City of Ottawa Corporate Asset Management Working Group is in the process of developing an integrated asset management plan, expected in Q4 2009. Although many of the elements listed by the Auditor are either well underway or have been completed, the remaining items will be addressed as part the further refinement of this plan beyond Q4 2009.

Recommendation 5

That the City meet the new financial report standards as per the Public Sector Accounting Board PS 3150, i.e., amortization of tangible capital assets.

Management Response

Management agrees with this recommendation.

The City will meet the new financial report standards as per the Public Sector Accounting Board PS 3150. This will be completed in Q1 of 2010.

Recommendation 6

That the City include in their Financial Plans all requirements of O. Reg. 453/07's Guideline document and Best Management Practices, i.e., a separate cost item associated with source water protection.

Management Response

Management agrees with this recommendation.

To comply with the requirements of the *Clean Water Act*, the Rideau Valley/ Mississippi Valley Source Protection Authority and the South Nation/ Raison River Source Protection Authority are in the process of developing detailed source water protection plans by the provincially mandated timeline of 2012. Implementation will follow municipal and provincial approval of these plans.

The City is required to submit its first financial plan in July 2010. Therefore, it will not be possible to incorporate source protection plan costs into the first plan submission. The first financial plan, being submitted in July 2010, and valid until 2016, will only include those costs that have been determined as of 2010. The financial plan will be developed to allow for inclusion of additional source protection costs, as they become known to the City.

In accordance with Section 5 of *Ontario Financial Plans Regulation 453/07*, there is no restriction on the amendment of financial plans following their submission. Should further costs be identified after the submission of the financial plan in 2010 and as part of the source water protection plan approved in 2012, it may be necessary for the City to revise and re-submit its financial plan.

Recommendation 7

That the City consider recovering the Fire Supply Charge from users based on the value of the assets being protected, (i.e., assessed value of the property).

Management Response

Management agrees with the recommendation.

The City will consider a number of revenue options as a part of the cost, revenue and rate study. Fire supply charges were moved to the water and sewer bill based on Council direction on January 25, 2006 in report ACS2006-CRS-FIN-0001.

While management will review the recovery of these charges, through its cost, revenue and rate study, it should be noted that fire supply costs and recovery charges must be developed in the context of an overall cost recovery program, and adjusted to the particulars of the municipality for which the revenues are being recovered. A number of factors may affect the strategy in recovering fire supply charges, including the large number of properties owned by other levels of government for which taxes are not collected. It is anticipated that development of an overall cost recovery program that would include fire supply charges would be completed by April 2010.

Recommendation 8

That the City, in the development of the next Development Charge Bylaw (July 2009), carry out a review of the process followed to ensure that full cost recovery of project costs is in fact taking place.

Management Response

Management agrees with this recommendation.

The full cost recovery policy will continue to be one of the guiding principles, as outlined in the City's Fiscal Framework, of the Development Charge (DC) Bylaw update, to recover the costs of growth to the full extent permitted by legislation (thereby minimizing the financial burden of the costs of growth on existing residents) with the target of applying them to the full extent permitted by legislation. This review will be completed by August 2009.

Conclusion

The overall revenues from the water rate, the fire protection service charges and other miscellaneous water related revenues cover all currently known water system related expenditures. Some water related expenditures are currently unknown, such as source water protection and long-term asset requirements.

The 2008 City Budget projected water reserve fund balances over a ten-year period (2008 to 2017). The balance varies from a low of $1.8 million in 2008 climbing to a projected high of $50 million in 2017. The balances projected are very low for a

system the size of Ottawa. A water cost of service analysis (including an asset management plan study) would be required to verify if the balances are sufficient for long-term system sustainability.

The City does not, at present, have a detailed asset management plan developed and in place for use in long-term planning and full costing.

3.20 Audit of IT Capital Expenditures and Project Approval Process

EXECUTIVE SUMMARY

The Audit of Information Technology (IT) Capital Expenditures and Project Approval Process was added to the 2007 audit plan as a result of the yearly risk assessment process.

The objectives of the audit were to:

1. Review IT capital expenditures during the period of 2001 to 2006 to obtain a clear and independent view of the City's post amalgamation capital IT spending; and,
2. Identify and assess the City's current processes for prioritizing and approving IT capital expenditures and to make recommendations where appropriate.

For the first audit objective, the scope focused on a data analysis of the historical spending of IT capital expenditures. The results of this analysis provides a view of the City of Ottawa's IT capital spending patterns and provides some observations regarding these expenditures. The City of Ottawa Information Technology Services (ITS) and Financial Services branches provided the data for this analysis. This analysis considered the data provided for the period January 2001 to December 2006.

For the second audit objective, the assessment was made against agreed-upon criteria (i.e., COBIT[3]) and based on document reviews, interviews and a review of 12 selected IT capital programs/projects. City staff provided all information reviewed.

The audit looked at expenditures and the prioritization and approval process for the period 2001 to 2006. From the perspective of the process, it should be noted that the current process has only formally been in place since 2004 and that it has continued to evolve by improving and tailoring to the City environment. In addition, the sample of projects selected for review included programs/projects from the time period that includes Transition and prior to the process being fully implemented.

This audit was originally scheduled to be presented in June 2008, however, the OAG was informed on March 3, 2008 that the data provided by management at the

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[3] Control Objectives for Information and Technology (COBIT) is an industry recognized and accepted IT governance framework and supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risks. COBIT enables clear policy development and good practice for IT control throughout organizations. COBIT emphasizes regulatory compliance, helps organizations to increase the value attained from IT, and enables alignment. www.isaca.org

start of the audit was not accurate. The result was that the analysis on capital expenditures had to be repeated and could not be completed in time for inclusion in the 2007 Annual Report.

Summary of Key Findings

Audit Objective 1

The table below summarizes the IT capital spending at the City of Ottawa for the 2001-2006.

($000)	2001	2002	2003	2004	2005	2006
ITS-Owned Capital Budget	$13,326	$55,828	$10,274	$8,655	$9,315	$5,442
ITS-Owned IT Capital Spending	$7,347	$25,452	$29,393	$16,932	$9,108	$10,462
Surplus/Deficit	$5,979	$30,376	-$19,119	-$8,277	$207	-$5,020
Client-Owned Capital Budget	$8,528	$10,486	$3,214	$475	$1,890	$2,322
Client-Owned IT Capital Spending	$5,138	$7,387	$5,375	$2,267	$4,454	$4,837
Surplus/Deficit	$3,390	$3,099	-$2,161	-$1,792	-$2,564	-$2,515
Total IT Capital Budget	$21,854	$66,314	$13,488	$9,130	$11,205	$7,764
Total IT Capital Spending	$12,485	$32,839	$34,769	$19,199	$13,562	$15,298
Surplus/Deficit	$9,369	$33,475	-$21,281	-$10,069	-$2,357	-$7,534
Total City Operating Budget	$1,681,519	$1,726,046	$1,838,862	$1,898,338	$1,988,358	$2,126,424
Total City Capital Budget	$528,989	$539,152	$505,042	$299,039	$639,791	$1,345,422
Total City Budget	$2,210,508	$2,265,198	$2,343,904	$2,197,377	$2,628,149	$3,471,846
Total IT Spending as % of City Budget	2.13%	3.06%	3.07%	2.53%	1.93%	1.64%
ITS Operating Spending	$34,621	$36,376	$37,114	$36,332	$37,232	$41,813
ITS-Owned IT Capital Spending	$7,347	$25,452	$29,393	$16,932	$9,108	$10,462
Client-Owned IT Capital Spending	$5,138	$7,387	$5,375	$2,267	$4,454	$4,837
Total IT Spending	$47,106	$69,215	$71,882	$55,531	$50,794	$57,112
IT Operating as % of IT Total	73.50%	52.56%	51.63%	65.43%	73.30%	73.21%
IT Capital as % of Total Capital	2.36%	6.09%	6.88%	6.42%	2.12%	1.14%
ITS-Owned Capital as % of IT Total	15.60%	36.77%	40.89%	30.49%	17.93%	18.32%
Client-Owned IT Capital as % of IT Total	10.91%	10.67%	7.48%	4.08%	8.77%	8.47%

Source: City of Ottawa Financial Services

A summary of the key observations resulting from the review of IT expenditures is provided below.

1. **City of Ottawa IT Spending**

- There are significant variances, both surplus and deficit, each year for both ITS-owned and client-owned capital budgets indicating a need for regular reporting

on total IT capital spending as well as greater monitoring of these expenditures in the future.

- Total IT spending (capital and operating) between 2001 and 2006 was approximately 2% of the total City budget, slightly higher during Transition.

- During the period 2001 to 2006, the annual total IT spending (capital and operating) appeared generally to increase, when omitting the Transition related spending.

- Client-owned IT capital spending was relatively consistent and stable between 2001 and 2006, with the lowest spending in 2004 and the highest in 2002.

- ITS-owned IT capital spending varied by large amounts between 2001 and 2006, with the lowest spending in 2001 and the highest in 2003.

2. **Client-Owned IT Capital Spending**

- On average, client-owned IT capital spending remained relatively stable during the period 2001 to 2006.

- Highest three consumers were:

  - Transit Services ($14.2M) 48%
  - Library Services ($5.2M) 18%
  - Fire Services ($4.5M) 15%

- Lowest three consumers were:

  - CPS - Other ($116K) <1%
  - Utility Services ($78K) <1%
  - Traffic and Parking ($4K) < 1%

- Transit Services and Library Services were the only areas which had positive spending activity for every year between 2001-2006 – together consuming 66% of total client-owned IT capital.

- Only Utility Services and Traffic and Parking were not consistent consumers, i.e., they had spending in less than four out of the six years reviewed.

3. **ITS-Owned IT Capital Spending**

- During 2001 to 2006, the ITS-owned IT capital spending fluctuated considerably from year to year.

- The highest three activity consumers of ITS-owned IT capital, overall and consistently, between 2001 to 2006 were:

  - Transition (40%, $39.9M);
  - Lifecycle maintenance for computers and peripherals (17%, 16.5M); and,

- SAP platform sustainment (17%, $16.4M).

- The lowest three activity consumers between 2001 to 2006 were:

  - Departmental technology improvements (<1%, $167K);
  - Sustainment – electronic information technology (<1%, $132K); and,
  - Telecommunications (<1%, $71K).

Recommendation 1

That management ensure a complete analysis of corporate-wide IT capital spending is conducted on an annual basis to monitor and track IT expenditures.

Management Response

Management agrees with this recommendation.

IT Services reviews both IT-owned and client-owned capital expenditures on a quarterly basis and provides input into quarterly financial and performance reports for Council.   In addition, IT capital spending is consolidated in the annual OMBI performance report on information technology.   The analysis conducted during the audit will be used as a template for future monitoring and year-end analysis of IT expenditures.

It should be noted that the analysis of budget vs. actual spending incorrectly concludes there have been significant surplus/deficits in terms of capital spending since amalgamation.   This is misleading in that the analysis does not factor in the carry-over of unspent spending authority from year- to-year. Management provides regular reports to Council on operating and capital works-in-progress which clearly identify spending against budget and any variances.

Secondly, in order to ensure consistency and avoid confusion with the definitions used by Council for capital planning and reporting, the grouping of growth and strategic initiatives into one broader category is not recommended by Financial Services.

Audit Objective 2

Overall, the defined prioritization process maps well to the COBIT guidelines and controls. We have identified four key issues that could be addressed to strengthen the process and alignment with COBIT.

1. **Priority Setting Criteria**

The audit revealed that, while there is a process in place for portfolio value management to formally prioritize IT initiatives using the value plot, there are not consistent priority setting criteria being used to establish IT related priorities or priorities within a program with appropriate records of the decision regarding the priority.

2. **Governance**

- The majority of new initiatives were not reviewed by the Value Assessment Panel (VAP), but by the internal IT Committee (Investment Category Selection Panel (ICSP). As a result, there is a perception that the process is not as transparent to all those affected. While it is appropriate to adopt a governance structure that best supports the IT initiative being considered, there do not appear to be guidelines regarding the structures that should be used.

- The escalation/resolution process for disputes arising from the priority-setting process has not been clearly documented and the role of Executive Management Committee should be clarified as the final approval authority.

3. **Flexibility**

- The current process does not differentiate between discretionary (i.e., non-mandatory) projects. Under the current process, any discretionary client-IT initiative over 10 days goes to VAP, regardless of its size, all are subject to the same steps, regardless of whether it is a small or large project. By contrast, all non-discretionary initiatives are not supported by a business case and treated equally. At the time of the audit, some changes had been identified and proposed to the process which would address this issue.

- A mechanism in the process is required which distinguishes those projects that are sustaining or operational in nature from those that are transformational. This could be in the form of requiring different levels of detail for project documents coming forward, etc. Additionally, this would provide another level to consider when balancing the overall portfolio of IT investment.

4. **Capacity and Corporate-wide Management**

- In a number of audits from previous years, management has expressed concern over a perceived lack of attention from ITS on required IT initiatives, however this audit has shown a process is in place for operating areas to present a business case for their requirements and obtain funding for these initiatives independently from ITS.

- ITS continues to face increasing pressure to demonstrate to clients and/or the public the value of IT work. The new accountability and performance management culture also requires ITS to account for money spent. Business cases have been tailored to provide qualitative and quantitative analysis of costs/benefits and risks.

- There remains increasing reliance on IT to assist and to enable the business to achieve operational objectives. The current process of clients receiving budget approval prior to going to ITS for workload prioritization sets expectations regarding the overall City-wide priority of the proposed initiative and the

capacity for ITS to deliver in the desired timeframe. Given the limited IT resources and increasing number of client programs/projects, ITS needs to ensure that the limited resources are first directed to initiatives that have risk-adjusted, highest value.

- This issue, along with the earlier observation of the need for improved monitoring of IT capital expenditures on an annual basis, suggests the need to centralize IT capital funding under a single authority. This would permit the annual IT capital budget to come forward for approval in a coordinated fashion and allow senior management and Council to have a consolidated picture of IT capital funding and priorities each year.

Recommendation 2

That management update current documentation for the existing prioritization process.

Management Response

Management agrees with this recommendation.

As noted in the report, the prioritization process was under review at the time of the audit. Changes were recommended and approved by the Executive Management Committee (EMC) on November 22, 2007. Documentation has been modified and updated to reflect the approved changes and was fully implemented as of June 30, 2008.

Recommendation 3

That management clarify the voting rights of all members of the Investment Category Selection Panel.

Management Response

Management agrees with this recommendation.

As noted in the report, the terms of reference for the Investment Category Selection Panel (ICSP) were under review at the time of the audit. It was subsequently determined that the ICSP was no longer required in the new prioritization process approved by EMC on November 22, 2007.

Recommendation 4

That management clarify the project approval process including the escalation and dispute resolution process and clarify the role of the Executive Management Committee for final project approvals.

Management Response

Management agrees with this recommendation.

As noted in the report, the project approval process, including the escalation and dispute resolution process, were under review at the time of the audit. Changes were approved by EMC on November 22, 2007. The role of the EMC in final project approval has been clarified in the new prioritization process, which was implemented as of June 30, 2008.

Recommendation 5

That management ensure all proposed projects are reviewed by the Value Assessment Panel to increase the transparency of the prioritization process for those parties not directly involved.

Management Response

The amended prioritization process approved by EMC on November 22, 2007, requires the Value Assessment Panel (VAP) to review in detail, all proposed IT projects that are estimated to exceed $100,000. This is an industry best practice. Smaller projects will be reviewed by a committee of senior IT managers and the director/CIO, and reported to the VAP. The results of all reviews including costs, benefits, risks, and value scores, irrespective of size, will be communicated to all City Departments.

Recommendation 6

That management develop guidelines for appropriate governance models to be used.

Management Response

Management agrees with this recommendation.

As noted in the report, IT Services has been working to consolidate various IT governance models that were in place during amalgamation. Since 2004, IT Services has been applying a common model for IT projects, irrespective of funding source. The governance model being used for project priority setting and selection was developed by Fujitsu Consulting and is a recognized best practice, endorsed by the IT Governance Institute and the Information Systems Audit and Control Association (ISACA). It applies to all IT-enabled projects, whether funded from operating or capital budgets. The changes approved by EMC on November 22, 2007 further clarify the IT governance model. These changes were fully implemented as of June 30, 2008 and Guidelines have been communicated to City departments.

Program governance (priority setting, financial management, monitoring and reporting) is conducted within the overall City of Ottawa governance model and its associated guidelines and criteria. In the case of ITS, a Strategic Planning Committee of managers and the director review and approve branch and program priorities as part of the annual operational planning cycle. A

governance model for project management of all approved IT-enabled projects was established in 2001, based on the Project Management Institute (PMI) and the Project Management Book of Knowledge (PMBoK). Both project prioritization and project management frameworks are industry best practices that ITS continues to enhance and evolve toward a higher level of maturity.

Recommendation 7

That management ensure the use of business cases for all proposed IT projects and establish a process to update the business case when needed.

Management Response

Management agrees with this recommendation.

A formal business case has been required since 2004 for all "discretionary" IT projects. The changes approved by EMC on November 22, 2007 require a formal business case for all IT projects. In addition, as part of the IT project management practice and project life cycle, IT Services requires the IT project manager to review the business case at key phases in the implementation of each project. Any significant variation in either the costs or the benefits triggers an automatic review of the business case.

Recommendation 8

That management develop and document formal priority setting criteria, aligned with the value plot tool, that can be used by both business and ITS to prioritize projects and activities/projects within a program.

Management Response

Management agrees with this recommendation.

As noted in the report, the prioritization process that was implemented in 2004 "is based on the Control Objectives for Information and Technology (COBIT) framework, and has appropriate steps and control points against the audit criteria". Modifications to the priority setting criteria and tools were streamlined and approved by EMC on November 22, 2007. The new processes are currently being implemented to prioritize all IT projects, including those eligible for funding through the IT Investment Fund. Although the value plot tool has been superceded by the new process, additional tools will be available for business and ITS, and plans are underway to make them available on-line (Ozone) by the end of Q4 2008.

Recommendation 9

That management include a mechanism in the process which distinguishes those projects that are sustaining or operational in nature from those that are transformational.

Management Response

Management agrees with this recommendation.

Under the amended process approved by EMC on November 22, 2007, the definition of projects has been modified to distinguish sustaining/operational projects from those that are transformational. The new definitions were fully implemented as of June 30, 2008.

Recommendation 10

That management ensure the project owner is clarified for all IT projects.

Management Response

Management agrees with this recommendation.

The new prioritization process approved by EMC on November 22, 2007 clarifies the definition of IT operational or sustaining activities for which ITS is the owner. Similarly, the business sponsor of any IT project must be clearly identified in the business case as a condition of VAP review. Once approved, the project cannot proceed until a project sponsor has signed off on a project charter.

