Ottawa

Office of the Auditor General

2009 ANNUAL REPORT

Ottawa

Office of the Auditor General / Bureau du vérificateur général

June 23, 2010

Mayor and Members of Council:

I am pleased to present the 2009 Annual Report of the Auditor General of the City of Ottawa. The 2009 Audit Plan was originally intended to focus on a follow-up to all previously completed audits from 2005-2007. Thirty-five of these follow-up audits were completed in 2009 and the results of each of these are presented in this report. Also presented is an overall summary and assessment of progress made to-date against 2005-2007 audit recommendations. Another 13 follow-ups are still on-going. The results of the remaining follow-up audits will be will be presented to Council as part of the 2010 Annual Report.

In addition to the follow-up audits, seven new audits were also completed in 2009, the results of which are also presented in this report. Three 2009 audits have already been presented to Council including: the 2009 Interim Follow-up to the 2008 Audit of the Parking Function; the Audit of the Incremental Costs of the Transit Strike 2008-2009 and the 2009 Audit of the Lansdowne Park Proposal Process.

The fifth annual report on the Fraud and Waste Hotline is also presented here, including a summary of the results of audits arising from Hotline reports. After completing an evaluation of the Hotline which included a survey of all City staff, the Hotline was offered to the general public effective May 21, 2009 in accordance with Council approval. The 2009 Hotline report includes those reports received from the public.

Finally, in accordance with the By-law governing the Office of the Auditor General, the Audit Plan for 2010 to 2013 is provided for Council's information.

Respectfully,

Alain Lalonde FCGA, CIA
Auditor General

Ottawa

Staff of the Office of the Auditor General

2009

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1 OVERVIEW OF ACTIVITIES IN 2009

The 2009 Audit Plan for the City of Ottawa has focussed on conducting follow-up audits on all projects completed by the Office of the Auditor General (OAG) since its inception in 2004. Over 50 separate follow-up audits were undertaken during 2009, representing in excess of 1,000 recommendations. It should be emphasized that recommendations arising from audits represent the Auditor General's (AG) suggested course of action to resolve the issues identified, however, once these recommendations are approved they become direction from Council to management. As such, progress in implementing these recommendations should be viewed as fulfilling Council's direction.

Included in this volume of the 2009 Annual Report are the results of 35 of these follow-ups. The results of the remaining 13 follow-up audits will be presented to Council as part of the 2010 Annual Report.

In addition to the follow-up audits, a number of new audits were also completed in 2009 as a result of the Annual Work Plan, Council requests and/or Fraud and Waste Hotline reports. These include:

1. Audit of Payroll (Annual Work Plan);
2. Audit of Eight Specific Building Code Services Files (Fraud and Waste Hotline);
3. Audit of A Specific House - Drawings (Fraud and Waste Hotline);
4. Audit of Five Specific Staffing Processes (Fraud and Waste Hotline);
5. Audit of Specific Contracts at the Nepean National Equestrian Park (Fraud and Waste Hotline);
6. Audit of the Bridge Maintenance Process (Annual Work Plan); and,
7. Audit of the Bridge Maintenance Process for a Specific Bridge (Fraud and Waste Hotline).

The results of these audits are also presented in this report:

Three 2009 audits have already been presented to Council including: the 2009 Interim Follow-Up to the 2008 Audit of the Parking Function; the Audit of the Incremental Costs of the Transit Strike 2008-2009 and the 2009 Audit of the Lansdowne Park Proposal Process.

1.1 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 5 of this report contains the fifth annual report on the Hotline. It includes overall statistics on the types and frequencies of reports 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 in Section 4.

1.2   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 (ABF) 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.

1.3   2009 Budget

In 2009, the budget of the OAG was set at 0.08% of the total operating budget of the City. For 2009, this resulted in an office budget of $1.9 million. The budget remains one of the lowest in Canada for municipalities with a similar audit function. All of the audits presented in this report, including Council requests, were conducted within the 2009 budget.

2   SUMMARY AND ASSESSMENT OF OVERALL PROGRESS MADE TO-DATE ON 2005-2007 AUDIT RECOMMENDATIONS

The audits conducted from 2005-2007 resulted in approximately 1,000 separate recommendations in total to management designed to improve management practices, enhance operational efficiency, identify possible economies and address a number of specific issues. The focus of the 2009 work plan was to conduct a follow-up of all previously completed audits.

The table below summarizes our assessment of the level of completion of each recommendation for all follow-ups presented to-date.

Action	Percent complete	Number of Recommendations	% of Total Recommendations	Cumulative % of Total
Little to no action	0 – 24	139	19%	} < 50% complete: 29% of total recommendations
Action initiated	25 – 49	78	10%	
Partially complete	50 – 74	135	18%	
Substantially complete	75 – 99	98	13%	} 75 -100% complete: 53% of total recommendations
Complete	100	294	40%	
Total *(for follow-ups completed to-date)*		744	100%	

This report is not intended to provide an assessment of each individual recommendation. Rather, it presents our overall evaluation of progress made to-date across all completed audits. Should Council wish to have a more detailed discussion of specific follow-ups, OAG staff are available to do so. In the years since the creation of the OAG in 2004, we have seen management practices gradually evolving to better reflect the size and complexity of the City of Ottawa. Our follow-up audits since 2005 indicate that operational improvements have occurred in a number of areas.

Success depends ultimately upon Council and Management working in synergy to alter the organization's culture and practices. We note that there is a clear commitment on the part of both Council and Senior Management to fulfill its role as change agents and move the City toward greater efficiency and effectiveness. Many of the follow-up audits presented here demonstrate solid improvement with regard to this objective. It is, of course, always possible to identify specific areas where improvements are still needed and in some parts of the City change has been more incremental and the timing of expected progress has been more protracted than in other public-sector organizations. However, in our opinion, the overall message arising from the follow-up exercise is that the City is moving in the right direction in a great many areas.

We have categorized each of the follow-up audits based upon the following criteria:

A. Solid Progress = 50% or more of the recommendations evaluated at 75-100% complete.

B. Little or No Progress = 50% or more of the recommendations evaluated at 0-49% complete.

C. Gradual Progress = All others.

A. Solid Progress	1. By-law Enforcement and Inspections; 2. Emergency Management Program; 3. Population Growth Projections; 4. Munster Hamlet Sewer Rehabilitation Project; 5. Village Walk Wastewater Treatment Facility; 6. Building Services Branch; 7. Procurement Process; 8. Labour Relations; 9. Procurement of Fax Machines; 10. Corporate Pesticide Use Policy; 11. Staffing; 12. Overtime; 13. Inventory and Asset Management Processes; 14. Development Review Process; 15. Financial Control Environment; 16. Employment and Financial Assistance Branch; 17. Fleet Services; 18. Real Estate Management; 19. Costs Related to the Proposed Contracting Out of Lube, Oil, and Filter Work; 20. Property Management; and, 21. Protocol Division.
B. Little or No Progress	1. 3-1-1 Contact Centre; 2. Council Request Tracking Processes; 3. Environmental Commitments in the Ottawa 20/20 Growth Management Strategy; and, 4. P3 Processes.
C. Gradual Progress	1. Ottawa Fire Services Branch; 2. Management Control Framework; 3. Disposal of Pavement Line Marker Equipment; 4. Ministry of Labour Charges Regarding Contractor Equipment in Surface Operations; 5. Misuse and Abuse, Vehicles and Equipment; and, 6. Bus Refurbishing and Warranty Programs.

In 2006, the OAG tabled a number of reports in camera. Some of these audits were also followed up in 2009 and recommendations have been addressed by management. The audits included:

1. OC Transpo and Para-Transpo Cash, Ticket / Pass Revenue Processes;
2. Personal Use of Corporate Resources;

3. Report of an Inappropriate Email Being Circulated by City Staff; and,
4. Staffing Process for an Officer Position.

There have been a number of cases where management has disagreed with the original recommendations contained in these audits. The former Council Audit Working Group has met to discuss the majority of these. It is encouraging to note that, despite disagreeing with the recommended course of action, management has typically agreed with the need to address the underlying issue and has implemented changes to do so.

With these follow-up audits now complete, no further work to review the implementation of these recommendations is intended by the OAG. However, as a result of the annual work plan and/or Council requests, new audits in any of these areas may occur in the future.

Follow-up audits to be presented as part of the 2010 Annual Report include:

1. Drinking Water Services;

2. Food Safety Program;

3. Parks and Recreation Branch;

4. Parks & Recreation Financial Management and Revenue Process;

5. 2006 Sewage Spill;

6. Internet Usage and Controls;

7. Wastewater and Drainage Services;

8. Surface Operations;

9. 2006 and 2007 Compensation Budgets;

10. Carp River Watershed Study & Related Projects;

11. City of Ottawa Water Rate;

12. EFA Staff Member (originally an in camera report); and,

13. Potential Conflict of Interest - Staff Member's Contracting Services (originally an in camera report).

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 four or five years. 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-ups. Accordingly, all work plans for 2010-2013 will include a follow-up component.

As a final comment regarding the follow-ups, we observed that a number of audits demonstrated a disconnect in assigning clear lines of accountability and authority

between operating areas and the Centres of Expertise. In many cases, corporate functions such as Financial Services, Human Resources and Fleet Services indicated that they do not see their role as one of oversight, but rather as providing advice to managers. In fact, these areas routinely express the view that they did not wish to take on oversight responsibilities. This approach has weakened the internal control environment at the City, particularly since we have also observed an erosion of this oversight being carried out at the operational level in recent audits; something that is crucial in the "let managers manage" environment the City espouses. The level of discretion now permitted with respect to compliance to corporate policies has resulted in significant inconsistencies and minimized the benefits of a more corporate-wide perspective. It is our opinion that the City must urgently re-visit this approach and clearly establish an accountability framework for ensuring City objectives are achieved.

3 EXECUTIVE SUMMARIES – FOLLOW-UP AUDITS

This section contains the executive summaries for each of the follow-up audits completed in 2009.

3.1 Follow up to the 2005 Audit of By-law Enforcement and Inspections

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of By-law Enforcement and Inspections was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- The development of enhanced service standards is required to improve efficiency and customer service;

- By-law Services collects and reports information on the level of enforcement activities but it has not yet established an approach to collecting, monitoring and reporting on how effective and efficient these activities are performed;

- The Branch should pursue opportunities to enhance operational efficiency through the use of available technology tools;

- Revenue controls should be reviewed, reconciled and evaluated on a regular basis;

- Health and safety risk areas should be assessed annually including the measures taken to mitigate these risks; and,

- The By-law harmonization project should be systematically assessed to monitor the risk of further delays.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	3, 5, 7, 9	4	29%
COMPLETE	100	1, 2, 4, 6, 8, 10, 11, 12, 13, 14	10	71%
TOTAL			14	100%

Conclusion

The highlights of management's "fully implemented" audit accomplishments focus on results based management tools. These results based management tools address multiple audit recommendations. They include the following:

- A comprehensive set of performance indicators/standards has been developed for Category 1-3 requests for service. Turnaround time targets for i) initiating a service response on files and ii) resolving the investigation have been developed. The performance data associated with these standards is compiled and recorded according to two geography based service delivery zones, Council wards, and individual officers.

- Revenue generation, staff utilization and productivity driven benchmarking capacity exist across core service areas. Regular reporting drives performance versus targets – represents an industry best practices model. Internal productivity and performance benchmarking is taking place at both the zone and officer level.

- Annual activity reporting tracks various unit of service "volume" based work drivers. The Ontario Municipal Benchmarking Initiative (OMBI) data definitions and rigorous data collection protocols have been used to develop an "Ottawa versus Ottawa over time" measurement framework that maximizes operational relevance rather than relying on apples versus oranges peer comparisons.

- A risk management perspective/focus has been built into the performance measurement toolkit. Measurable service target reporting and ongoing follow-up action by management at the individual staff level has reduced service delivery productivity and performance risk.

- Implementation of audit recommendations around mobile data collection tools in the field have also led to measurable productivity improvement in the initially targeted property standards business area.

- By-law harmonization has proceeded to successfully address all major by-laws. The remaining by-laws have been integrated into a rigorous project management framework.

- We confirm that staff utilization and productivity improvement are enhanced by mobile laptop data entry/access in the field. An estimated 20% productivity improvement is linked to field data entry/access.

Acknowledgement

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

3.2 Follow-up to the 2005 Audit of the Emergency Management Program

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of the Emergency Management Program was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- An active, multi-departmental emergency management program with strong support from senior management but the program still lacks some important elements, including a municipal evacuation plan.

- The City is compliant with the requirements of the Emergency Management Act and associated regulations. However, the team also identified a number of risks that need to be addressed:

- The current location and design of the Emergency Operations Centre restricts the City's ability to effectively and efficiently manage emergencies;

- Operating funding has not yet been identified to sustain the long-term benefits of capital projects totalling $7.1 million;

- A formal process is needed to ensure that compliance is regularly monitored and sustained over the long term; and,

- Project teams may not have the necessary resources with the required qualifications to successfully meet project objectives.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	-	-	-
Substantially Complete	75 – 99	6	1	14%
Complete	100	1, 2, 3, 4, 5, 7	6	86%
total			7	100%

Conclusion

The risk remaining rests primarily with the present location of the Emergency Operations Centre. Although improvements to its design and functioning were made, its current location at City Hall, Laurier continues not to be optimal or desirable. We understand from management that preliminary high-level discussions have taken place however, at this time, no concrete decision for a relocation of the centre has transpired.

Additional work is also required in order to consolidate the dispatch centres for all emergency services (i.e., fire, paramedics and police) and by-law services and to establish one coherent, effective and efficient unified dispatch. Management advises that the tabling of a business case for the viability of consolidation is tentatively scheduled for the fall of 2009.

Overall, sound progress has been made towards implementation of the 2005 Audit of Emergency Management Program recommendations. Challenges to full implementation are primarily associated with the various players' involvement with the Emergency Management Program and with efforts and relationships spanning across departments. Although some efforts are still needed, we are satisfied that the advancements made have served to enhance the management and control of the City's Emergency Management Program.

Although solid progress has been made regarding the issues raised in the 2005 audit, the events that occurred in the summer of 2009 related to the Glen Cairn sewage backup have revealed additional concerns with respect to communications and response dispatch. These recent events require further attention from EMP and operations management.

Acknowledgement

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

3.3 Follow-up to the 2005 Audit of Real Estate Management

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of Real Estate Management was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- Clear guidelines for real estate transactions are required to ensure transparency and consistency in the disposal of City properties. The audit did not uncover any evidence of inappropriate activity in the sale of properties.

- The audit also revealed a lack of formal policies and procedures in many areas, placing excessive reliance on the knowledge and expertise of existing staff. This lack of documented procedures adds further challenges to ensuring effective staff training.

- Currently Real Estate Services Division (RESD) has contracts with several consultants in order to carry out its daily work due largely to the inability to find qualified replacements for vacancies.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	1, 3, 9	3	25%
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	2, 12	2	17%
Substantially Complete	75 – 99	4, 5, 8, 11	4	33%
Complete	100	6, 7, 10	3	25%
Total			12	100%

Conclusion

Substantial effort has been made by management to address the issues identified in the audit. In some cases management is in the process of investigating or implementing a solution, but the implementation is not complete. In some cases, management has not implemented the Council approved recommendation, but has initiated corrective action that, according to management, addresses the issues.

Policies and procedures are formally documented in the "Real Estate Partnerships and Development Office (REPDO) Handbook." Although work on policies in the

handbook began in 2006, the development of the Handbook including procedures and guidelines spanned over two years. The REPDO Handbook addresses some, but not all, areas identified in the 2005 audit, and some areas were not addressed adequately. For example, the disposal process continues to lack a clear objective and guidance on priorities, and some clarification is required in the criteria that have been established to assist in determining when to use various methods of sale. Although the option to sell and develop land through the use of a City owned corporation such as the Community Lands Development Corporation was approved in 2007, the Corporation was not established until late in 2009. As such, it is not referenced in the Handbook. Management has expressed the intention of updating the Handbook with this information. The creation of the Handbook is a significant step toward mitigating the risk of undue reliance on the existing knowledge base that was identified in the 2005 audit. However, it should be noted that some policies contained in the Handbook have yet to be considered by Council.

A comprehensive inquiry tracking process has been developed and documented. It serves to clearly assign responsibility, accountability, and service expectations. Although the tracking process is fairly comprehensive, it does not flow to a monitoring process that would clearly demonstrate the impact of inquiries on operations. In general, monitoring procedures have not been improved to ensure efficient and effective operations, to ensure on-going operational consistency, and to more clearly identify and validate potential future impediments to organizational effectiveness. Management is working with industry groups to address the challenge of developing performance measurement indicators. However, that complete and formalized indicators have not yet been devised leads to continued impairment in management's ability to demonstrate organizational stewardship.

The significant improvement in documentation of procedures will contribute to staff training and succession, however a clear strategy to respond to succession concerns has still not been developed. Although a business case, and a budget pressure justification argued for the creation of new permanent positions to address the excessive use of consultants, more formalized outsourcing was not considered as an alternative solution. Management explained that outsourcing was not a possible consideration, and therefore management took an alternate approach to addressing the concerns expressed in the audit related to excessive use of consultants.

Overall, progress has been made toward implementing the recommendations related to defining and documenting procedures, and assignment of responsibilities. Efforts are still required in areas of strategic management, from long term planning, to aligning performance monitoring to departmental objectives.

Acknowledgement

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

3.4 Follow-up to the 2006 Audit of the Building Services Branch

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Building Services Branch was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- The City of Ottawa must improve its ability to monitor compliance with the Ontario Building Code;

- The Branch has been in a reactionary mode attempting to address new legislative provisions and has not yet focused on monitoring compliance with this legislation;

- Currently there is no process to reliably measure compliance;

- The City's existing risk management strategy for Building Services dates back to the former City of Ottawa and needs to be updated; and,

- The Branch also has been struggling to recruit adequate resources and needs to implement a comprehensive strategy to ensure legislative requirements are met.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	8	1	10%
Substantially Complete	75 – 99	1, 6, 7	3	30%
Complete	100	2, 3, 4, 5, 9, 10	6	60%
Total			10	100%

Conclusion

Building Code Services Branch (BCSB) has made significant progress since the completion of the original audit in 2006. While full implementation of some significant and extensive recommendations (e.g., documenting policies and procedures within the Legal and Service Integration Division and implementation of a HR plan) are not yet 100% complete, the basic fundamentals have been in place for some time, and steady progression towards the desired results has been

observed. Overall BCSB is on the proper path to successfully implementing all the recommendations of the 2006 audit.

The original audit indicated that there were insufficient resources within BSB to continue to effectively manage workload. This was due primarily to the fact that the Branch had, at that time, vacancies of approximately 42 full-time positions. Since the 2006 Branch-wide audit, the OAG has conducted other more focussed audits in the area of building permits. These audits have indicated that there are opportunities here related to under-utilized resources. These opportunities should be pursued in order to ensure resources are allocated as effectively as possible across the Branch.

Management comment:

It is management's position that there was no evidence in any audit conducted by the OAG in relation to the Building Codes Services branch to substantiate the statement that "*there are opportunities here related to under-utilized resources*".

Acknowledgement

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

3.5 Follow-up to the 2006 Audit of the Employment and Financial Assistance Branch

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Employment and Financial Assistance Branch was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- With the Province in the process of changing its approach to funding, a more effective employment program to support clients on social assistance will be necessary.

- The City currently spends approximately $19 million annually on its employment program with just over 2,300 jobs found for clients.

- Other findings contained in the EFA audit include clarifying the role of supervisors, increasing performance monitoring and oversight of staff and ensuring greater consistency across the Branch in applying its policies.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	4, 9, 10, 11, 17	5	23%
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	3, 5, 6, 7, 21	5	23%
Substantially Complete	75 – 99	1, 14, 18, 20	4	18%
Complete	100	2, 8, 12, 13, 15, 16, 19, 22	8	36%
TOTAL			22	100%

Conclusion

Implementation of over 54% of recommendations is complete or substantially complete, with less than 23% having little or no action taken.

Significant progress has been made in improving communication, cooperation, and understanding of roles and responsibilities through a new team based service delivery structure. The Case Review Unit was specifically designed to help ensure consistency in the application of policies across the Branch, however risks still remain in ensuring a timely and comprehensive review, providing supervisors and

employment specialists with training that aligns with their needs, and ensuring management tools are used consistently by all supervisors.

An excessive amount of reporting is incorporated into the performance measurement and accountability process, potentially to the detriment of its effectiveness. Although an accountability framework has been created for key positions, the accountabilities assigned on the framework are not clearly linked to the measures used in assessing performance. In addition, as noted in the 2006 audit, 43 reports are reviewed each month to monitor operations. As such, monitoring is not streamlined to focus on a few key strategic, or high risk areas, allowing for a thorough analysis and timely and effective remediation. As well, EFA must continue to measure and report to constantly changing provincial requirements, thus impeding strategic measuring toward longer-term goal. The relevance of reporting to Council has not been improved in light of the new employment model.

Finally, EFA reports on successes of programs and achievements of the Branch, but other than for the Province, does not report on areas that need improvement based on assessments against pre-defined targets. Target dates for completion of important tasks are not set in the planning process and typically most time frames listed are "ongoing" or "in progress". This lack of pre-defined targets reduces the accountability.

Acknowledgement

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

3.6 Follow-up to the 2006 Audit of the Ottawa Fire Services Branch

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Ottawa Fire Services Branch was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- Effective management of the Ottawa Fire Services (OFS) Branch is seriously impeded by the provisions of its current collective agreement;

- There is a need to establish a regulatory by-law for Council to clearly define the characteristics of Fire Service including response standards;

- The on-going station location study should identify opportunities for greater efficiencies that have yet to be realized as a result of municipal amalgamation;

- The current management structure, which has only a small number of non-unionized positions responsible for over 900 employees, is not workable;

- Staffing on the basis of merit rather than simply length of service is not possible;

- Management-led debriefings of fire incidents are not occurring; and,

- Fire investigations and property safety inspections should be improved by training and utilizing fire fighters in these areas.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	9, 13, 15[1], 16, 19b	5	22%
ACTION INITIATED	25 – 49	18c, 19a, 20	3	13%
PARTIALLY COMPLETE	50 – 74	4, 8, 11, 14	4	17%
SUBSTANTIALLY COMPLETE	75 – 99	17	1	4%
COMPLETE	100	1, 2, 3, 5, 6, 7, 10, 12, 18a, 18b	10	44%
TOTAL			23	100%

[1] Management disagreed with recommendation 15 related to possible organizational changes. Management has chosen to focus on Recommendation 14 as the preferred option to address the common audit objective of enhanced OFS management resources/capacity and leadership. As such, Recommendation 15 has not been implemented.

Conclusion

The highlights of Management's "fully implemented" accomplishments pertaining to the audit recommendations include the following:

- Although Council approval was obtained two years later than originally anticipated, results based, measurable service delivery outcomes have been formalized in a new Establishing and Regulatory By-law, thereby adding long term stability to OFS financial, operational and service level planning.

- A risk management based service planning application (GIS enabled) has been designed and successfully implemented. Undertaken in cooperation with the Ontario Fire Marshal, this application models station location options and supports intelligent growth related service planning. It also supports station specific response time measurement and performance target setting.

- A new performance measurement framework has been designed using design inputs from Ontario Municipal Benchmarking Initiative (OMBI) and the Fire Marshal's performance measurement project. Reporting to City Council with a comprehensive set of indicators, accomplishment and targets will proceed in September 2009.

- An Integrated Records Management System has been designed and implemented to consolidate numerous operational data sets concerning core suppression, rescue, inspection, public education, investigation and training activities.

- The "Wake Up" smoke alarm program has been delivered using already deployed "in service" staff. Since inception, the program has cut non-compliant smoke alarm inspection results by half. Since program inception Ottawa has experienced a significant reduction in annual fire fatality rates.

- Management capacity will be strengthened by the "no net cost" introduction of Assistant Deputy Chief positions. These positions will foster accountability, leadership and an enhanced results based culture across the OFS.

- A multi-layered fire incident de-briefing tool has been designed and implemented to ensure appropriate follow-up by appropriate levels of management (depending on the severity of the incident).

- In addition to the above noted recommendations, the OFS has also made measurable progress on audit inspired initiatives such as strategic planning, integrated communications across the Emergency and Protective Services department, and false alarm risk mitigation. However, implementation of an automated rostering system remains well behind schedule.

Now that City-wide restructuring has largely proceeded, accelerated OFS progress on remaining audit recommendations should be possible. At the time of the follow-

up audit, revised critical path information on outstanding audit recommendations were expected to be supplied/confirmed during Q3 2009.

A number of recommendations remain outstanding as follows:

- Placing investigators on shifts versus the current use of on-call and overtime remains a collective bargaining issue (recommendation 9);

- A long-range plan for the OFS remains a work-in progress (recommendation 13);

- Provision of adequate Labour Relations support to OFS remains unresolved (recommendation 16); and,

- Implementation of the automated rostering system remains outstanding and no critical path has been established for its completion (recommendation 19).

Acknowledgement

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

3.7   Follow-up to the 2006 Audit of P3 Processes

Introduction

The Follow-up to the 2006 Audit of Public/Private Partnership (P3) Processes was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

• Overall accountability and ongoing monitoring of the City's P3 projects requires improvement.

• The audit acknowledges that there is a broad spectrum of P3 projects, each with its own unique characteristics.

• Improved business cases are needed to provide better information to Council for decision-making when these projects are brought forward for approval.

• Roles and responsibilities across the City for managing P3 projects should be clarified and collaboration among departments improved

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	2, 3	2	18%
ACTION INITIATED	25 – 49	5, 7, 8, 10	4	36%
PARTIALLY COMPLETE	50 – 74	1, 4, 6, 9, 11	5	46%
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	-	-	-
TOTAL			11	100%

Conclusion

Management has provided the P3 Policy, the Procedures Handbook, and the Appendices to demonstrate progress toward implementing the recommendations. These documents are intended to govern the management of P3's going forward. At the time of this follow-up, the Policy and Procedures were not yet in force.

These documents were not created until July and August 2009, and have not been brought to Council for approval. They are therefore still in draft form, and may be subject to change such that the degree to which they address the recommendations is altered. A second, more recent, version of the Policy and Procedures was provided as part of the follow-up to the 2005 Audit of Real Estate Management but the corresponding appendices, which include detailed guidance and templates, pre-

date the version provided by management for the P3 follow-up. It is therefore unclear whether the updates to the appendices were subsequently disregarded and whether direction to departments will coincide with the information that was reviewed for the purpose of this follow-up.

The Policy and Procedures do provide an effective means of providing consistent information to Council on proposed P3 initiatives. However they lack in ensuring P3 risks and monitoring of P3 projects are addressed completely and consistently. The procedures and templates were written to be general and flexible in order to address the varying needs of different types of P3 projects. Because of this, they are less effective in addressing the need to formalize the monitoring of agreements and results, and capturing the cost of P3 support services and accountabilities throughout the life of the P3 initiatives. Without specified requirements of key areas to address, the risk of incomplete or inconsistent assessments and monitoring remains.

The responsibility of monitoring the P3 contracts is housed with the operating departments. No one person is charged with overseeing the monitoring performed by each department. As such, there is a risk that the quality of the monitoring performed may not be consistent.

Finally, plans to mitigate the risks that remain due to incomplete implementation of the recommendations should be considered with respect to the partnership agreement to redevelop Lansdowne Park.

MANAGEMENT'S SUMMARY RESPONSE

With the recent reorganization of the City in the spring of 2009, the Real Estate Partnerships and Development Office (REPDO) was created and assumed broad responsibility for the implementation of sustainable property solutions appropriate to the needs of the Corporation and its principal business units.

In particular, the former Real Estate Services Division was incorporated with elements of the former Comprehensive Asset Management Division and the Public-Private-Partnerships Office. As a result of this effort, REPDO established two primary business units; specifically, the Realty Services Branch and the Realty Initiatives and Development Branch, both operating under the auspices of a single Director.

While the more traditional Real Estate functions were aligned with the Realty Services Branch, the strategic functions associated with real estate development, development based initiatives and the establishment of potential "partnership" based solutions were integrated within the Realty Initiatives and Development Branch.

The new organizational structure provides improved synergy in the delivery of strategic projects, given that the City's real estate and development experts have been designated to assume the lead following the 2009 corporate realignment.

Before initiating any strategic project, Realty Initiatives and Development Branch will undertake a thorough assessment on a whole-life cost basis to determine whether the project can be delivered as proposed. The assessment will first determine if a traditional delivery approach is feasible by identifying whether there is a real need, real budget, and real time frame-project feasibility including operating and life-cycle requirements as set out in the capital budget or the Long Range Financial Plan. Once it is established that the project has merit, and can be delivered successfully through the traditional delivery method, REPDO can then assess whether significant additional value and efficiencies can be achieved, and/or risk reduced by using other delivery methods / partnership opportunities.

REPDO is suggesting that the initial examination of delivery options should first consider a more rigorous evaluation of the project from a real estate and whole life costing perspective and then evaluate whether a P3 solution is the preferred delivery option based on the degree of added value, efficiencies and reduced risk that may be achieved over the traditional delivery base case and the relative ability to achieve Council's stated objectives (social, cultural, environmental and financial) for the specific strategic initiative. This will establish a transparent benchmark/roadmap for initiating and resourcing a strategic initiative project. In the past, strategic initiative projects were initially screened by the P3 office for the purpose of identifying projects for which a P3 outcome was the objective. There is now a fundamental difference in terms of the initiation point between the REPDO mandate and that of the former P3 office.

REPDO believes that it would be premature to respond to Recommendations 1, 2, 4, 5, 9, 10 and 11 at this time. These recommendations pertain to the mandate and approach of the former P3 office as opposed to the mandate and approach described above for REPDO. The P3 Policy and Procedures Handbook need to be revised to account for the REPDO mandate and approach in order to appropriately address the above-mentioned audit recommendations.

Based on the changing circumstances described above, REPDO will be proceeding as follows:

- REPDO is engaging its subject matter experts in order to complete a "self audit" looking at current P3 agreements, with the objective of improving project oversight and compliance and then adequately resourcing and improving performance monitoring and reporting.

- With respect to future P3 agreements, REPDO intends to review and revise as necessary the draft Policy and Procedures document developed by the former P3 Unit. Based on the results of the "self-audit" and lessons learned, Recommendations 1, 2, 4, 5, 9, 10 and 11 will be dealt with as part of a new process to be developed in Q2 2011.

- Recommendations 3, 6, 7, and 8 have been addressed in the management response to the follow-up audit to the effect that both the policy on Public-Private Partnerships and the P3 Procedures Handbook need to be further revised, based on the comments received from the Auditor and on "lessons learned" from the self-audit.

- The revised Public-Private Partnerships Policy and Procedures Handbook will be forwarded for Council approval in order to fully comply with the audit recommendations.

Acknowledgement

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

3.8   Follow-up to the 2006 Audit of Property Management

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of Property Management was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- Funding for the maintenance of City properties has been inadequate to ensure facilities remain in proper condition over the long-term;

- The City has an effective property management function with thorough operating systems and procedures.   However the Branch is struggling to maintain the condition of City properties within its current funding levels;

- Ensuring fire safety provision are examined during building assessments;

- Completing threat and risk assessments at all City facilities; and,

- Developing a long-term plan for Lansdowne Park.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	1, 3	2	17%
ACTION INITIATED	25 – 49	9	1	8%
PARTIALLY COMPLETE	50 – 74	4, 5, 6	3	25%
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	2, 7, 8, 10, 11, 12	6	50%
TOTAL			12	100%

Conclusion

The majority of the recommendations made in the original 2006 audit have at least partially been implemented including six, which have been fully completed. Progress on some recommendations appears to have been somewhat slowed as a result of organizational changes at the City, some of it only recently finalized. This reorganization had significant implications for the property management function including Asset Management which was only formally transferred to Infrastructure in July 2009 as part of the final phase of the realignment. As a result, there has been only limited progress on recommendations related to the Life Cycle Renewal Policy

document and a plan to complete and update the building condition assessments for all major facilities.

Acknowledgement

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

3.9 Follow-up to the 2007 Audit of the 3-1-1 Contact Centre

EXECUTIVE SUMMARY

Introduction

The Follow-up the 2007 Audit of the 3-1-1 Contact Centre was included in the 2009 Audit Plan first presented to Council in May 2007.

The key findings of the original 2007 audit included:

- A "mystery calling" program of 25 questions asked four times each was conducted to evaluate service delivery and identified that inaccurate and inconsistent information was being provided to callers;

- Management has focused on tracking call volumes but has given little attention to monitoring call quality;

- Measuring performance quality is needed to ensure more effective management and oversight;

- More work needs to be done to fully assess the potential cost savings to the City by evaluating insourcing and outsourcing options; and,

- Reporting relationships within the contact centre should be clarified.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	3, 4, 10, 11, 13, 14, 15, 16, 17	9	53%
ACTION INITIATED	25 – 49	1, 5, 8, 9, 12	5	29%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	2, 6, 7	3	18%
TOTAL			17	100%

The follow-up found that 3 of the 17 original recommendations were fully achieved. As management has indicated in its December 2008 status, many of the remaining 14 recommendations have seen only limited progress to-date. Specifically we found that:

- Moderate progress has been made towards the accomplishment of the majority of recommendations in the year following the presentation of this audit to Council.

- Implementation of a formal listen-in monitoring process has been lengthy and management maintains that budgets for new technology and resources needs to be obtained to fully action this recommendation.

- 3-1-1 Management have not yet taken action to evaluate insourcing as a cost saving option and have postponed the targeted date for revisiting the insourcing analysis to Q3 2011.

- Of particular concern is that six years after their original request, the Council directive to review the outsourcing of the 3-1-1 Contact Centre has not been actioned and management has advised that they would not do so until 2011.

As part of the follow-up, we again conducted a mystery calling exercise, during October-November 2009, which included the original 25 questions asked in 2007 and 10 new questions; each questions was asked four times. We found that fully accurate responses were provided 49% of the time, partly accurate responses an additional 24% of the time and incorrect answers occurred 27% of the time.

The results as compared to the 2007 mystery calling exercise were as follows:

2007 Mystery Calling	#	% of Calls Answered	2009 Mystery Calling	#	% of Calls Answered
TOTAL CALLS ATTEMPTED	100		TOTAL CALLS ATTEMPTED	140	
UNANSWERED CALLS	13		UNANSWERED CALLS	15	
TOTAL CALLS ANSWERED	87	100%	TOTAL CALLS ANSWERED	125	100%
FULLY CORRECT	34	39%	FULLY CORRECT	61	49%
PARTIALLY CORRECT	27	31%	PARTIALLY CORRECT	30	24%
INCORRECT	26	30%	INCORRECT	34	27%

In addition to accuracy issues, we noted that:

- In most cases, agents were pleasant, polite and professional during calls;

- Agents that referenced the City's website demonstrated a higher accuracy rate;

- Agents always asked permission to put a caller on hold and 78% thanked the caller for holding.

- Agents used the complete script of the standard opening in 41%[1] of calls;

- Agents used the complete script of the standard closing in only 5% of calls;

- In 26 instances, agents either failed to provide their name or gave a false name;

- In 4% of calls, agents did not respond in the language selected by the caller;

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[1] In order not to skew the results, unanswered calls made during non-core hours were classified as fully correct and/or having fully used the standard opening/close statements.

- Only 1 transfer was a "warm transfer"; and,
- Most agents did not probe the caller before answering the question and accuracy increased when agents probed for additional information.

Please refer to Section 4.1 of the full follow-up report for further details on the results of the mystery calling exercise.

Conclusion

Overall, moderate progress has been made toward implementation of the 2007 Audit of the 3-1-1 Contact Centre recommendations. We noted that some of the measures taken by management were as a result of our follow-up inquiries in May 2008 and not in response to the original recommendations from 2007. Since the presentation of the audit in June 2008, management were successful in fully implementing 3 of the 17 recommendations.

3-1-1 Management have put in place some new procedures to address the original concerns noted in the 2007 Audit of the 3-1-1 Contact Centre. Key elements such as performance monitoring through listen-in has commenced in April 2009, however remedial training has not yet been provided to agent on issues identified. In addition, Management have now advised that the review of outsourcing the 3-1-1 Contact Centre has been postponed to 2011.

With regards to the "mystery calling" results, we noted good progress in providing 'fully correct' responses (a 10% increase over the 2007 results). Service to the public is improving, however, 'incorrect' responses still amounted to 27% of the total.

In March 2010 a report was presented to the IT Sub-Committee detailing the service excellence 3-1-1 CRM procurement strategy. Council approved the multi-phase implementation of the new 3-1-1 CRM solution during the 2010 budget as part of the service excellence program. Improved IT tools is a key step towards enabling Management to address the issues identified in the audit, particularly with regard to access to timely and accurate information for call agents.

Finally, the Quarterly Performance Report to Council Q4 (for the period October 1 – December 31, 2009) presented to Corporate Services and Economic Development Committee also in March 2010 detailed that "call volumes for the 3-1-1 Contact Centre in Q4 2009 rose 9.8% in comparison to Q4 2008" and that this increase was for the most part attributable to calls relating to H1N1 pandemic response, Green Bin program and distribution of the Garbage Collection Calendar. As call volumes increase, the implementation of this new technological solution in conjunction with additional training to address accuracy levels and consistency issues is essential.

Acknowledgement

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

3.10 Follow-up to the 2007 Audit of the Corporate Pesticide Use Policy

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Corporate Pesticide Use Policy was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- Pest management activities have been consistent with the goals and intent of the Corporate Pesticide Use Policy;

- Chemical pesticides have not been applied to City-owned properties for cosmetic or aesthetic purposes since the Policy came into force on August 25, 2004;

- There is a need for more consistent and formalized documentation and record keeping related to pesticide application decisions and the use of alternative practices; and,

- There is also a need for the City to monitor Policy implementation and effectiveness through compilation, analysis and reporting of related data and information on an annual basis. This information should be compiled in an annual report and presented to City Council.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	8	1	11%
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	9	1	11%
Substantially Complete	75 – 99	6	1	11%
Complete	100	1, 2, 3, 4, 5, 7	6	67%
TOTAL			9	100%

Conclusion

The City has addressed or substantially addressed seven of the nine audit recommendations agreed to by management, and has determined how it will address the other outstanding recommendations. The City has largely taken adequate, effective and timely action to respond to the audit findings and

recommendations. The requirements of Ontario Regulation 63/09 are very similar to the requirements of the former Corporate Pesticide Use Policy, which positions the City well to respond to the new regulatory requirements. It is recommended that the City use the processes and systems previously established to support implementation of the Corporate Pesticide Use Policy, to oversee compliance with Ontario Regulation 63/09, including designation of formal responsibility to track changes to the Regulation, provide information to managing departments, and determine if any situations at the City would qualify for an exception under the ban.

An annual report was produced for the years 2005 to 2007. While data was compiled for 2008, a report was not prepared due to the impending withdrawal of the Policy. However, given that the Policy had been in effect for the entire 2008 calendar year, it would have been appropriate to provide a summary report to Council.

Acknowledgement

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

3.11 Follow-up to the 2007 Audit of Costs Related to the Proposed Contracting Out of Lube, Oil and Filter Work

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Costs Related to the Proposed Contracting-out of Lube, Oil and Filter Work was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The information provided to the Union supporting the City's plan to outsource lube, oil, and filter work in 2007 contained unrelated costs.

- The City followed the appropriate process in its plan to outsource the oil, lube, and filter work currently done internally, however, the cost information provided to the Union was inaccurate.

- There were errors in the work orders for this work and these errors were not identified by the Maintenance Supervisors.

- Staff could be charging costs to work orders after they have been reviewed and closed by the Supervisors and the information system has inadequate internal controls to prevent this.

- In total, the audit makes six recommendations, four of which were agreed with by management.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	3, 6	2	33%
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	5	1	17%
Substantially Complete	75 – 99	1, 2, 4	3	50%
Complete	100	-	-	-
Total			6	100%

Conclusion

Progress has been made in implementing the majority of recommendations, although none are fully complete. Management has implemented reporting and review procedures to help to ensure accurate and appropriate charges are recorded.

However, the review procedures lack important elements such as a signature or initial of the reviewer to enhance accountability, the date of the review to demonstrate timeliness, and in some cases evidence of what was reviewed.

Management disagreed that the practice of charging break time to work orders should be changed, but has not pursued the matter at a Council Audit Working Group (CAWG). The practice results in inflated reporting of labour hours.

In one case, recommendation 6, management has indicated implementation is 100% complete, but did not provide any evidence to support this claim. In the absence of investigating the inaccuracies in recording of oil usage, the resulting impact, and determining whether a new process is necessary, the risk of inappropriate reporting of costs has not been addressed.

Acknowledgement

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

3.12 Follow-up to the 2007 Audit of the Council Request Tracking Processes

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Council Request Tracking Processes was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- City must improve its processes for managing requests from Councillors;

- The audit was undertaken to assess the effectiveness of the City's process for responding to both formal and informal requests from Council;

- The current process does not seem reliable, lacks consistency and requires follow-up on items, particularly informal requests, to obtain a response;

- The audit shows that currently the vast majority of requests from Councillors are informal and are routed directly to staff within departments;

- Timeframes for responding to inquiries should be set and monitored on a consistent basis;

- An interim reply step is needed to confirm timeframes once staff has had an opportunity to consider what will be involved in responding; and,

- An agreed upon corporate set of standards should be developed to provide clarity and direction for staff responding to these requests.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	1, 4, 5, 6, 8, 9, 11, 12, 13, 14, 15, 17	12	70%
Action Initiated	25 – 49	2, 3	2	12%
Partially Complete	50 – 74	16	1	6%
Substantially Complete	75 – 99	7, 10	2	12%
Complete	100	-	-	-
Total			17	100%

Conclusion

Management has assessed all but one of the 17 recommendations in this audit as having been completely implemented. According to Management's comments, this assessment is, in general, the result of the following:

- Approval on June 11, 2008 of the City Manager's report on the Council Inquiry/Motion Tracking Process; and,
- The Deputy City Clerk's report on the Informal Inquiry Process to the Member Services Sub-Committee on July 7, 2008 and subsequent discussion at that meeting.

These reports fail to address the recommendations as follows:

1. Although the City Manager's report provides some improved protocols for the operation of the formal inquiry process, it does not speak to the need to monitor the efficiency and effectiveness of the process in achieving its mandate. Furthermore, the Report does not provide improved protocols or a defined process for informal inquiries (see Appendix 1).

2. The Report on the Informal Inquiry Process from the Deputy City Clerk to Member Services Sub-Committee contains nothing related to informal inquiries. It does not identify issues, and it does not recommend any process improvements. It does not discuss the need to establish oversight in the process, nor does it identify key indicators that should be tracked in order to conduct appropriate monitoring (see Appendix 2).

3. The minutes of Member Services Sub-Committee meeting held July 7, 2008 (see Appendix 3), indicate that the discussion did not fully consider the issues with the current process, the need for oversight, the need to consider how to fulfill resource requirements, or the benefits to be derived from tracking and monitoring relevant data. The Committee considered the Report on the Informal Inquiry Process. However, given the lack of content in the report, the extent to which the Committee's consideration of the report was effective in assessing the issues with the current process, and whether the process is in need of improvement is questionable.

4. It is important to note that this audit was undertaken largely because of concerns raised by a number of members of Council regarding the current process for tracking requests. Similar concerns also arose in past audits including Surface Operations in 2006 and Real Estate Management in 2005. As such, the assertion in the Member Services Sub-Committee minutes from July 2008 that "the Auditor General was the only person making this point" clearly demonstrates misinformation. Management has assessed that the recommendations have been completely implemented, however, management's responses, along with the evidence reviewed demonstrate a lack of action

toward implementation. As such, the issues raised in the 2007 audit remain unresolved.

Overall Management Response

Management disagrees with the Auditor General's conclusion, and his assertion that the steps taken to address the original recommendations "demonstrate a lack of action toward implementation".

The following process improvements have been implemented ensuring the ongoing logging, monitoring and reporting of formal inquiries. The City Manager's Report on the Council Inquiry/Motion Tracking Process (ACS2008-CMR-OCM-0001) as approved by Council on June 11, 2008, implemented the *Outstanding Motions - Departmental Log* to log and monitor formal inquiries, the bi-monthly reporting to Council of outstanding inquiries, default deadlines with the expectation that all formal inquiries be responded to at the next Committee/Council meeting and if this is not possible, communication to the Councillor and Committee/Council Co-ordinator indicating when the response can be expected. Further, the Mid-Term Governance Review added the additional step that Council Inquiries be placed on the relevant Standing Committee agenda prior to their listing on a Council agenda to enable the relevant Standing Committee to request further action if necessary.

The action taken on informal inquiries included the tabling and consideration of the Informal Inquiry Process (ACS2008-CMR-CCB-0076) report at the Member Services Sub-Committee on July 7, 2008. The Auditor General's comments that the tabled report was lacking in content and failed to identify any issues with the current process and whether the process was in need of improvement, is unwarranted as the report on the Informal Inquiry Process (ACS2008-CMR-CCB-0076) included both the City Manager's Report on Council Inquiry/Motion Tracking Processes (ACS2008-CMR-OCM-0001) and the Auditor General's 2007 Audit of the Council Request Tracking Process as supporting documents, ensuring that the Member Services Sub-Committee reviewed all of the issues identified by the Auditor General.

The Member Services Sub-Committee fully considered the recommendations identified within the 2007 Audit of the Council Request Tracking Processes within the context of the Report on the Informal Inquiry Process (ACS2008-CMR-CCB-0076), and the direction provided by the Member Services Sub-Committee was that no further action be taken by staff on informal inquiries. The decision by Member Services Sub-Committee meant that staff did not proceed with the Auditor General's recommendations suggesting the implementation of structured logging, tracking, and monitoring of informal inquiries. Individual departments continue to use various internal methods to ensure that Councillor requests and inquiries are answered.

Acknowledgement

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

3.13 Follow-up to the 2007 Audit of the Disposal of Pavement Line Marker Equipment

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Disposal of Pavement Line Marker Equipment was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The City spent more than $40,000 to maintain a pavement marker vehicle it had already replaced.

- In October 2000, the City purchased a replacement vehicle. However, rather than being disposed of, the old vehicle was kept until August 2003.

- During this time, more than $40,000 was spent on maintenance of the old vehicle that was later sold at auction.