Recommendation 11

That management communicate to all client groups the overall requests and ITS capacity to address the requests.

Management Response

Management agrees with this recommendation.

As noted in Recommendation 5, the impact of resource requests on ITS capacity will be reviewed with the Value Assessment Panel and results will be communicated to all client groups commencing in 2008. Additional tools will be researched and implemented as appropriate to facilitate the communication of overall IT investment capacity and performance results on an ongoing basis.

Recommendation 12

That management share the value score and relative priority for all IT initiatives to manage expectations regarding the ITS capacity and ability to meet the required timeframes.

Management Response

Management agrees with this recommendation.

See Recommendation 5 and 11.

Recommendation 13

That management require all projects to go through the priority setting process prior to seeking funding approval via the Council budget approval process.

Management Response

Management agrees with this recommendation.

The new processes and governance model approved by EMC on November 22, 2007 requires that all IT projects go through the priority-setting process prior to seeking funding approval via the Council budget approval process. The process allows for exceptions that would be addressed on a case-by-case basis (e.g., where the IT component of a capital request is secondary to the project, such as technology for a new Library which has already been approved by Council). EMC directed ITS to work with Corporate Planning and Financial Services to integrate the IT priority-setting process with the corporate planning cycle and budget process. This work is underway and will be evaluated in conjunction with the 2009 budget process.

Recommendation 14

That management centralize the Corporate IT Capital budget within a single funding envelope and ensure that annual IT Capital budgets are presented for approval on a consolidated basis.

Management Response

Management disagrees with this recommendation.

For the past two budgets (2007 and 2008), the capital budget has been presented and status reports were prepared by service area. From an IT perspective, this means that if an IT-related project relates to a specific service area such as Long Term Care, that project will be presented in the Long Term Care service area. This was recommended and approved by Council in 2004 in the "It's About Accountability" document prepared by Plamondon and Associates. Corporate IT budgets that do not relate to a specific service area are presented together.

More recently, the Mayor's Task Force on e-Government conducted an external best-practice assessment of the IT budget, and specifically noted that combining IT capital funds into one budget confuses accountability. The City's SAP system can easily produce a consolidated report of IT spending from numerous cost centres and internal orders.

Since IT exists to make other branches more effective and efficient, it is important for Council to ensure that departments exploiting the technology are accountable for the benefits. To that end, the LRFP Sub-Committee recently recommended to Council that "staff be directed to incorporate anticipated efficiency savings from investments in technology in the efficiency column of the budget pages for affected branches for future budgets". ITS will support Financial Services to implement this recommendation for the next budget cycle.

Mayor's Task Force on eGovernment

In 2008, the Mayor asked a group of experienced high-tech executives to review the City of Ottawa's use of technology and make recommendations that would improve interaction with the public while increasing the effectiveness and efficiency of City operations. Throughout the first four months of the year, this group interviewed Information Technology Services (IT) staff and management at the City and also reviewed existing plans and past performances. Their recommendations were released in June and their action plan approved by Council in August 2008.

The Task Force identified that Ottawa lagged behind other public and private organizations in gaining the benefits of information and communications technology. The root of the problem lay in the way that the City approached technology. Instead of making investments, which would pay off over time, Council sought to minimize expenses within a single year, thus ensuring that no major transformation of service could occur. Efforts were focused on internal processes when they should have been focused on the citizens using the service. Thus the City was not delivering the improvements and cost-reductions achieved by banks and other levels of government.

The Task Force identified that the use of technology should, over time, reduce costs and improve service, offsetting natural growth factors which were driving up expenses and tax rates. To do so, the City would need to put in a proper governance model, which focused on investment with clearly defined returns over a period of 3 three to 5five years. Projects would have to put the citizens at the centre of their business model and work to eliminate manual efforts, which drove up costs and drove down public satisfaction. The responsibility for effective use of technology lies not with IT Services but with every department in the City of Ottawa.

Eight specific recommendations were made to allow the City and its taxpayers to get the most from technology.

1. Institute a governance model that involves everyone from City Council to staff.

2. Require a citizen-centric focus for all City programs and services.

3. Implement outcome-based measures for all activities, services and projects.

4. Produce investment plans for each branch identifying how technology will be leveraged to improve service while reducing costs.

5. Ensure that when council directs staff to take action, the resulting proposal includes a technology alternative that directly or indirectly offsets any increase in staff.

6. Compare Ottawa's service delivery, on an outcome and cost basis, with service delivery in the best public and private organizations in the world, and not just with service delivery in other Canadian municipalities.

7. Ensure that all investment plans respect and leverage the City's common technology infrastructure, architecture, processes and applications.

8. Invest in a Chief Strategist for service delivery, reporting directly to City Council, who will drive the implementation of these recommendations.

Management indicated that its goal is to have the recommendations progressed to the point where they will make fundamental changes to the budget process for the coming year.

Conclusion

The analysis of IT capital expenditures for 2001-2006 conducted during the audit provides, we believe, the first comprehensive view of the City of Ottawa's IT capital spending patterns. There are significant variances, both surplus and deficit, each year for both ITS-owned and client-owned capital budgets indicating a need for regular reporting on total IT capital spending as well as greater monitoring of these expenditures in the future.

Until 2004, prioritization was primarily based upon decisions by the Transition Board. Since that time, ITS has developed and implemented policies and procedures for prioritizing IT capital expenditures. The overall process is in line with the COBIT standards used to assess it during the audit. There are, however, opportunities for improvement which have been discussed in this report.

Key issues identified in the audit include:

- Priority-setting criteria should be more formally developed and documented;

- Guidelines should be established in order to clarify the governance model to be used;

- All projects should be reviewed by the Value Assessment Panel to ensure transparency for all participants;

- Escalation/resolution process should be clearly documented and the role of Executive Management Committee should be clarified as the final approval authority;

- All projects should be required to go through the priority setting process prior to seeking funding approval via the Council budget approval process; and,

- IT capital funding should be centralized within a single funding envelope to improve oversight and ongoing monitoring of these expenditures.

Acknowledgment

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.21 Audit of the Parking Function

EXECUTIVE SUMMARY

Introduction

In March 2008, following extensive discussions of parking issues by Council related to staff proposals to increase parking revenues through assorted combinations of changes to rates, hours of pay and areas of pay to address budget objectives, an audit of "parking operations" was requested by Council[4].

As part of the audit planning process, interested Councillors were interviewed and the webcasts of the relevant Council sessions were observed. On this basis, an audit plan was developed. However, it also became apparent that while Council had requested an audit of "parking operations" the intent was a broad assessment of the function of parking supported by the City.

Some issues raised by Councillors also overlapped with other organizational groups including Planning, Real Property Asset Management (RPAM), and By-law Enforcement. It was clear that while the main assessment was within the Traffic and Parking Operations Branch, Council wanted these other groups included to ensure an overall assessment. Therefore, in order to clarify the expanded scope of the audit and the multiple groups responsible for different components (including operations, revenue generation, development, planning, capital, maintenance and enforcement), the name of this report and audit has been changed to Audit of the Parking Function.

While the Office of the Auditor General's 2008 work plan included a broad audit of the Traffic Operations Division, the scope and level of effort were not considered to be sufficient to adequately delve into the issues and concerns raised by Council. As a result this supplementary audit was commenced in the spring of 2008.

Overview of Public Parking Function

The supply and management of municipal public parking is guided by the Official Plan, the Transportation Master Plan (TMP) as well as Traffic and Parking By-law No. 2003-530.

A significant level of effort is expended by the City to make parking space available to a broad range of users and stakeholders including local residents, business interests as well as community and volunteer groups. These various users and stakeholders invariably represent a wide range of divergent interests related to who, when, why, how and for how long drivers can use public streets and public parking lots for vehicle parking.

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[4] Minutes 33 – March 26-27, 2008

The supply and management of the on-street and off-street public parking within the City of Ottawa directly involves the efforts of three primary groups, namely the Department of Public Works and Services (Traffic and Parking Operations Branch), the Department of Planning, Transit and the Environment (PTE) and By-law Services.

While the overall coordination and management of public parking is not assigned to any one municipal unit, the majority of decisions related to day to day operations of municipal parking assets are vested in the Parking Operations Unit of Traffic and Parking Operations Branch of the Public Works and Services Department.

Parking Operations Unit

Within the Traffic and Parking Operations Branch there are four organizational groups:

1. Traffic Management;

2. Safety and Traffic Services;

3. Mobility and Area Traffic Management; and,

4. Traffic Operations, which includes the Parking Operations Unit.

The Parking Operations group is largely limited to revenue collections, maintenance of meters, operation of both Pay and Display (P&D) machines and Pay on Foot (POF) machines, and management of municipally owned parking lots (maintenance and security contracts). The other three groups within Traffic and Parking Operations Branch conduct assorted traffic studies related to the administration of the Traffic and Parking By-law 2003-530, which, among other things, controls various on-street parking related issues such as no parking zones, loading zones, fire lanes, traffic calming areas, etc.

The Parking Operations Unit is comprised of 26 Full Time Equivalents (FTEs) consisting of 17 FTEs for administering and collecting parking fees and 9 FTEs for maintenance. An additional eight summer students provide additional maintenance.

From time to time, the Parking Operations Unit plans and constructs new on-street and off-street automobile parking facilities in select areas of the City of Ottawa. In practice, however, the majority of resources are spent operating and maintaining a broad array of on-street and off-street automobile parking facilities in select areas of the City of Ottawa.

There are 3,703 paid parking spaces at parking meters and 215 paid parking spaces at P&D machines for a total of 3,918 on-street 'parking spaces'. (These numbers do not include the parking meters that were installed in June 2008 on Centrepointe Drive, Constellation Crescent, Rochester Street, Booth Street, Daniel McCann Street, and Norman Street – a total of 276 additional spaces.) There are two P&D machines

in the By-ward Market that are removed seasonally (64 paid parking spaces). The total number of parking meters in use is 3,985. This includes 3,703 on-street parking meters and 282 off-street parking meters.

Planning, Transit and the Environment Department

Planning, Transit and the Environment Department (PTE) is responsible for the Official Plan, Transportation Master Plan, Land Use Zoning and the Cash-in-Lieu of Parking Program. By-law and Regulatory Services is responsible for the enforcement of Traffic and Parking By-law 2003-530.

The Zoning By-law sets out parking requirements for different uses and this parking may be made available to the public (e.g., a parking garage below a downtown office complex may be required for the office but may be accessible to the public). The Zoning By-law specifically regulates parking lots or parking structures for use as a privately operated parking area for use by the public or for a defined group.

By-law Services

By-Law Services, of Community and Protective Services Department (CPS) conducts enforcement of metered parking spaces rules and regulations.

Other municipal interests who rely on or are impacted by parking operations are:

- OC Transpo - bus stops compete with on-street parking spaces for revenue collected from parking metres;
- Economic Development - promotes business and works with Business Improvement Areas (BIAs) to ensure good client services (e.g., ample parking, short term parking availability, etc.);
- Finance – parking revenues are included as general income within annual municipal budgets documents; and,
- RPAM – responsible in part for management of the capital assets (generally parking garages) although much of the day-to-day maintenance work is contracted out by the Parking Operations Unit.

Summary for 2007 Parking Revenues and Expenses

In 2007, revenue from On-street Operations approached $7 million. This includes revenue from 3,703 year-round meters, 11 high activity Pay and Display machines in the By-ward market with income exceeding $450,000 and on-street residential permits of $440,000.

In 2007, revenue from Off-street Operations included $2.4 million revenue from two parking garages on Clarence Street, $2 million revenue from City Hall parking lot and $.75 million from seven other lots. In addition, this includes $35,000 from

seasonal spots at two municipal beaches and the Tour Bus program revenue of $20,000.

The following table summarizes 2007 Parking Revenues and Expenses:

	On-Street ($000s)	Off-Street ($000s)	Parking Admin. ($000s)	Total ($000s)
Revenue	$6,836	$5,208		$12,044
Less: net expense - primary	- $739	- $1,295	- $1348	- $3,382
Less: net expense and recoveries- secondary	+ $18	- $1,065		- $1,047
Net Revenue	$6,115	$2,848	- $1,348	$7,615
Parking Spaces – year round	3,918[5]	2,226		6,144
Parking Spaces - seasonal	64	505		569

For additional information, refer to Appendix 2 in the detailed report.

Scope

On March 26, 2008, Council directed the Auditor General to audit Parking Operations. As previously mentioned, this audit was in addition to the audits identified in the Office of the Auditor General's work plan approved by Council. Of note, an Audit of the Traffic and Parking Operations Branch, of which the Parking Operations Unit is included, was originally part of the 2008 Audit work plan. While the audit of the Traffic Operations Division included the Parking Operations Unit, the scope and level of effort were not considered to be sufficient to adequately delve into the issues and concerns raised by Council. The Traffic and Parking Operations is expected to be presented to Council in the spring of 2009.

As discussed in the introduction, when the Audit commenced, the scope was confined to an audit of the Parking Operations Unit within Traffic and Parking Operations Branch of the Public Works and Services Department. Following interviews with interested Councillors and as the audit progressed, it became apparent that the intent of the Council directed audit was actually a broader "parking function"; that is the broad issue of the supply and management of municipal parking and not just the organizational unit which manages the day-to-day operation of on and off-street parking within the City.

As will become apparent in the following section, this distinction was a significant finding of the audit. For purposes of this report, the term "Parking Operations" refers to the operational work unit and the term "Parking Function" refers to the broader concept of parking supply and management.

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[5] Reduced by construction, special events etc, referred to as "hooding". Or in some construction scenarios, the meters are removed completely.

Given that the cash-handling component of the Parking Operations Unit was reviewed in 2006, it was deemed prudent to include within the scope of this audit, a follow-up audit of the 29 recommendations to the original 2006 audit as well.

Therefore, this audit comprised two distinct approaches:

1. Follow-up of the status of implementation of the recommendations from the 2006 audit of Parking Revenue Processes.

2. Audit of City of Ottawa "Parking Function" to specifically address the directive given by Council.

Objectives

To provide an independent and objective assessment to determine if:

- The existing parking strategy is comprehensive and the process for updating the strategy addresses relevant municipal policies and priorities. (This objective was directed at the broader Parking Function rather than the Parking Operations Unit as discussed previously under the Audit Scope).

- Appropriate financial systems are in place to budget, record, track, report and monitor all expenditures within the Branch in an efficient, effective and economic manner that facilitates service delivery.

- The City receives value for money for services performed.

- Appropriate processes are in place to plan daily, monthly, annual, long term and capital activities in a manner that provides for efficient, effective and economic service delivery.

- Appropriate systems, policies and processes are in place to manage staff.

- Appropriate standards exist, are communicated to staff, maintained, monitored and enforced.

Key Findings

Mandate, Strategy, Accountability

1. At present, there is no well-defined Council-approved directive that provides clear guidance to the "Parking Function" within the City of Ottawa. Notwithstanding high level policy direction provided in the OP and TMP, there is not a clearly defined documented mandate or strategy specifically for the Parking Function at the City designed to ensure that all City-wide objectives affected by Parking are achieved. More specifically, there is no mandate document that covers all aspects of parking including zoning changes, cash-in-lieu, residential on-street permits, new areas, rate setting, on and off-street operations and ensures support of Official Plan, or Transportation Master Plan, or Traffic and Parking By-law. The lack of such a document leads City Departments, in many cases, to work at cross-purposes to each other. There is a

risk that the broader policy items (e.g., zoning changes required, coordination with strategic directions identified in the Official Plan, residential permits), economic/BIAs considerations and accountability issues may not be fully addressed.

2. A strategic plan for both the Planning Function and Parking Operations to achieve the strategic objectives does not exist nor is there an implementation plan for parking related initiatives. Goals to be achieved have not been identified, nor have performance measurement indicators been identified.

3. Historically, staff have not been held accountable for attainment of the Parking initiatives in the TMP; although, several initiatives have recently been started to address this oversight.

4. There is no lead group responsible for the overarching Parking Function and to ensure an appropriate, coordinated and collaborative direction for related initiatives and priorities, budgeting, strategic and operational planning. In addition, there is no unified accountability framework and supporting organizational structure to support responsibilities which overlap existing organizational groups.

Financial Management

1. In general, the financial analysis was found to be a weakness within the Parking Operations Unit. The extent of our analysis was limited due to the nature of the internal Parking Operations Unit information systems. There are many stand-alone documents or information sources but we confirmed that they are not rolled up to a report which is easy to use, explains and facilitates management of the operation. This lack of information reports hinders operations analysis, as it is difficult to isolate various expenses and revenues and the related impact of ongoing changes. While systems and reports required will change significantly if the City replaces all meters with P&D machines in the near future, whether as an in-house operation or outsourced, financial supporting systems and detailed reports will still be required.

2. Based on revenue generated, the City is collecting, on average, fees for two to three hours per weekday per parking space for both on and off-street parking operations. Notwithstanding explanations provided by Parking Operations staff for any discrepancy between revenue collected and available parking [including, reduced localized supply (i.e., hooding due to: special events, construction, vendors, etc.), people not paying at a metered space, disabled parking permits as well as maintenance issues and criminal activity on the part of the public (e.g., meter jammers)] these paid utilization rates[6] may be low, especially given

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6 – For purposes of this document "paid utilization rate" is defined as the effective number of hours the space is fully utilized and paid for (utilization can occur without revenue being collected) per day, typically a week day. Of note, some By-ward market spaces and various other spaces across the City that are paid parking six

the past occupancy studies and our understanding that there is a general lack of availability of on-street metered spots in commercial areas during regular business hours[7]. Parking staff agree that generated revenues represent about two to three hours per day of paid parking per spot. Parking Operations should conduct a review of parking occupancy rates against the revenue generated.

3. We note a very positive response to the 29 audit recommendations made in 2006. Staff have invested significant time and effort to making changes; most notably a reorganization of the Cash Collection group of Parking Operations to improve segregation of duties and the development and documentation of detailed written operational processes and procedures. However, processes for analysing, monitoring, exception reporting etc, have not been developed and so the data collected is not sufficiently used to provide direction for improvements, understanding trends and decision making.

4. There is no systematic tracking of meter activity by street, BIA or neighbourhood. There are plans to track this with the expected implementation of a new vault collection and counting system in later 2008. Although there is a record for each on-street P&D machine (located only in the market), it is not monitored. There are no standard reasonableness tests to determine whether cash collected matches norms, expectations, etc.

5. In general, there has not been widespread acceptance of the Parking Card program and revenues are recorded at the time of the card sales rather than as deferred revenue that is drawn down as the cards are used.

6. Some errors were found in the values used and assumptions made in the proposed changes to parking rates and times as well as the Pay and Display analyses presented to Council during the 2008 budget deliberations. These errors were largely due to the same reasons identified in other sections of this report, specifically: issues with the financial accounting structure, weak internal information systems and lack of standard reports. The poor state of good financial structures and reporting required staff to make many broad

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days a week, as well as paid Sunday parking, are in the vicinity of the Civic Hospital. We do recognize that full utilization will never be achieved given the transitional nature of the business and that not everyone parking at a parking meter will provide revenue (either legally as with a Handicapped Permit or illegally by choosing not to pay).

[7] Refer to 2005 Central Area Parking Study Update – page iii – "West of the Canal parking utilization has continued to increase, with the total public parking utilization in the majority of blocks approaching, or exceeding practical capacity (utilization ratio of 0.90). East of the Canal, parking utilization remains relatively unchanged with the greatest change being a slight decrease in the Friday evening utilization from 0.48 in 1999, to 0.45 in 2005. On-street parking utilization in the Central Area continues to be high, with utilization ratios exceeding practical capacity during all periods studied, reaching as high as 1.04 for Sunday afternoons (east of the Canal). Overall, the Central Area is approaching practical capacity for weekday afternoon parking utilization as a result of the increases in parking utilization west of the Canal."

assumptions in order to offer Council financial projections on parking rate structure and management alternatives.

7. Both the knowledge and use of the financial modules of SAP by Parking Operations staff is very limited. There is a lack of skills sets for the development of information systems and reports within Parking Operations. Existing standard systems within the City do not meet the specific needs of Parking Operations. The information required to effectively and efficiently manage the operation is not readily available.

8. Parking Operations Unit information systems and reports do not provide adequate information for the management of Parking Operations or the Parking Function. While revenues for off-street parking lots are tracked and graphed, reports do not include any narrative or variance analysis to explain unexpected changes in revenue or indicate what action has been taken to investigate discrepancies or changes. On-street revenues are not tracked or graphed and there are no standard management documents that address changes or discrepancies.

9. No formal process exists to ensure reconciliation of revenue to SAP to ensure all revenues are properly recorded.

10. Uncollected routes and/or uncollected monies due to theft and/or defective meters may not be detected as no formal, standard reviews of revenues are in effect to ensure that dollars collected versus the weight of the vault is reasonable based on past experience. In addition, no formal processes to review collection sheets are in place to ensure completeness of revenue received or collected, or to follow up potential problems (e.g., incomplete sheets).

Performance (Value for Money)

1. The cash-in-lieu program is not meeting the original objectives, as defined in the 2003 TMP. Specifically, there is not a correlation between funds collected as "cash-in-lieu"and provision of additional parking nearby by City. Yet, cash-in-lieu, as defined in the 2003 TMP is "a practice permitting developers to pay a charge in lieu of constructing the minimum parking spaces required by zoning regulations, thereby financially enabling the provision of City-owned public parking facilities". The City's website states "Cash in Lieu of Parking fees represent the amount of money that it would cost the City if it were to provide and operate each parking space that is exempted. The fees vary, depending on the location of the site and the type of parking associated with the proposed land use."

2. There are no City and/or municipal objective criteria for determining whether meters should be installed or removed from specific locations. Therefore, it is not possible to determine whether there is compliance.

3. There are no City and/or municipal objective criteria for determining how, when and why parking rates should be adjusted. Therefore, tt is not possible to determine whether there is compliance. This issue has been identified for the (ongoing) Parking Management Strategy.

4. City Parking staff have not historically worked closely with BIAs and other community groups; instead City planning staff, have developed closer ties to BIA groups most recently with Neighbourhood Planning Initiatives (NPI) and Community Design Plans (CDP). This is largely due to the nature of repeated interaction and involvement with BIAs on Planning decisions and activities and has resulted in a more developed/mature relationship between Planning staff and BIAs than Parking and BIAs. This is natural and not meant as a criticism but reflects the need to build relationships and trust which may be easier achieved through Planning contacts.

5. Again, the lack of a clear Parking Function specific mandate, with supporting policies and procedures, measurable objectives and assigned accountability have resulted in:

   - Inconsistent application of "parking rules and decisions" – zoning, cash-in-lieu, on-street meters, off-street lots, rates, hours, tour buses;
   - Increased time and involvement of Councillors to liaise with BIAs and other interested parties;
   - Council expressed concerns over the accuracy, relevancy, comprehensiveness and completeness of parking related matters presented to them and concerns over the lack of action towards achieving items identified in the 2003 TMP; and,
   - Ineffective, inefficient use of staff and Councillor resources where topics continue to be revisited rather than having a firm direction.

Planning

1. No comprehensive annual operational plans exist for the Parking Function or the Parking Operations group.

2. Parking equipment maintenance is not treated proactively enough. Current Parking meters are vulnerable to malfunctions, vandalism and theft (rigged coin dams) despite an average annual labour cost of $100 per meter for maintenance and repairs. Management has indicated that the actual cost per meter through SAP was $59.75 in 2007. Parking meters rely on AA batteries, which are vulnerable especially in cold weather when battery life is reduced. In addition, the City's P&D and POF equipment is old and outdated with frequent breakdowns and high staff costs associated with frequent maintenance calls. The reactive approach to meter maintenance can leave meters out of order for extended periods of time as the malfunction is not always apparent to the meter collectors. This can result in both a loss of considerable revenue to the City and

an increase in parking ticket reversals (at present, a time consuming and expensive process), as well as frustration of the public when meters do not work, and they receive a ticket.

3. Parking meters are not tested regularly to ensure they are working. Meter repairs are driven largely by complaints from the public. Typically complaints are received after citizens receive a ticket while parked at a defective meter. Malfunctioning meters can go undetected for an extended period of time.

4. Annual cost of meter repairs exceeds $400,000 for labour costs alone (average of $100/meter). Management has indicated that the actual cost per meter through SAP was $59.75 in 2007.

Human Resources

Absenteeism and grievances are low. Overtime is reasonable, and largely due to on-call staff being called in to service the five market POF machines at the two market garages late at night. Staff levels are reasonable. One key position is being kept vacant; staff have managed to compensate and cover the related responsibilities adequately.

Compliance

Procedures for Parking Operations staff are well-documented and communicated to staff. Procedures are in place to facilitate repairs of parking equipment in a timely manner and within the one working day standard for meters and immediately for P&D and POF. However, most procedures are on a reactive, not proactive, basis. Our review of municipal and industry best practices confirmed a well-supported industry supported by public and private interests involved in parking supply and management. No specialized best-practice policies or procedures were evident, although various suppliers and support industries are available to support parking operations generally.

Overall Management Response

Our proposed parking management strategy and related projects are in strong alignment with the Audit. With respect to parking occupancy rates, we agree that undertaking a comprehensive study on this matter as part of our overall strategy is very beneficial.

Recommendations

Recommendation 1

That the City ensure that responsibilities, accountabilities and coordination of all aspects of the Parking Function, including planning related matters (zoning requirements, cash-in-lieu) development matters (new and existing locations/requirements of on and off-street parking including residential on-street

parking) and operational requirements (collections, rate setting, enforcement) be clearly assigned in a manner which ensures a comprehensive and coordinated approach to the Parking Function.

Management Response

Management agrees with this recommendation.

Presently, the Planning branch manages the Official Plan, Transportation Master Plan, and Comprehensive Zoning By-law. These documents take into account broad land use issues and serve to set the context and the high-level objectives for the Parking Program.

At its meeting of 13 February 2008, City Council gave the following direction:

"That staff be directed to develop a new city-wide, comprehensive, consolidated parking policy in conjunction with the principles articulated in the Parking Management Strategy and the Transportation Master Plan; and that the policy include parking needs in the zoning by-law, a review of the financial costs to the City of storing cars on city streets versus storing cars on private lots; and

That the study examines on-street parking rates:

- · *That vary according to geography; and,*
- · *That vary according to time (time of day, day of the week).*

Also, that the terms of reference for this study/review be brought to Transportation Committee for its review and approval prior to being undertaken."

The Transportation Committee approved the Terms of Reference for the Parking Management Strategy on June 18, 2008 and work is currently underway.

The Parking Management Strategy will be set within the context of the Official Plan and Transportation Master Plan policies and objectives and will outline a framework that will clearly identify responsibilities and accountabilities to ensure a comprehensive and coordinated approach to the parking function. The Parking Management Strategy is scheduled to be presented to Council in Q2 2009.

Recommendation 2

a) **That the City ensure that the Parking Management Strategy and related documents currently underway be modified to clearly distinguish between strategic versus operational policies, initiatives and directives.**

b) **That Council approve an expanded scope of the PMS to ensure that all aspects of the "Parking Function" are included in the strategy. Accountabilities, objectives, goals, performance indicators and implementation plans for these items should be clearly stated and progress tracked in supporting documents.**

Management Response

Management agrees with these recommendations.

The Parking Management Strategy will distinguish between strategic versus operational policies, initiatives and directives. It will also address all aspects of the parking function and will identify how parking relates to the different areas that the Planning branch is responsible for such as the Official Plan, Transportation Master Plan, Zoning By-Law, Cash-In-Lieu, etc. Further, it will ensure that there are key accountabilities, objectives and performance indicators that can be tracked and published in regular status reports.

The Parking Management Strategy is scheduled to be presented to Council in Q2 2009. Work will be done in the development of this strategy to ensure that these recommendations are reflected in supporting documents.

Recommendation 3

That the City ensure that the Parking Management Strategy and its related implementation be developed with the goal of achieving the strategic objectives identified in the Official Plan and Transportation Master Plan as well as being compatible with the Economic Development initiatives (which reside in the Planning, Transit and Environment Department). These policies and decisions should be considered during Neighbourhood Planning Initiatives (NPI), Community Design Plans (CDP), and in routine consultations with BIAs.

Management Response

Management agrees with this recommendation.

The Parking Management Strategy is being developed to ensure that strategic objectives in the Official Plan and the Transportation Master Plan are reflected. These objectives will, in-turn, be reflected in Neighbourhood and Community Design Plans, which are developed using these overriding documents for direction and guidance.

The Parking Management Strategy will be presented to Council for approval in Q2 2009.

Recommendation 4

That Traffic and Parking Operations Branch develop a monthly Parking Operations Unit standard report which highlights revenue from all sources (off-street facilities by lot, on-street by P&D and meters preferably by major neighbourhood), for month, year-to-date actual, and budget. This must be supported by detailed narrative to address variances, issues, lessons learned, etc., and distributed to the director level for review and approval. The data source should either be SAP or a document, which is reconciled routinely to SAP.

Management Response

Management agrees with this recommendation.

Staff are currently preparing a series of reports that reflect revenues from all sources. Once finalized, this information will be provided to senior management on a monthly basis. These reports require coordination between several sources and will be established by Q2 2009.

New reporting will supplement and improve upon the information that is currently being prepared. Staff currently prepare a series of reports that reflect all on-street revenues collected by day and by zone as well as all revenues and expenses for off-street parking facilities. In addition, staff training is underway which will enable staff to undertake financial analysis and reconciliation to the extent that is identified in the Auditor's report.

Further, realty taxes and Lot 6 third party service provider costs have been adjusted for 2008 and future budgets in response to issues identified in the report.

Recommendation 5

That Traffic and Parking Operations Branch ensure that Parking Operations Unit begin tracking paid utilization rates and explain variances in a monthly report.

Management Response

Management agrees with this recommendation.

Currently, staff selectively track utilization rates as part of the ongoing management and monitoring of our parking systems. With the implementation of Pay and Display machines, tracking of revenue and utilization rates will be carried out on a regular basis and monthly reports will be generated.

The Pay and Display procurement process will require Council approval in order to proceed. A report seeking this approval will be presented to Council in Q2 2009 with expected implementation in Q1 2010 if approved.

Recommendation 6

That Traffic and Parking Operations Branch develop new Parking Operations Unit collection routes which address both a four and five day collection schedule and focus on collecting from the busiest routes most frequently; this may result in collections from some routes less frequently than is currently done, especially during weeks with statutory holidays.

Management Response

Management agrees with this recommendation and this practice is currently in place.

Traffic and Parking Operations will continue to look for efficiencies and improvements to the collection schedule to ensure that the busiest routes are collected when needed and the less busy routes are collected less frequently. At the same time, it is important to ensure any system allows for the continuation of proactive monitoring of all parking meters to address problems as they arise as efficiently as possible. The data acquired through these regular collections forms part of a historical database that is used to monitor trends and forecast year-end revenue expectations.

New collection routes will be developed when Pay and Display machines are implemented. Due to the increased availability and detail of financial and maintenance information through automatic means, the acquisition of this data through regular collections will no longer be required. The frequency of the new collection routes would then be directly tied to the utilization of the machine. The implementation of Pay and Display technology is expected to occur Q1 2010 pending Council approval.

Recommendation 7

That Traffic and Parking Operations Branch ensure that all Parking Operations Unit collection sheets indicate the routes collected and in cases where there are no collections, identify special circumstances which would contribute to lower dollars collected (e.g., construction or hooding) as well as document alternate procedures (e.g., spare vaults used) with the reason noted on the collection sheet.

Management Response

Management agrees with this recommendation.

Procedures for this practice are already in place. Staff review collection sheets on a weekly basis to audit the weight of the vaults and review any abnormalities that may be present in the specific collection route. Going forward, anomalies will be tracked and recorded consistently on the monthly revenue comparison sheets.

Once Pay and Display machines are implemented, the collection process will change and machines that do not require collection due to construction or hooding will not be collected.

The Pay and Display procurement process requires Council approval to proceed. A report seeking this approval will be presented to Council in Q2 2009 with expected implementation in Q1 2010 if approved.

Recommendation 8

That Traffic and Parking Operations Branch ensure that new Pay and Display machines track the outstanding value of Smart Cards.

Management Response

Management agrees with this recommendation.

As part of the Pay and Display procurement process, the City has set out minimum standards to ensure that any new Pay and Display machine can track the outstanding value of Smart Cards.

The Pay and Display procurement process requires Council approval to proceed. A report seeking this approval will be presented to Council in Q2 2009 with expected implementation in Q1 2010 if approved.

Recommendation 9

That the City, as part of the Cash-in-Lieu Policy review currently underway, consider reverting to the original intended use of cash-in-lieu funds generated (i.e., being used only for the provision of parking spaces) ideally in the same area as applicant property.

Management Response

Management agrees with the recommendation.

The consideration of 'reverting to the original intended use of cash-in-lieu funds generated' will form part of the report to Committee and Council as part of the Cash-in-Lieu Policy review currently underway in the Planning branch. Parking Operations will play a key role in the review of the Cash-in-Lieu Policy. Timelines for the Policy review are as follows:

• Consultation with stakeholders	Q1 2009
• Report on options to Planning and Environment Committee (PEC) and Council for identification of preferred option	Q2 2009
• Consultation on preferred option	Q2 2009
• Report to PEC and Council on results of consultation, including implementation strategy and financial implications	Q3 2009

Recommendation 10

That Traffic and Parking Operations Branch re-evaluate Parking Operations Unit current inventory of surface lots with the view towards divesting of surface lots which do not satisfactorily assist in meeting Council approved desired goals.

Management Response

Management agrees with this recommendation.

A review of the inventory of surface lots will be initiated upon the completion of the Parking Management Strategy, which is scheduled to be presented to Council for approval in Q2 2009.

The evaluation of any particular surface lot requires a comprehensive local area study to evaluate the short, medium and long-term parking supply and demand scenarios. The areas where surface lots exist will be assessed on this basis and a determination will be made with respect to their viability relative to Council approved desired goals.

Recommendation 11

That Traffic and Parking Operations Branch re-evaluate Parking Operations Unit current inventory of on-street parking, including On-street Residential Permits, to ensure it complies with the new Parking Management Strategy, once developed.

Management Response

Management agrees with this recommendation.

A review of on-street parking, by area, will be undertaken upon the completion of the Parking Management Strategy, which is scheduled to be presented to Council for approval in Q2 2009.

Recommendation 12

That the City work with local Business Improvement Areas (BIAs) to develop parking rate strategies including considering allocating revenues collected within the BIA, Neighbourhood or Ward in which the funds are collected, to further buy-in by the local community.

Management Response

Management agrees with this recommendation.

Staff have set up internal and external working groups as part of the development of the Parking Management Strategy, which will be presented to Council for approval in Q2 2009. Members of these working groups include representatives from area BIAs, community and church groups, business associations, motorcycle and scooter representatives and others. The Parking Management Strategy will address the allocation of revenues.

Recommendation 13

That the Parking Operations Unit maintenance staff of the Traffic and Parking Operations Branch endeavour to spend additional time testing and conducting

proactive maintenance on parking machines in high traffic areas to detect and correct malfunctions in meters as soon as possible.

Management Response

Management agrees with this recommendation.

Parking Operations currently has in place a proactive maintenance management program for both on-street and off-street equipment. The program includes over 31 maintenance plan elements with over 1,129 activities that address key operating components. Staff continually strive to improve our proactive maintenance activities and techniques to ensure that less time and money is spent on maintenance and that there is an ongoing reduction in the number of calls from the public regarding equipment malfunctions. This proactive approach has already resulted in a 37% reduction in calls related to equipment malfunctions between 2003 and 2007.

Staff will endeavour to further improve upon these results through the establishment of scheduled testing protocols on parking equipment in high traffic areas that will test coin discrimination, battery levels and Parking Card acceptance. The implementation of these protocols will focus on parking equipment in high traffic areas. Monthly reports will be prepared as a result of these tests and will be tracked to monitor any lifecycle issue with the different components. This initiative will be implemented in Q2 2009.

The implementation of Pay and Display machines (expected Q1 2010) will assist staff in identifying problems sooner, as the machine will be able to communicate problems wirelessly to a PDA or cell phone as they occur.

Recommendation 14

That Traffic and Parking Operations Branch work with their FSU, once a decision is made as to how to proceed with the use of P&D machines, to develop standard monthly reports to ensure they are managing the operations effectively and to ensure that any contracted work meets contractual obligations.

Management Response

Management agrees with this recommendation.

Upon the conclusion of the procurement process for Pay and Display machines, appropriate processes and reports will be established to enable the City to properly monitor the performance of the system as well as the contractual obligations of the successful proponent. This action will coincide with the expected implementation of the Pay and Display machines in Q1 2010.

Recommendation 15

That Traffic and Parking Operations Branch develop a proactive and cost effective approach to maintenance of parking machine inventory (parking meters, P&D, POF).

Management Response

Management agrees with this recommendation.

Parking Operations currently has in place a proactive maintenance management program for both on-street and off-street equipment. The program includes over 31 maintenance plan elements with over 1,129 activities that address key operating components. Staff continually strive to improve our proactive maintenance activities and techniques to ensure that less time and money is spent on maintenance and that there is an ongoing reduction in the number of calls from the public regarding equipment malfunctions. This proactive approach has already resulted in a 37% reduction in calls related to equipment malfunctions between 2003 and 2007.