- The City should prepare a business case for retaining units that are slated for disposal and for spending additional resources on these units.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	3	1	33%
Partially Complete	50 – 74	1	1	33%
Substantially Complete	75 – 99	-	-	-
Complete	100	2	1	33%
Total			3	100%

Conclusion

Management has initiated implementation of all recommendations, but significant gaps exist in the extent to which the implementations address the risks that were identified in the audit. Management has introduced monitoring procedures including reporting, review, analysis, and reconciliation that will help to ensure the information retained in the department's system is accurate, that charges are authorized, and that resources are used effectively. However, gaps remain in the following areas:

1. Timeliness of the review to ensure charges to closed work orders are authorized and accurate;

2. Operating effectiveness of the access restriction to ensure only supervisors can make changes to closed work orders; and,

3. Operating effectiveness of the variance analysis that includes analysis of departmental charges to ensure those that should be charged to work orders were not charged to departmental expense.

Acknowledgement

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

3.14 Follow-up to the 2007 Audit of Environmental Commitments in the Ottawa 20/20 Growth Management Strategy

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Environmental Commitments in the Ottawa 20/20 Growth Management Strategy was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- Good progress on a variety of environmental commitments, but better City-wide coordination of activities is required;

- The City has begun and, in some cases, completed a large number of environmental policies, programs and initiatives, however there is no broader monitoring framework in place for these environmental commitments, which impedes tracking of the City's overall progress;

- Branches responsible for implementing activities or initiatives related to one or more of the commitments monitor progress related to their own initiatives to varying degrees;

- While branch-level monitoring provides some useful data and information, there is no corporate-level reporting to assess overall progress related to the environmental commitments as stated in the City's Official Plan and Corporate Plan; and,

- No systematic reporting to Council on initiatives related to these environmental commitments.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	1, 9, 11, 13, 18, 19	6	32%
Action Initiated	25 – 49	2, 5, 7, 8, 10, 12, 14, 15, 17	9	47%
Partially Complete	50 – 74	3, 4, 16	3	16%
Substantially Complete	75 – 99	-	-	-
Complete	100	6	1	5%
Total			19	100%

Conclusion

The City has initiated action to address many of the audit recommendations. While the actions identified in the 2007 management responses appear adequate to address the audit recommendations, progress in implementing these actions has been slow.

The City has done substantial work within various departments that align with aspects of the individual environmental commitment areas. While mechanisms exist for collecting and monitoring information, there remains room for improvement in the systematic use and reporting of that information. As was the case in the original audit, challenges remain in more effectively integrating environmental efforts within the range of applicable plans and strategies and improving alignment with the environmental commitments using appropriate strategic processes and tools. The substance exists, and with further development of the logic model, implementation roadmap and the revision of the Environmental Strategy, an integrated and transparent approach for achieving and reporting on the environmental commitments can be developed.

Acknowledgement

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

3.15 Follow-up to the 2007 Audit of Ministry of Labour Charges Regarding Contractor Equipment in Surface Operations

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Ministry of Labour Charges Regarding Contractor Vehicles In Surface Operations was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The Ministry of Labour issued a number of orders in 2007 related to unsafe contractor equipment at the City's Woodward Yard.

- On February 28, 2007, the Ministry of Labour visited the Yard and found unsafe contractor graders.

- The Ministry ordered that the safety deficiencies be remedied and that the City provide proof from the contractors that this work was completed.

- The City has complied with the orders and has revised its contract provisions to provide improved assurance of adequate equipment in the future.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	2	1	11%
Action Initiated	25 – 49	5, 8, 9	3	33%
Partially Complete	50 – 74	3, 4, 7	3	33%
Substantially Complete	75 – 99	6	1	11%
Complete	100	1	1	11%
Total			9	100%

Conclusion

Progress has been made towards implementation of many of the recommendations related to safety and operations. Written verification that the contractor's grader operators are competent is obtained, and a checklist is used to help ensure safety issues are remedied. Challenges to full implementation are primarily associated with a lack of formal documentation of training and procedures, which can lead to inconsistent application of important operation and control activities.

Although a reconciliation process has been implemented to ensure invoices from contractors agree to the time submitted by the supervisor, controls are not in place to address the following areas:

1. Ensuring compensation is in compliance with the contract, particularly when a shift of less than eight hours is worked;

2. Ensuring contracts are not paid when the equipment is not working due to deficiencies; and,

3. Ensuring the contract is explicit and comprehensive in describing the contractor's entitlement to hourly and standby pay.

A new tracking and reconciliation process has contributed significantly to improved controls to help ensure standby pay is not provided to contractors on days for which they worked. Opportunities exist to improve procedures to help ensure the adequacy and accuracy of the information provided for reconciliation, and to enhance the reconciliation procedures in order to ensure payments to contractors are appropriate.

Acknowledgement

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

3.16 Follow-up to the 2007 Audit of the Population Growth Projections

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Population Growth Projections was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- Population growth projections the City had in place from 2001 to 2007 were too high.

- At the outset of this audit, in meetings with senior management, it was acknowledged that the existing population growth projections were too aggressive and that revised estimates were to be developed in advance of the 2008 Official Plan update.

- In September 2007, the new figures were presented to Council.

- The recommended 2031 projection is now 1.136 million, a figure that is lower than the earlier projection for 2021.

- As a result, the City's growth-related strategies, plans and programs may have been overly aggressive.

- Departments should be notified of the new projections so that any on-going programs which were designed based upon the higher projections can be revisited to ensure that the updated estimates are properly accounted for.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	1, 2	2	100%
TOTAL			2	100%

Conclusion

In November 2007, Council approved the revised population growth projection to 2031 for the City of Ottawa. A return to the methodology used in 1997 by the former Region has resulted in estimates that are now lower than what was previously projected for 2021. The revised figures have now been incorporated into the Official Plan.

Acknowledgement

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

3.17 Follow-up to the 2006 Audit of the Munster Sewer Rehabilitation Project

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Munster Hamlet Sewer Rehabilitation Project was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- Project to improve sewage treatment in Munster Hamlet experienced significant cost overruns.

- Decisions made over the course of this project added significantly to the cost, however, we found no indication that the design or construction of the Munster Hamlet pipeline was inadequate.

- Technical and environmental analysis resulting in the pipeline decision was thorough and in accordance with the requirements of the Province.

- A review of all records as well as a physical examination of the pipeline showed no deficiencies in the design or construction.

- Better assessments of the time and cost implications of alternatives are needed to guide Council's decision-making.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	-	-	-
Substantially Complete	75 – 99	-	-	-
Complete	100	1, 2, 3, 4, 5, 6	6	100%
Total			6	100%

Conclusion

We consider that the City has implemented the required mechanisms to address the recommendations emanating from the original audit. The City has completed the

implementation of the six recommendations from the original audit where Management agreed with the recommendations.

Acknowledgement

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

3.18 Follow-up to the 2005 Audit of the Management Control Framework

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of the Management Control Framework was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- The creation of a Corporate Planning and Performance Reporting function is a positive step;

- Centres of Expertise and Service Level Agreements, by which internal support services are delivered, are not monitored or adhered to;

- A financial management control framework is required that clearly defines accountabilities, control objectives and risks;

- There is a need for an integrated risk management process to address overall corporate risk;

- The City does not have a corporate policy framework; and,

- The Information Technology Services strategy is not linked to the Corporate Plan.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	2, 4	2	40%
PARTIALLY COMPLETE	50 – 74	5	1	20%
SUBSTANTIALLY COMPLETE	75 – 99	1	1	20%
COMPLETE	100	6	1	20%
TOTAL			5	100%

Conclusion

Overall, it would appear that there has been moderate progress to address the issues and recommendations contained in the 2005 Audit of the Management Control Framework. In particular, the planning framework is not fully integrated

although there is a clear direction to complete the integration during this term of Council. Some restructuring and reassignment of responsibilities has had an impact on the City's ability to fully implement the Integrated Planning Framework.

Although there has been significant progress in assessing the gaps in services and accountabilities of the Centres of Expertise, little has changed with respect to documented service levels and accountabilities. The issues regarding the performance reporting and accountabilities still exist. That being said, in 2008, the City embarked on a restructuring and movement to a Shared Services Bureau approach in order to address these gaps and improve service delivery.

The 2005 audit recommendation with respect to integrated risk management had some impact. We recommended that the City implement an Enterprise Risk Management Framework whereby risks across the City are assessed and evaluated. Although management disagreed with this recommendation at the time, the City has moved forward with an Enhanced Risk Management Framework. Although this is not considered to be best practice in risk management, improvement and elevated importance of risk management is evident.

The implementation of a new Corporate Policy Framework is underway and has the elements of an effective framework. However, much of this work has been undertaken relatively recently through the new Organizational Development and Performance Department and remains in draft form. There is little evidence that the City has put structures in place to ensure that departmental policies are aligned with corporate policies. Some additional work is required in order to realize a fully integrated Corporate Policy Framework.

The Information Management/Information Technology framework has been developed and reflects the corporate priorities identified in the City Strategic Plan. The decision-making tools utilized by Information Technology Services are advanced and address some previous concerns regarding appropriate investments in information technology. In order to be fully effective, tighter integration with the City Strategic Plan and Departmental Business Plans is required along with an approved decision-making matrix for priority setting.

Management's response to the original audit indicated that many audit recommendations would be implemented in 2006 and 2007. In representations provided at the end of 2008, a significant amount of the recommendations had not been implemented, with plans to complete in 2009, three years after the original audit was released. Many of the planned activities for 2009 were not completed within the timeframes outlined in the representations or at the time of the follow-up audit. A formal project plan with deliverables, milestones and responsibilities for outcomes would be beneficial.

The City of Ottawa continues to strive to improve its Management Control Framework and has made some progress. Most notably, the integration of planning activities and performance measurement has seen some significant attention. The

City is still struggling with the challenge of providing shared services from the Centres of Expertise and has only begun to address the issues of balance between service delivery and controls. The success of the new Shared Services organization is of paramount importance to improving the City's Management Control Framework as these resources are key advisors and support for departmental managers. The City is also still in its infancy with respect to risk management practices as well as policy development. Concentration in these areas over the next period is important to ensure that appropriate controls are in place to ensure appropriate management practices and resources are in place to ensure compliance, program effectiveness and financial integrity throughout the organization.

Acknowledgement

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

3.19 Follow-up to the 2005 Audit of Overtime

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of Overtime was included in the Auditor General's 2009 Audit Plan.

The 2005 Audit of Overtime was presented to Council in May 2006. The original audit found that improvement in the following areas was required. Specifically,

- Controlling and monitoring of overtime expenditures against budgets;
- Submission of timesheets, approval of overtime by non-authorized staff, and, employees authorizing their own overtime;
- Reducing overtime by better management practices in work scheduling;
- Better usage of the corporate financial system; and,
- Management of absenteeism.

Subsequent to this audit, management retained the services of Deloitte Consulting to undertake an additional review. The findings from the Deloitte study mirrored the OAG's findings with some of the main issues identified as:

- Develop and/or adjust overtime base budgets;
- Improve overtime tracking (including its causes);
- Restructure shift schedules;
- Track overtime to costs recovered;
- Reduce absenteeism and improve process to fill vacancies; and,
- Develop overtime policies and procedures.

Summary of the Level of Completion

This follow-up audit was to determine if recommendations relating to overtime have been implemented and had achieved their objectives. The table below outlines our assessment of the level of completion of each recommendation contained in the 2005 Audit of Overtime as of the fall of 2009. Implementation of recommendations made by Deloitte Consulting was not assessed.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	1c, 1d, 1e, 2a, 2b, 2d, 5i, 8c	8	17%
Action Initiated	25 – 49	2c, 4c, 4g, 5h	4	8%
Partially Complete	50 – 74	3h, 4b, 5d, 8b, 11	5	11%
Substantially Complete	75 – 99	3b, 3c, 3i, 4a 5b, 5e, 6a, 8a, 9, 10	10	21%
Complete	100	1a, 1b, 3a, 3d, 3e, 3f, 3g, 3j, 4d, 4e, 4f, 4h, 5a, 5c, 5f, 5g, 6b, 7a, 7b, 12	20	43%
Total			47	100%

Overall, the City successfully implemented various undertakings in relation to overtime. Efforts during 2006 and 2007 to decrease overtime yield positive results reflected by stabilization and noticeable lower overtime dollars. Higher levels were however observed for fiscal 2008.

We recognize that the establishment and adjustments to overtime budget envelopes represent a continued effort for the City. Following the audit, a major adjustment of the City's overtime budget cost centre (e.g., 501150) occurred in 2006 when an increase of $7.6 million was made to better reflect the City's level of spending.

The City also developed an Overtime Corporate Policy that took effect June 2007. Per this corporate policy, the branches we surveyed had also issued complementary guidelines/procedures and protocols to better reflect their individual business needs.

In addition, the corporation improved its SAP monitoring of overtime - by requiring employees to populate the new "Overtime Reason Codes" using a legend on the reverse side of the absence/attendance form. Although the information captured is at a high level, it nonetheless provides an indicator of cause.

At the time of our review, the City was implementing the automation of attendance and absences for a number of employees. Starting with Phase I in November 2009, a pilot project was directed at Human Resources and ITS branches, with the anticipation of completion in March 2010. As of January 26, 2010, approximately 4,600 City employees (predominantly office personnel) started using the City's Timesheet Solution to electronically enter their absences and attendance. These timesheets are then electronically submitted to their supervisor for authorization. One system hard control, where overtime cannot be entered without a reason, was developed within the Solution. It is anticipated that the automation will alleviate incomplete forms for "inside employees" and reduce lapse time in capturing both absences and attendances.

In the three years since our review, management has placed a high priority to fully implement recommendation and bolster the control and oversight of overtime. In total management has fully and substantially completed the implementation of 30 of the 47 proposed recommendations.

For the present follow-up, we focussed on the primary overtime-cost centre, e.g., 501150 only (e.g., excludes court overtime, special overtime, overtime to cover statutory holidays, etc.). As indicated in the table below, the City stabilized its overtime expenditures in 2006 and decreased it in 2007. However an increase was noted in 2008. Efforts to decrease overtime will inevitably be an ongoing and continued activity for the City.

CITY OF OTTAWA 2008 OVERTIME AND COMPENSATION BUDGETS

		2006	2007	2008
City of Ottawa Departmental (incl. Ottawa Police Service)				
Overtime	Total Annual Budget	29,796,511	28,556,348	29,343,559
	Actual	33,206,178	31,992,026	36,720,175
	Variance	111%	112%	125%
Compensation [(1)]	Total Annual Budget	1,009,105,930	1,045,959,804	1,121,434,557
Envelope	Actual	978,220,321	1,044,607,849	1,120,076,813
	Variance	97%	100%	100%

[(1)] Overtime is included in the compensation envelope.

We observed the following remaining weaknesses in the areas we reviewed:

- *Lack of employee training at Fire Services* - Management has not made the training and the monitoring of training a priority in order to ensure specific employees at Fire Services do not work inordinate amounts of overtime.

- *Budgeting / Continuity* – The Manager, Wastewater and Drainage Operations could not provide insight as to why his predecessor had requested a decrease to the overtime budget, which in part caused the branch to overspend its 2008 overtime envelope.

- *Overtime review in conjunction with FTE and service levels* – Management in Wastewater and Drainage Operations, Customer Services and Solid Waste review the overtime budget envelops however does not conduct in-depth analysis of the cost benefit of using overtime versus employees.

- *Oversight of employee's overtime* – In Wastewater and Drainage Operations and Fire Services, more than one supervisor authorized some employees' timesheets rendering the controlling of overtime more difficult.

- A Fire Services employee submitted an overtime timesheet in May 2009; 5.5 months after the overtime had been worked (timesheet represents overtime worked on five different days in Oct-Nov 2008). The overtime was accepted and authorized.

Some managers were unaware as to the level (hours and dollars) of overtime worked by individual employees. In order to determine if this was a concern for

the City, we reviewed the City's top 25 overtime earners for 2008. In addition to their regular salary, these employees earned additional overtime remuneration ranging from $82,200 to $34,700 in 2008.

TOP 25 CITY OF OTTAWA 2008 OVERTIME EARNERS [1]

	Portfolio	Position	2008 Overtime Dollars	2008 Overtime Total Actual Hours Worked	Average [2] Additional Hours Per Week
1	ISCS [3]	Licensed Mechanics	82,222.43	1,892.50	36.39
2	CITY_OPS [4]	Firefighter	56,600.96	1,017.00	19.56
3	ISCS	Licensed Mechanics	54,060.93	1,345.50	25.88
4	ISCS	Garage Supervisor	51,589.52	1,041.50	20.03
5	ISCS	Bus Operator	48,238.03	1,299.56	24.99
6	ISCS	Garage Supervisor	45,907.77	1,047.75	20.15
7	ISCS	Transit Supervisor	45,736.37	1,167.00	22.44
8	ISCS	Garage Supervisor	45,105.10	919.25	17.68
9	CITY_OPS	Advanced Care Paramedic	45,005.02	918.25	17.66
10	ISCS	Bus Operator	44,394.43	1,194.41	22.97
11	CITY_OPS	W-Zone Supervisor	43,101.99	765.50	14.72
12	CITY_OPS	Advanced Care Paramedic	42,753.97	849.16	16.33
13	ISCS	GA - Tire Changer	41,065.75	1,108.08	21.31
14	ISCS	Bus Operator	39,816.14	1,070.45	20.59
15	ISCS	Bus Operator	38,858.63	1,047.30	20.14
16	ISCS	GA – Misc. Relief	38,439.39	1,060.00	20.38
17	CITY_OPS	Paramedic Supt. - Team Leader	38,059.46	630.30	12.12
18	ISCS	Bus Operator	37,724.10	1,016.12	19.54
19	ISCS	Licensed Mechanics	37,683.39	866.00	16.65
20	ISCS	Licensed Mechanics	36,767.39	894.00	17.19
21	ISCS	Fare Box Changer - TOSS	36,495.41	882.25	16.97
22	ISCS	Bus Operator	35,689.22	958.38	18.43
23	ISCS	Bus Operator	35,180.36	945.85	18.19
24	ISCS	Garage Attendant - STL	34,797.86	1,024.00	19.69
25	CITY_OPS	W-Zone Supervisor	34,716.18	724.50	13.93

(1) Excludes overtime of Ottawa Police Service, Ottawa Public Library, Committee of Adjustment.
(2) Average based on a 52-week year (does not account for absences such as vacation and sick leave or for strike lock out).
(3) Infrastructure Services & Community Sustainability Portfolio.
(4) City Operations Portfolio.

If earners worked a full 52 weeks each year (which does not account for any additional types of regular absences such as vacation leave, sick leave, strike lock-out, etc.) the highest overtime earner would have needed to work each week at least an additional 36 hours and the 25th earner, at least 14 hours.

- *Lack of approvals* – Payroll accepted a timesheet from a Wastewater and Drainage Operations' employee that had been submitted with 4.5 hours of overtime without any supervisory authorization (i.e., signature).

- *Retention and availability of source documentation* – Some timesheets for 3 of the 20 employees we sampled (two in Fire Services and one in Solid Waste) could not be provided at the time of request. They were subsequently provided.

- *Incongruence* - Observed variances on Fire Services, Solid Waste and Customer Services timesheets between the number of hours, the dates or the absence type indicated on timesheets submitted and the information entered in SAP.

- *Data entry* – For a Fire Services employee, we observed instances were overtime worked on a timesheet (e.g., four dates) was summed and entered as one date.   Therefore our sample demonstrated that SAP information did not show that overtime was worked on 19 separate days and incorrectly displayed five dates.

- *Circumvention of controls* - Hard controls include system-imposed limitations. SAP disallows the payment of an attendance (e.g., on-call) to an employee who has a full-day absence (e.g., annual leave, sick leave, etc.). It is Payroll Services' position that it is necessary to do "work-around" in order to allow payment of on-call to employees on leave. We observed that two of the five employees we sampled in Wastewater and Drainage were either on annual leave or took sick leave on the same day they worked overtime.

- *Lapse Time* - Moreover, only once lapse time (between overtime being worked, the employee submitting a timesheet, its authorization at an appropriate level and the information being entered to SAP) is addressed will SAP, the City's information system hold accurate and timely information.

Management's attention is now required to address the remaining recommendations where implementation has not progressed to expected levels.

Conclusion

The City's improvements to its controlling and monitoring of overtime yielded positive results in terms of a decrease in overtime expenditures, particularly in fiscal 2006 and 2007. The City was prompt to react to the audit and to develop and issue a corporate policy to address overtime. This is an indication that the City can work more efficiently and that lower level of overtime can be achieved.

Except for Fire Services, where we have concerns over the overtime practices, good progress in the areas reviewed was observed.

The City's accomplishments in terms of the decrease in overtime observed in both 2006 and 2007 started to falter in 2008. In light of the progress noted, overtime needs to be returned to the forefront of management's priorities.

Acknowledgement

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

3.20 Follow-up to the 2005 Audit of the Procurement Process

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of the Procurement Process was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- The City should place greater emphasis on pricing when it contracts for outside services in order to realize significant savings.

- A greater emphasis should be placed on the price component when evaluating engineering proposals, raising it from 15% to 30%.

- There were significant increases to several engineering contracts through the use of amendments.

- There should be better management of standing offers with a greater emphasis on price.

- Standing offers are awarded to relatively large numbers of suppliers yet work is consistently awarded to a few firms with little consideration of cost.

- Non-conformities to the procurement process are relatively low but the overall process for reporting to Council on procurement matters needs improvement.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	15	1	4%
PARTIALLY COMPLETE	50 – 74	6, 7, 8	3	12%
SUBSTANTIALLY COMPLETE	75 – 99	21	1	4%
COMPLETE	100	1, 2, 3, 4, 5, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 22, 23, 24, 25	20	80%
TOTAL			25	100%

Conclusion

As a result of some initiatives within the City, there have been some Council approved amendments to Purchasing By-law 50 since the 2005 audit. The thresholds for standing offers have been increased to $150,000, the limits for sole

sourcing have been increased, and a standard price component for some contracting activities has been established, and this affects some of the initial recommendations.

In the file review associated with the follow-up of progress against the original recommendations, there were no material issues identified.

There are still some issues related to specific standing offers and their overall management – Engineering Services and Translation, where allocation of work based on cost or "ranking" of proponents is not being done, and work continues to be concentrated.

Significant progress has been made in implementing all but one of the original recommendations and this has resulted in better overall control.

Acknowledgement

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

3.21 Follow-up to the 2006 Audit of Fleet Services

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of Fleet Services was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- $1.3 million in potential annual savings to the City of Ottawa's vehicle costs.

- Over $900,000 in vehicle misuse and abuse as well as $460,000 in possible fuel savings from enforcing the use of City fuelling stations.

- Low usage rates for many vehicles, however, management is not acting on these opportunities to reduce fleet size and costs.

- No corporate standards exist for the selection of vehicles and the decision to purchase is not always based on lowest cost.

- Mechanic productivity is not being measured, and improved preventative maintenance programs are required, including the use of a work order system and better monitoring of vehicle repairs.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Transit

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
NOT APPLICABLE		4, 9, 34, 35	4	9%
LITTLE OR NO ACTION	0 – 24	2a, 2b, 3, 10, 11c, 21	6	13%
ACTION INITIATED	25 – 49	1, 5a, 5b, 5c, 5d, 11e, 15	7	15%
PARTIALLY COMPLETE	50 – 74	2c, 6, 7a, 7b, 8, 11d, 17, 19, 22, 31	10	21%
SUBSTANTIALLY COMPLETE	75 – 99	23, 24	2	4%
COMPLETE	100	7c, 11a, 11b, 12,13,14, 16, 18, 20,25, 26, 27, 28, 29, 30, 32, 33, 36	18	38%
TOTAL			47	100%

Fleet

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Not Applicable		17,19,20, 21, 22, 25	6	13%
Little or no action	0 – 24	2a, 2b, 7a, 7b	4	8%
Action Initiated	25 – 49	11e, 34	2	4%
Partially Complete	50 – 74	1, 2c, 8, 9, 11d, 15, 31	7	15%
Substantially Complete	75 – 99	3, 4, 5c, 5d, 6, 10, 35	7	15%
Complete	100	5a, 5b, 7c, 11a, 11b, 11c, 12, 13,14, 16, 18, 23, 24, 26, 27, 28, 29, 30, 32, 33, 36	21	45%
Total			47	100%

Conclusion

Both the Fleet and Transit organizations are undergoing dramatic transformation in the way they do business. Both have experienced significant management turnover over the last year. Both organizations have very specific, but divergent, strategies which must be taken into account in future, particularly in their use of business systems.

Both organizations were asked in 2006 to take on Life Cycle Cost Management (LCCM) as a central aspect of managing acquisitions, creating transparency of repairs and in the disposal of fleet. There is however no indication that there was any internal development of the skills needed to achieve this end. It would seem that, as at this point in the process, that this would be the major reason why these recommendations have not been achieved. That being said, it would appear that this limitation is now being overcome and both organizations are able to proceed with next steps.

At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost effectively make parts available to the mechanics when they need them. Both organizations need to address this issue, in their own way, as a top priority.

Another issue that must be addressed is how the set up of the primary business system used by both organizations, M5 is being used. Its internal structure needs to be refined to capture clean data from a LCCM perspective. The current setup is designed to address a confused mix of financial needs, cost accounting requirements, and Human Resources (HR) related issues. In serving too many masters it does nothing well and the design needs to be normalized to meet the core strategic capability required to manage the fleets.

A fuel management system needs to be implemented and used by all City vehicles, including Transit. As noted by the Office of the Auditor General (OAG) in past audits, the use of public fuelling facilities has a significant cost to the City, costs that are far in excess of the apparent direct or operational saving.

When fuelling occurs it is important to know who fuelled which vehicle, as well as how much fuel was acquired and when. The existing system used by Transit, with manual data entry of all data elements is not providing the accuracy needed by M5 with regards to meter readings and fuel consumption by unit.

The fuelling process is the one time when Fleet can ensure the ability to "touch" a vehicle and capture the information needed to provide a timely and accurate view of a vehicle and therefore provide the information needed to support both the preventative maintenance and LCCM programs. This information is lost when vehicles habitually fuel outside the system, degrading the overall capability to manage the fleet and driving up costs.

For the City of Ottawa to successfully implement the changes set out in the audit report of 2006, requires central support for transformation of both operational organizations. Neither organization has the capacity or capabilities required to make the necessary changes on their own and need the active and timely commitment of HR, Information Technology (IT), Materials Management, and Finance to achieve the desired outcomes.

Two examples make the nature of this apparent:

1. For Fleet to implement a lease-based system there are financial ramifications that need to be examined, documented and ultimately decisions made. Options with respect to the equipment reserve funding and operating accounts and other incidental financial reporting structures are essential to the success of this deliverable, yet work on this project is stalled. A study on this subject, which is a time sensitive hurdle that must be cleared, was requested four months ago and as yet no commitment by Fleet's Financial Support Unit (FSU) has been provided as to when this will be available.

2. Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices.

Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City.

To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing transformation. In other words, central services must learn to balance their control

roles with their service delivery functions when organizations are in the difficult position of transforming the way that they do business.

Overall Management Response

In the past, management reported 100% completion for the status of some of the recommendations made in the 2006 Audit of Fleet Services. After further consideration and taking into account additional options that have since come to light, management agrees that more effort is required to ensure completion.

Many of the follow-up recommendations will be addressed through the Fleet Services' Service Excellence Plan as outlined in the management responses to the recommendations.

Some of the recommendations of the 2007 audit were not originally related to Transit Services. Where the OAG has applied a recommendation to Transit, management has confirmed applicability and agreement with the original recommendation prior to assessing the OAG's follow-up audit findings.

Management disagrees with some of the statements made in the Conclusion section of this audit report. The applicable section and management's comments are noted below.

"At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost-effectively make parts available to the mechanics when they need them."

Stores are not responsible for the supply of parts for Transit. Further, this statement is not supported by defined measures or examples that would support the auditor's finding for Fleet.

"Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices."

This statement is not supported by defined measures or examples that would support the auditor's statement.

"Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City.

To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing transformation. In other words, central services must learn to balance their control roles with their service delivery

functions when organizations are in the difficult position of transforming the way that they do business."

Supply Management's interests in this regard are solely as stipulated in the Purchasing By-law; that is "to obtain best value when purchasing goods, construction and services for the City while treating all suppliers equitably."

ACKNOWLEDGEMENT

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.

3.22 Follow-up to the 2006 Audit of the Financial Control Environment

EXECUTIVE SUMMARY

Introduction

The follow up to the 2006 Audit of the Financial Control Environment was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- The City has no clear and consistent control procedures and no clear ownership or accountability for overall financial control. Roles, practices and procedures are currently inconsistent and lacking.

- Despite a large investment in a City-wide financial system, the City is not taking full advantage of it. There is still extensive use of other systems and many of the corporate controls have not been activated. Significant deficiencies were also identified in system access, including incompatible duties and a lack of segregation of duties.

- The lack of effective financial controls has resulted in:

    - Over $291,000 annually in foregone interest revenue from paying invoices too soon;
    - $1.1 million, in 2006, in uncertified sick leave over allowable limits without medical certificates;
    - $6.8 million in banked vacation leave beyond allowable entitlements; and,
    - $23.6 million in payments made prior to the authorization for the purchase.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	2, 3, 4a, 11, 16b, 16c, 21, 27, 30, 32a, 35b, 36, 38	13	27%
Action Initiated	25 – 49	19	1	2%
Partially Complete	50 – 74	1, 4b, 6, 7, 20, 32b, 33, 35a, 40	9	18%
Substantially Complete	75 – 99	5, 8, 9, 10, 12, 14, 15, 16a, 17, 23b, 28, 29, 34a, 34b	14	29%
Complete	100	13, 18, 22, 23a, 24, 25, 26, 31a, 31b, 37a, 37b, 39	12	24%
Total			49	100%

Conclusion

As detailed in the 2006 Audit of the Financial Control Environment, the City's amalgamation was challenging in that it needed to integrate the various systems of 12 municipalities into one integrated financial control environment. At the time, the City decided to implement a Centre of expertise model including the Financial Support Units. The 2006 audit found that, although the concept appeared sound, the financial control framework had several weaknesses and inconsistencies. Further, the audit found that, even though the City had implemented a state of the art financial system, there was a general lack of utilization by employees and confidence on the part of external auditors.

In our opinion, the City has made improvements in strengthening the financial control environment. We noted that there are many positions within Finance that could expand their responsibilities to improve efficiencies within the department. A full business process review would reveal the areas where resources could be better utilized.

The City has engaged consultants to assist them in developing a financial control framework at a cost of over $100,000 to date. Both reports are quite useful at the framework level and management has begun to implement the recommended framework.

Of particular concern is the limited progress with respect to the development of financial policies and procedures, given the amount of resources committed to this project. A comprehensive, corporate approach needs to be undertaken with a detailed assessment of each financial process and controls required based upon best practice. To date, the City has simply developed a repository of existing written policies and procedures without a review of the procedures that are required.

With respect to changes within the Corporate Financial System (SAP), very few advances have been made. Many of the recommended system controls contained in the 2006 audit were not explored nor implemented. However, management did undertake some changes within Payroll to address some significant liabilities (i.e., uncertified sick leave). Reporting within SAP has not improved. Only recently has Finance completed its recruitment of the Financial Management Information Systems group which has the mandate to improve controls and reporting.

In contrast, the Financial Support Unit (FSU) assigned to Parks, Recreation and Cultural Services Department appears to have implemented changes. Although some changes are still required, the FSU and Parks, Recreation and Cultural Services staff have worked diligently to address the concerns raised in the 2006 audit. Given the challenges faced by the Parks, Recreation and Cultural Services with respect to segregation of duties, the two entities appear to be exploring various mechanisms to improve controls.

With respect to controls for purchasing and disbursements, there is a lack of management oversight for a significant amount of transactions. In many parts of the organization, responsibilities have been delegated to staff without formal delegation instruments.

The City's Public Sector Accounting Board (PSAB) implementation plan, although relatively late in the year, appears to be on track in order to meet the audit requirements for 2009. Diligent project management and oversight will be required to ensure the City meets the deadline.

Financial controls have always been a major area in the governance of an organization. The City's internal controls should be both robust and rigorously overseen.

Effective financial controls ensure that the City of Ottawa operates as efficiently as possible and assists it in meeting its objectives.

Management Response to the Conclusion

The 2006 Audit of the Financial Control Environment identified a number of recommendations intended to create a structure of financial accountability supported by documented procedures and systems. Since that time management within the Finance Department have established a number of changes to address those recommendations including:

- The establishment of the Controller position at a Deputy Treasurer level, with accountability for consistency in financial controls.

- The establishment of a Financial Policy, Compliance and Systems Unit within the Controller's Branch with responsibility for compliance testing, policy & procedure documentation, audit response & coordination, and systems development within Finance.

- The establishment of a Financial Management Information System team with the mandate of reviewing and enhancing systems support of financial business processes and reporting needs.

The staffing of these new units and positions was completed in mid-2009, and since that time significant progress has been made in response to the audit recommendations.

In the follow-up audit, the OAG has found implementation to be more than 50% complete in 71% of the 49 recommendations. Management believes they have completed 38 of the recommendations (78%), with significant work on 10 additional recommendations that are substantially completed (20%) representing 98% of all original recommendations. The remaining recommendation is 50% completed. Management believes that the difference in communication of results is due to two factors: time delay between completion of audit work and communication of results

(Summer 2009 vs. Spring 2010) and differing interpretation of recommendations, with the follow-up audit expanding on the scope of the original recommendations.

In addition to strengthening the financial control environment, Finance has been monitoring the implementation, tracking the status and dealing with follow-up audits for approximately 320 Finance-related recommendations made by the OAG in various audits since 2005. The volume of work associated with these audit recommendations has represented a significant workload for many Finance management and staff positions. The OAG states that there are many positions within Finance that could expand their responsibilities to improve efficiencies within the department, however, has not provided any evidence supporting this statement.

The City engagement with Ernst & Young provided the foundation for a financial control framework. Many of the observations identified in the report have been incorporated into project or action items included in many workplans within Finance, ODP, Legal, IT, HR, etc., including the following initiatives:

- Risk management – there is an Enterprise Risk Management (ERM) committee of departmental representatives. The mandate and guiding principles for this group have been identified in a report that has been reviewed and approved by Executive Committee and Council. Aspects of risk management from a financial and operating perspective are key components of a coordinated approach promoted in this working committee.

- Code of Conduct – The new Code of Conduct and action plan was received by Corporate Services and Economic Development Committee (CSEDC) on April 6, 2010. The Code of Conduct will become part of the annual performance appraisal for every staff in the corporation.

The 2006 audit of the Financial Control Environment recommended the establishment and documentation of financial processes for FSU and other Finance staff. The initial objective has been completed through the compilation of 352 processes, the consolidation and standardization of similar processes where practical, and the consistent documentation of those documents with the assistance of the business process owners. Staff in the Policy and Compliance Unit (PCU) are working with Corporate resources to explore common "viewing" solutions for access and retrieval of these documents on Ozone and Business Information Management System (BIMS) by Q4 2010.

In addition to the original recommendations addressed above, PCU staff are involved in the following initiatives that will continue throughout 2010 with updates on an ongoing basis thereafter:

- Indexing of the documents into business process groupings to allow a "workflow" relationship view of traditional streams of related processes.

- Gap analysis and benchmarking to identify additional processes to be developed to provide a more comprehensive coverage of business documents.

- Consideration of inclusion of business process mapping to aid understanding in more complex business processes.

The FMIS group was staffed in mid-2009. Since that time these resources have been involved in many Finance systems projects. Current projects include:

- Financial reporting – a project has been established to examine the financial reporting requirements of the organization, and the alternative approaches to generating these reports. The initial phase to compile existing reports and identify reporting improvements has been completed through interview of Finance staff.

- Training – a project has been initiated to review existing materials for SAP training and identify gaps and opportunities for re-using, updating and enhancing awareness of the SAP and its functionality and the implications on Finance business processes. A project has been initiated to identify training requirements for Finance staff. A training plan will be created using existing training materials, webinars along with classroom style training where required.

A project to create an Authorized Signature Database has been completed and is 80% populated with the authority levels and signatures for all approvers in the organization in compliance with the Purchasing By-law and as directed by senior management. This tool is currently available to Finance staff as the sole repository of information and represents a control for confirming appropriate approvals in Finance business processes.

In addition to day-to-day operations, Finance is involved in Finance-initiated projects (e.g., Accounts Payable ("AP") automation), client-initiated projects (e.g., SmartCard), Council-directed initiatives, regulatory compliance (e.g., introduction of HST) and over 320 recommendations made by the OAG since 2005. With limited resources, Finance must prioritize their activities based on risk and materiality.

The OAG has stated that effective financial controls ensure that the City of Ottawa operates as efficiently as possible and assists it in meeting its objectives. Management is committed to implementing a strong internal control framework. The City is working with its external auditor to transition to a control based audit approach over the next few years. Work on this initiative has commenced in fiscal 2009 on specific processes, and will continue to be refined and developed each year thereafter.

Management considers that significant progress has been made in implementing the recommendations of the original audit.

Acknowledgement

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

3.23 Follow-up to the 2006 Audit of the Village Walk Wastewater Treatment Facility

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Contract Award of the Operating and Maintenance Agreement for the Village Walk Wastewater Treatment Facility was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- The contract for $1.8 million was not awarded in compliance with the Purchasing By-law;

- No Council authority was obtained to award the contract;

- There may have been financial savings had this award gone through a competitive process; and,

- Reports to Council did not provide consideration of options and an analysis of alternate solutions.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	-	-	-
Substantially Complete	75 – 99	-	-	-
Complete	100	1, 2, 3, 4	4	100%
Total			4	100%

Conclusion

During 2008, the City issued approximately 134 Financial Support Unit (FSU) Purchase Orders (FPO). Of these the predominant uses were for the contracting of instructors of one type or another at various community centres or for the conduct of maintenance work where a right of first refusal on such work was in place. There were a handful of payments to "institutions" such as hospitals and Algonquin College for revenue sharing related to parking and capital contributions of $75,000 for start up costs for child care facilities. There were also roughly a half

dozen issued to Energy Ottawa and two for specialized security requirements at $160,000 and $618,000.

In addition there was one for $1.4 million for disposal / tipping in Moose Creek and one for $2.2 million for double-decker buses for evaluation.

The balance of the money expended through FPOs involved approximately eight transactions related to front end agreements associated with major development projects, each with a value close to $1,000,000 or more.

Given the nature of the original audit and related recommendations we reviewed four major transactions in greater detail. Two for front end agreements with developers, the landfill agreement and the purchase of double-decker buses.

All four transactions obtained Council approval after submitting documentation which outlined the options available and the limited scope for competition. All of the requirements were well justified.

However, in two of the transactions, the agreements related to the landfill site and the purchase of double-decker buses, while coded as FPO, they do not appear to meet the limited applications of this type of procurement process, which are; front ending agreements, defined Community and Protective Services contracts or third party management of City facilities.

The limited applicability of the FPO process does not appear to be well understood by some staff in FSUs and Supply Management. The FPO procedure documents could benefit from better description of the links to the requirements of the Purchasing By-law.

Acknowledgement

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

3.24 Follow-up to the 2007 Audit of Bus Refurbishing and Warranty Programs

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Bus Refurbishing and Warranty Programs was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The City had $360,000 in uncollected warranty claims dating from 2003-2006, including $158,000 from 2004.

- During 2007, the City wrote down outstanding warranty claims totalling $723,000, by an amount of $363,000, due to corrections and the removal of claims.

- Better management and accounting through the use of the corporate financial system would allow for better monitoring of this receivable.

- Billings under the bus refurbishing program were in compliance with supplier's contract.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	-	-	-
Partially Complete	50 – 74	1, 2	2	100%
Substantially Complete	75 – 99	-	-	-
Complete	100	-	-	-
Total			2	100%

Conclusion

Transit has come a long way over the past eighteen months in its capability to deal with preventative maintenance (PM) and warranties. The Fleet Management System (M5) has been implemented and PMs have been entered into the system however, the overall PM to Other Repair ratio is low.

Parts continue to be a problem and there is no part level warranty tracking occurring because the current system of record (SAP) is not capable of tracking part

level warranties. Transit needs to address this shortfall quickly and either out source its parts to a third party or move its parts inventory back into M5 where warranties can be properly tracked and auctioned.

The spreadsheet being used to track warranty claims should be replaced with M5 which has all of the capability to properly track warranty claims when coupled with the financial aspects residing in SAP.

Acknowledgement

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

3.25 Follow-up to the 2007 Audit of Inventory and Asset Management Processes

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Inventory and Asset Management Processes was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- Insufficient controls of inventory management make it difficult to ensure inventory is being used only for the City's benefit.

- There are no City-wide policies on inventory or systems and procedures to control the City of Ottawa's assets and inventory. Control and recording of some City assets is either non-existent or incomplete.

- City assets and inventories should be recorded within the Corporate accounting systems.

- The audit recommended that the City Treasurer assign a function with the overall responsibility for all City assets. This function would be responsible for developing and issuing overarching policies, systems, controls and procedures on City assets and inventory. Management disagreed with this recommendation.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	1, 5, 8a, 16b, 17b, 20c, 24a, 24b, 25b, 33, 47, 52	12	13%
Action Initiated	25 – 49	3b, 3c, 14a, 14b, 16a, 22, 30, 35, 44, 49	10	10%
Partially Complete	50 – 74	2, 3a, 4, 7, 8c, 25a, 26a, 26b, 28c, 29, 32a, 37,42, 48c, 53, 55	16	17%
Substantially Complete	75 – 99	6, 8b, 17a, 20a, 20d, 20e, 24c, 24e, 31, 36, 58	11	11%
Complete	100	9a, 9b, 9c, 9d, 10, 11, 12, 13a, 13b, 13c, 13d, 13e, 15, 18, 19, 20b, 21a, 21b, 21c, 23, 24d, 26c, 27, 28a, 28b, 32b, 32c, 34a, 34b, 34c, 38, 39, 40, 41, 43a, 43b, 45a, 45b, 45c, 46, 48a, 48b, 50, 51, 54, 56, 57	47	49%
Total			96	100%

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Conclusion

Overall, there has been significant progress on the recommendations of the initial audit. Including those recommendations with multiple issues there are more than 96 unique items to assess. Of those, 58 are substantially met or better and 38 are partially met or less. The introduction of hand-held scanners, which is currently underway, will further address some recommendations which are currently not fully met.

Some inventory remains which is not under the control of Supply Management but additional controls have been introduced with the recent implementation of SAP and the intent of the initial recommendations has been achieved while meeting operational requirements.

There has been a significant change since the original audit was conducted. SAP has been introduced to manage all inventories and M5 is now used only for the maintenance aspect of vehicles.

There remain some issues related to segregation of duties which management believes are directly linked to staffing levels. Additionally, the tracking of information technology (IT) related equipment remains deficient.

Acknowledgement

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

3.26 Follow-up to the 2007 Audit of Labour Relations

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Labour Relations was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- A legal opinion obtained by the City stated that the existing severance practices are excessive. The audit recommended involuntary severance packages for senior managers be brought more in line with common law practices.

- There are weaknesses in the area of disciplining non-unionized employees, such as when a performance issue arises with a senior manager, there is little willingness to address it.

- For the vast majority of unionized City employees, the grievance procedure is lengthy, taking an average of nearly two years to complete.

- The City has not been very successful in handling grievances, especially at the arbitration stage.

Summary of Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	7	1	4%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	8, 10, 12	3	14%
SUBSTANTIALLY COMPLETE	75 – 99	3, 20, 21, 22	4	18%
COMPLETE	100	1, 2, 4, 5, 6, 9, 11, 13, 14, 15, 16, 17, 18, 19	14	64%
TOTAL			22	100%

Conclusion

The results of the follow-up audit clearly indicate that the Labour Relations Division, now reporting to the City Clerk and Solicitor, have accomplished great work in implementing most, if not all, recommendations at the time of this report.

The chart above summarizes the level of completion reached against the original 22 recommendations arising from the Audit of Labour Relations conducted in 2007. Fourteen of the recommendations are deemed to be fully implemented, four are

75% or more completed, three are progressing well, and one has not been acted upon as a result of changes in personnel and the re-organization which have delayed its implementation.

One of the significant reasons behind the favorable improvements is the integration of Labour Relations (LR) and Legal Services (LS) reporting to the City Clerk and Solicitor. This decision has facilitated the timely access and exchange of information and has largely eliminated the disconnect that existed in the past between these divisions which was at the root cause of many recommendations arising from the 2007 Audit. The new changes will ensure better alignment, integration and cohesiveness in labour relations matters, and allow for appropriate escalation and determination of matters at senior management levels, when needed. However, there is still a need to explain the service delivery model and to emphasize the roles and responsibilities of all key stakeholders in labour relations matters.

Of greater significance overall is that the recent organizational changes have brought new faces and a refreshing perspective on collective bargaining which is both insightful and strategic as opposed to that of the past. The quality of the documentation reviewed, the nature and substance of discussions held with the responsible LR/LS senior managers as well as developments during the recent round of collective bargaining all serve to validate that the City is moving towards a more meaningful approach to collective bargaining with the full consultation and commitment of Council.

The research and analysis of proposed mandates for upcoming rounds of collective bargaining are now extremely well presented and beginning to be in tune with the City's longer term strategic objective. Very good steps have been taken in a very short time, but more needs to be done to continue to build a more rigorous and structured planning process to mesh the collective bargaining goals and strategies with the City's Talent Management Plan and in turn with Council's strategic vision and priorities.

Acknowledgement

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

3.27 Follow-up to the 2007 Audit of Misuse and Abuse – Vehicles and Equipment

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Misuse and Abuse – Vehicles and Equipment was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- Sixteen work orders examined totalled over $277,000 in damages due to misuse and abuse.

- The City of Ottawa does not have adequate oversight of these repair costs.

- Monthly "Misuse and Abuse" reports were not provided to branches with any consistency and for those reported to branches, no action was taken in many cases. Of the 16 cases examined, Fleet Services notified Surface Operations Branch of only four. However, Surface Operations took no action on any of them.

- The audit also revealed deficiencies in compliance with regulations, namely the Provincial Highway Traffic Act and the City's Non-Smoking Policy.

- Further review of an incident reported in the Auditor General's 2007 report indicated the following:

  - City staff reported that an operator drove a sidewalk plow down a flight of stairs, causing significant damage. The audit was not able to confirm if this happened.

  - According to the accident report, extensive repairs that required parts to be specifically manufactured, were reported to be the result of one sidewalk plow operator rear-ending another sidewalk plow at 5 km/hr;

  - The $18,477 undercarriage damage sustained to one of the sidewalk plows seemed inconsistent with the reported 5 km/hr collision;

  - The City's Collision Review Committee (CRC) conducted an inadequate investigation.