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The implementation of Pay and Display machines (expected in Q1 2010) will assist staff in identifying problems sooner, as the machine will be able to communicate problems wirelessly to a PDA or cell phone as they occur.

Recommendation 16

That Traffic and Parking Operations Branch develop operational protocols and best practices to which they will aspire and against which they will be measured. This document, approved by Council, should include various Performance Measurement outcomes against which the Unit's performance can be measured and published.

Management Response

Management agrees with this recommendation.

Parking Operations currently follows core policies and procedures that guide activities and maintenance schedules in order to reduce downtime for parking meters, pay and display machines, pay on foot machines and other parking equipment. There are also programmed maintenance schedules for parking structures and lots. Presently, a Performance Measurement Framework is being

developed within Traffic and Parking Operations that will review service-specific outcomes as well as the establishment of performance measures and targets. It is anticipated that this initiative will be finalized and implemented by Q3 2009. This will be presented to Council as part of the Strategic Branch Review in 2010.

Also to be undertaken is the development of an Operation Protocol and Best Practices document that will amalgamate existing operational procedures into one overall guiding document. This document will also be completed by Q3 2009.

Recommendation 17

That Traffic and Parking Operations Branch develop a mechanism to ensure that Council initiated directives are achieved and reported to Council. In the event these initiatives will not be achieved within a reasonable timeframe, the information should be communicated to Council.

Management Response

Management agrees with this recommendation.

There is currently a corporate-wide coordinated effort underway to improve the tracking of City Council initiated directives. Traffic and Parking Operations is active in this respect and will have an internal process in place by Q4 2008.

Conclusion

There are three major issues which have arisen from this audit:

On-Street Revenue

On-street revenues are much lower than we might expect given the data in the 2005 Central Area Parking Study and our general information on the limited availability of parking meters in the commercial areas of Ottawa. These revenues have been relatively consistent in the past three years. In other Canadian cities, there have been instances of coordinated criminal activity aimed at jamming and tampering with parking meters. There is a high frequency (on average each machine breaking down once annually) of machine malfunctions and breakdowns which require intervention by staff. Each malfunctioning meter can go unreported for several days with related revenues not being collected. There is no routine analysis prepared by Parking Operations that would detect variances to be investigated. In particular, management do not analyse on-street revenue in terms of expected occupancies to detect possible fraud or theft.

In our opinion, management cannot adequately explain why revenues are lower than the general utilizations rates stated in the consultant parking reports would suggest.

Financial and Non-financial Reporting

We are satisfied with management efforts in improving controls over cash handling; however, historically there have been weaknesses in internal controls. Financial analysis remains a weakness.

There are minimal routine financial reports produced for management and senior management for parking operations. Financial accounts do not accurately reflect all aspects of operations and as a result it is difficult to analyse revenues and project the impact of changes to operations.

Lack of Comprehensive and Coordinated Approach to Parking

There is not a comprehensive and cohesive approach to the Parking Function to ensure all aspects of parking, not just day-to-day operations, but zoning issues (e.g., cash-in-lieu), planned long term (5-10 year) public and private supply, economic demand, revenue generation, and community planning, all strive to achieve the overall objectives of both the Official Plan and the Transportation Master plan.

The recent initiatives approved by Council, specifically the resurfacing of the need for a comprehensive Parking Management Strategy and the exploration of moving from a Parking meter based system to Pay and Display machine system bode well for the Parking Function. As well as other initiatives pursued, including those related to parking standards set out in the new Zoning By-law. We are cautiously optimistic that these plans will resolve some of the issues. However, we are also concerned, that without a broad comprehensive approach, work will continue to be viewed in silos not as a comprehensive effort designed to meet broader City policies.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

3.22 Audit of the Building Code Services Process for 215 Preston Street

Executive Summary

Introduction

This audit was conducted as a result of a report to the Fraud and Waste Hotline. It was not originally identified in the 2008 Audit Plan that was presented to Council.

Audit Objectives

Audit Objective No. 1 – Examine and evaluate the processes and methodologies used for the review and approval of the demolition and building permits

Criteria:

- Completeness of reports and drawings.
- Appropriate reviews were conducted to ensure all design documents, reports and drawings were in compliance with the Building Code.

Audit Objective No. 2 – Examine the demolition, building, and occupancy permits to determine if they are consistent with relevant policies, procedures, legislation, and regulations

Criteria:

- Demolition permit issued based on appropriate drawings and submissions.
- Building permit issued based on appropriate drawings and submissions.
- Occupancy permit issued appropriately.

Audit Objective No. 3 – Examine the methods and procedures used for the inspections by the City during demolition and renovation construction

Criteria:

- Inspections were completed at appropriate times.
- Inspection reports were completed and relevant observations were adequately recorded.
- Appropriate engineering and consultant reports regarding structural inspections.

Audit Objective No. 4 – Examine the methods used by the City to enforce the Ontario Building Code during demolition and renovation construction

Criteria:

- Methods available by legislation.

- Methods used by the City staff for enforcement.
- Effectiveness of methods of enforcement.

Audit Objective No. 5 – Examine the issue of one of the owners of the business being a City employee

Criteria:

- Confirm whether this assertion is true.
- If the assertion is true, review the property owner's involvement in the process.

Audit Scope

The Audit Scope encompassed the City's building permit process for the demolition, building, inspection and occupancy for a specific building. The Audit comprised the following tasks:

- Review legislative framework;

- Review background data;

- Conduct interviews with individuals involved in the project;

- Conduct a site visit, if possible;

- Prepare Draft Report for fact verification; and,

- Conduct additional interviews for confirmation of issues, if necessary.

The audit began by reviewing the legislative framework for the project, to confirm the requirements that should have been followed. Collection and review of the background information were undertaken in light of the Audit Objectives and Criteria. The results of the review are an evaluation of the recommendations to determine whether the interests, including exposure to risk, of the City were adequately considered and protected.

Summary of Key Findings

Based on the reviews undertaken to date it is concluded that:

1. The Owner proceeded with demolition and the renovations without the appropriate demolition and building permits. The application for a permit to construct or demolish was submitted after the fact, together with a sketch prepared by the Architect of Record.

2. Responding to complaints, the Building Code Services Branch (BCSB) issued an Order to Comply with respect to the demolition without a permit. Subsequently, the BCSB Inspector found that the renovation work was also proceeding without a permit and issued an Order to Comply and subsequently

a Stop Work Order. In response to these, the Owner submitted the required applications for demolition and building permits.

3. The Owner continued construction of the renovations without a permit after he submitted the building permit application. Two days after the application submission, the City Inspector found that the Owner was doing work without a permit and issued a Stop Work Order. After this event, the City Inspector did not monitor the site. The next time the City Inspector went to the site was a month and a half later, when construction was completed.

4. During the time from the last Stop Work Order to May 24, 2006, the City Inspector did not monitor the site. The City Inspector should have monitored the site after the permit applications were submitted. The Act gives the Inspector sufficient powers to enter and inspect the site once the application is submitted.

5. The Architect, who was the original building designer in 1985, was involved as Architect of Record in the entire demolition and renovation period.

6. The Architect was involved throughout the entire period when demolition and the renovations were done without the corresponding permits. The Architect should have done what he could to stop these actions by the Owner, including notifying the City; he did not. This is contrary to the requirements of The Architects Act.

7. The BCSB has indicated in the response to the draft of this report submitted for fact verification that in fact the BCSB was fully aware that construction was proceeding during this time. The BCSB had the duty to enforce the requirements of the Act, but did not.

8. The BCSB allowed the Architect to act outside of the requirements of the Building Code Act and The Architects Act. The BCSB could and should have put the architect on notice that the BCSB was aware of the actions by the Owner and the Architect was aiding, abetting, or acquiescing in those actions, including earlier notification to the Ontario Association of Architects (OAA).

9. The information provided with the application for demolition permit was not complete, as it was missing the description of the structure and the methods of demolition prepared by a structural engineer, in accordance with the Ontario Building Code (OBC). The City should have requested the required missing information before issuing a demolition permit. Failure to request the required information in effect constitutes a reward to the Owner for carrying out the demolition without a permit.

10. The information provided with the application for building permit was complete, and the City review of the building permit application was done appropriately.

11. The fees charged for review were calculated based on the construction estimate provided by the Owner in the application for building permit. Based on information provided by the Owner during this audit, the amount of the estimate is more than 50% lower than the estimate provided by the Architect to the Owner and less than 25% of the actual construction costs.

12. The permit fee was charged as required by City by-law. In addition to the basic fee and development charges, an additional fee was charged (as prescribed by the City) for the project where the Owner proceeded with work without a permit. The fee required to be levied was based on $13.50 per $1,000 of project value. The Owner indicated in the application that the project value was $180,000. It is normal to rely on the Owner or permit applicant to provide the project value. The correct fee of $2,430 was charged. An additional fee of 50% of the permit fee, $1,215, was charged due to the Owner's work with no permit, in accordance with the Building By-law.

13. It is noted that in the interview the Owner stated that the original budget given to him by the Architect was $400,000, and that the budget had been exceeded by more than 100%; the final cost, according to the Owner, was $900,000. This discrepancy in construction cost appears to have resulted in permit fees that were too low. It is noted that if the Architect's budget of $400,000 had been applied the resulting fee would have been $8,100, including the additional fee of 50% of the permit fee; if the resulting cost of $900,000 is used the resulting fee is $18,225, or $14,580 more than the fee collected. The fine that was eventually paid by the Owner is less than the fee that would have been charged based on the actual cost.

14. On this basis, it is concluded that independent confirmation of construction value may result in higher permit fees to the City.

15. The City issued a Partial Occupancy Permit without having received all the required professional engineer and architect reports.

16. No Final Occupancy Permit has been issued, but the Owner is using the facility as if he already had the final permit. The Owner is using an area of the building not covered by the Partial Occupancy Permit.

17. The original design structural engineer was not involved during the construction reviews because the building construction was proceeding without a building permit. The letter report provided by a second structural engineer retained by the Owner to provide the consultant report required by the City is not sufficient given the complexity of the structure and that the required construction review was carried out after the structure was covered and not during construction. There are concerns with respect to the extent of verification and testing done to provide the letter, as the engineer visual inspection did not cover the entire structure and was limited by the building finishes. It is our

opinion that the City should not have accepted the second structural engineer's letter as a valid engineering report.

18. The City Inspector has the authority to demand the structural engineer report, as he did. The Inspector also has the authority to determine whether the structural engineer report is sufficient. Based on the fact that the field inspection done by the second structural engineer and the letter that was provided in this case does not meet the required level of detail, and that the inspector nevertheless accepted it and relied on it, we believe that in this case and similar cases, the City's Structural Review Engineer should be the person who determines the sufficiency of the structural engineer report.

19. The City used some of the methods available to have the Owner comply. However, given that the BCSB was fully aware that construction was proceeding without a permit, we consider that the BCSB should have used stricter methods to prevent what appears to be blatant disregard for the Code, the Building By-law and the requirements of the Policies, Guidelines and Standards.

20. The BCSB indicated the following: "It should be noted, the Ontario Building Code Act is a permissive legislation rather than a punitive one. The Branch is the centre of expertise in the interpretation and enforcement of the Act and the Code and thus the Branch must assume a role that facilitates and ensures Code compliant construction (thus meeting the minimum standards for public health and fire, fire protection, structural sufficiency, accessibility, conservation and environmental integrity) while not unnecessarily impeding the economic engine of the construction industry, nor increasing construction costs that would stymie the private sector."

However, the Building Code Act (section 1.1) indicates the following regarding the roles of the Chief Building Official and the Inspectors:

> *Role of chief building officials*
> *(6) It is the role of a chief building official,*
> > *(a) to establish operational policies for the enforcement of this Act and the building code within the applicable jurisdiction;*
> > *(b) to co-ordinate and oversee the enforcement of this Act and the building code within the applicable jurisdiction;*
> > *(c) to exercise powers and perform the other duties assigned to him or her under this Act and the building code; and*
> > *(d) to exercise powers and perform duties in accordance with the standards established by the applicable code of conduct. 2002, c. 9, s. 3.*
> *Role of inspectors*
> *(7) It is the role of an inspector,*

(a) to exercise powers and perform duties under this Act and the building code in connection with reviewing plans, inspecting construction, conducting maintenance inspections and issuing orders in accordance with this Act and the building code;
(b) to exercise powers and perform duties in respect of only those matters for which he or she has the qualifications required by this Act and the building code; and
(c) to exercise powers and perform duties in accordance with the standards established by the applicable code of conduct. 2002, c. 9, s. 3; 2006, c. 22, s. 112 (2).

The main requirement in both cases is for <u>enforcement</u> of the Act and the Code.

21. In the same response to the draft for fact verification, the BCSB indicated that: "The Branch must regulate construction of buildings first through leadership, education and collaboration, then if these approaches fail to obtain compliance, through enforcement, including prosecution, etc. Council and the public's expectations, as stated in our Branch's objectives, are that we *assist the property owner, builder, contractor, architect or engineer by providing direction in the application and interpretation of the Building Code Act, the Building Code, and applicable law to ensure construction meets the performance and safety standards*. The Province's training guides encourage new building officials to first encourage owners and their agents to comply through the powers of persuasion before enlisting the more formal enforcement tools."

We could not find in the Act or the Ontario Building Code any reference to the Building Official having to provide direction to owners, architects, or engineers. It is the professional responsibility of the architect or engineer to comply with the Act; the Building Official is responsible for enforcing the Act and the Building Code. If the architect or engineer is not meeting their responsibilities, the BCSB should report them to their respective associations for disciplinary action.

22. One of the owners of the property was at one time an employee of the City, but he had ceased to be one at the time of the events subject of this audit.

Recommendations and Management Responses

<u>Recommendation 1</u>
That the Building Code Services Branch (BCSB) ensure the documentation received with the Application For a Permit to Construct or Demolish is complete in all cases, as we found in this case the documentation provided with the application for demolition was not complete.

Management Response

Management does not agree with the recommendation.

Management does not agree that there were procedural omissions with regard to the applications for demolition and construction at 215 Preston Street. Building Code Services (BCS) did receive sufficiently detailed documentation to ensure that the proposed demolition and construction was reasonable and could be carried out in accordance with the Building Code.

It is the role of the Chief Building Official (CBO) to determine the sufficiency of information supporting an application based on the unique set of circumstances and conditions of each project and the CBO's interpretation of the requirements and standards as they apply to the application. In this instance, the submissions were deemed sufficient for the purpose of issuing the permits.

Recommendation 2

That the BCSB advise property owners that the Branch reserves the right to verify the actual construction cost and to adjust the fees accordingly. If this cannot be done, that the BCSB implements a database of cost per unit area to permit it to verify the budget estimates provided with the application.

Management Response

Management does not agree with the recommendation.

In the absence of legislative authority, there is no basis for verifying the actual construction costs and adjusting the fees after the permit has been issued and the construction completed. The process of verification of estimated value of construction and adjusting undervalued fees prior to the issuance of the permit is already in place. This is a standard practice of municipalities that assess fees based on the value of construction.

While the branch maintains a database of cost per unit area for new construction, it is too difficult to obtain a cost per unit area for renovations due to the nature of this construction activity (too many variables and unknowns).

The building permit fee is based on "assessed valuation of the work", which is not the same as the "actual construction costs". An "Architect's estimate of costs" may include many elements, which do not form part of the "assessed valuation of the work", and which may vary greatly from the "actual construction costs", due to many unquantifiable factors.

Finally, the Building Code Act and Building Code prevent the permit fees collected from exceeding the cost of providing the service, along with reasonable reserves to offset liability and construction fluctuations. The Chief Building Official is legislatively required to provide an annual report on these matters, and any request for increases are subject to consultation with the industry and public.

Recommendation 3

That the BCSB ensure all files are properly documented and complete, including a complete record of telephone conversations, for future reference and possible litigation.

Management Response

Management does not agree with the recommendation.

It is the current practice for staff to document observations and key discussions, particularly where conflict and/or litigation is anticipated. However, it is not possible, from a time-management perspective, to document all communications. Each Building Official must make a subjective assessment of the relevance of the communication and the degree of recording based on the circumstances at the time of the communication. Further, a requirement that all files include a record of all telephone conversations would require significant additional resources and investment in technology, for the few occasions where conflict arises.

Recommendation 4

That Occupancy Permits be issued only when all the construction review reports by all professionals have been received to the satisfaction of the City.

Management Response

Management does not agree with the recommendation.

In 2002, the branch established an operational policy that requires all required construction review reports to be submitted prior to the issuance of the "partial occupancy permit"; although the OBC only requires this threshold to be met prior to the "final occupancy permit" being issued. As a best practice, BCS moved this threshold to an earlier stage because once a building is occupied it becomes more difficult to address outstanding deficiencies.

In this instance, based on the Architect's assurance that the reports would be submitted in short order and relying on the professional integrity accorded an Architect and their legal responsibilities under the Architect Act, the Inspector issued the partial occupancy permit.

The Architect subsequently notified the City that he and the Structural Engineer of Record would not produce the reports due to a dispute with their client, which has yet to be resolved. The Architect alleged there were welding deficiencies, and on this basis, an occupancy permit should not have been issued. As they are lawfully entitled to, the owners engaged the services of two other engineering firms, one specialized in welding, to carry out the reviews and provide the required reports. These reports confirmed the structural adequacy of the welds and the structure; therefore, the partial occupancy permit was allowed to stand as the requirements for partial occupancy had been met.

Finally, it is noted that there are no areas of the building being used that are prohibited from use and occupancy, although the final occupancy permit has not been issued (only the partial) and the permit file remains open.

Recommendation 5

That Inspectors be instructed to actively monitor sites for which an application for building permit has been submitted, including access to the site if necessary.

Management Response

Management does not agree with the recommendation.

Such inspections would serve only to document the fact that illegal construction or demolition is continuing. As well, caution must be taken to ensure that any inspections, prior to the issuance of a permit, not be for the purpose of reviewing the illegal construction for Code compliance, nor appear to do so, as this would encourage illegal construction to continue. The implementation of this recommendation will require additional resources to integrate these inspections in addition to the mandatory inspections, which form the basis of the City's existing program and service delivery levels. This recommendation will be explored when the branch's Strategic Branch Review is undertaken in Q2 2009, as this review will be an appropriate forum to consider higher service delivery levels.

In this instance, the Inspector was well aware of the on-going illegal construction activities, had issued the requisite Orders and a court action had commenced. Any additional inspections after the Stop Work Order was issued and prior to the completion of the construction (a 7 week period) would have confirmed only that illegal construction was continuing, which was already known to staff and sufficiently documented for purposes of the court case. Additional resources would have been required to monitor the site more frequently.

Recommendation 6

That the CBO review the file to determine if the Owner should be required to uncover areas of the roof structure to allow more detailed and thorough inspection and testing of the structural steel.

Management Response

Management agrees with the recommendation.

The CBO has carefully considered this recommendation, consulted with Legal Services and has determined that there is no legal basis for the owner to uncover areas of the roof structure for this purpose.

There are certain pre-conditions that must exist for a CBO to consider issuing an Order to Uncover. These are:

- The CBO must have reason to believe that the construction is not in accordance with the Code and permit drawings. In this instance, the belief that the construction was not compliant was that of the Architect in regard to the welding. The welding and surrounding construction were reviewed by two structural engineers, one of who was a welding engineer and a level III welding inspector. Both found the welding work to be Code compliant. Thus, there was no remaining reason to believe there was non-compliance; and

- The Order must be issued prior to the issuance of the partial occupancy permit. In this instance, the partial occupancy permit had been issued.

Recommendation 7

That the City require that structural review letters be reviewed by the City's Structural Review Engineer in cases similar to the subject project.

Management Response

Management does not agree with the recommendation.

Building Officials (Plans Examiners and Building Inspectors) are qualified by the Province of Ontario to review structural review letters. In addition, the branch provides Building Officials valuable in-house training to sufficiently equip them to review the reports and render a decision as to adequacy. The Building Officials do consult with the branch's Building Code Engineers in cases where they do not feel that the review letters are adequate or where the issues are of such complexity as to require additional review.

In this case, the reports submitted by the engineering consultant were considered sufficient for purposes of determining compliance.

Recommendation 8

That the City consider pursuing a complaint with the appropriate professional architectural and engineering associations regarding the professionals identified in this report.

Management Response

Management agrees with the recommendation.

Although, the City is not the regulatory authority of engineers and architects, where the conduct of these professionals undermine the Building Code Act and the OBC or the Chief Building Official's ability to enforce the Act and Code, referrals are made to the governing body to review, investigate and determine corrective action, if any. The Chief Building Official will assist the OAA in the investigation should the OAA request such.

Recommendation 9

That in future similar situations where an architect, engineer, or other professional regulated by a professional regulatory body, appears to have engaged in conduct unbecoming the standards expected by such a professional and/or where the public interest demands, the City pursue complaints to the OAA, or other such professional body as the case may be.

Management Response

Management agrees with the recommendation.

However, in order to effectively implement this recommendation, additional specialized resources (1 FTE, vehicle, equipment, training and qualification and work space – minimum $125K) would be required to investigate, document and refer complaints to the governing bodies where the actions or omissions of the professionals have undermined the Building Code Act and the OBC or the CBO's ability to enforce the legislations. This will be explored when the branch's Strategic Branch Review is undertaken in Q2 2009, as this review will consider changes to program and service delivery levels.

Recommendation 10

That the City develop a policy by which the BCSB can request an injunction or restraining order to ensure that the Owner complies in cases of disregard for the rules, such as this example.

Management Response

Management does not agree with the recommendation.

Each case must be evaluated on its own merits and the option to seek an injunction is already available in the Building Code Act and has been resorted to in the past, as circumstances have warranted. In addition, the seeking of injunctions requires considerable resource allocation, on the part of both BCS and Legal Services. Additional resources would be required to implement a more aggressive enforcement strategy. Whether injunctions are obtained is a determination of the Court and they are only granted in extraordinary circumstances.

In this instance, BCS did undertake the necessary inspections, did issue the required Orders and did successfully prosecute the owners of 215 Preston Street. Once the owners obtained the requisite planning approvals, a permit was issued, construction was inspected and it was determined to meet the minimum OBC standards.

Recommendation 11

That the BCSB ensure compliance with the Building Code Act and not try to balance the BCSB enforcement obligations and requirements with the business objectives of the Owner.

Management Response

Management does not agree with the recommendation.

BCS did escalate enforcement action when the owners failed to comply with the Orders and successfully prosecuted the owners. Once the owners had obtained the requisite planning approvals, a permit was issued, construction was inspected and it was determined to meet the minimum OBC standards.

The Act is written in terms of imperative "shall" and permissive "may" statements. While the CBO and Building Inspectors "shall" enforce the Code, they "may" issue Orders, and "may" prosecute. The reason for this disparity, in language, is that the legislators recognize that enforcement is achieved when there is compliance. This is usually arrived at without the necessity of either Orders or prosecutions and is usually in response to an incremental escalation of enforcement options.

In addition, the CBO is a persona designata deriving authority from the Building Code Act, with responsibilities defined by, not only the Act and the OBC, but also by the Building By-law, Ministry rulings, the Building Code Commission and the Building Materials Evaluation Commission rulings or decisions, and more importantly, by the judicial system (court decisions and common law principles). How the Act and Code are interpreted and implemented is very much couched or formulated from best practices, legal principles and actual court case precedents. In fact, there are only three entities that can determine Code compliance: the Chief Building Official, the Building Code Commission (for sufficiency only) and the Courts.

The Courts have held that the Act is "a complex piece of legislation which is, in general terms, aimed at setting and enforcing standards for all manner of construction and building projects in Ontario." In this regard, the complexity and technical nature of the Act require flexibility and balancing of various factors. There is an expected degree of reasonableness and flexibility to account for other variables, including business and practical realities of the property owner and the building industry. Thus, the branch mandate refers to the regulation of construction of buildings, first through leadership, education and collaboration. If these approaches fail in obtaining compliance, then through enforcement, including prosecution, etc. This was the approach adopted for this particular case and although orders, court prosecution, etc., were required, the construction was made compliant and the occupancy permit was eventually issued.

If the CBO does not have discretion or flexibility in the administration or enforcement of the OBC, this could lead to unintended and undesirable results of increased Code non-compliance and may force aspects of the building industry "underground". Diversion of this nature would defeat the objectives of the Act which seeks to ensure minimum standards for building construction in Ontario.

Finally, there is misapprehension as to what BCS is attempting to balance. It is not the needs of an individual business owner. Rather, it is recognition of the realities of a fast-paced development construction industry and the benefits to the broader public. The objective is to ensure that the construction will achieve Code compliance and that there is a sufficient discipline within the industry to enable this to occur.

Recommendation 12

That the CBO review the file for the specific building to ensure that all possible options for enforcement have been reviewed with Legal Services.

Management Response

Management agrees with the recommendation.

The CBO has and will take whatever action is considered necessary to obtain compliance. BCS did undertake the necessary inspections, did issue the required Orders and did successfully prosecute the owners of 215 Preston Street. Once the owners had obtained the requisite planning approvals, a permit was issued, construction was inspected and it was determined to meet the minimum OBC standards. There are no further options for enforcement.

Conclusion

The audit revealed that City staff complied with some of the requirements of the Building Code Act. Staff were faced with a difficult and un-cooperative owner who carried on with work regardless of Orders or other legislated obligations. At the same time, the Owner made small efforts to comply, suggesting that further compliance was forthcoming. Even though the BCSB was aware that construction was proceeding without a permit, the City did not pursue more forceful action that could have led to additional prosecution.

Staff tried to balance the Code compliance requirements with the objective of making reasonable demands from the Owner. Based on the BCSB responses to the draft of this report, the BCSB considers that their role is to facilitate construction, without affecting the economic engine of the City. The role of the BCSB should be to ensure compliance, by enforcing the City's By-law and the Building Code and not to adjust the compliance requirements to the business objectives of the Owner.

The owner proceeded with demolition and construction without a permit and delayed compliance. Other enforcement avenues or limitations to the business may
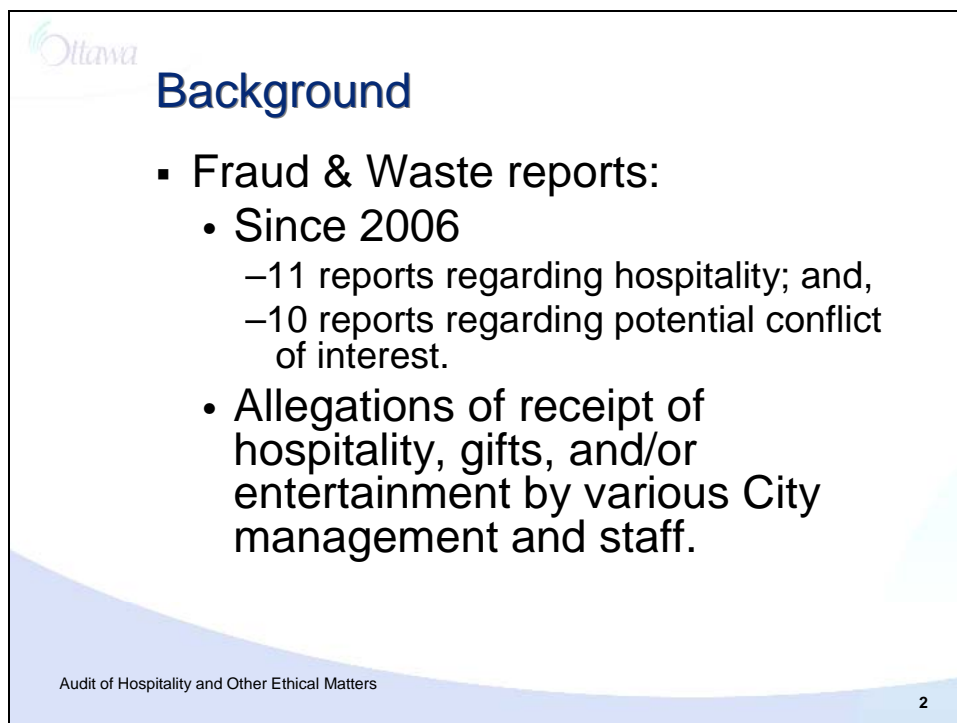
be required to force timely compliance. In addition, the architect appears to have been involved in abetting or otherwise acquiescing in the illegal construction and should be reported to the professional association.

For this classification of building, the Inspection Division will usually rely on field review by the engineer of record identified in the building permit application. In the case of this project, the structural design professional engaged by the Architect to review the work as required in the permit application did not carry out the required review visits and examinations. The owner subsequently engaged a different structural professional after the construction was completed, who was afforded a very limited review. It is concluded that the structural review letter is not sufficiently thorough for the complexity of the structure, and further review is recommended. The Chief Building Official has the legal tool to compel this inspection through an Order to Uncover.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management and staff.

3.23 Audit of Hospitality and Other Ethical Matters

Audit of Hospitality and Other Ethical Matters

Office of the Auditor General

Shaping our future together
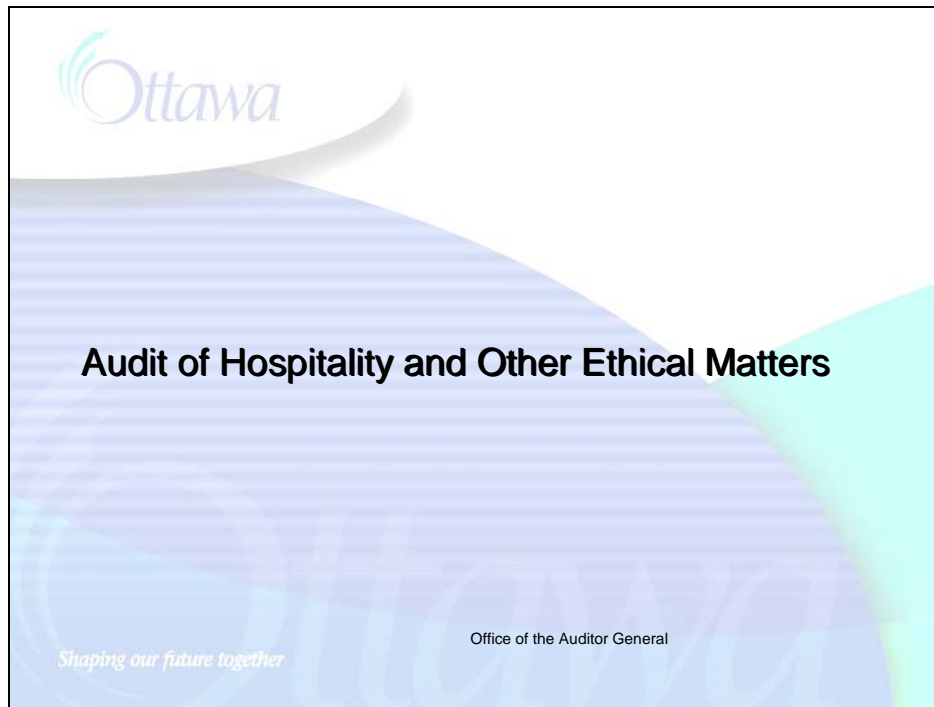
Background

- Fraud & Waste reports:
  - Since 2006
    - 11 reports regarding hospitality; and,
    - 10 reports regarding potential conflict of interest.
  - Allegations of receipt of hospitality, gifts, and/or entertainment by various City management and staff.

Audit of Hospitality and Other Ethical Matters

2

Background (cont'd)

- Other ethical matters identified in the course of the audit:

  – Afternoon hockey game against an engineering firm at Scotiabank Place;

  – Ski trip with suppliers; and,

  – Possible conflict of interest – An employee and an engineering firm.

Audit of Hospitality and Other Ethical Matters

3

Background (cont'd)

- Prior to June 15, 2007, employee conduct governed under three policies:
  – Code of conduct;
  – Gift & entertainment policy; and,
  – Hospitality policy.

- City Manager issued directives on June 11, 2007, and June 15, 2007 to clarify the City's position on acceptance of Hospitality.

Audit of Hospitality and Other Ethical Matters

4

Background (cont'd)

▪ This directive to staff states:

From: Kirkpatrick, Kent
Sent: <u>June 15, 2007</u> 3:15 PM
To: # Network Users
Subject: Note to Staff - Code of Conduct

I'm sure you are aware of the recent discussion with Council about the City's Code of Conduct and the sub-policies regarding gifts, entertainment and hospitality. I believe, and have heard from many of you, that staff understands the expectation held by the public that both real and perceived conflict of interest situations must be avoided in the conduct of public service.

The best way to achieve this is by removing any conditions from a consolidated policy that would warrant the receipt of hospitality by City staff. We are in the process of revising the policy and I expect that it will be complete within the next few weeks. **<u>In the interim, I would like to clarify that staff are not to accept any hospitality.</u>**

Note: Highlighting was not part of original memo sent June 15th by the City Manager.

Audit of Hospitality and Other Ethical Matters

5

Methodology

- Audit conducted from June 2007 to Oct. 2008;
- Selection risk based;
- 28 employees reviewed based on high volume of contracts;
- Applicable policies, and files were reviewed; and,
- City staff, and suppliers were interviewed.

Audit of Hospitality and Other Ethical Matters

6

Methodology (cont'd)

- Reviewed electronic communications, specifically:
  - E-mails between Nov. 2007 – Feb. 2008 (incl. E-mails saved in other folders); and,
  - Calendar events of select employees.

- Scope Limitations:
  - E-mails older than 90 days are purged;
  - Electronic calendar events were available for a longer period (providing it was used, and not modified/deleted).

Audit of Hospitality and Other Ethical Matters

7

Findings

Prior to June 15, 2007:

- Acceptance of hospitality was part of the corporate culture;

- Some staff considered it a requirement of Council;

- It was prevalent in many areas of the organization; and,

- Some managers considered the existing policies to be ambiguous and open to interpretation.

Audit of Hospitality and Other Ethical Matters

8

Findings (cont'd)

Prior to June 15, 2007:

- Hospitality accepted include:
  - Ottawa Senators game tickets;
  - Golf tournament fees;
  - Consultant organized receptions;
  - Lunches or dinners; and,
  - Social events.

Audit of Hospitality and Other Ethical Matters

9

Findings (cont'd)

Post June 15, 2007:

- Directive clearly articulated the City's position and expectations.
- What we expected:
  - Staff to avoid even the appearance of impropriety.
- What we found:
  - Nearly all employees adhered to the City Manager's directive; and,
  - Based on the audit, a limited number of employees continue to have close personal relationships with suppliers that may prompt the appearance of a conflict of interest.

Audit of Hospitality and Other Ethical Matters

10

Conclusion

- Prior to the City Manager's memo of June 15, 2007, the acceptance of hospitality was widely prevalent throughout the Corporation.

- There was a very positive change after June 15, 2007, as nearly all staff adhered to the new directives.

Audit of Hospitality and Other Ethical Matters

11

Conclusion (cont'd)

- Prior to June 2007, in many cases, contracts were sole sourced to suppliers that had extended hospitality to City staff.
- After June 2007, some employees continue to have close personal relationships with suppliers, or appear to have a conflict of interest.
- In the case reviewed in-camera, the City did not appropriately manage the conflict of interest.
- There is a need to remain vigilant, to ensure that old practices are not revived.

Audit of Hospitality and Other Ethical Matters

12

Recommendations

Recommendation 1

- That the City review the *Gifts, Entertainment and Hospitality Corporate Policy*, the *Hospitality (Internal) for City Employees Corporate Policy* and the *Employee Code of Conduct* in order to provide a consolidated reference for all managers and staff that will outline in plain language their obligations when dealing with any external parties to address any real or perceived conflict of interest.

Audit of Hospitality and Other Ethical Matters

13

Recommendations (cont'd)

Recommendation 2

- That the City revise the *Employee Code of Conduct* and related City policies to require regular reviews and renewals of any authorization given to an employee in relation to a declared potential conflict of interest, secondary employment or other provision of the *Code* or related City policy, and that this review/renewal be incorporated into the employee's annual performance planning and review cycle.

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

Recommendation 3

- That the City foster a corporate culture that acknowledges the need to ensure that all managers and employees carry out their duties with a focus on maintaining the highest ethical standards by:

    (a) Incorporating compliance with the *Employee Code of Conduct* and related City policies into the performance management system for all employees;

    (b) Issuing regular reminders for all managers and staff of the requirements of the *Employee Code of Conduct* and related City policies, through formal internal communications (e.g., City Briefs, Management Bulletin), as well as through more informal means (e.g., staff meetings, etc.);

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

Recommendation 3 (cont'd)

(c) Making available on the City's Intranet a collection of plain-language questions and answers, sample scenarios and guidelines that can assist managers and staff when they are confronted with a situation that may put them in conflict with the *Employee Code of Conduct* and/or related City policies; and,

(d) Making the *Employee Code of Conduct* available on Ottawa.ca.

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

<u>Recommendation 4</u>

- That the Standard Terms and Conditions of all City contracts (including Corporate and Departmental Purchase Orders, and Payment Without Reference) clearly state that "Hospitality is not to be extended to City Staff" and that the City offer orientation sessions to all of the City's suppliers, consultants, contractors, etc., to ensure that they understand and comply with the *Code* in all of their business dealings with staff.