Summary of the Level of Completion

The tables below outline our assessment of the level of completion of each recommendation as of Fall 2009.

Fleet

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Not applicable		-	-	-
Little or no action	0 – 24	7, 10, 12	3	13%
Action Initiated	25 – 49	21, 22	2	9%
Partially Complete	50 – 74	1, 3, 6, 8, 9, 17, 23	7	30%
Substantially Complete	75 – 99	15	1	4%
Complete	100	2, 4, 5, 11, 13, 14, 16, 18, 19, 20	10	44%
TOTAL			23	100%

Transit

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Not applicable		2, 4, 6, 7, 23	5	22%
Little or no action	0 – 24	10, 12	2	9%
Action Initiated	25 – 49	21, 22	2	9%
Partially Complete	50 – 74	1, 3, 8, 9	4	17%
Substantially Complete	75 – 99	15	1	4%
Complete	100	5, 11, 13, 14, 16, 17, 18, 19, 20	9	39%
TOTAL			23	100%

Conclusion

Both Fleet and Transit have made good progress in responding to the recommendations of the 2007 Audit of Misuse and Abuse – Vehicles and Equipment.

The fleet management system utilized by both organizations (M5) is more than capable of allowing the repair facilities to classify repairs as operational vs. non-operational and of identifying repairs as the result of misuse, abuse, theft, vandalism, negligence, etc. The system needs to be set up to do this however, and the repair technicians and supervisors actually responsible for these repair classifications need to be trained.

Fleet is in the process of modifying their Work Order and Job Reason Codes to facilitate these classifications and it is recommended that Transit do the same. Once modifications have been completed, repair technicians and their supervisors will need to be trained so that their understanding of the new classification methodology will form the basis of consistent and accurate repair classifications.

Only after these repairs are being consistently and accurately captured in the Fleet Management system, will analysis and reporting be available to communicate to

Fleet clients. Current reporting exists but the quality of the data being reported is questionable.

The Pre-trip log books are excellent, but how well these forms are being utilized and how well the copies are being filed by the applicable clients is in question. Fleet needs to ensure the logs are being properly used. Although Transit has been exempted from this paper trail, it is recommended that they create one as a 'best in class' business practice.

The collision reporting procedures are well established and compliance is high. However, it is recommended that Fleet have its own investigation team and proactively investigate all collisions involving Fleet assets as opposed to waiting to be invited by the using department as the current practice exists today.

Overall Management Response:

In the past, management reported 100% completion for the status of some of the recommendations made in the 2007 Audit of Misuse and Abuse – Vehicles and Equipment. After further consideration and taking into account additional options that have since come to light, management agrees that more effort is required to ensure completion.

Further, at the time of the follow-up assessment, nine recommendations were awaiting resolution by the Audit, Budget and Finance Committee. In all cases, agreement between the Office of the Auditor General (OAG) and management has now been achieved.

Many of the follow-up recommendations will be addressed through the Fleet Services' Service Excellence Plan as outlined in the management responses to the recommendations.

Some of the recommendations of the 2007 audit were not originally related to Transit Services. Where the OAG has applied a recommendation to Transit, management has confirmed applicability and agreement with the original recommendation prior to assessing the OAG's follow-up audit findings.

Acknowledgement

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

3.28 Follow-up to the 2007 Audit of the Procurement of Fax Machines

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Procurement of Fax Machines was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The City should consider purchasing fax machines rather than renting them to achieve cost savings. The City also needs to establish better control over its inventory of fax machines. The City has no up-to-date inventory with sufficient detail to facilitate cost-benefit analysis and confirmation of rates charged. The existing cost-benefit analysis of fax machines did not consider the longer-term cost savings of purchasing rather than leasing fax machines.

- There is no standing offer in place to purchase fax machines.

- The audit identified other opportunities for improvement to ensure the City has been properly invoiced and seeks refunds of any amounts overcharged; and the roles and responsibilities with respect to fax machines are appropriately segregated.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	3b	1	20%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	2	1	20%
COMPLETE	100	1, 3a, 4	3	60%
TOTAL			5	100%

Conclusion

Information Technology Services has assumed responsibility for the inventory of fax machines as well as the ordering, receiving and payment of individual units. Within Financial Services, Supply Management Division remains responsible for the procurement, i.e., the putting in place or accessing of Standing Offer

Agreements put in place by other levels of government against which individual orders are made.

On the Information Technology website the department clearly states that it has assumed responsibility for fax machines and maintains information on the web that guides City staff in the process developed to acquire new technology including fax machines.

Additionally, the ITS department is in the process of developing a "print strategy" to identify cost efficiencies. This involves assessing present spending on imaging devices on three floors at 100 Constellation, and from this data, determining the magnitude of efficiencies that can be gained.

While the inventory of fax machines within the City is not 100% up to date, as we located non-inventoried items as we conducted our audit work, we do note that fax machines, unlike computing equipment, are difficult to track as they are easily moved, not on a network and can be purchased on low dollar purchase order, making a totally accurate and up-to-date inventory difficult to achieve and maintain. Because they are easily moved, it is more important to maintain accurate inventories and improve the process.

Acknowledgement

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

3.29 Follow-up to the 2007 Audit of the Protocol Division

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Protocol Division was included in the Auditor General's 2009 Audit Plan. In 2007, the City Clerk of the City of Ottawa requested that the Auditor General review the Protocol Division to assess if procurement practices were in compliance with City policies.

The key findings of the original 2007 audit included:

- The Protocol Division had awarded non-competitive contracts for graphic design services to a firm related to an employee of the Division. There was no disclosure of the conflict of interest. Since 2001, contracts totalling more than $170,000 had been awarded to this firm;

- The Protocol Division has regularly exceeded its operating budget. In 2006, the actual net expenses exceeded budget by $389,000 or 88%. Budget adjustments were not made to cover the deficit; and,

- Financial Services did not play a role in detecting the non-compliance issues found in the audit.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	2	1	25%
Partially Complete	50 – 74	4	1	25%
Substantially Complete	75 – 99	1	1	25%
Complete	100	3	1	25%
Total			4	100%

Conclusion

In 2008, the recommendation relating to aligning the City Clerk's budget for 2009 has been completed to better reflect spending within the Protocol Division.

Although there was a carry-over of more transactions in 2007 where the legislative requirements and corporate policy with respect to employee/employer relationships were not followed and remain non-compliant, other agreements in 2007 and 2008 were compliant with respect to employee/employer relationships.

The Protocol Division continues to sole-source the majority of transactions. The transactions identified, as having requested three quotes would also be considered sole source, as three quotes had not actually been received. The Protocol Division needs to ensure that they are seeking out competitive opportunities to the extent possible. The Protocol Division has reduced reliance on related parties from 2006 and 2007 to one case in 2008. The original audit recommended that Protocol Division follow competitive procurement in compliance with the Purchasing By-law which would include that they do not waive insurance requirements against the recommendations of Risk Management. However, it is now City practice that managers assume full responsibility for waiving insurance requirements and any resulting consequences.

Although Finance has established processes to advise departments of non-compliance issues, transactions are still processed on a non-compliant basis. The level of missing documents for this Financial Support Unit (FSU) is concerning. Finance needs to improve their role in detecting non-compliance issues and also ensure that supporting documentation is available for all transactions.

Acknowledgement

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

3.30 Follow-up to the 2007 Audit of Staffing

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Staffing was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- A lack of monitoring and oversight has led to inconsistencies in staffing activities;

- Cases of employees in a direct reporting relationship with a family member;

- 27% of competitions had candidates who did not meet the basic requirements of the position;

- 13% of successful candidates did not meet the basic requirements of the position;

- Nearly 30% of job offers were dated after the successful candidates had already started in their new positions; and,

- An outside recruitment firm was paid over $280,000 for its role in the recruitment of four senior managers who were already working with or known to senior management.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	6	1	5%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	1, 3, 4, 7, 11	5	25%
SUBSTANTIALLY COMPLETE	75 – 99	2, 8,16	3	15%
COMPLETE	100	5, 9, 10, 12, 13, 14, 15, 17, 18, 19, 20	11	55%
TOTAL			20	100%

Conclusion

The results of the follow-up audit indicate that the Employee Services Division (now Human Resources Department) has done a considerable amount of work in developing and integrating an impressive repertoire of staffing, recruitment and

competition tools to support hiring managers and to ensure that the proper processes and documentation are used to substantiate staffing decisions.

However, one area of continued concern is that candidates are still being considered without meeting the minimum requirements of the position, and the controls currently in place are not sufficiently rigorous to prevent this from happening. The fact is that none of the competition files reviewed contained any equivalency rationale decision, nor was there any evidence provided to support the fact that where consensus cannot be reached, matters are escalated to a higher level of management and included in a report of staffing anomalies. Furthermore, management permits the use of exceptions.

By appointing personnel who do not meet the requirements of the positions, the organization risks having an unqualified workforce which can ultimately have an impact on program delivery.

While Employee Services Branch has taken a service and advisory role to hiring managers as "clients" with more authority delegated to them, it has not in turn sufficiently focused on its monitoring and oversight roles. There are no consequences to hiring managers who have adopted practices that are not within the spirit of the City of Ottawa's policies.

The other area that needs to be further expanded into executables and measurables is the Human Resources Strategic Plan 2009-2011 called "Delivering Service Excellence through People". The first section of the plan provides a macro level environmental scan of the talent management challenges facing employers at large as well as the City to attract and retain talent in the future. It reviews trends and pressures and provides a snapshot of the City's employee profile. However, it now needs to move from a promise to a reality. It must address many more questions: How do you move past planning and into execution? What process, talent or technology investments will be necessary? What changes may be required in collective agreements? How can stakeholders work together to chart a course of action, execute on it and measure the results? The work completed to date does not sufficiently identify the anticipated gaps, priorities and strategies necessary to achieve the strategic business priorities and challenges of the City and, more importantly does not cascade these into departmental and branch action plans and initiatives with goals and expectations to drive efforts and results against stated objectives.

Management Comment

Management disagrees with some of the statements made in the follow-up audit report's Conclusion section as indicated below.

Auditor: …..*one area of continued concern is that candidates are still being considered without meeting the minimum requirements of the position…*

Management: The Human Resources department conducts initial screening of candidates against the posted requirements and the application of the City's equivalency guidelines, as required. On occasion, particularly for jobs with technical requirements and where the application of an equivalency is required, the hiring manager is involved in making this assessment. In these instances, candidates who are deemed to have equivalent education and experience are considered to have met the minimum requirements of the position and as such, would be screened in for an interview.

While it is agreed that the rationale for application of equivalencies has not been consistently documented in the screening summary in the past, it will be documented on a go-forward basis. This finding on its own is not sufficient evidence to conclude that candidates do not meet requirements. Hiring managers continue to be required to sign off on the final selection of candidates and provide rationale for candidates who were not initially screened in by Human Resources.

Auditor: *There are no consequences to hiring managers who have adopted practices that are not within the spirit of the City of Ottawa's policies.*

Management: The findings of the follow-up audit indicate that there is a need to improve the documentation or record where staffing decisions have been challenged or escalated by HR. Management agrees that documentation of these instances can be improved upon and steps have been taken to do this. However, the follow-up audit did not uncover evidence that managers are adopting practices that are inconsistent with City staffing policies. There are consequences to managers who do not follow City of Ottawa policies. The Code of Conduct states that "Upon receiving written disclosure of an actual or potential breach of the Code, the Department Head shall either determine that no breach exists or take reasonable steps to ensure that the matter is addressed in the appropriate manner".

With regard to the Human Resources Strategic Plan 2009–2011 created in 2008, management agrees that the next phase is to develop a plan with executable and measurable actions that are linked to organizational objectives and workplans. This work has been initiated and will be completed by the end of 2010. The objective of the initial Plan was to create awareness and understanding of the talent issues facing the City.

Acknowledgement

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

3.31 Follow-up to the 2007 Audit of the Development Review Process

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Development Review Process was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The City is subsidizing development fees and recommends they be raised to realize full cost recovery. This could represent an annual saving of $4.3 million to the taxpayers.

- The City's development review process is performing sub-optimally.

- Application processing turnaround times are consistently slow and do not meet the requirements of the Planning Act;

- 13% of new building permits issued by the City may contravene the legal requirements of the Ontario Building Code;

- The City's Early Service Agreement Regime poses significant financial risk;

- Critical gaps are evident in technology-driven information management solutions of the development review process; and,

- A dispersed business model is used resulting in redundant technical reviews and lack of integrated workflow.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	8, 9, 10, 12, 13, 22, 23	7	28%
ACTION INITIATED	25 – 49	1, 2, 20	3	12%
PARTIALLY COMPLETE	50 – 74	7	1	4%
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	3, 4, 5, 6, 11, 14, 15, 16, 17, 18, 19, 21, 24, 25	14	56%
TOTAL			25	100%

Conclusion

The 25 recommendations contained in the Audit of the Development Review Process (DRP) conducted in 2006-07 were assembled as an integrated package. The overall purpose of the recommendations was to drive the transformation of a core City service that was performing at sub-optimal levels.

As of July 2009, City management has made significant progress in vigorously implementing the core recommendations at the centre of the DRP transformation package. The highlights of management's "full implementation" accomplishments include the following:

- Creation of a Planning and Growth Management (PGM) department to implement the "One Stop" service delivery model as recommended in the audit. The new PGM department consolidates City staff from multiple DRP disciplines and previous City business units.

- Creation of three DRP service delivery zones in PGM. In each service delivery zone, multi-disciplinary DRP staff teams have been created. These teams are led by an empowered, accountable "File Lead" charged with the timely and rigorous consideration of development applications.

- The design of a performance measurement and benchmarking framework; whereby productivity and turnaround time performance indicators and results within/across multi-disciplinary teams will drive continuous improvement. Data tracking tools have been built and are being rolled out in support of this performance measurement framework.

- An on-line DRP tracking software application has been implemented to allow development applicants to monitor the progress/status of their applications.

- Extensive team based training in project management, logistics and leadership has been undertaken to ensure culture, not just processes, are driven by the need for continuous improvement.

- On-going Ontario Municipal Board (OMB) risk assessment reporting prior to launching an appeal/hearing.

Strong "foundation" progress has been made on the key recommendation for improved DRP cost-recovery. The 2008 and 2009 budget processes each featured fee adjustments to improve cost recovery performance. Final "full cost" fees will be achieved via a three stage implementation framework.

Remaining key recommendations concerning improved development agreement content/accountability triggers, as well as streamlined hydro authority review, require active and rigorous follow-up now that larger scale transformation initiatives have been completed.

In contrast to management's implementation effort, one problematic post-audit performance issue requires action. Management's agreement to discontinue the use

of conditional building permits to artificially accelerate approval of sub-division driven residential units has not received meaningful follow-up. Attention from the Chief Building Official is required. Implementation by year-end, in co-ordination with Early Servicing Agreement and development agreement is both realistic and important from a risk management perspective.

Acknowledgement

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

3.32 Interim Follow-up to the 2008 Audit of the Parking Function

EXECUTIVE SUMMARY

Introduction

The 2008 Audit of the Parking Function was presented to Council in February 2009. At its meeting of April 8, 2009, a Council motion directed the Auditor General to proceed with an interim follow-up audit of the Parking Function, and report back to Council by the end of 2009.

At that time, management agreed with all 17 proposed recommendations. The original audit raised issues in the following areas:

- Absence of a comprehensive parking policy;
- Costs and collection of revenues;
- Lack of utilisation rates in various parking areas; and,
- Coordination amongst City departments.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as at September 15, 2009.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	14	1	6%
ACTION INITIATED	25 – 49	4, 9, 10, 11,	4	24%
PARTIALLY COMPLETE	50 – 74	5, 16	2	12%
SUBSTANTIALLY COMPLETE	75 – 99	8, 13, 15	3	17%
COMPLETE	100	1, 2, 3, 6, 7, 12, 17	7	41%
TOTAL			17	100%

Conclusion

It should be noted that phase III of the corporate reorganisation in October 2008 saw the Traffic and Parking Operations Branch dissolved and the establishment of the present Parking Operations, Maintenance and Development (POMD) Branch.

Branch undertakings of note include the April 2009, Council approved Municipal Parking Management Strategy; and, the October 2009 City-Wide Parking Occupancy Study which examined June 2009 utilization rates. Additionally, in a relatively short period of time, the Branch has fully or substantially completed the implementation of 10 of the 17 proposed recommendations, which is a very positive indicator of their commitment.

The primary area of remaining risk rests with costs and collection of revenues. The original audit identified that on-street revenues could be considered lower than might be expected based on past occupancy studies. It also highlighted that the Branch had minimal routine financial reports. Management have strongly indicated that the new Pay and Display (P&D) technology planned to be implemented in Q1 2010 will alleviate many of these concerns. However, until this technology is implemented and tested, some of the recommendations cannot be fully addressed. In addition, although management anticipate starting implementation of Pay and Display technology in Q1 2010, it may take some time for the Branch to fully replace the present meters system with P&D machines. Management indicated that they expect that they would be able to complete the replacements within six months of the start of implementation.

We were unable to substantiate management's representation that extensive work had been undertaken by POMD and Finance Department staff to identify revenue-reporting requirements. Although management indicated in the status of implementation assessment that "templates have been developed and forwarded to SAP staff" only one template could be provided at the end of our fieldwork. While work has been initiated, additional efforts are required.

We observed that additional work is also required to complete the review of the cash-in-lieu of parking process requested by the Planning and Environment Committee in 2007. Management had originally identified that they would report back to the Planning and Environment Committee and Council on results of consultation, including implementation strategy and financial implications, in Q3 2009, however in October 2009, the Planning and Growth Management Department had not identified a preferred option and were found to have only completed the initial consultations with stakeholder phase.

The Municipal Parking Management Strategy makes provisions for local area studies to be performed. Once completed, these studies will provide the Branch with a holistic view of the City's parking supply (on-street, off-street, metered, etc.). At present, two local studies are being carried out, with an additional two planned for 2010. By carrying out two studies each year, it will take a number of years before the Branch is able to review the appropriateness of its current inventory of surface lots and on-street parking, including on-street residential permits.

Overall, sound progress has been made in a relatively short period of time towards developing the tools, frameworks and strategies needed to implement the 2008 Audit of the Parking Function's recommendations. Efforts are still required in various areas, however the OAG is satisfied that the advancements made, have and will continue to, serve to enhance the management of the City's parking function.

This interim follow-up was done at Council's request and completed earlier than our Office normally undertakes follow-ups. Notwithstanding, the OAG plans to

conduct a further follow-up once the Branch has had the opportunity to implement new technologies and perform local area parking studies.

ACKNOWLEDGEMENT

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

4 EXECUTIVE SUMMARIES – 2009 AUDITS

In addition to the follow-up audits described in Section 3, several other audits were also completed in 2009. The following presents the executive summaries for each of these audits.

4.1   Audit of Payroll

EXECUTIVE SUMMARY

Introduction

The Audit of Payroll was included in the Audit Plan of the Office of the Auditor General (OAG), which was first presented to Council in the 2005 Annual Report in May of 2006.

Background

The City of Ottawa employs approximately 17,000 staff, including the Ottawa Police Service (OPS), Ottawa Public Library (OPL) and Elected Officials (EO) and their staff.   Payroll has indicated that they use a higher number in system description information as Payroll is responsible for managing leave records and paying third parties for insured benefits, however active employees number 14,500 (excluding Police, Library and Elected Officials and staff).   For 2007, this represented 11,500 full-time equivalents (FTEs) totalling $900 million for compensation and benefits. Payroll is the single largest expense at the City. There are 12 collective agreements covering approximately 90% of position holders and two Terms and Conditions of Employment.   Since April 2004, the overall City payroll has been processed using the corporate accounting system - SAP and there was a system upgrade in November 2007. The SAP HR system implementation and enhancements have cost approximately $22 million.

For 2007, the City issued 21,063 T4 and T4A forms (Canada Revenue Agency Statements of Remuneration Paid and Statements of Other Income) and 154 revised T4s representing a dollar value of $850 million.

The Payroll Division that reported to Employee Services Branch in 2007 is responsible to ensure the deposit of accurate and timely pay for employees; to oversee the payroll year-end activities; to issue the T4s and T4As; and, to ensure payroll compliance with contractual and legislated requirements.

Payroll Management has indicated that in 2007 there were 48 planned Payroll positions plus 17 temporary positions. These included one time funding for nine temporary positions and the remaining eight temporary positions are for replacements for long term sick/LTD or short term assignments such as summer students. On average in 2007, Payroll had 58 active individuals per month. This included 12 centralized time entry positions in 2007 (9 FTEs and 3 temps). In 2008 the Payroll FTE count increased by one for a total of 49 planned positions. However, the OAG noted that the official organization charts did not contain this information. This does not include employees from other areas of Employee Services that would be involved with payroll processing, nor does this include

departmental employees, estimated by Management as 23 full-time equivalents, that are involved in the decentralized processing of payroll. Within the City, we found the time information used to pay employees is either entered centrally by the Payroll Division for approximately 60% of employees or in a decentralized fashion by various groups for approximately 40% of employees. A discussion of the City's Payroll function, systems, and structure appears in the detailed section of the report.

Scope

The scope of the audit was limited to the review and analysis of the City payroll process for 2007 excluding OPS and OPL.

Scope Limitation

At the beginning of the fieldwork, the City Clerk acting as Head of Institution for the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) stopped access by the Office of the Auditor to the sample of Human Resource employee personnel files. This resulted in a scope limitation impacting the ability of the Office of the Auditor General to meet the objectives of the audit. The audit was continued as sufficient findings resulted from the work that could be completed. The Head of Institution for MFIPPA subsequently discovered that Payroll staff inappropriately had access to these files. Three months later the Head of Institution for MFIPPA determined that the Office of the Auditor General should be permitted access to the files. These files were not reviewed, as they were no longer considered representative.

Approach

This Audit included the review of a sample of 100 pays relating to one pay period for each of 100 employees (52 salaried employees and 48 hourly employees). The gross annual T4 value for the 100 employees for 2007 was $4,985,935. The total value of the 100 pays reviewed was $199,341. Interviews were held with key personnel and documentation was gathered, reviewed and analysed in order to determine the payroll process. Results are provided in this report.

Data analysis of the entire payroll population identified potential issues where further analysis and follow-up was conducted. Issues arising from the data analysis are provided in this report.

Based on issues arising from the random selection, audit work was conducted specifically with respect to the City's Payroll System and decentralized processing. The results of this audit work appear in this report. The decentralized areas that were reviewed included the following:

- Traffic and Parking Operations Branch[1]
- Transit Services Department - OC Transpo Work Management System
- Ottawa Paramedic Service Branch
- Long Term Care Branch
- Fire Services Branch
- Recreation and Culture
- Surface Operations Branch
- Real Property and Asset Management Branch
- Volunteer Firefighters
- Theatre and Stage

Objectives

To assess the overall accuracy of payroll processed in 2007 including:

- Accuracy and timeliness of pay to employees;
- Payroll compliance with contractual and legislated requirements; and,
- Leave records maintained and updated.

Key Findings

Decentralized and Centralized Processing

We found there were an estimated 23 full-time equivalent staff in decentralized locations processing the time for approximately 40% of City employees. There are 12 staff in the Payroll Division processing the time for approximately 60% of the employees. Of this 60%, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process.

The Payroll Division does not have source documents and proof of checking performed for timesheets that are processed offsite or decentralized. Although generally aware of processes that these decentralized groups use to enter time information, Payroll Division does not perform any reviews or tests to assure themselves that the systems or procedures are adequate to ensure all entries are approved and accurate. Also, we noted the direct managers in the departmental areas are not reviewing the payroll processes. Payroll Division is however, reliant on oversight by Management in decentralized areas.

For centralized processing, the Payroll Division is reliant on documents to be coded properly at the source. The controls that are in place in Payroll Division to detect and prevent errors are manual in nature and reliant upon custom reporting of report variants.

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[1]Specific emphasis on more work as a result of previously identified risks from Fraud and Waste Hotline Reports.

The Payroll Division does manually run a series of reports each pay, which they downloads to an Excel spreadsheet and reviews manually. These are based on report variants (custom reporting) that Payroll Division staff create. We have found examples where reports were not complete resulting in some processing not being checked. This resulted in time entry processing not being checked and net pay amounts between $3,000 and $4,999 not being checked.

Access and Availability of Sample Files

Payroll Division staff have been permitted access to personnel files (Human Resources Administrative Records) which contained records that the Head of Institution for MFIPPA determined contained sensitive information not related to payroll. We found from our sample of 100, that there were 6missing files. The OAG was advised three months later that the two of the files were found.

Sample Files Review

There was an interpretation error resulting in 15 errors, as well as 7 calculation and 34 documentation errors in the sample of 100. The resultant error rate of 56% is higher than we would have expected.

Table 1: Breakdown of Errors

	Sample from Centralized Areas		% Error Count to Total Centralized Sample	Sample from Decentralized Areas		% Error Count to Total Decentralized Sample	Total		% Error Count to Total Sample
Error Type	Count	Value		Count	Value		Count	Value	
Incorrect Interpretation – • Under remittance of OMERS pension				15	$96	23%	15	$96	15%
Calculation – • Under remittance of OMERS pension (2 occurrences); • OMERS pension not deducted; • Overpayment for statutory holiday where not entitled; • Overpayment for incorrect increment date; • Overpayment of benefits; and, • Underpayment to the estate of a deceased employee for vacation payout.	3	$1,412	9%	4	$1,429	6%	7	$2,841	7%
Timesheets – • Missing employee signatures (17 occurrences); • Missing supervisor signatures (7 occurrences).	0	0	0%	24	$11,164	37%	24	$11,164	24%
Lack of Supporting Documentation – • Missing time or leave forms (3 occurrences); • No Payroll file; • No banking information change form;	0	0	0%	8	$1,718	12%	8	$1,718	8%

	Sample from Centralized Areas		% Error Count to Total Centralized Sample	Sample from Decentralized Areas		% Error Count to Total Decentralized Sample	Total		% Error Count to Total Sample
Error Type	Count	Value		Count	Value		Count	Value	
• No personnel action record; • Nothing in personnel file; • Letter of offer missing signature.									
Request for Personnel Actions – • Electronic approval was sent by the Administrative Assistant (2 occurrences).	0	0	0%	2	$2,332	3%	2	$2,332	2%
Total Error Count	3	$1,412	9%	53	$16,739	82%	56	18,151	56%
Total Sample Count	35	$84,801	100%	65	$114,540	100%	100	$199,341	100%

Below are the details of the errors that we found:

Interpretation error

Based on an interpretation error for Transit employees (ATU 279 and CUPE 5500), the pension calculations did not include all contributory earnings as defined by the Ontario Municipal Employees Retirement System (OMERS). We reviewed a sample of three earnings types for the 18 Transit employees from our sample of 100. For 12 of these Transit employees, we found 15 errors representing a total pension deduction understatement of $96 with an estimated annual impact of $1,384.

There was no supporting documentation available at the City to show the authorization or agreement with OMERS for using only the 40 hours per week as opposed to the additional OMERS Contributory Earnings inclusions. Appendix B of the full report outlines the OMERS definition of contributory earnings. The Program Manager, Pension and Benefits followed up this matter with OMERS. OMERS responded to the City that effective January 1, 2009 that the City is to have included all contributory earnings and credited service in accordance with OMERS requirements and that all contributory earnings should be administered on a retroactive basis, which the Manager indicated would be back to January 1, 1999.

Considering there would have been a four-year contribution holiday from 1999 to 2002 and a reduced rate in 2003, for the three sample earnings types, this would result in an estimated under remittance of pension contributions in the amount of approximately $1.2 million. The corresponding amount of contributory earnings excluded in error would have been approximately $11.4 million. Refer to the Table in section 3.2.16.

Based on this issue, which was identified by the auditors during the course of this audit, Management has subsequently advised that a review of all contributory earnings has been completed. The result of the cost of under remitted contributions is estimated to be $2.6 million corresponding to approximately $21.2 million of estimated contributory earnings.

These pension errors result in past, present and future pensioners receiving less than their full pension entitlement.

Seven calculation errors

1. Employee overpaid $1,405 as pension was not deducted and the amount was not recovered by the City;

2. Benefits overpayment of $938 was not recovered retroactively and the amount was not recovered by the City, only the portion of $78 relating to the sample pay appears in the table;

3. Vacation payout underpaid by $992 to a deceased employee's estate, Payroll Division planned to reimburse the deceased employee's estate;

4. Employee overpaid $341 for a statutory holiday;

5. Employee overpaid $17;

6. & 7. In two cases OMERS calculation errors totalled $6, which was underpaid to OMERS, annual impact estimated at $69.

Thirty-four errors relating to lack of supporting documentation and properly signed or authorized forms

- Where timesheets were required, no evidence of employee signature in 17 cases to confirm they worked the time;

- Where timesheets were required, no evidence of supervisory signature in seven cases to authorize hours, work and rate;

- Management has indicated that although unsupported by authorized signatures, it does not mean that the pay to employees was in error and that these are non-compliance issues that don't lead to incorrect pay. We maintain that signatures would be required as evidence that the time was worked and was authorized;

- The authorization list did not contain signatures and initials;

- Request for Personnel Actions (RPAs) were not properly authorized in two cases;

- No payroll file existed for an employee;

- File existed but no information in the file for an individual;

- No timesheet to authorize 17 hours of overtime that should not have been paid, for $685;

- There was no leave sheet for the payout of 40 hours of vacation for $941 which was reversed to Income Protection Plan for sick leave the next pay;

- Documentation was not provided for differences between the booking sheet and the actual pay for $93;

- Documentation was not available to support a change to bank account information and there was no personnel action record/RPA on file; and,

- A properly authorized letter of offer was missing for a summer student.

Management doesn't agree with our error rate. Management has indicated that in their opinion the error count would be 6 out of 100 (6%) with a total value of $2,761 out of $199,341 (1.4%).

Controls over processing of decentralized pay

As noted, based on the high error rate in the decentralized area, audit work was conducted specifically with respect to decentralized processing. The results of this audit work follow.

Payroll Division does not have source documents and proof of the checking performed for timesheets that are processed offsite or decentralized. Payroll Division appears to be placing reliance on third party payroll systems even though they are not familiar with those systems and have not validated the controls. Therefore, this falls on operating managers to be more responsible for ensuring payroll is correctly processed. We find it unusual that a Payroll Division would not be more involved in the decentralized controls. It is our opinion that Payroll Division should be aware and should review, monitor and approve these decentralized controls on a regular basis.

One general observation that applies to most decentralized areas is that when entering overtime into SAP, the clock time entered into the system is not reliable and should not be used for other purposes such as determining shift premiums or for trend analysis. Although staff attempt to ensure the correct number of hours of overtime, the clock times are often forced or assumed.

The Paramedic Service emails the Payroll Division a spreadsheet of the applicable hours for each pay period for each employee. This is an extract from Paramedic Service scheduling system, which Payroll Division enters into SAP. There are also manual spreadsheets sent to Payroll Division with overtime that is too late for the payroll cut-off. There is a risk of errors or unauthorized changes being made to the spreadsheets before they are sent to Payroll Division.

Recreation and Culture timesheets have not always been documented with an approving signature to authorize time worked and the rate paid.

The Records Management System (RMS) used for paying Volunteer Firefighters has limited payroll functionality and the spreadsheets that are generated are manually manipulated before entry into SAP. The manual compensating controls in reviewing the reports before sending them for payment would appear to be inadequate.

The entire process for paying Transit ATU 279 employees is subject to manual intervention; there are few system controls and there are no other reviews to ensure that entries are made without error. There is no documentation of the processes that the Time Administrators use. This is a very complex area that relies on experienced staff to make it work. The staff acts as controls to ensure compliance with the complicated collective agreement. If a mistake was made in the employee's favour, unless the employee brings it forward, it would likely not be detected.

For Traffic and Parking Operations there was specific emphasis on more work resulting from previously identified risks from Fraud and Waste Hotline reports. We conducted a detailed review of decentralized activity sheets for 2007 for a specific employee and we found:

1. 7% of overtime activity sheets for a dollar value of $1,086 were not authorized;

2. Where more than one person was on an activity sheet, the employee is not signing the activity sheet, instead the crew leader is signing the sheet;

3. The employee was paid at two different jobs and two different rates. He was the crew leader for 26 out of the 94 activity sheets. There were 14 times where he did not have a crew and therefore should not have been a leader; and three times when he and another person were both recorded as crew leader.

4. Fifteen hours recorded for a day which included five hours of sick leave and five hours of overtime on the same day;

5. Three timesheet signatures in 2007 and 2008 where the approving signatures were not recognizable. The Program Manager indicated that they did not know whose signature it was;

6. Snow plowing and other "handyman" duties including renovations, painting and building the frame for a shed totalled 369 hours for $14,228 including regular and overtime hours. These duties were not part of the job description for the employee whose regular duties were as "Traffic Signal Plant Inspector". The employee had overtime for 2007 of $21,854. As this individual was already working overtime, he did not have time available to do renovation duties, which are outside his regular duties. This should have been done through Real Property and Asset Management (RPAM);

7. As a non-related issue, a building permit had not been obtained for a 24′ X 35′ shed constructed by Traffic and Parking Operations (TPO) staff or for other renovations performed by TPO staff at 175 Loretta; and,

8. The building of the shed did not follow an appropriate RPAM process.

Other Audit Findings

Overpayments and Recovery

In addition to the sample, following are a few examples of overpayments:

- $736 overpayment relating to three days that were to be suspensions without pay but that was paid. This was identified as part of this audit based on a review of suspensions that were known to the OAG based on Fraud and Waste reports. Management has indicated that recovery is in progress;
- $1,500 payroll overpayment in December 2005 which had not been recovered at the time of the audit which Management has indicated has now been fully recovered;
- $1,300 payroll overpayment which was not recovered; and,
- $5,000 payroll overpayment in 2007 where the employee continued to be paid their regular salary while they were on a leave of absence without pay. This matter was initially identified as a result of a report to the Fraud and Waste Hotline. The amount was not fully recovered at the time of the audit. The employee subsequently left the City and the matter is now with Legal Services to collect.

An overpayment would not be identified in the system until a properly coded timesheet, leave form or Request for Personnel Action form has been processed. The risk exists that there are overpayments that are not identified and therefore not recovered. In two of the above cases, the overpayments were only identified from questions through the OAG.

The Payroll Division's November 2008 spreadsheet showed there had been $350,000 in cumulative overpayments. Based on the cases that had not previously been identified and lack of complete reporting, we cannot be sure that the complete population of overpayments has been identified and properly actioned.

Job Classification

A Volunteer Fire Agreement or other documents to confirm levels and rates for volunteer firefighters were not available through Payroll Division in order that they could check appropriateness of levels or rates; therefore no one is reviewing rates paid.

Request for Personnel Action (RPA) Forms

The RPA form is an electronic form and the primary document that authorizes and documents personnel actions such as the hiring, transfers, and dismissals.

Management has indicated that end dates for temporary assignments are recorded in SAP however they are a soft control only. It is the responsibility of the Human Resources Consultants (HRCs) to run the reports and advise managers with respect to upcoming end of terms requiring management action. Failure to perform this review and follow-up creates the risk of overpayment. Two acting assignments were identified as not having end dates. Subsequent to our follow-up RPA forms were issued.

The RPA process that appears on Ozone as a useful reference for Management or staff was not up-to-date during 2008 and Management has indicated that the RPA has been redesigned with a help link that was updated subsequent to the audit.

Off-cycle (on-demand) Cheque Processing and SAP Internal Control

The process for off-cycle cheques (on-demand cheques), cheques run outside of regular pay runs, did not contain sufficient controls to ensure that the version that was verified matched the version that was processed. This resulted in an error of underpaid vacation pay of $992, which went undetected until this audit and was identified as part of our sample.

For vacation payout, the off-cycle processing should be tied to hours as well as dollars and leave banks reduced. In this case the employee's leave bank was not appropriately reduced.

Fire Statutory Pay

The collective agreement for firefighters includes a clause entitling firefighters to payment or time off in lieu of statutory holidays.

In our sample, there was lack of supporting documentation for statutory pay calculation including the Senior Analyst sign-off and there was lack of back up to support manual overrides. In this case, Payroll Division did not have a copy of the e-mail that they indicated Fire Services would have sent to support the adjustment for 8.75 hours that Payroll Division made. The Payroll Division subsequently obtained a copy of the e-mail, which we reviewed and determined that they had in fact made the adjustment twice. We have confirmed with Payroll that this has resulted in an overpayment of $341 to a former employee.

For another of the sample employees, the employee was paid for December 25 and 26 in advance on the first pay of December. This is not compliant with the collective agreement that states that statutory holidays are only eligible for payment after the statutory or declared holiday has passed. It was indicated that the payment of December 25 and 26 on the first pay of December was a past practise. This practise should be stopped.

Benefit Plans

Costs relating to overpayment of benefits that occur for a period of time are not recovered from the benefits carrier. Therefore it is important to ensure that the City review coverages when employees change positions and also to remind employees to advise Employee Services if they do not require coverage. Based on 2007 benefit rates provided by the Finance Officer, Payroll, there would be an estimated monthly difference ranging from $146 to $169 or $1,752 to $2,028 annually per employee for family versus single coverage.

OMERS Pension Contributions Reconciliation

As part of the review of the payroll sample, it was determined that there were 18 cases out of 100 where pensions were not calculated correctly. Some of the errors were quite serious, particularly errors in the pension calculation for some Transit Services' employees. We found that the City was non-compliant with OMERS requirements. The errors had been on-going for the past 10 years and were not detected until this audit. This has resulted in the pension contributions and contributory earnings being understated. Management has estimated that under remitted employee and employer pension contributions were approximately $2.6 million for a corresponding understatement of approximately $21.2 million in contributory earnings. This also resulted in past, present and future pensioners receiving less than their full entitlement.

Despite these errors, Management has indicated that there is no reason to check the contributions other than when they are initially setup or changed which would be at a minimum annually. In our opinion, regular and complete checking may have detected or flagged this issue, which was not identified until this audit. The delay in detecting this issue will result in the 10-year impact of $2.6 million being recorded in the current year and in the possibility that OMERS may charge interest and premiums for the period where the City would have previously realized a contribution holiday.

There was also an error in the amount of $1,405 that related to the period from 2003 to 2006 which was not discovered until 2006 and was not recovered from the employee. Amounts not recovered from the employee would be a cost to the Corporation.

The Payroll Division and the Pension and Benefits Unit do not check the ongoing contributions and assume that the system calculates contributions properly. Documentation evidencing the review and follow-up where the pensionable earnings varied from annual salary by more than 5% was not available, as it had not been retained. Even though the document was not there, we question this variant threshold as too high. For example, for a salary of $100,000, a five percent difference would be $5,000 in contributory earnings. City documentation for the Year End Pension Adjustment Procedure erroneously showed 20% as the variant between annual salary to pensionable earnings to be used by staff when it should

read 5% which is reflected in other documentation and is the variant rate used in practise. Errors could go undetected that either exceed their variant thresholds that they have not followed up or that fall within their variant thresholds. The OAG is concerned about the use of a 5% tolerance rate, because as illustrated, errors that fall within this threshold can have a significant cumulative impact and can go undetected for significant periods of time.

There is no ongoing reconciliation to confirm that the pension contributions deducted were accurate.

Training and Modified Duties

Within the payroll sample, there was no backup document available for an employee on training or for the pay rate of 50%. There was an example where the rate paid to an employee on modified duties does not match the pay schedule as they do not qualify for an economic increase until they return to work full-time. Explanations were provided that these were long-standing practises. These should be reviewed and if considered appropriate should be documented as a policy.

Electronic Payroll Files

Electronic payroll report files were difficult and time consuming for Payroll Division to provide. The OAG found that the electronic copy of the initial employee file, that had been provided by Payroll Division/IT for sample selection and data analysis purposes, was understated by 3,813 employees.

In discussions with Payroll, although there is a reconciliation process for each pay run, it does not include the reconciliation of gross pay from the Payroll Journal to gross pay in the General Ledger (GL). There appears to be reliance that other processes in Finance or Payroll Division will detect errors. The OAG would recommend that the procedure be reviewed and changed as necessary to facilitate balancing the gross pay. A wage type report for SAP which identified the corresponding GL cost element account numbers to use to balance to the SAP GL reflected the current wage types and cost elements and not the wage types and cost elements as they appeared at the time they were incurred. The year-end balancing to T4 gross total that was provided does not reconcile to the GL, which would be an important control to detect errors or system and processing issues.

Employee with Two Concurrent Positions

As a result of data analysis performed by the OAG for this audit, we identified that an employee held two concurrent positions with the City: one as a Firefighter and one as a Building System Technician in RPAM and was paid a total of $103,356 in 2007. This violated the City's policy on concurrent employment, which only permits an employee to hold one position at the City. This total was not included on the Public Sector Salary Disclosure list, which also violated the Provincial Public

Sector Salary Disclosure Act, which requires that municipalities disclose employees that are paid more than $100,000 in a year.

There were Memorandums of Agreement (MOA) relating to the concurrent employment for this employee for 2004 and 2007. MOAs had not been done for 2005 and 2006. As part of this audit, a review was performed and it was determined that the employee was non-compliant with the 2007 Memorandum of Agreement. Payroll Management indicated that information found in the system showed 17 times in 2007 where the employee was in violation of the clause relating to not scheduling or accepting shifts 24 hours prior to his full-time regular shift or 24 hours immediately following his full-time regular shift. This should have been detected as part of monitoring required by Payroll Division and the Human Resources Consultant as part of Concurrent Employment policy monitoring. Legal Services should have been advised and stopped the employee from working the two jobs.

Management indicated that subsequent follow-up by Labour Relations found that there was no violation of ESA (Employment Standards Act) as most of the time the employee had traded off shifts in Fire Services so that he could take a part-time shift in RPAM. His original work schedule may have shown ten hours in Fire, followed by six hours working in RPAM, but he actually traded his shift off. Decisions should be based on information found in the system which should reflect transactions properly authorized by Management and not on hearsay or verbal representations.

Management indicated that the SAP reports used to report salaries greater than $100,000 for 2007 were not properly structured and therefore were not able to detect this employee.

The Concurrent Employment policy does not refer to a grandfather clause and official documentation cannot be found to support cases where concurrent employment was grandfathered.

It would appear that for purposes of the Public Sector Salary Disclosure, pay for volunteer firefighting which is included on a T4 should be included. For 2007, there were two City employees who would have exceeded $100,000 for 2007 if the volunteer firefighter payments had been included.

Consistent with Provincial requirements, the Public Sector Salary Disclosure does not include amounts from T4As, which include severance payments.

The basis for the decisions made by the City relating to the Public Sector Salary Disclosure are not documented with respect to who is responsible and who should be monitoring the disclosure.

Other Missing Supporting Documentation and Errors

Three examples of missing documentation:

- Employee on WSIB where files were missing payroll information.

- Two employees did not have an address setup in the payroll system, which has now been confirmed and corrected.

Social Insurance Number (SIN)

As part of the data analysis performed for this audit, there was an example where a temporary SIN and work permit[2] expired. Two subsequent RPAs extended the position but there was no evidence on file of a valid SIN or work permit. In May 2008 a letter was sent to the individual requesting the updated SIN and documents were subsequently provided.

Management indicated that a follow-up process for temporary SINs was initiated in the fall of 2007 but the SAP report did not reflect the correct field and as a result some employees were not included.   There were eight employees that were active on the system with an expired SIN. These employees should have been terminated on the system as their last day of work had been in 2005 to 2008. The RPA forms had not been done at that time to terminate their employment.

Assessment of Employee Personal E-mails and Internet Utilization

Management represented that Payroll Division staff were fully utilized. Our review of e-mail and Internet accounts of the ten highest Payroll Division employees for each category for a three-month period, August, September and October 2008 showed that:

- Personal e-mail usage is generally very high averaging 25% for this group of employees.

- Employees were found to have personal communication with others from the group, friends from across the corporation, family members, etc. Some employees were found to be using the corporate e-mail system as a "texting service" and were texting each other frequently throughout the day; and,

- Personal Internet usage is very high at over 83% of hits. Sites visited ranged from health to personal finances/banking, job searches, selling cosmetic products and entertainment (e.g., streaming audio/video, travel, etc.).

Based on our review of the top ten Payroll Division users of the e-mail system and Internet, we found that contrary to Management's representation, Payroll Division employees are not fully utilized.

Once this finding was shared with the Division, during the course of carrying out the audit, the divisional manager took some proactive action to address this situation.

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[2] Work permit – Document permitting a non-Canadian to work in Canada for a temporary period.

Payroll Division Time Transaction Assistant Entered Time for Relative (Sibling)

One of the Payroll Division Time Transaction Assistants entered the time and leave for his brother for an eight and a half month period from January to mid-September 2008. Although there is a payroll review whereby a peer would generate a time entry report and verify the entries, we noted that in two cases he generated the time entry audit reports which included time he entered for his brother creating the risk that the report variant or parameters used might be manipulated to include or exclude certain items.

Training for Temporary Payroll Division Employees

There were nine temporary Payroll Division employees that received a total of 18 in-house training courses in non-compliance with the City's policies on training. Ten of the courses were not job specific. Training was not to be provided to temporary employees. If these employees had the time to be sent on inappropriate training, they may not be needed to do their duties.

Recommendations and Management Responses

Recommendation 1

That the City ensure that the Payroll Division is responsible for both implementing and monitoring controls for both centralized and decentralized pay processes within the existing budget.

Management Response

Management agrees with this recommendation.

The Payroll Division (Payroll) has always been responsible for all aspects of centralized payroll processing.

Management does agree that it would be beneficial for Payroll to complete detailed reviews in the decentralized areas to implement and monitor controls and to make recommendations on a case-by-case basis, as to whether time entry should be centralized or decentralized. In fact, subsequent to the Payroll audit, Payroll worked with two decentralized areas to review their time entry models and processes, which resulted in Payroll assuming direct responsibility for time entry for 15 community centres and for the Transit Law group. However, Payroll does not have the resources to undertake any further work or support this change in model for other decentralized groups which includes the requirement to continually review work to ensure consistency and compliance, provide training and involvement in updating policies and procedures in the decentralized areas. To do this, existing resources will have to be identified and reassigned from other departments currently performing decentralized pay

processes. This work will commence in Q3 2010 and will be completed by Q1 2012.

Recommendation 2

That the City correct all the errors identified in this report.