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

<u>Recommendation 5</u>

- That the City ensure that all senior managers, as well as all employees involved in the procurement process, including those evaluating the technical merits of RFP's, be provided with specific training with respect to hospitality and conflict of interest guidelines, and to be vigilant and proactive in identifying any potential conflict of interest.

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

Recommendation 6

- That the City periodically review a listing, by manager, of sole sourced contracts greater than a certain value on a regular basis in order to identify high risk areas.

Recommendation 7

- That the City review its ITS retention period of purging all calendar e-mails older than 90 days and change the retention period to two years which represents the statutory limitation period.

Audit of Hospitality and Other Ethical Matters

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Recommendations (cont'd)

Management Response

- Management agrees with these recommendations and anticipates that the changes contemplated to the City's policies and practices will be in place by the end of Q3 of this year.

Audit of Hospitality and Other Ethical Matters

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4 2008 ANNUAL REPORT ON THE FRAUD AND WASTE HOTLINE

4.1 Summary of Hotline Reports

The City's Fraud and Waste Hotline was launched on November 1, 2005 in order to facilitate the reporting of suspected fraud or waste by employees. The Hotline is a confidential and anonymous service that allows any employee to report incidents 24 hours a day, 7 days a week. The Hotline is operated independently by a third party, Clearview, and is accessible either by phone or the Internet. Clearview has indicated that the City of Ottawa's usage continues to remain within the top 10% of their client organizations.

The Fraud and Waste Hotline was set to run for a period of three years. As was indicated upon the launch of the Hotline, an evaluation was to be undertaken during 2008 to measure its value to the City and determine if continued investment in the Hotline was warranted. At the February 25, 2009 Council meeting, the Office of the Auditor General provided a report to Council on the evaluation of the Fraud and Waste Hotline for the first three years of operation. The report recommended that Council direct the OAG to continue the operation of the Hotline and to also provide access to the general public. Council approved these recommendations and on May 21, 2009 the Hotline was offered to the general public.

The table below summarizes the reports received by the Hotline to December 31, 2008 by report category since its inception in 2005.

Fraud and Waste Hotline Reports as at December 31, 2008					
Report Category[8]	2005[9]	2006	2007	2008	Total
Harm to People or Potential Harm to People	0	0	0	0	0
Health and Safety, Environment	0	3	5	4	12
Alcohol or Drug Use or Other Substance Abuse	2	3	3	0	8
Theft, Embezzlement, Fraud	3	39	26	22	90
Unauthorized Use or Misuse of City Property, Information, or Time	3	33	50	34	120
Manipulation of Falsification of Any Data	2	2	4	3	11
Unethical Conduct or Conflict of Interest	0	5	17	18	40
Violation of Laws, Regulations, Policies, Procedures	2	11	13	16	42
Financial Reporting and Accounting	0	1	0	1	2

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[8]   See Appendix B for the definition of each category.
[9]   For the period of November – December 2005.

Fraud and Waste Hotline Reports as at December 31, 2008					
Report Category[8]	2005[9]	2006	2007	2008	Total
Management/Supervisor	0	2	5	3	10
Suggestions for Improvement	31	26	34	18	109
Suggested Areas for Audit	2	4	19	7	32
Other	3	6	14	14	37
Total	**48**	**135**	**190**	**140**	**513**

During 2008, 140 reports were made to the Fraud and Waste Hotline, of which 17 were reported by management in accordance with corporate policy.

In some cases, Hotline reports are transferred directly to management to be addressed, while in other instances the OAG has undertaken its own review, conducted a separate formal audit, or considered the matter as part of an ongoing planned audit. Our Office closed 139 reports in 2008, 96 related to 2008 and 43 related to prior years. Of these, 119 were transferred directly to management to be addressed, and 20 were addressed by the OAG.

4.2 2008 Audits Arising from Fraud and Waste Hotline Reports – Reports provided to Council

This section of the Annual Report presents a summary of audits completed in 2008 in response to Hotline reports and where audit reports will have been provided to Council.

4.2.1 Audit of Hospitality and Other Ethical Matters

Since 2006 there were 11 Fraud and Waste reports regarding hospitality and 10 regarding potential conflicts of interest. These included allegations of receipt of hospitality, gifts and/or entertainment by various City management and staff. The City Manager issued directives on June 11, 2007 and June 15, 2007 to clarify the City's position on acceptance of hospitality. Prior to June 15, 2007, employee conduct was governed under three policies, the Employee Code of Conduct, the Gift and Entertainment Policy, and the Hospitality (Internal) for City Employees Corporate Policy.

Audit findings for the period prior to June 15, 2007 showed that acceptance of hospitality was part of the corporate culture, that it was prevalent in many areas of the organization, and that some managers considered the existing policies to be ambiguous and open to interpretation. Hospitality accepted included Ottawa Senators game tickets, golf tournament fees, consultant organized receptions, lunches or dinners and social events.

The audit found that after June 15, 2007 the directive clearly articulated the City's position and expectations and that there was a positive change as nearly all staff adhered to the new directives. The audit found that a limited number of employees continue to have close personal relationships with suppliers that may prompt the appearance of a conflict of interest.

During an in-camera session of City Council, the Auditor General discussed matters in greater detail, including a possible conflict of interest relating to a staff member and an engineering firm.

4.2.2 Audit of the Building Code Services Process for 215 Preston Street

The audit found that numerous violations of the Provincial Building Code took place during renovations to a building located at 215 Preston Street. Although staff were aware that work was proceeding without a permit, the City did not pursue more forceful action that could have led to additional prosecutions.

Management has indicated that enforcement of the Building Code requires striking a balance between enforcement obligations and the business objectives of the property owner. The audit recommends ensuring compliance to the Building Code Act at all times.

4.2.3 Audit of Moonlighting and Corporate Risk Issues – Traffic Operations

This audit concludes that current and historic senior management within Traffic Operations Division and Public Works and Services, acted against the general management provisions of the current Employee Code of Conduct by not establishing necessary management systems to "establish and maintain adequate systems, procedures and controls to prevent and detect fraud, theft, breach of trust, conflict of interest, bias and any other form of wrongdoing".

The case reviewed in this audit indicates that the City does not have any mechanisms to manage conflict of interest. The main employee properly disclosed his conflict of interest but neither the employee nor the City exercised proper monitoring actions to ensure that private activities had no detrimental effect on the operations of the City.

In our opinion, every case of a declared conflict of interest should be evaluated to determine the impact on the operations of the City. If determined that the conflict of interest cause a real or perceived negative impact, such conflict of interest should be rejected and the employee should have a choice of either proceeding with the private activities and leave the City or stop the private activities and stay an employee of the City.

A municipality should not accommodate an employee conflict of interest to a point that it has a negative impact on its operations or on its image as a guardian of the public good.

4.2.4 Audit of an Allegation of Blogging on City Time

A Fraud and Waste Hotline report alleging that an employee may be blogging during work hours led us to audit the Senior Administrative Assistant, Planning Branch. We found that over the three and a half month period reviewed, the employee did not regularly visit blog sites. However, she had demonstrated a lack of judgment in forwarding an e-mail with a link to a blog to Councillors' Assistants.

The investigation led us to observe that the employee used both the Corporate e-mail system and Internet for non-business use and disregarded the City's Responsible Computing Policy. Closer supervision of this employee together with the completion of regular performance appraisals may have prevented this situation from occurring.

Our review uncovered a need for IT to establish a process where managers are informed each time sizeable personal folders are discovered on an employee's individual drive (i.e., H:/drive). In this case, IT requested that the staff member delete a large personal computer file without informing the operational manager.

The City's general philosophy is to let managers manage without intervention from corporate units. In this case, the process failed because corporate units did not provide managers with the tools necessary to carry out their managerial responsibilities.

4.2.5 Audit of an Allegation of Presenting a Former Employee with a Going Away Party

A fraud and waste report alleged that the City had disbursed considerable dollars to provide a former employee with a "going-away" party after severing his City employment. It should be noted that the former employee was provided with a separation package even though he was eligible to retire with benefits.

Our review revealed that on November 26, 2008, the Mayor awarded a former employee the Keys to the City at a reception costing $19,629. The original guest list for the event included 367 invitees. However, management advised that the list was modified to 140 guests in an attempt to keep the cost below $20,000.

The Keys to the City are typically awarded in recognition for contributions to the City, for public service, etc. Prior to amalgamation, at the former City of Ottawa, a Council motion was required to award the Keys to the City. However, the new City does not have any policy, procedure or guideline pertaining to this award. In fact, since amalgamation, the decision to award the Keys to the City has rested solely with the Mayor.

In total, since 2001, the City has spent approximately $276,500 to award the Keys to the City to 15 recipients, of which this award is the only one given to a City employee. Receptions were held for 13 of the 15 recipients (including the former employee) at an average cost of $21,268 and an average guest list of 138. Therefore, the former employee's reception was proportionate to the average reception cost and average number of guests for these events.

We understand that in being awarded the Keys to the City in a reception, which occurred during the same week the employee was leaving his position, there could have been a perception that he was being presented with a "going-away" party.

RECOMMENDATION

It is recommended that the City establish a protocol, to be adhered to once the decision to award the Keys to the City is made, which would dictate such matters as the upset limit of total cost per award event and the number of invited guests.

MANAGEMENT RESPONSE

Management agrees with this recommendation.

In reviewing existing practices and protocols as part of this audit, management has determined that none of the current procedures that guide Protocol have been approved by City Council. This audit has highlighted the need for management to review all of the existing Protocol policies and practices, not just those for the Key to the City. To address this, staff will be bringing forward a report to Member Services Sub-Committee that will present a comprehensive policy, with standards, guidelines and procedures for the Protocol function as a whole, for recommendation to Corporate Services and Economic Development Committee and Council.

With regard to existing procedures, the current City Clerk and Solicitor has determined that the Ottawa Transition Board established and staffed the Protocol Office without a mandate framework. Current Protocol policies and procedures were developed by staff under the direction of the former City Clerk and approved by the former Chief Corporate Services Officer. These policies and procedures do not incorporate controls like participation limits, budgets and maximum number of activities.

As part of the comprehensive review of Protocol practices, staff will be undertaking a best practices review of other municipal Protocol Offices. The resulting draft policy report will be accompanied by procedures, standards and guidelines defining the events and activities that will be undertaken by this office. This draft policy will outline formats for each type of activity and/or event assigned to the office, addressing issues such as budget and number of invited guests. In addition, the policy will include the process to have new activities and/or events added to the existing duties performed by the Office of

Protocol. The policy will be presented to Member Services Sub-Committee in Q4 2009, and it is anticipated that a Council-approved policy framework for Protocol will be in place by the end of Q1 2010.

4.3 2008 Other issues Arising from the Hotline - No Audit Report Provided

This section includes the summaries of sample Hotline reports which were addressed in 2008 but which were not the subject of specific audits. Where management has taken action, the outcomes are noted below.

4.3.1 Time and Leave

1. A Transit Fleet employee was running a personal business while on sick leave. The employee was subsequently terminated.

2. A Paramedic Services employee on long-term disability was found to be working at another job. The individual reimbursed an amount of approximately $27,000 that they were overpaid. No disciplinary action was taken.

3. A Solid Waste Operations employee was overpaid $5,000 during a period that was supposed to be unpaid leave. The overpayment was to have been recovered from the employee and was not. The City is still attempting to recover the money from the employee who has since left the City.

4. City employees from Water and Wastewater Services, Surface Operations and Parking and Traffic Operations branches of Public Works and Services were observed taking excessive breaks at a local restaurant. Written warnings were issued to 12 employees and written confirmations of verbal reprimands were issued to 6 employees.

5. A Surface Operations employee was issued a verbal warning for sleeping on the job.

6. By-Law Services employees were issued a verbal warning for taking an unauthorized break.

7. The issue of a Parks and Recreation employee's non-productive time resulted in a "letter of direction", as this was the second occurrence. The letter reiterated the direction to limit office interactions to work-related matters, the importance of respecting work hours, and the need to keep managers aware of their whereabouts.

8. An Employment and Financial Assistance work team planned to go on a boat cruise at Dow's Lake on a weekday afternoon after an off-site meeting. After the matter was reported to the Fraud and Waste Hotline, the Manager did not approve the event and the team was advised they were expected to return to their offices to complete the workday.

9. As a result of reports to the Fraud and Waste Hotline, reminders have been issued to Employment and Financial Assistance staff regarding Compressed Work Week and Alternate Work Arrangements. Protocols and processes are being put in place to ensure ongoing monitoring of the hours worked.

10. There was a report of a work area having multiple Christmas parties. Management indicated they will issue an overall guideline for all City staff regarding holding Christmas parties on work time which will be published in City Briefs in early December.

4.3.2 Misuse of City Equipment other than Computer

An employee was issued a letter of discipline for violations of the City's Employee Code of Conduct and for Use of City Property and Assets Policy including use of a City vehicle for personal use.

4.3.3 Theft of Goods

1. A Surface Operations employee attempted to defraud the City by selling road salt for significant personal financial gain and their employment was terminated. Management has changed the control procedures for salt.

2. The theft of drugs at a City-run long term care facility was poorly handled internally when Management chose to report the matter to the RCMP when it should have been reported to the Ottawa Police Service as recommended by Corporate Security. No disciplinary action was taken with respect to the staff person responsible for reporting the matter to the wrong police service. However a general notice was issued to all staff in June 2009.

3. The theft of Gravol pills from a City-run long term care facility was investigated and recommendations were made by Corporate Security to tighten inventory control policy and procedures, access control, and alarm monitoring devices.

4.3.4 Fuel Card Program

1. Fleet Services noticed that there was fuel being charged to the City account without an accompanying receipt being returned from the approved gas station. This resulted in a criminal investigation in which the Ottawa Police Service will be laying charges against two gas station employees. The amount of the fraud against the City was in excess of $16,000, which the City is currently recovering from the gas station company. This reiterates the importance of Fleet's role of monitoring and control.

2. There was a concern with the fuel card tracking system being used for approximately seven to eight Fire Services vehicles whereby the cards are assigned to a vehicle and not to an individual. These cards could be used to fuel any vehicle with no audit trail to a specific staff member. A new system for these fuel purchases was to have been implemented in January 2009.

4.3.5 Vehicles and Equipment

1. A City truck and trailer with equipment were stolen from a City yard. A Surface Operations employee had left the keys in the truck. The truck and trailer with equipment had been recovered from a parking lot where the truck had been set on fire and the trailer and equipment suffered extensive damage. A letter was placed on the employee's file documenting the failure to adequately secure City equipment and that there was potential for further discipline if there is a reoccurrence. The employee's negligence resulted in a total loss of $29,000 for the City for the damages to the trailer, equipment and vehicle.

2. A Water and Wastewater Services employee used a City vehicle to take their camper trailer to a campground for a long weekend while they were on call. A written reprimand was issued for the unauthorized use of a City vehicle.

4.3.6 Lost Revenue

There was a one-month delay, from January to February 2008, in implementing the Council-approved rate changes to the tipping fee at the City landfill site. This resulted in estimated lost revenue of $15,000. As a result of this report, management advised Council of this delay in December 2008.

4.3.7 City Recreation Programs

1. An employee printed fraudulent membership cards to provide access to a Parks and Recreation gym. The employee was terminated.

2. Employees were taking money from a Parks and Recreation cash register for a staff year-end party. The practice was happening with the knowledge of the supervisor. There was $270 taken from the cash register and put aside for the staff party. Of this total, $160 was subsequently found and $110 was unaccounted for. Two employees were terminated and others were reprimanded. Parks and Recreation in conjunction with Corporate Cash Operations have indicated they will improve the present procedure for handling of cash at outdoor pools and perform random audits.

3. Parks and Recreation staff were placing their children in recreation programs without paying. Management had permitted the practice. As a result of this report, the practice of staff placing their children in City programs without paying has ceased.

4. There was a theft of $1,000 cash from a Parks and Recreation facility. At the time of the theft, cash handling was inadequate. Management has undertaken to improve the controls over these procedures.

4.3.8 Job Duties

Supervisors became aware that a staff member, when wearing safety equipment, exceeded the rated weight capacity for safe retrieval from a manhole and therefore

cannot perform all the requirements of his position. Management has identified an action plan to address this matter.

4.3.9 Conflict of Interest and Nepotism

1. A Paramedic Services employee was running a personal business, which provided first aid training in direct competition with the City. The employee was advised to cease the practice immediately.

2. A volunteer firefighter provided contracting services to the City, which hadn't been disclosed to the City. As a result, management has indicated that volunteer firefighters will be included under the City's Employee Code of Conduct, and conflicts of interest and moonlighting will need to be disclosed in the future. In this case, we found $151,000 had been paid to the firefighter for contracting services for the period from January 2001 to March 2009, in addition to the $109,000 paid as a volunteer firefighter.

3. A report of nepotism was investigated where it was found that a volunteer firefighter was reporting to their spouse. It was found that the volunteer firefighter received a greater number of hours of work than other volunteer firefighters. This resulted in a letter of discipline and a change in the reporting relationship.

4. There was another case of a reporting relationship between two spouses which occurred in Paramedic Services, contrary to policy, for a period of seven months. Management was aware and did not take any disciplinary action. Management subsequently indicated there had been a temporary change to the reporting structure to manage this reporting relationship, however this had not been reflected in the organization structure.

5. A daughter was hired within Children Services Branch, where her mother was one of three supervisors. There had not been a staffing competition. Management has reviewed policies and committed to consulting Staffing and Client Relations before hiring family members into the Division in the future. They also reviewed posting and filling requirements as outlined in the collective agreements, and recognize the need to post vacancies in accordance with the collective agreements. Our office has previously raised issues of conflict of interest and nepotism in the 2007 Audit of Staffing.

4.3.10 Procurement

The service for insurance adjusters/investigators was not acquired through the competitive procurement process, in non-compliance with the City's Purchasing By-law. This service was sole-sourced at a cost of $142,000 since amalgamation (2001 was $71,000, 2002 was $46,000, 2008 was $17,000 and 2009 was $8,000). A competitive bidding process has now been undertaken and the supervisory responsibilities have been reassigned from the person that was responsible. Staff,

including this individual, will be reminded of the obligations contained in the City's Employee Code of Conduct and the Gifts, Entertainment and Hospitality Policy.

4.4 Issues related to usage of Corporate E-mail and Internet Resources

As a general comment on the activity arising from the Hotline, we would like to highlight the continuing issues related to usage of the corporate e-mail and Internet resources by some City employees. Our 2005 audit in this area revealed significant issues regarding excessive and inappropriate usage. This was reported again in the 2006 and 2007 Annual Reports. Numerous Hotline reports in 2008 confirmed that this remains an issue for the City. In 2008, the City's own testing of the 50 top Internet users and a random 50 users continued to reveal inappropriate use. Overall, management found that in 31% of cases, use was unreasonable.