Management Response

Management agrees with this recommendation to the extent where error correction is both feasible and cost-effective. The audit report indicates that there are 56 payroll errors. Management has reviewed the errors outlined in the report and disagrees with the auditor's characterization that all of these items are errors.

Of the 56 errors identified, Management has determined that there were only six calculation errors that impacted payroll payments to employees valued at $2,761. The remaining fifty were non-calculation errors that did not impact payments to employees.

Interpretation (Non Calculation)

One issue, impacting 15 Transit employees relates to the interpretation of a pension calculation. Management was fully aware of the calculation being utilized for pension and it was understood to be an accepted business practice agreed to by OMERS. From a payroll perspective, proper premiums were deducted and remitted to OMERS based on this interpretation. In addition, there is correspondence on file between the City and the union, dating back to 2002 that substantiated this reporting practice. Management acknowledges that during the audit process, the auditor uncovered the fact that no formal agreement between OMERS and the City existed and agrees that the City should implement a process where the interpretation of OMERS administration rules should be reviewed on a regular basis.

Calculation

Management agrees with the auditor with respect to the following six calculation errors.

One error, which accounts for 52% of the total calculation error of $2,761, occurred as a result of the City's inability to recover $1,405 in OMERS arrears from the employee due to the employee's refusal to repay and their subsequent retirement. This situation was very unique and rarely occurs. On a go forward basis, the Pension and Benefits Unit will not process final retirement documents with OMERS until all overpayments are recovered from the employee. If the recovery is not received, the file, as per usual, will be forwarded to accounts receivable for collection. This process will be fully documented.

For two employees, one system configuration error resulted in under contributions of OMERS for $5.72 in total, which was corrected on a go forward basis.

Three errors were payment errors: one underpayment of vacation upon termination of $992 which was later paid, one overpayment of statutory holiday of $341 which has not been recovered as the employee has been terminated for over two years and the statute of limitations with respect to recovery has been surpassed, and a third error relating to an overpayment of $16.92 due to an increment date error, which was discovered by Payroll and subsequently recovered.

However, management does not agree with one error identified by the auditor as a calculation error. The employer paid benefit premium was not set up for one employee under the proper plan, therefore the employer paid $78 more to the carrier than necessary. When Payroll uncovered this, they moved the employee to the proper plan on a go forward basis. In cases such as this one, the City made a business decision not to calculate retroactivity on benefit premiums when SAP was implemented City-wide in 2004. Instead, there is an annual reconciliation completed by the City's external benefit consultants, when preparing the annual benefit plan financial statements. If there has been an overpayment or underpayment of premiums based on employee movement from one union to another, as was the situation identified by the auditor, this would be accounted for in the reconciliation at year-end and any overpayment/underpayment of premiums would be applied to future premium rates with no net financial impact to the City. Therefore, this is not a calculation error.

Timesheets (Non Calculation)

The auditor identified 24 timesheet errors with a value of $11,164. In many decentralized areas, the process is one where the employee does not sign a timesheet as a supervisor or scheduler records time worked on behalf of the employee. This is the case for 20 of the 24 "errors" identified by the auditor. Most important to note is the fact that operational managers have confirmed that all payments relating to these 24 cases were accurate and justified based on time worked, which resulted in no incorrect payments to employees or a liability to the City.

Lack of Supporting Documentation (Non Calculation)

Eight errors identified in the report relate to lack of supporting documentation. Management's review of the information found that there were only five instances where documentation was missing, two relating to decentralized time entry, one missing payroll file from 1995, a letter of offer missing the manager's signature and an employee bank change request from 2003 that could not be found.

In addition, there were two Request for Personnel Action (RPA) forms identified as not being properly authorized. Management has reviewed one RPA and deemed the RPA to be accurate. The other error identified, relates to a seasonal transfer, which occurs each year. In 2007, this was not an RPA process; therefore, management disagrees with this being characterized as an error.

None of these issues resulted in incorrect payments being made to employees, or created a liability for the City. However, management does agree that documentation must be completed properly and recognizes the importance of this in minimizing calculation errors.

Of the six calculation errors, the largest dollar value calculation error for one employee was $1,405 relating to OMERS pension arrears. Management was aware of this situation prior to the audit, including the employee's refusal to repay and subsequent retirement. This was a very unique situation, which rarely occurs; therefore it does not make sense to extrapolate this error to the entire payroll. Management was also aware of the $17 overpayment due to an increment date error prior to the audit, which was highlighted when a review of increment dates occurred. The auditor's comment does not acknowledge the fact that Payroll has an ongoing recovery/payment process that takes place based on payroll checks and balances that normally detect payroll anomalies. In Recommendation 15, management has responded to the collection process for overpayments, and has identified that 95% of the outstanding overpayments of $351,000 at November 2008, had been dealt with at January 2010 with ongoing recovery continuing.

In management's opinion, the emphasis should be placed on the payroll "errors" that resulted in inaccurate payments to employees. Using these criteria, there would be only six payroll errors, as described above.

Based on the above analysis, it is management's opinion that the audit conclusion is misleading.

The report suggests that the pension calculation should have been found and corrected prior to the audit. Management was fully aware of the calculation and additional checks of the premium calculation would not have made a difference as the amounts deducted and remitted agreed with the pension interpretation as understood by management.

The conclusion also states that management needs to determine whose job it is to manage Payroll. The long-standing practice is that Payroll manages the gross to net payroll processes and the time entry component that is centralized within Payroll. Operational managers manage the time entry processes that are decentralized. Past practice at both the former Region and the former City of Ottawa, the two largest employers pre-amalgamation, was that operational managers who had their own time entry staff were responsible for implementing and monitoring controls. Recent discussions with four of six municipal partners

(Toronto, Hamilton, Thunder Bay, Halton) confirm that this practice is also followed in their organizations. Although Payroll will assume an oversight role to assess and monitor decentralized time entry processes, operational management still has the prime responsibility for these processes which are operationally driven.

The conclusion also states that there has not been a proper use of controls in the payroll system. The report suggests that there is a problem in that not all clock times have been reflected in SAP. It is regarded as best business practice within many organizations to use generic work schedules. As per management's response to Recommendation 11, it would not be cost-effective or administratively feasible to manage changes in these areas, and would add no value to the payroll or management process. The City has implemented precise work schedules in many areas where applicable, and has over 3,600 precise work schedules set up in SAP.

With respect to interfaces, these projects involve significant work effort and resources from Payroll, business clients and IT and are completed on a prioritized basis. The Telestaff interface was implemented in early 2009 for Ottawa Paramedic Service with Long Term Care following suit shortly thereafter, and the Volunteer Firefighter interface went live in October 2009, which will impact payments to employees in 2010.

Finally, management's opinion is that the comments with respect to there being "a general lack of attention to detail by staff and supervisors involved in Payroll" are unfounded.

Recommendation 3

That the City limit access to Human Resource records in compliance with privacy legislation.

Management Response

Management agrees with this recommendation.

Access to HR records has been reviewed and the following changes have been implemented: access is controlled by the Human Resource Consultants (HRCs) and the Human Resources Assistants (HRAs). HRCs will only release information to authorized requesters and will only release information pertinent to the query.

Payroll will access information they may require from an employee's personnel file through the HR Consultant.

Recommendation 4

That the City:
a) Retain payroll audit reports; and,

b) Review documentation retention timelines for all supporting documents including payroll internal audit reports.

Management Response

a) Management agrees with this recommendation.

Payroll currently runs and retains hard copies of a series of payroll audit reports each pay period. Payroll recognizes that it would be helpful to have easier access to net pay reports, which are currently retained electronically, and has enhanced the process to include hard copy printing and sign-off by Payroll management. This was completed in Q4 2009.

b) Management agrees with this recommendation.

Payroll has also reviewed the documentation retention timelines for supporting documents and has extended the retention of the time entry over/under audit reports from one to seven years, to coincide with the retention period for time/leave request forms. This has been completed.

Recommendation 5

That the City:
a) Assess the feasibility of automating the running of payroll audit reports into the payroll process or implementing a better manual documented audit process; and,

b) Ensure that the Payroll Manager confirm the sample of the internal payroll audits.

Management Response

a) Management agrees with this recommendation.

Management is currently working with the IT Support Centre to assess the feasibility of automating the running of payroll audit reports. If this is not feasible, Payroll will review the current process to determine if there is a requirement to enhance the documented manual process. It is anticipated that this will be completed by the end of Q1 2011.

b) Management agrees with this recommendation.

The Payroll Manager is also currently working with IT to develop a system-generated report to allow Payroll management to confirm that internal payroll audits are being conducted and documented. If this is not feasible, Payroll will review the current process to determine if there is a requirement to enhance the documented manual process. It is anticipated that this will be completed by the end of Q1 2011.

Recommendation 6

That the City compare and validate the Payroll and Corporate Security employee lists and explain any variances.

Management Response

Management agrees with this recommendation.

Employee master data is already sent to IT for updating systems such as email and employee directory information. IT management will review this process by Q1 2011 to determine if they can utilize the same file to compare employee master data with the Corporate Security lists to ensure they are one and the same. IT will conduct semi-annual reviews to explain and resolve any variances.

Recommendation 7

That Payroll Division implement and monitor controls to ensure that:
a) Prior to entry, timesheets (or other appropriate documentation) exist to document and authorize time including appropriate employee and supervisory authorization;

b) The authorization list contains signatures and initials; and,

c) Supervisors are aware of the different rates tied to job codes.

Management Response

a) Management agrees with this recommendation.

For the centralized process, Payroll currently ensures that timesheets are signed by the appropriate supervisor/manager by referencing a manual authorization listing managed by the Time Transactions supervisor in conjunction with direction from Level 4 and 5 managers within the client organization.

For the decentralized process, Payroll's ability to implement and monitor such controls requires the identification and reassignment of existing resources currently performing decentralized pay processes. This will commence in Q3 2010 and be completed by Q1 2012.

b) Management agrees with this recommendation.

The FMIS group is currently developing a database to house specimen signatures and initials. Payroll will be utilizing this tool in the future to review specimen signatures for the manual time and leave reporting process. It is anticipated that this will be completed by the end of Q4 2010.

With respect to electronic authorizations, recently managers/supervisors have been delegated the appropriate signing authority within the SAP system for a variety of automated human resources management actions, including approval of time and leave. Since July 2009, the automated mileage and parking solution uses this approach and the same methodology is in use for the automated

time/leave solution that was launched in November 2009 over a 3-month period, for approximately 4,800 employees. The automated processes eliminate the requirement for dual data entry and the maintenance of a manual authorization system.

c) Management agrees with this recommendation.

Management agrees that supervisors are responsible for ensuring that the accurate job code is recorded on the time sheet. The minimum and maximum pay rates tied to job codes can be found in all collective agreements, which are posted on OZONE. Hourly rates should not be recorded on the timesheet. Many alternate jobs have more than one rate of pay and the system has been built to determine the exact rate of pay owing on any given pay, when an alternate job rate is used, based on the rules of the collective agreements. The most appropriate control for payment of alternate rates has been built within the SAP system.

Payroll's ability to implement and monitor controls to ensure that supervisors are aware of the different rates tied to job codes requires the identification and reassignment of existing resources currently performing decentralized pay processes. This work will commence in Q3 2010 and be completed by Q1 2012.

Recommendation 8
That RPAM follow a consistent method for processing timesheets to Payroll.

Management Response
Management agrees with this recommendation.

It is, however, important to note that during the original implementation of daily activity tracking for Building Operations staff in 2002, faxing to a centralized area was deemed to be the most efficient means of processing activity sheets for payroll purposes due to the location of employees at facilities all over the City. Out of the 300 activity sheets received by the data entry clerks on a daily basis for processing, the majority are received by fax with the drop off of originals by supervisors being the exception to the normal process. In order to ensure that time entry is not duplicated and/or missed, the process of faxing daily activity time tracking sheets has been clarified and communicated to the Building Operations supervisors.

Recommendation 9
That the City obtain a Building Permit for work conducted at Traffic and Parking Operations, as appropriate.

Management Response
Management agrees with this recommendation.

In consultation with the Building Code Services branch, management has confirmed that a building permit is not required for the kitchen renovations; however, a building permit should have been secured for the storage shed. Upon further review, it was determined that there is no longer a requirement for the storage shed at Loretta. Therefore, the structure was dismantled and removed on October 8, 2009.

Recommendation 10

That the City review which work schedules will require "precise" time entry and that the City ensure accurate clock times are entered into the system, and that inaccurate times are not assumed or forced into the system.

Management Response

Management disagrees with this recommendation.

In 2004, when the City moved all employees to SAP, the City did a review and determined the operational areas that require "precise" work schedules. The decision was made to implement three different types of work schedules in SAP. These include: "precise", "generic" and "off by seven".

Precise schedules identify exact start and end times plus duration of lunch for each and every day of the work schedule, which can be several weeks in duration. These schedules have been set up in areas where there are variable work periods such as 24 X 7 operations and rotating shifts. All precise schedules reflect accurate clock times in the system. The benefit of precise schedules is that they drive the payment of premiums, such as shifts and statutory holiday payments, therefore alleviating the requirement to perform manual time entry as was required in the former legacy payroll systems. Over 3,600 precise schedules are utilized.

Generic work schedules have been assigned to Monday - Friday workers, who have weekends and statutory holidays off and where there is no requirement to pay premiums based on regular hours worked. The City's largest union, CUPE 503 I/O allows for flexible hours (Article 5) for employees who work Monday to Friday, 7 or 8 hours per day that span between 7 am and 5 pm. It would not be cost-effective or administratively feasible to create work schedules for every employee's flexible schedule. More importantly, it would create an administrative nightmare to manage these changes. Generic work schedules are regarded as a best practice and are utilized in many organizations. There is no advantage to having precise clock times in the system for those on generic schedules.

The 'off by seven' schedule is used primarily for casuals, as this group does not have predetermined work hours. Time entry must be completed for this group to be paid. Since there are no premiums associated with the 'off by seven' schedule, clock times are not utilized.

Recommendation 11

That the City complete the interface from Telestaff to SAP, that was to be completed by February 2009, so that the process does not rely on spreadsheets that are inherently vulnerable to manipulation.

Management Response

Management agrees with this recommendation.

The interface from Telestaff to SAP was completed in February 2009 whereby all time/pay-related data is transferred directly to SAP via a weekly upload. Subsequently, in 2009 an interface from Long Term Care was also implemented.

Recommendation 12

That the City:
a) **Replace the RMS system used for payroll purposes for Volunteer Firefighters with a more functional system with better controls; and,**

b) **Check that rates and levels paid are available in an agreement.**

Management Response

a) Management agrees with this recommendation.

In the past, Volunteer Firefighter payroll information, including rates of pay and hours worked, was not housed in the SAP Payroll system, but in the RMS system used by Fire Services. Fire Services would calculate the hours worked and the rate of pay in their system and pass gross information to Payroll to be entered into SAP to calculate net pay.

Since November 2008, Payroll has been leading a project with Fire Services to utilize the SAP HR/Payroll system rather than RMS to track payroll information for the purposes of calculating pay. The official salary schedules will be built in the SAP system and all payroll information will be tracked in that system. Implementation occurred in October 2009. A file from the RMS system will be uploaded directly into SAP identifying dates, activity and the number of hours worked for each volunteer. SAP will use that information, determine the rate of pay for each activity and calculate gross to net pay for all hours worked from October 1, 2009 onwards.

b) Management agrees with this recommendation.

The rates of pay are adjusted annually per Council approval (ACS 2007-CPS-OFS-0002, June 19, 2007) which approved retro Cost of Living Adjustments (COLA) based on adjustments received by City of Ottawa Management Professional Exempt staff retroactive to 2004. In 2008 the volunteer base honorarium was compared with Hamilton. Commencing 2009, ongoing COLA adjustments are provided equal to that received by City of Ottawa Management Professional Exempt.

Recommendation 13

That Payroll Division work with the Transit Services Department to:

a) Document the processes used by Time Administrators at Transit Services;

b) Implement a control whereby the Supervisor, Transit Booking randomly selects one day per week, or pay period, and has a different time administrator than the one that did the original entries verify the entries. Document both the scheduling and results of the control; and,

c) Implement a control whereby time entries made by the Supervisor, Transit Booking are reviewed by the Program Manager.

Management Response

Management agrees with this recommendation, however, Payroll does not have the resources to undertake this work.

To date, Payroll has worked closely with Transit Law to review their business model and processes, which has resulted in Payroll assuming direct responsibility for time entry for this group. As identified in management's response to Recommendation 1, to fully implement this recommendation would create the requirement to identify and reassign existing resources currently performing decentralized pay processes. This will commence in Q3 2010 and be completed by Q1 2012.

Recommendation 14

That Payroll ensure that there are codes for all labour actions in the system.

Management Response

Management agrees with this recommendation.

Payroll develops codes for those labour actions that have been requested by Labour Relations or Human Resources for human resource management purposes. In 2007, Payroll was in the process of setting up the 'suspension without pay' code as per Labour Relations' request, however since the code was not built when required, the decentralized time entry group used the generic 'leave without pay' code. The suspension code was implemented mid-2007.

Recommendation 15

That the City follow up and recover any outstanding overpayments on a timely basis.

Management Response

Management agrees with this recommendation.

Prior to and post this audit, Payroll has had in place a process to follow up on overpayments as they occur. The Payroll audit report identified a cumulative

overpayment value of $351,000 at November 2008, which equates to one tenth of 1% of net payroll for one year. However, it was not mentioned that of this amount, $236,000 or 68% had already been collected at that time. At January 2010 there remains a balance of $23,000. Currently 93% of the overpayment value of $351,000 identified has been dealt with and Payroll continues to work on the collection of the remaining amount owing.

Recommendation 16

That the City complete RPAs as required, including ensuring that increments are paid properly and update the RPA process on Ozone.

Management Response

Management agrees with this recommendation. Managers must complete an RPA to initiate an employee transaction.

The RPA process was updated in 2008 and further enhancements are being considered as part of the City's HR automation processes in 2009 and 2010. A review of signing authority on RPAs was conducted in 2009 as part of the City's HR automation/workflow process to ensure compliance with the City's Delegated Authority policy.

In order to enhance usability, the RPA form was updated in July 2009 to provide greater functionality by using drop-down boxes and pre-populating fields with employee/position data coming from SAP increasing accuracy.

Human Resources and Payroll will review the RPA process on Ozone. It is anticipated that this review will be completed by the end of Q2 2010.

Recommendation 17

That the City:
a) **Review their current process with respect to acting pay to ensure that documentation and system entries properly reflect the actions taken; and,**

b) **Review system functionality and documentation for acting pay to ensure that acting pay is properly controlled, started and stopped appropriately and that system functionality is fully utilized.**

Management Response

a) Management agrees with this recommendation.

The end date for long-term acting is identified in the SAP system. However, the system has not been designed to automatically adjust pay. HR runs the "End of Acting" reports and works with clients to determine if the acting should be extended or if the term should be ended. Management will review the current process by end of Q3 2010.

b) Management disagrees with this recommendation.

Management does not agree that a hard control is necessary for various reasons. An assessment was undertaken with the City's IBM partners when implementing SAP across the organization and the resulting recommendation was to utilize SAP vanilla functionality. Automatic future dating the end of assignments in SAP was not recommended, as it would be neither cost- effective nor administratively efficient. For example, the majority of acting and temporary assignments are extended beyond the initial acting period, and therefore, employee pay is at risk if a hard control is instituted. In addition, employee status changes can occur with ongoing extensions, affecting employee entitlements and future end dating at time of hire, to pay and leave.

Recommendation 18

That the City process vacation pay such that vacation hours are processed and not just dollars and that leave banks are appropriately reduced.

Management Response

Management agrees with this recommendation.

When vacation payout is processed, vacation hours are processed rather than dollars and leave banks are properly reduced. The only exception to the approach is when an employee requests that some or all of the vacation owing be transferred to an RRSP. The system currently cannot accommodate processing the vacation in hours in this type of scenario.

Payroll will investigate the feasibility of enhancing the SAP system to accommodate this request by end of Q4 2010.

Recommendation 19

That the City stop the practise of the advance payment of Fire statutory days of December 25 and 26 on the first pay of December.

Management Response

Management agrees with this recommendation.

Due to past practice, Ottawa Fire Services are required to give notice to the Ottawa Professional Fire Fighters Association prior to implementation. Discussion did occur with the Association in the fall of 2009 with an anticipated implementation of Q4 2010.

Recommendation 20

That the City periodically review benefits and send reminders to staff to confirm that coverage is appropriate.

Management Response

Management agrees with this recommendation.

Benefit confirmation initiatives are performed approximately every four years and were completed in 2001 and 2005. In keeping with this timing, there is currently a benefit verification initiative taking place. Benefits statements have been forwarded to each employee with existing benefits coverage to confirm that coverage is appropriate. This initiative will be completed by end of Q1 2010.

Recommendation 21

That the City ensure:

a) Compliance with all OMERS rules/legislation;

b) OMERS earnings are reconciled for staff on a sample basis;

c) The documentation relating to year-end procedures for OMERS are corrected as appropriate; and,

d) Pension files are opened where staff are eligible to be offered a pension in order to track follow-up.

Management Response

a) Management agrees with this recommendation.

The pensionable earnings reported to OMERS since January 1, 1999 were considered to be accurate. It was the understanding that this was the accepted business practice agreed to by OMERS. Although a signed agreement between OMERS and the City could not be located, correspondence on file between the City of Ottawa and the union substantiated this reporting practice. Therefore, regular checking of pensionable earnings would not have detected or flagged this issue. All pensionable earnings as per OMERS Administrative Manual Section 3.1.1 will be reported for the Transit Group by the end of 2010, including retroactivity, to ensure compliance with OMERS. Retroactive reporting of additional pensionable earnings will be concluded in 2010. On a go forward basis, the deduction of pension contributions for additional contributory earnings commenced on the February 4, 2010 pay date.

The estimated total cost is approximately $2.6 million excluding interest. This represents both employee and employer contributions. The Pension and Benefits Unit have confirmed with OMERS that contributions and interest will not be charged during the contribution holiday.

b) Management agrees with this recommendation.

Random audits for employees on a sample basis will take place on a quarterly basis to verify that all pensionable earnings are included as part of OMERS requirements and that the appropriate contributions are reported to OMERS. These audits will commence in Q1 2010 and will represent 1% of employees within each union affiliation contributing to the OMERS Pension Plan (equating to approximately 500 employees per year). This will be in addition to the year -

end reconciliation process, which reconciles payroll contributions deducted for each employee, to contributions required by OMERS.

c) Management agrees with this recommendation.

The documentation of year-end procedures has been corrected.

d) Management agrees with this recommendation.

Commencing in 2008, pension files were opened for those eligible Other-Than-Continuous Full-Time (OTCFT) employees who elected to join the pension plan. For those eligible employees who declined to join the pension plan or those that have yet to respond, correspondence was filed in the employee's official payroll file.

In Q4 2009, official pension files were opened for all Other-Than-Continuous Full-Time (OTCFT) enrolment offers sent to employees.

Recommendation 22

That the City review processes relating to long-standing practice(s) and establish and document policies as appropriate and ensure all other policies are followed.

Management Response

Management agrees with this recommendation.

Management already has a Salary Administration guideline in place, where long-standing practices, other than those mandated by governing bodies, have been documented. With respect to the training rates for bus operators or the rate of pay for modified duties, as identified in the audit report, Payroll has requested that Transit and the Corporate Compensation group include these practices within their guidelines as required. This will be completed in Q1 2010. Payroll will ensure that if they become aware of any other practices that are not currently documented, that they will identify them for inclusion in a policy or guideline document.