For reports in 2008, in addition to the testing of Internet use, there were nine reports of allegations involving ten employees relating to potential non-compliance with the Responsible Computing Policy. Of these nine cases, one case was reported to the Hotline by management.

The results of management reviews found that actual use in these cases ranged from appropriate use to excessive non-City business use and inappropriate content. Employees with excessive and inappropriate use were from across the City including Transit, Finance, Infrastructure Services, Parks and Recreation, Public Works Operations Planning, Employment and Financial Assistance, Real Property Asset Management, Information Technology, Cultural Services, Material Management, By-law, Traffic Operations, 3-1-1 Contact Centre, Water and Wastewater and Paramedic Service. Discipline ranged from verbal warnings to suspensions. A summary of the results of management's reviews in these 110 cases is detailed in the chart below:

Fraud and Waste Hotline Reports related to Usage of Corporate Email and Internet Resources		
	2008	**2008**
Outcome	**# of Employees**	**%**
Inappropriate Use – Disciplinary Action Taken	17	15
Inappropriate Use - Letter of Expectations or Instruction	9	8
Inappropriate Use - Policy reviewed with staff member	1	1
Discipline pending results of further Management investigation	4	4
Staff no longer with City	3	3
Use was reasonable	76	69
	110	100

Some of the cases included in the above table are detailed below:

- In addition to excessive non-City business use of Internet and e-mail, an Infrastructure Services employee used City resources such as the City scanner, printer and CD burner as well as City supplies such as blank CDs and paper for personal purposes for himself and others. The employee copied and burned music for others and gave it to them. This employee had pre-signed blank time entry forms for his subordinate. A five-day unpaid suspension was imposed.

  Management also indicated that during work hours this employee "spends most of his time doing work" and that "during slow periods, which can be an hour or two at a time, that the employee would occasionally engage in non-work related activities." The employee indicated that, "he surfs the Internet for personal reasons during down times".

- In addition to excessive non-City business use of the Internet and e-mail, another Infrastructure Services employee used City resources such as the City scanner, printer and CD burner and City supplies such as blank CDs and paper for personal purposes. The cumulative use of supplies appeared to be less than the prior employee. A three-day suspension was imposed.

  In both the above-mentioned cases, employees had downloaded software and installed it on their City computers without IT authorization (i.e., Google Earth, Briscola (a card game similar to Solitaire), and Quicktax).

- A Finance employee used the City classified ads to advertise products for a third party that were not authentic and received a non-disciplinary note.

- A Finance employee had excessive personal computer use due to insufficient workload. The employee was assigned additional work and was given a letter of expectation. The Manager is continuing to monitor this matter.

The amount of time some employees are spending on personal e-mail and Internet use indicates to us that these positions may not be required for City business and therefore represents opportunities to review the need for these specific FTEs. These incidents also indicate to us that supervisory oversight is inadequate in many areas.

5 2009-2013 AUDIT PLAN

5.1 Methodology

In accordance with the By-law governing the Office of the Auditor General, the following presents an update to the three-year audit plan that was presented in 2008, beginning with the 2009 plan. While specific audit projects have been presented for 2010-13, the actual projects to be conducted are subject to revision and will be confirmed in subsequent annual reports by the Auditor General to Council.

The work plan presented here is for five years, taking it to the end of the mandate of the current Auditor General.

The methodology used to develop our audit plans includes the following key steps:

- Meetings with Councillors and Senior Managers;
- Review of budget documentation;
- Review of former audits conducted at the City;
- Review of audit plans from other municipalities;
- Input from Auditor General's staff;
- Meetings with external auditors and review of management letters; and,
- Assessment of programs and services against selection criteria and risk analysis.

Several specific selection criteria were used to identify potential projects and select the audits outlined in the plan, including:

- Program/Service has direct impact on citizens;
- Risk/Impact of service disruption on public safety, convenience, financial exposure;
- Discussions with Council, Senior Management;
- Budget size (including number of staff);
- Last time audited; and,
- Fraud and Waste Hotline reports received.

5.2 Regular Follow-up Audits

When the OAG was created in 2004, a decision was made to postpone conducting follow-up audits in order for the Office to focus on new audits and build a series of recommendations that would be followed up after a period of 4-5 years. As such, the 2009 work plan has focussed on these follow-ups, which will be reported upon in the Annual Report of 2010. At this point, it is appropriate that follow-ups occur on a more regular basis. This will also address Council's desire for more frequent follow-up. Accordingly, all work plans for 2010-2013 will include a follow-up component.

5.3 Real-time Audit of Infrastructure Projects

Earlier this year, the federal government announced an economic stimulus package that would provide funding to municipalities for approved infrastructure projects. In June 2009, the OAG attended a symposium for federal and municipal audit staff to discuss the need for on-going audit work related to this stimulus package in order to provide assurances that funding is utilized as planned and in a timely manner. The Auditor General of Canada has established a process to examine this from a federal perspective. Similarly, the City of Ottawa's OAG is planning to

undertake real-time audits of projects being managed under this stimulus funding throughout the period of 2010-2013.

5.4 2009 Audit Plan

It is estimated that approximately 1,000 separate recommendations have been made to management since 2005. As was discussed and supported by the CAWG, the focus of the entire audit plan in 2009 will be to follow up on all previously completed audits.

In addition to the follow-up audits, a number of audits were added to the 2009 audit plan as a result of requests from Council or Fraud and Waste Hotline calls. These include:

1. Audit of the Lansdowne Park Proposal Process

2. Audit of the Incremental Costs of the Transit Strike 2008-2009

3. Audit of the Revenue Division

4. Follow-up of the 2008 Audit of the Parking Function

5. Audit of Eight Specific Building Services Files

6. Audit of Five Specific Staffing Processes

7. Audit of Specific Structural Drawings of House Designs

8. Audit of Specific Contracts at the Nepean National Equestrian Park

9. Audit of Bridge Maintenance Program

10. Audit of Bridge Maintenance Process for a Specific Bridge

11. Audit of Payroll

5.5 2010 Audit Plan

1. Real-time Audit of Infrastructure Projects related to the Federal Economic Action Plan

2. Car Mileage and Use of City-owned Vehicles

3. Unique Recreational Facilities (e.g., Pineview Golf Course, Nepean National Equestrian Park, Nepean Sailing Club, etc.)

4. Financial Audit of the Lansdowne Park Proposal

5. Selected Grant Recipients

6. Glen Cairn Sewer Rehabilitation

7. Specific Zoning Agreement

8. Bus Shelter Maintenance

9. Construction of the Firefighters' Memorial

10. Communication Devices

11. Audits arising from the Fraud and Waste Hotline

12. Audits arising from Requests by Council

13. Follow-up of Selected Completed Audits

5.6 2011 Audit Plan

1. Real-time Audit of Infrastructure Projects related to the Federal Economic Action Plan

2. Performance Measurement

3. Strategic and Environmental Services Division

4. Road Resurfacing Program

5. By-Law and Regulatory Services – Licensing and Programs

6. Occupational Health and Safety

7. Records Management

8. Selected Grant Recipients

9. Audits arising from the Fraud and Waste Hotline

10. Audits arising from Requests by Council

11. Follow-up of Selected Completed Audits

5.7 2012 Audit Plan

1. Real-time Audit of Infrastructure Projects related to the Federal Economic Action Plan

2. Treasury

3. Print Shop

4. Performance Appraisal Process

5. Corporate Communication

6. Selected Grant Recipients

7. Audits arising from the Fraud and Waste Hotline

8. Audits arising from Requests by Council

9. Follow-up of Selected Completed Audits

5.8 2013 Audit Plan

The final year of the current AG's mandate is 2013. Therefore, unless specifically requested by Council, no audits will be launched in 2013 if they cannot be completed prior to the end of the year.

In addition to the 2013 audits, the OAG will coordinate efforts to recruit the next AG. It is anticipated that this process will begin in 2010, culminating in the selection of a new AG in 2013.

1. Specific audits still to be determined

2. Selected Grant Recipients

3. Audits arising from the Fraud and Waste Hotline

4. Audits arising from requests by Council

5. Follow-up of Selected Completed Audits

APPENDIX A: RECOMMENDATIONS TO BE RAISED TO THE ATTENTION OF THE AUDIT, BUDGET AND FINANCE (ABF) COMMITTEE

2008 Annual Report Audits	Total Recommendations	Management agrees	Management disagrees raised to ABF Committee	OAG considers certain recomm. should be raised to ABF Committee for discussion	Recommendation #
Ottawa Paramedic Service	34	32	2	0	3, 27
Long Term Care Branch	75	67	8	0	12, 15, 18, 33, 44, 47, 51, 55
Children's Services Division	28	28	0	0	
Grants and Contributions	13	12	1	0	8
Audit of Governance and Compliance with Access Management Agreement of the Southpointe Community Association	14	14	0	0	
Audit of Governance and Compliance with Community Funding Service Agreement of the Banff Avenue Community House	12	12	0	0	
Year-End Spending 2004-2007	3	3	0	0	
Assessment and Monitoring of Eligibility for Social Housing Subsidies	17	15	2	0	11, 12
Sick Leave Management	32	32	0	4	4, 6, 8, 24
Traffic Operations	20	20	0	1	11
Moonlighting and Corporate Risk Issues - Traffic Operations Division	9	9	0	1	4
Allegation of Blogging on City Work Time	8	8	0	0	
IT Capital Expenditures and Project Approval Process	14	13	1	0	14
Parking Function	17	17	0	0	
Building Code Services Process for 215 Preston Street	12	4	8	0	1, 2, 3, 4, 5, 7, 10, 11
Hospitality and Other Ethical Matters	7	7	0	0	
2006 Sewage Spill	6	6	0	0	
City of Ottawa Water Rate	8	8	0	0	
Total 2008 Recommendations - Annual Report	**329**	**307**	**22**	**6**	

Audit of the Ottawa Paramedic Service

System-Wide Performance Constraints/Core Drivers of Service Delivery Outcomes

Recommendation 3

That the City adopt a clear, transparent position regarding the current DPCI triage tool and the renewal of the Ministry communications centre contract by:

a) Immediately petitioning the Minister of Health for a communications dispatch framework identical to the framework enjoyed by the City of Toronto;

b) Establishing a results-based communications contract with the Ministry of Health based on outcomes and not prescriptive processes, software tools or triage methodologies;

c) In the absence of a results based contract featuring operator choice of triage methodologies, petitioning for the opportunity to dispatch calls without triage; and,

d) In the absence of either of the above options being accepted by the province, withdrawing from consideration for the renewed communications operator contract.

Management Response

Management agrees with parts a), b) and c) of this recommendation.

The branch concurs with the acquisition of AMPDS as the dispatch tool and a more liberal dispatch communications framework. Management will continue to advocate to the MOHLTC for the implementation of this tool in Ottawa.

Management disagrees with part d) of this recommendation. In management's opinion, the audit report overlooks the operational and strategic value already realized in an integrated communications centre. The City's paramedic dispatch unit has been recognized as the best performing dispatch centre (T0-T2) in the province as indicated in OMBI's 2007 public report.

The branch has found that an integrated dispatch team allows for several operational efficiencies such as, but not limited to:

- the availability of real time data enables staff to evaluate and adjust their performance on a daily basis; and,

- modification of the deployment plan in real time allows staff to adapt to changing situations in the community e.g., major events, road closures, etc.

In addition, management integration allows for common management objectives for the entire service, allowing us to meet Council and community expectations that would not be possible in two separate organizations.

System Performance Verification and Review of Operational Processes and Practices

Recommendation 27

That the Ottawa Paramedic Service develop a deployment policy that would see ACP resources responding only to Code 4 calls, similar to their policy for Paramedic Rapid Response (PRU) response priorities.

Management Response

Management disagrees with this recommendation.

Present staffing precludes this recommendation from being implemented at this time. A change in legislation and the acquisition of a better dispatching tool (AMPDS) would be required for the branch to support and implement this recommendation.

Current legislation requires that the closest ambulance be sent to any life-threatening call; therefore, the choice of an ACP resource being sent versus a PCP resource could not be accomplished without legislative change. With the acquisition of AMPDS and appropriate resourcing, the principle could be applied by sending a second unit with ACP after the closest unit is sent. Operationally, the first unit would then clear and be available for another call. This cannot be accomplished in a service that is always at critical levels of availability.

Audit of the Long Term Care Branch

Recommendation 12

That the Branch adopt the practice that has been employed at Champlain for the "Journal interne Soins infirmiers".

Management Response

Management disagrees with this recommendation. There are branch and home templates for staff, resident and family newsletters. The practice at Champlain represents a diversion from branch policy and a duplication of work. This practice represents an inconsistency in staff communication and the branch director would like to see it discontinued by Q4 2008. Elements of the Champlain newsletter will be incorporated into the templates. The required process will be documented as part of a long term care comprehensive communication program for staff.

Recommendation 15

That the City complete the procedures in the Managers Tool Kit and combine the various manuals into one key binder as well as update the Ozone intranet site.

Management Response

Management disagrees with this recommendation. The 'LTC Managers Tool Kit' was developed as an orientation tool for new managers in LTC. The toolkit is a reference manual, not a policy and procedure manual and refers managers to Ozone for various types of information. The toolkit is updated regularly, as new information becomes available via e-mails to managers. It is the individual responsibility of each manager to insert the revised information into their respective manual. This process will be reviewed and the reassignment of this task to the same responsibility centre for revisions to other policy and procedures manuals in each home will be considered. The toolkit has been shared at a departmental level. It is outside the scope of authority for the LTC branch to make this toolkit a corporate resource.

Recommendation 18

That the Branch and FSU develop a preferred accommodation policy and associated procedures to be shared with the Community Care Access Centre in order to provide clarity and an avenue for communication to continue to improve preferred revenue income.

Management Response

Management disagrees with this recommendation. LTC currently has policies and procedures in place to notify the Community Care Access Centre when bed vacancies arise. This policy has been shared with the CCAC to ensure that preferred accommodation is maximized.   It requires that the type of accommodation available (preferred or basic) be identified at the time of notification.

LTC complies with regulation 39.0.1 under the Homes for the Aged and Rest Homes Act which states that, "a home shall ensure that no more than 60 per cent of the bed capacity of the home is set aside as preferred accommodation". Collectively, preferred accommodation revenue was at 96% for 2006, 97% for 2007 and is at 99% as of the end of August 2008.

Recommendation 33

That the Branch review its accountability framework as it relates to financial requirements and move to an integrated budgeting approach in conjunction with the CPS Department and City as a whole.

Management Response

Management disagrees with this recommendation. The Auditor General has concluded that Corporate Finance provides guidelines and parameters for budgets and this practice leaves fewer opportunities for decision-making at the branch level. Management receives budget guidelines and parameters from City

Council, not Corporate Finance. Yearly targets are identified through the branch hierarchy and are then reviewed at a branch/departmental level prior to being presented in the draft budget.

The Long Range Financial Plan also allows the branch to identify required needs within the City Operations department and the City as a whole.

Recommendation 44

That the Branch review its fundraising activities to assess possible revenue sources on behalf of residents.

Management Response

Management disagrees with this recommendation. The homes do not have a fundraising role. However, commencing February 2009, LTC will have staff representation on the new Long Term Care Prosperity Fund Board of Directors. This is a new community-based initiative with the intent to leverage community funds for supplemental long term care programs.

Recommendation 47

That the Branch develop improved access card procedures, particularly with respect to the issuance of cards to residents/families and to the processes for after hours cancellation.

Management Response

Management disagrees with this recommendation. Effective procedures are currently in place with respect to access cards. In addition, there is a process in place for immediate cancellation of cards after hours. The Power of Attorney for personal care has the authority to contact the Home's administrator to verbally change the access hours for a card during a situation of end of life care. The facility charge nurse has the authority to contact the administrator or their designate to authorize a change in card access after hours as per policy and procedure (reference no. 750:25 Access cards – Families and Residents). This policy will be reviewed with staff in Q2 2009.

Recommendation 51

That during the next round of strategic planning for CPS, the Branch take on a more active role to ensure the vision of the Branch is reflected in the CPS Plan.

Management Response

Management disagrees with this recommendation. LTC is actively involved in departmental planning and believes that the branch vision is adequately reflected in the City Operation department's plan. Since 2001, LTC has had a strong focus on resident/customer satisfaction. Both the departmental and corporate plans reflect this vision.

Recommendation 55

That the Branch assess the risk of absence of the sole staff member responsible for the Balanced Scorecard indicators and respond with an appropriate contingency plan.

Management Response

Management disagrees with this recommendation. This function is not that of a sole staff member. All managers are responsible for entering their program data into the balanced scorecard templates and there is a manager with oversight responsibility for the program. To date there have been no issues with this approach, which is reviewed annually as part of strategic and operational planning process.

Audit of Grants and Contributions

Recommendation 8

That the conflict of interest procedures be revised to ensure any juror declaring a conflict does not participate in the assessment of other organizations requesting funding from the same envelope.

Management Response

Management agrees with this recommendation for Community Funding but disagrees for Cultural Services Funding.

The Community Funding Policy and Procedures Manual includes a procedure that requests Allocations Committee members for the Community Project Funding (Non-Renewable) program sign a confidentiality/conflict of interest agreement. The Allocations Committee for the 2008 Community Project Funding program also recommended that any agency applying for Community Project Funding not be included on the Allocations Committee. This revision will be made to the Community Funding Policy and Procedures Manual by Q2 2009.

Cultural Funding staff makes every effort to recruit assessors who are free of conflict of interest with all applicants. However, the purpose of the peer assessment system is to select qualified and knowledgeable assessors from the field and these assessors may have contacts with one or more of the applicants. It would be extremely difficult to recruit and retain jurors if they were completely excluded from a jury because of a declared conflict. The City follows the example of other grants agencies such as the Canada Council and has established strict protocols to address the issue of conflict.

All potential Cultural Funding jurors and independent assessors sign a confidentiality and conflict of interest agreement that requires them to declare any current or former involvements that could influence or appear to influence

the objectivity and impartiality of their judgements. Where an actual or potential conflict of interest exists, it must be disclosed and the assessor must abstain from any and all participation related to it, and leave the meeting for the duration of the discussion. The Cultural Funding juror must also refrain from attempting to directly or indirectly influence the decision of the jury with respect to the application. Cultural Funding jury notes record the juror's disclosure of interest, their withdrawal from the meeting and the fact that they did not take part in the discussion.

Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies

Recommendation 11

That the City seek Council direction on the desire to petition the Ministry of Municipal Affairs and Housing to allow the City to require confirmation that anyone claiming abuse has commenced legal proceedings.

Management Response

Management disagrees with this recommendation.

Individuals fleeing abuse may lack financial or other resources required to commence legal proceedings, or they may not be ready or willing to do so. Although confirmation that legal proceedings have commenced would be helpful in documenting an individual's situation, a letter signed by a doctor, social worker, or other acceptable representative, as is the current requirement, is a more appropriate indicator of need.

Recommendation 12

That the Registry reduce the types of documents that establish that a household meets the residency eligibility requirements by only allowing for example the following types of proof:
- **Canadian passport**
- **Birth Certificate issued by a Canadian Province or Territory**
- **Landed Immigrant Status paper**
- **Residency card issued by the Canadian Government**

Management Response

Management disagrees with this recommendation.

Management agrees that the list of acceptable documentation should be limited but also believes that the Service Manager needs to retain flexibility so as not to deny an eligible household who may be without the aforementioned documents at the time of application. Examples of such circumstances could include: a household fleeing abuse or a family becoming homeless because of a fire in their

residence – leaving their documentation behind. It takes time and money to re-establish residency and some temporary discretion should be allowed in situations such as these. In addition, current legislation allows and promotes flexibility in residency eligibility documentation in cases of provincial housing priority (Special Provincial Priority) for households experiencing domestic violence.

Management believes that it is reasonable to substitute alternative documents such as Ontario Works (OW) or Ontario Disability Support Program (ODSP) pay stubs as proof of residency status. OW and ODSP have rigorous standards which must be satisfied confirming residency status before funds are issued.

Audit of Sick Leave Management

Recommendation 4

That the City ensure that all employees provide the required satisfactory medical certificates to EH&W within the prescribed number of days, as stipulated by individual collective agreements and that the City not pay these absences until a satisfactory medical certificate is received.

Management Response

Management agrees with this recommendation.

Management agrees that it is an employee's responsibility to submit satisfactory medical certificates in a timely manner to their manager, to whom falls the responsibility for accepting or rejecting the certificates on the basis of established criteria and ensuring satisfactory certificates are forwarded to EH&W for inclusion in the employee's medical file.

Management also agrees that it is a manager's responsibility to ensure that approved, certified sick leave is entered into SAP for payment only after a satisfactory medical certificate has been received and approved per the applicable collective agreement.

Recent improvements have been made to the sick leave tracking process. Since May 2009, managers have been receiving emails advising them when their employee(s) sick leave has been entered into the SAP system and that a medical certificate is required. This allows the manager to better manage the certification process and to ensure that sick leave is appropriately approved and paid

By September 2009, if an employee submits time sheets for uncertified sick leave and his or her uncertified sick leave is exhausted, the time submitted will automatically revert to unpaid sick leave if a medical certificate has not been submitted and approved to support certified sick leave.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 6

That Employee Health and Wellness ensure that medical certificates are appropriate and meet the City's requirements and be given the final authority to challenge medical certificates.

Management Response

Management partially agrees with this recommendation.

Management agrees that only those medical certificates that meet established criteria are to be accepted for substantiating sick leave (criteria to be formalized as outlined in Recommendation 5).

However, management disagrees with the suggestion that EH&W has the responsibility and final authority for the approval of medical certificates: this is the responsibility of managers.

EH&W will establish the criteria for acceptable medical certificates based on their expertise and recognized industry practice, and will continue to provide guidance to management in the application of the criteria in support of managers' responsibility to approve leave and manage the attendance of employees. Going forward, managers will be reminded of their responsibility for approving all types of leave (including sick leave), and will be provided training in support of this responsibility.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 8

That Employee Services ensure that those certificates, which are received and satisfactory, are promptly and accurately entered in SAP.

Management Response

Management partially agrees with this recommendation.

Management agrees that the receipt of satisfactory medical certificates should be promptly and accurately recorded in SAP.

However, management disagrees that this is a responsibility of Employee Services (Human Resources): ensuring that time/leave is approved and properly submitted is a management responsibility. Accordingly, managers are responsible for accepting or rejecting medical certificates based on established criteria, and for approving employee time/leave in accordance with the applicable collective agreement or policies through the established processes.

As part of the current time/leave automation project, the capability for management to indicate their approval of medical certificates while entering the corresponding time/leave will be developed byQ4 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 24

That Employee Services ensure all employees are captured in the AMP databases, rerun the export of the data from SAP for the previous cycle to ensure data accuracy, and that the databases be reviewed by another resource before spreadsheets are provided to departments.

Management Response

Management partially agrees with this recommendation.

Human Resources (Employee Services) will ensure that all sick days for employees within the scope of the AMP are captured in the AMP database, including those employees who retire/leave the City during the year (with the exception of firefighters on pre-retirement leave in accordance with their collective agreement provisions).

While management agrees with the need to work with accurate data, management disagrees with re-running of the previous cycle's data export for every six-month cycle, as conducting the second data download is not cost effective.

SAP data is accurate and reflects the information inputted by the branches. Historically, there have been approximately 20 discrepancies in each cycle out of 11,000 employees in the AMP. These discrepancies are largely due to timesheets being entered after the semi-annual data download is complete. If timesheets are entered in a timely fashion and if management compares their AMP spreadsheets with their branch records and responds back to the AMP administrator with discrepancies, the necessary corrections will be made.

There is no recognized value in the database being reviewed by another resource because there would be no way for this second resource to know whether data was missing or not. This has primarily been an issue for a small number of employees in those groups where Telestaff is used to schedule employees in 24/7 operations. When Recommendation 21 is implemented by Paramedic Services, the occurrence of this problem will be greatly minimized.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Audit of Traffic Operations

Recommendation 11

That the City take immediate action to cease the moonlighting activities of all City employees, including Mr. Jim Bell, with Partham Engineering.

OAG COMMENT: In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

Management Response

Management agrees with this recommendation.   The Legal Services branch will work closely with senior management in the Public Works department to address any real or perceived conflicts of interest or violations of the Employee Code of Conduct within the context of the revised organizational structure and in compliance with the requirements of any contract of employment or collective agreement, by the end of Q3 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Audit of Moonlighting and Corporate Risk Issues – Traffic Operations

Recommendation 4

Where a declared conflict of interest has been determined to have a serious operational impact, (either actual or perceived) and it impairs the employee's ability to carry out his/her responsibilities, that the City give the employee the option of terminating the conflict, or being removed from the position. This recommendation applies to Mr. Bell and all City staff working for Partham Engineering.

OAG COMMENT: In order to ensure City management was fully informed prior to bringing the organizational restructuring before Council on March 25, 2009, we raised the issues relating to Partham Engineering conflicts to the General Manager, Public Works on January 23rd. We also subsequently issued on February 2nd, earlier than had been scheduled, the draft report to the City Manager.

Management Response

Management agrees with this recommendation. The Legal Services branch will work closely with senior management in the Public Works department to address any real or perceived conflict of interest or violation of the *Employee Code of Conduct* within the context of the revised organizational structure and in

compliance with the requirements of any contract of employment or collective agreement by the end of Q3 2009.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Audit of the IT Capital Expenditures and Project Approval Process

Recommendation 14

That management centralize the Corporate IT Capital budget within a single funding envelope and ensure that annual IT Capital budgets are presented for approval on a consolidated basis.

Management Response

Management disagrees with this recommendation.

For the past two budgets (2007 and 2008), the capital budget has been presented and status reports were prepared by service area. From an IT perspective, this means that if an IT-related project relates to a specific service area such as Long Term Care, that project will be presented in the Long Term Care service area. This was recommended and approved by Council in 2004 in the "It's About Accountability" document prepared by Plamondon and Associates. Corporate IT budgets that do not relate to a specific service area are presented together.

More recently, the Mayor's Task Force on e-Government conducted an external best-practice assessment of the IT budget, and specifically noted that combining IT capital funds into one budget confuses accountability. The City's SAP system can easily produce a consolidated report of IT spending from numerous cost centres and internal orders.

Since IT exists to make other branches more effective and efficient, it is important for Council to ensure that departments exploiting the technology are accountable for the benefits. To that end, the LRFP Sub-Committee recently recommended to Council that "staff be directed to incorporate anticipated efficiency savings from investments in technology in the efficiency column of the budget pages for affected branches for future budgets". ITS will support Financial Services to implement this recommendation for the next budget cycle.

Audit of the Building Code Services Process for 215 Preston Street

Recommendation 1

That the Building Code Services Branch (BCSB) ensure the documentation received with the Application For a Permit to Construct or Demolish is complete in all cases, as we found in this case the documentation provided with the application for demolition was not complete.

Management Response

Management does not agree with the recommendation.

Management does not agree that there were procedural omissions with regard to the applications for demolition and construction at 215 Preston Street. Building Code Services (BCS) did receive sufficiently detailed documentation to ensure that the proposed demolition and construction was reasonable and could be carried out in accordance with the Building Code.

It is the role of the Chief Building Official (CBO) to determine the sufficiency of information supporting an application based on the unique set of circumstances and conditions of each project and the CBO's interpretation of the requirements and standards as they apply to the application. In this instance, the submissions were deemed sufficient for the purpose of issuing the permits.

Recommendation 2

That the BCSB advise property owners that the Branch reserves the right to verify the actual construction cost and to adjust the fees accordingly. If this cannot be done, that the BCSB implements a database of cost per unit area to permit it to verify the budget estimates provided with the application.

Management Response

Management does not agree with the recommendation.

In the absence of legislative authority, there is no basis for verifying the actual construction costs and adjusting the fees after the permit has been issued and the construction completed. The process of verification of estimated value of construction and adjusting undervalued fees prior to the issuance of the permit is already in place. This is a standard practice of municipalities that assess fees based on the value of construction.

While the branch maintains a database of cost per unit area for new construction, it is too difficult to obtain a cost per unit area for renovations due to the nature of this construction activity (too many variables and unknowns).

The building permit fee is based on "assessed valuation of the work", which is not the same as the "actual construction costs". An "Architect's estimate of costs" may include many elements, which do not form part of the "assessed valuation of the work", and which may vary greatly from the "actual construction costs", due to many unquantifiable factors.

Finally, the Building Code Act and Building Code prevent the permit fees collected from exceeding the cost of providing the service, along with reasonable reserves to offset liability and construction fluctuations. The Chief Building Official is legislatively required to provide an annual report on these matters,

and any request for increases are subject to consultation with the industry and public.

Recommendation 3

That the BCSB ensure all files are properly documented and complete, including a complete record of telephone conversations, for future reference and possible litigation.

Management Response

Management does not agree with the recommendation.

It is the current practice for staff to document observations and key discussions, particularly where conflict and/or litigation is anticipated. However, it is not possible, from a time-management perspective, to document all communications. Each Building Official must make a subjective assessment of the relevance of the communication and the degree of recording based on the circumstances at the time of the communication. Further, a requirement that all files include a record of all telephone conversations would require significant additional resources and investment in technology, for the few occasions where conflict arises.

Recommendation 4

That Occupancy Permits be issued only when all the construction review reports by all professionals have been received to the satisfaction of the City.

Management Response

Management does not agree with the recommendation.

In 2002, the branch established an operational policy that requires all required construction review reports to be submitted prior to the issuance of the "partial occupancy permit"; although the OBC only requires this threshold to be met prior to the "final occupancy permit" being issued. As a best practice, BCS moved this threshold to an earlier stage because once a building is occupied it becomes more difficult to address outstanding deficiencies.

In this instance, based on the Architect's assurance that the reports would be submitted in short order and relying on the professional integrity accorded an Architect and their legal responsibilities under the Architect Act, the Inspector issued the partial occupancy permit.

The Architect subsequently notified the City that he and the Structural Engineer of Record would not produce the reports due to a dispute with their client, which has yet to be resolved. The Architect alleged there were welding deficiencies, and on this basis, an occupancy permit should not have been issued. As they are lawfully entitled to, the owners engaged the services of two other engineering firms, one specialized in welding, to carry out the reviews and provide the

required reports. These reports confirmed the structural adequacy of the welds and the structure; therefore, the partial occupancy permit was allowed to stand as the requirements for partial occupancy had been met.

Finally, it is noted that there are no areas of the building being used that are prohibited from use and occupancy, although the final occupancy permit has not been issued (only the partial) and the permit file remains open.

Recommendation 5

That Inspectors be instructed to actively monitor sites for which an application for building permit has been submitted, including access to the site if necessary.

Management Response

Management does not agree with the recommendation.

Such inspections would serve only to document the fact that illegal construction or demolition is continuing. As well, caution must be taken to ensure that any inspections, prior to the issuance of a permit, not be for the purpose of reviewing the illegal construction for Code compliance, nor appear to do so, as this would encourage illegal construction to continue. The implementation of this recommendation will require additional resources to integrate these inspections in addition to the mandatory inspections, which form the basis of the City's existing program and service delivery levels. This recommendation will be explored when the branch's Strategic Branch Review is undertaken in Q2 2009, as this review will be an appropriate forum to consider higher service delivery levels.

In this instance, the Inspector was well aware of the on-going illegal construction activities, had issued the requisite Orders and a court action had commenced. Any additional inspections after the Stop Work Order was issued and prior to the completion of the construction (a 7 week period) would have confirmed only that illegal construction was continuing, which was already known to staff and sufficiently documented for purposes of the court case. Additional resources would have been required to monitor the site more frequently.

Recommendation 7

That the City require that structural review letters be reviewed by the City's Structural Review Engineer in cases similar to the subject project.

Management Response

Management does not agree with the recommendation.

Building Officials (Plans Examiners and Building Inspectors) are qualified by the Province of Ontario to review structural review letters. In addition, the branch provides Building Officials valuable in-house training to sufficiently equip them

to review the reports and render a decision as to adequacy. The Building Officials do consult with the branch's Building Code Engineers in cases where they do not feel that the review letters are adequate or where the issues are of such complexity as to require additional review.

In this case, the reports submitted by the engineering consultant were considered sufficient for purposes of determining compliance.

Recommendation 10

That the City develop a policy by which the BCSB can request an injunction or restraining order to ensure that the Owner complies in cases of disregard for the rules, such as this example.

Management Response

Management does not agree with the recommendation.

Each case must be evaluated on its own merits and the option to seek an injunction is already available in the Building Code Act and has been resorted to in the past, as circumstances have warranted. In addition, the seeking of injunctions requires considerable resource allocation, on the part of both BCS and Legal Services. Additional resources would be required to implement a more aggressive enforcement strategy. Whether injunctions are obtained is a determination of the Court and they are only granted in extraordinary circumstances.

In this instance, BCS did undertake the necessary inspections, did issue the required Orders and did successfully prosecute the owners of 215 Preston Street. Once the owners obtained the requisite planning approvals, a permit was issued, construction was inspected and it was determined to meet the minimum OBC standards.

Recommendation 11

That the BCSB ensure compliance with the Building Code Act and not try to balance the BCSB enforcement obligations and requirements with the business objectives of the Owner.

Management Response

Management does not agree with the recommendation.

BCS did escalate enforcement action when the owners failed to comply with the Orders and successfully prosecuted the owners. Once the owners had obtained the requisite planning approvals, a permit was issued, construction was inspected and it was determined to meet the minimum OBC standards.

The Act is written in terms of imperative "shall" and permissive "may" statements. While the CBO and Building Inspectors "shall" enforce the Code,

they "may" issue Orders, and "may" prosecute. The reason for this disparity, in language, is that the legislators recognize that enforcement is achieved when there is compliance. This is usually arrived at without the necessity of either Orders or prosecutions and is usually in response to an incremental escalation of enforcement options.

In addition, the CBO is a persona designata deriving authority from the Building Code Act, with responsibilities defined by, not only the Act and the OBC, but also by the Building By-law, Ministry rulings, the Building Code Commission and the Building Materials Evaluation Commission rulings or decisions, and more importantly, by the judicial system (court decisions and common law principles). How the Act and Code are interpreted and implemented is very much couched or formulated from best practices, legal principles and actual court case precedents. In fact, there are only three entities that can determine Code compliance: the Chief Building Official, the Building Code Commission (for sufficiency only) and the Courts.

The Courts have held that the Act is "a complex piece of legislation which is, in general terms, aimed at setting and enforcing standards for all manner of construction and building projects in Ontario." In this regard, the complexity and technical nature of the Act require flexibility and balancing of various factors. There is an expected degree of reasonableness and flexibility to account for other variables, including business and practical realities of the property owner and the building industry. Thus, the branch mandate refers to the regulation of construction of buildings, first through leadership, education and collaboration. If these approaches fail in obtaining compliance, then through enforcement, including prosecution, etc. This was the approach adopted for this particular case and although orders, court prosecution, etc., were required, the construction was made compliant and the occupancy permit was eventually issued.

If the CBO does not have discretion or flexibility in the administration or enforcement of the OBC, this could lead to unintended and undesirable results of increased Code non-compliance and may force aspects of the building industry "underground". Diversion of this nature would defeat the objectives of the Act which seeks to ensure minimum standards for building construction in Ontario.

Finally, there is misapprehension as to what BCS is attempting to balance. It is not the needs of an individual business owner. Rather, it is recognition of the realities of a fast-paced development construction industry and the benefits to the broader public. The objective is to ensure that the construction will achieve Code compliance and that there is a sufficient discipline within the industry to enable this to occur.

APPENDIX B: FRAUD AND WASTE HOTLINE REPORTING CATEGORIES

Harm to People or Potential Harm to People	Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination, or harassment.
Health and Safety, Environment	Items related to the safety of people and the protection of the environment in which they work and live.
Alcohol or Drug Use or Other Substance Abuse	Issues related to alcohol or drug use or other substance abuse.
Theft, Embezzlement, Fraud	Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.
Unauthorized Use or Misuse of City Property, Information, or Time	Items related to the unauthorized use or misuse of City property, equipment, materials, records, Internet or harm or threat of harm to City property, equipment, materials, or Internet. This would also include abuse of work time or fraudulent use of sick leave.
Manipulation or Falsification of Any Data	Changes (unauthorized or authorized) made to any data, information, records, reports, contracts, or payment documents possibly to cover mistakes or fraud, improve financial / operating / statistical results or to gain financial advantage or unfair advantage in a contract.
Unethical Conduct and Conflict of Interest	Unethical or dishonest conduct by any person at any level of the organization and any situation or action of an employee that puts them in conflict, or could be perceived as putting them in conflict, with the interests of the organization.
Violation of Laws, Regulations, Policies, Procedures	Violation of any law, rule, or policy set down by an organization, regulatory authority including securities commissions, or any level of government.
Financial Reporting and Accounting	Items related to the accuracy and completeness of financial statements and other financial reporting to the Board of Directors, Board of Governors, or other governing body, and to regulatory bodies or the public (e.g. securities regulators, tax authorities, government departments, annual public reports).
Management/Supervisor	Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.
Suggestions for Improvement	Suggestions to improve any aspect of the organization including ideas, concerns, or comments related to Municipal Services and Products, Customer Service, and any other suggestions, to aid the attainment of its objectives, or to manage its risks.
Suggested Areas for Audit	Any suggestion to audit any area of the organization.