Recommendation 23

That Payroll Division ensure that:
a) **Complete and accurate electronic payroll reports including masterfile and transaction data that reconcile to SAP GL and T4s for the overall payroll be available for ongoing analysis; and,**

b) **The procedure be reviewed and changed as necessary to ensure there is an ongoing overall reconciliation of Payroll to the General Ledger including gross pay.**

Management Response

a) Management agrees with this recommendation.

All of the masterfile information in the above recommendation was available at the time of the audit. However, as described within the report, there were instances when Payroll had to provide information requested more than once due to the ambiguity of the Auditor's request. Once the request was clarified, Payroll was able to provide the information for analysis. Since 2008, T4s have been reconciled to wage type transaction summary data contained in the Payroll Journal report, which is maintained on an ongoing basis. The T4s cannot be reconciled to the GL.

b) Management agrees with this recommendation.

Payroll has always completed an extensive review of gross pay to net pay and corresponding employer paid payroll related costs each week utilizing transactional wage type data, which is mapped, to a GL cost element. Consequently, on a weekly basis there is positive assurance that all monetary payroll transactions are accounted for. In addition, all employer and employee deduction liability accounts are reconciled monthly. However, non-monetary transactions, including such items as vacation accruals and overtime and statutory holiday banking are not reconciled as frequently.

Payroll has broadened the current procedure for reconciling Payroll to the General Ledger, to include all payroll expenditures (monetary and non monetary) that occur as a result of the payroll process on a weekly basis. This was completed in Q4 2009.

Recommendation 24
That the City stop employees from working two jobs and properly make the Public Sector Salary Disclosure.

Management Response

Management agrees with this recommendation.

The example given by the Auditor was of an employee who was grandfathered at the time of amalgamation. The employee was working for both the City of Ottawa (full-time) and RMOC (part-time) prior to 2001. Grandfathering, on a case-by-case basis, was not uncommon at the time of amalgamation to deal with unique situations that arose during this period.

The City of Ottawa's Executive Management Committee approved the Concurrent Employment Policy on December 5, 2003. The purpose of this Policy is to ensure that employees do not hold multiple positions. The only exceptions are grandfathered employees and some staff in Parks and Recreation where the CUPE 503 Part-Time Recreation and Culture Collective Agreement allows part-time employees to work in more than one part-time position within the parameters of that agreement.

Reports have been revised to account for grandfathered concurrent employment and were utilized to prepare the 2008 Public Sector Salary Disclosure submission in 2009.

Recommendation 25

Given the high personal use of the Internet and e-mail, that the City perform a review of the staffing requirements in Payroll Division to determine if all existing staff are required.

Management Response

Management disagrees with this recommendation.

Payroll management reviewed the information provided by the Auditor. With respect to personal emails, we found that for six of the ten highest users, the personal usage was less than eight emails per day per employee, including incoming and outgoing emails. Management feels that there is a flaw in the Auditor's calculation in that they counted incoming emails, which the employee cannot always control. For the remaining four employees, usage was found to be in excess of the norm and appropriate action has been taken. See management's response to Recommendation 26.

Payroll management also had both Labour Relations and IT complete an independent review of Internet and email usage within Payroll. The results of the Internet review indicate no excessive usage by Payroll employees. Payroll staff use the OZONE on a daily basis to retrieve Request for Personnel Action (RPA) forms in order to process payroll. Information is sent to the bank daily via Internet for weekly and daily processing of payroll direct deposit. These activities create Internet "hits". Although the report indicates that personal Internet usage is very high, it is based on the notion of an Internet "hit". A hit is described as the retrieval of any item from a web server and it does not necessarily mean the employee was actively accessing various Internet sites. For example, listening to local radio via headset was a practice allowed within Payroll due to close proximity of employees in a very open and busy environment. An enormous number of "hits" can be associated with listening to local radio while the employee is productively working. A simple test showed that listening to the radio over the Internet can produce over 1,600 hits in one day alone.

A briefing note provided by the Manager IMIT Architecture and Security at the request of the City Manager, indicates that Internet access logs should not be used to measure time and attendance nor to measure FTE requirements of specific work units due to the fact that automated news feeds or "hits" continually update as long as the browser is open even if there is no Internet site being actively visited by the user. Furthermore, Websense, the City's Internet Security service provider has provided an opinion on the use of Websense logs to

measure an employee's time spent on the Internet and hence their productivity. They support the Manager IM/IT's opinion that there is no accurate way to interpret Websense logs to measure how much time an employee spends on the Internet.

Therefore, the chart in the report identifying Internet usage in hourly increments is not an accurate way to conclude that non-business related activities are occurring within each hourly segment. Additionally, important to note on the chart is that 49% of the Internet usage falls between 11 a.m. and 2 p.m. Since Payroll staff are allowed to take lunch hour between these hours, it would be normal to see higher Internet usage throughout those timeframes, which further calls into question the auditor's conclusion with respect to employee productivity. Refer to Appendix C in the complete audit report "Understanding Internet Access Logs" and supporting letter from Websense, for detailed information pertaining to Internet usage.

Based on the information presented above regarding personal use of Internet and email, management is of the opinion that this has no impact on determining staffing levels. In addition, the payroll management team assesses organizational and staffing requirements on an ongoing basis based on criteria such as past experience, production volumes and special project workload requirements (such as Telestaff integration, automated mileage and parking reimbursement, and time/leave automation).

Recommendation 26

That the City take appropriate disciplinary action for the Payroll Division employees reviewed and identified herein, and ensure that the Responsible Computing Policy provision for "incidental personal use" of the corporate e-mail system and Internet resources is adhered to.

Management Response

Management agrees with this recommendation.

For the four employees where email usage was found to be in excess of the norm, appropriate action has been taken. In addition, Payroll management has taken several steps to ensure that staff is aware of and understands the Responsible Computing Policy, especially as it relates to personal usage. This includes a review of the policy and discussions at staff meetings and one-on-ones with certain staff. Staff have been instructed not to use the radio via Internet.

Recommendation 27

That the City ensure that Payroll Division Time Transaction Assistants do not process time or leave for related parties.

Management Response

Management agrees with this recommendation.

Recently, Payroll has instituted a control for the entire Payroll Division. A Disclosure form has been developed with input from Labour Relations and MFIPPA, which will be utilized by all Payroll staff (not limited to Time Transaction Assistants) to identify any conflict with related parties and their job function. Employees have completed the form and have been requested to update the form as required. A formal reminder to this effect will be issued on an annual basis. Payroll management will use this information to address any conflicts that may arise.

Although management agrees that it is not best practice to have Payroll staff process time or leave for related parties, there are often situations where Payroll is short-staffed and we do what is required to complete the work. Should this happen, there is a compensating control in place in the form of a peer review, which ensures that all entries get verified against source documents, so there is little risk associated with this activity.

Recommendation 28

That the City ensure staff is compliant with the City's training policies.

Management Response

Management agrees with this recommendation.

Management was compliant with the application of the training policy by allowing the employees to access training. In this regard, the City's "Continuous Learning Policy" allows training for temporary employees. As stated in the policy:

> *"This Policy applies to all City employees and to summer students and co-op placements who are required to receive training as a result of legislative requirements (e.g., Occupational Safety and Health Act). "*

The Policy does not differentiate between full-time and temporary employees. However, priority is given to full-time employees and temporary employees can be registered if space is available.

One of the objectives of the policy is:

> *"to encourage employees to acquire, maintain and improve their skills and knowledge through avenues of study related to their present positions or that will enhance their future opportunities and contribution to the City".*

MANAGEMENT CONCLUSION

The audit findings in the report relate primarily to operations in 2007. Since that time, ongoing improvements have been made including the implementation of

time/leave automation, increased system and manual controls and enhanced procedures. Currently close to 5,000 employees now enter their time and leave directly into the system, eliminating dual data entry and ensuring correct sign-off, as managers/supervisors have been delegated the appropriate signing authority within SAP. In addition, a review of two operational units has resulted in Payroll assuming direct responsibility for time entry for these units.

All departmental managers with decentralized payroll input have reviewed payroll recording and input to ensure improved accuracy, completeness and authorization. In addition interfaces have been built from the Telestaff scheduling tool utilized by Ottawa Paramedic Service and Long Term Care, which have eliminated the requirement for dual data entry, which reduces overall risk of error. The Volunteer Firefighters payroll information is now housed in the SAP system for the purpose of calculating gross to net pay, again reducing risk.

Prior to the Payroll Audit, management was aware of the non recovery of the $1,405 pension arrears which was a very unique and rare situation and the overpayment of $17 due to an incorrect increment date error. Unfortunately, there are situations where some payroll errors occur, due to differences in timing between payroll and operational processes (i.e., cut off dates) however payroll checks and balances are in place to both catch the errors and recover overpayments if errors are found after the initial payment is made. These corrections would then be actioned as part of the overpayment/recovery process which is a normal occurrence in any payroll business operation. Management feels that the auditor's comment with respect to a general lack of attention by those involved in the payroll process is unfounded. Generally management agrees with the process improvement recommendations, however as indicated in Recommendation 25, the auditor's assessment that there is a lack of attention to detail due to high personal Internet usage is incorrect as substantiated by IT professionals. The payroll process is very complex and involves significant input from hundreds of individuals across a very diverse organization. Since 2007, many improvements as noted above, have been made in the overall payroll process and management continues with these efforts.

Conclusion

Based on our general audit work and sampling, we found that there is, in our opinion, an abnormally high error rate in the payroll processes. On a sample of 100 pay entries we found 56 errors. Some of the errors were very serious, particularly errors in the pension calculation for some Transit Services employees. We found that the City was non-compliant with OMERS requirements. The error has been on-going for the past 10 years and has resulted in pension contributions and contributory earnings being understated. Management has estimated that the under remitted employee and employer pension contributions are approximately

$2.6 million. This also results in past, present and future pensioners receiving less than their full pension entitlement. Payroll processes, if operating appropriately, should have previously found and corrected these errors prior to the audit. Payroll Division does not provide an oversight role to decentralized areas, which process payroll entries for approximately 40% of City staff or for the additional approximately 15% where Payroll Division enters the time which is prepared decentrally. Operational managers are also not fulfilling an oversight role contrary to the City's decentralized philosophy, which is to let managers manage with minimal intervention from corporate units. In this case the operational managers did not fulfill their responsibility. Therefore, it is our opinion that there should be a central oversight role by Payroll Division. Management needs to determine whose job it is to manage Payroll. Management doesn't agree with our error rate. There has not been a proper use of the control features in the payroll system, which can be an important tool in managing and controlling payroll. Within the payroll system we found actual times worked have not been properly reflected, interfaces from subsystems have not been completed, reports have been setup incorrectly and transaction codes have not been adequately setup and /or used.

There has been a general lack of attention to detail by staff and supervisors involved in the Payroll. This may be due to the high personal use of Internet and e-mail that we found. The City should evaluate the staffing requirements in the Payroll Division to determine if all existing staff is required.

The annual payroll compensation and benefits cost of over $900 million is the single largest expense at the City and based on the errors we found, it is our opinion that the Finance Department needs to implement better controls in the payroll function, especially in the decentralized payroll processes.

Acknowledgement

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

4.2 Audit of Eight Specific Building Code Services Files

EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of report to the Fraud and Waste Hotline. This audit was not originally identified in the Audit Plan that was presented to Council.

The Office of the Auditor General received a report regarding concerns with the activities of a Program Manager in the Building Inspections Section of the Building Code Services Branch. The report indicated that some building inspections in a specific division of Building Code Services had not been carried out as required and that in some cases the property owners have not had to obtain a building permit as a result of decisions by the Program Manager.

The Office of the Auditor General decided to examine the approvals and inspections processes undertaken by the Program Manager to determine if he had followed the requirements of required standards, regulations and policies.

The Fraud and Waste Hotline information referred to two specific issues, but also stated that the investigation should review the other instances of alleged non-compliance with the Building Code, the Building By-law, and the City's policies and procedures. Consequently, the review was expanded to include other files, based on information obtained during the audit.

Audit Objectives

Audit Objective No. 1 – Examine and evaluate the processes and methodologies used for the review and approval of the first file reported in the Fraud and Waste Hotline Report.

Audit Objective No. 2 – Examine the methodology used for the inspections of the second file reported in the Fraud and Waste Hotline report, to determine how the areas of poor soils affected the inspections and approvals.

Audit Objective No. 3 – Examine the methods and procedures used for inspections by the specific Building Code Services division.

Audit Objective No. 4 – Examine the methods used by the City to enforce the Ontario Building Code, the Building By-law, and the policies and procedures for building inspections.

Audit Objective No. 5 – Evaluate the role of the Program Manager and the Building Code Services Branch in relation to the specific files.

Audit Scope

The Audit Scope encompassed the inspections carried out by the inspectors reporting to a specific Program Manager in the Building Code Services Branch.

Two specific files were examined initially. Based on the information obtained during the audit, six additional files were reviewed.

Geotechnical reports were reviewed to evaluate the investigations regarding sensitive clays and other poor soils, and the information processed during the building permit reviews and the inspections.

Summary of Findings

A total of two subdivisions and six addresses were reviewed. The Fraud and Waste Hotline initially reported one address and a subdivision, but the review was widened based on the interviews and the findings in the email system.

File No. 1

1. The Building Inspector found that a 2.7 m high concrete wall and foundations were under construction in the property without a building permit. On the basis of the investigation, the Inspector proceeded to prepare an Order to Comply (OTC) to require the owner to submit a building permit application for the structure.

2. The Program Manager, Building Inspections Unit (PMI) reviewed the OTC and requested additional information from the property owner. The drafting service retained by the property owner to provided architectural design and drawing services informed the PMI that the project consists of three components, namely a custom home, a garden shed and the concrete wall and foundations. The letter indicates that the concrete wall is a fence to an 18th century landscape park garden and will not be attached to the garden shed.

3. The PMI agreed with the opinion of the drafting services firm and classified the structure as a fence; on this basis, the PMI concluded that no building permit would be required, and revoked the OTC. In our opinion the OTC should not have been revoked.

4. On the basis of our analysis, we have concluded that the PMI should have required a building permit for the construction of the concrete wall because the overall project comprises the custom house, the shed and the concrete wall (fence). The custom house and the shed each require a building permit and the concrete wall as part of the project would also require a permit.

5. As the fence is over 1.8 m high (it is in fact 2.7 m high), is constructed of reinforced concrete, and is part of the overall project that requires a building permit, the fence falls under the provisions of Part 4 of the Building Code.

6. The PMI should have examined the entire project, which requires building permit, rather than allow it to be piecemealed.

File No. 2 - Subdivision

7. The complaint indicated that the PMI had allowed the builder to build houses when there are structural issues with the soils without addressing those issues. Review of the files and relevant correspondence showed that the Program Manager, Building Inspections Unit (PMI) undertook the inspections based on the building permits issued.

8. Approximately 100 building permits were issued during 2008 for residential buildings (houses and townhouses) located in an area of sensitive clays. The foundation design for these houses did not take into account the sensitive clays, although the geotechnical report prepared for the subdivision had identified the presence of the sensitive clays. These building permits should not have been issued based on the design submitted, as further discussed in the following section.

9. The files do not contain all the documentation that is required based on the Policies, Guidelines and Standards. For example, the inspection files do not always contain a copy of the approved roof truss drawings; in some cases, the structural engineer's letter in the file does not correspond to the approved version of the letter.

10. We found that in some instances the site review structural engineer reported errors or omissions in the placement of reinforcing steel in some footings and foundation walls; however, the City's inspector did not insist that the engineer return to confirm and sign-off on the correction of the noted deficiencies. Instead, the City's inspector performed the review of the deficiencies and signed-off on the corrections. This procedure unnecessarily transfers the workload, responsibility and potential liability for the review to the City.

11. In two inspection reports for two different buildings the building inspector provided an inspection report indicating that the inspection of the building plumbing had passed the inspection, but he had not done an inspection because the plumbing had been covered over by the basement concrete slab. This is a misrepresentation of the results of the inspection, as the inspector passed the un-inspected plumbing without actually inspecting it. The inspections should have been given a "Fail", and the inspector should have required that the contractor uncover the covered plumbing for inspection. The inspector indicated that he had done the same in two other sites; he also affirmed that the PMI had been apprised of the situation and had agreed to it.

12. The Building By-law provides that a Refundable Inspection Fee must be deposited with each building permit application. The amount of the fee refunded to the owner is reduced if the owner causes repeat inspections by not

being ready for inspection or by not providing sufficient notice. The inspector is required to mark on the inspection form when the owner caused a repeat inspection. However, in the specific subdivision, the inspectors did not mark the box for charging of repeat inspection fees even though there were several repeat inspections caused by the builder not being ready for the inspection. Our review found there was approximately $5,000 in fees not charged to this developer. The City should charge the developer their fees.

Sensitive Soils

1. Sometime in 2008 the Program Manager, Permit Approvals Unit (PMA) decided to request the January 2007 geotechnical report prepared for the particular stage of the subdivision, as he had not received a copy with the submissions for building permit made by the developer. He reviewed the report in August 2008 and at that time became aware of the problem in this particular stage of the subdivision. The PMA stopped issuing building permits until he could be satisfied that the design of the houses met the requirements of the Building Code. The specific requirements for the design of the foundations were provided by the PMA to the developer.

2. The PMA informed the PMI and the developer of the concern and required that the foundations for all buildings in that stage of the subdivision be designed by professional engineers. Approximately six houses had been completed by this time, and the foundations of seven others had been completed and backfilled, before the PMA had read the geotechnical report and taken the action noted above. These buildings require special remedial measures to prevent differential settlement and to achieve allowable total settlement. At the time of the audit work in early 2009, the City was reviewing these special remedial measures.

3. During an interview, the PMA indicated that the reason he was not aware of these facts during the review of the building permit applications was that he had not received the geotechnical report prepared for the subdivision, notwithstanding that the report was submitted to the City in early 2007. The PMA indicated that he had specifically requested a copy of the geotechnical report, and that otherwise he would not have received one. We asked the PMA for copies of the geotechnical reports for previous stages of the Subdivision, but he did not have them in his files; they were provided during this Audit by the Planning and Infrastructure Approvals (PIA) branch of the Infrastructure Services and Community Sustainability Section (formerly Planning, Transit and the Environment Section).

4. According to the PMA, the PIA receives a copy of the geotechnical report with the engineering drawings for the subdivision. However, there is no established mechanism for a copy of the geotechnical report to be forwarded to the PMA. Consequently, recommendations regarding building foundations, although

provided in the geotechnical report, are not known to the PMA as he reviews the building permit drawings. Although the PMA requested a copy of the geotechnical report in this instance, this is not done in all cases – as evidenced by the fact that the PMA did not have copies of previous reports – and there is no formal procedure to ensure that a copy of the report be sent to the PMA.

5. We consider that the PMA must not issue any building permits until the geotechnical information has been provided by the developer and the PMA has had adequate time to review the geotechnical report. Therefore, the City should revise the Policies, Guidelines and Standards to require submission of a copy of the geotechnical report with the building permit applications.

6. Based on his work approving building permits applications for buildings in this subdivision, the PMA was aware (or ought to have been aware) that there had been sensitive clay problems in the subdivision and its vicinity in previous stages of construction.

7. The PMA did not require that the geotechnical report be submitted prior to issuing the building permits.

8. We consider that information about sensitive soils should be shared between all divisions that could be affected by them, including Planning and Infrastructure Approvals, Infrastructure Management, Building Code Services, etc.

9. During the interviews it was learned that houses constructed in an area had required repairs as a result of movement of the foundations due to the underlying sensitive clays. The files for the repairs to the house foundations and foundation walls located in this vicinity were also reviewed to determine the available information regarding the location of sensitive soils in the vicinity of the subdivision.

File No. 3 - Subdivision

1. This subdivision was reviewed as a result of information provided during the audit.

2. In some cases, the final occupancy permit was issued almost three years after the partial occupancy permit was issued. A Partial Occupancy Permit is issued when the permit holder wishes to allow occupancy to occur in an unfinished building. A Final Occupancy Permit is issued when construction is complete and all outstanding Code deficiencies, as listed in Inspection Reports, have been addressed.

3. The concern with the very long time between the Partial and the Final Occupancy Permits is that any deficiencies noted in the inspection reports prepared for the Partial Occupancy Permit could remain uncorrected for a significant period.

4. The City has now implemented a mechanism to reduce the occurrence of these situations by stipulating in the Building By-law that the refundable inspection fee shall be forfeited by the person named on the fee receipt issued by the City upon payment of the fee, if the final occupancy permit has not been issued within three years from the date of issuance of the permit to construct.

5. In some instances, the partial occupancy inspections indicated conditions which may not have been checked properly before the final occupancy permit was issued. For instance, in one occasion the partial occupancy permit required that the tele-posts (i.e., columns) be secured to the foundation, but the inspection noted that the inspection had passed. In our opinion, the inspection should have been a fail with a requirement for re-inspection.

6. In some cases, the final occupancy inspections for mechanical give as a condition "Ventilation Section 9.32 OBC", but do not provide any further details or are sufficiently specific to permit follow-up. In the first place, there should be no conditions in the Final Occupancy Permit inspection forms, as it is issued when all the requirements have been satisfied. If a condition is to be placed, it should be specific. The condition noted above refers to a section of the Code that covers every aspect of the ventilation in a building constructed under Part 9 of the Code.

7. The documentation in the files is not always complete. For example, a number of files did not have one or several of the required Plan of Survey denoting the as-built survey, soils engineering report, roof truss drawings, and engineering review letter.

File No. 4 - House

1. This house was constructed with a building permit issued on November 25, 2004, but the owner/builder did not call for a number of inspections, including foundations, basement insulation, final plumbing, final mechanical, and occupancy permit.

2. The Building Inspector issued an Order to Comply on January 12, 2009, requiring that the owner obtain an occupancy permit. The deadline in the OTC was January 19, 2009. The PMI provided an extension to the owner for one month on January 20, 2009.

3. The owner did not obtain the required inspections during construction.

4. The lack of inspections during construction is mostly due to the owner not following the requirements provided by the City. As the inspections are programmed when the owner requests an inspection, it is easy for several weeks to pass before the inspector carries out a progress visit to the site.

5. The PMI provided the owner a 30-day extension to cover the combustible insulation in the basement. This delay places undue potential liability on the

City in the case that the illegally occupied building caught fire and the combustible insulation became a factor in any casualties.

6. The work required to comply with the OTC could have been completed in less than one week, as stipulated in the OTC. There is no valid reason for the owner to require one month to complete the work, particularly in light of the delay in getting the required occupancy permits. It should be noted that the building was occupied without an occupancy permit from the City.

7. The PMI indicates that "the owner meets the criteria to be exempt from having to provide an as built survey". The City's Inspection Policies, Guidelines and Standards do not allow exceptions to the requirement.

8. The requirement for an as-built survey is included in both the City's Inspection Policies, Guidelines and Standards and in the Building By-law. The concern with allowing some owners to not provide a survey is that it creates an atmosphere of favouritism, plus it unnecessarily transfers potential liability for the correct location of the building to the City.

9. The PMI directed the Building Inspector to issue a Partial Occupancy Permit that would exclude the use of the basement.

10. In this particular case, the fact that the combustible insulation was not properly covered means that the fire separations were not complete. A Partial Occupancy Permit should not be issued.

File No. 5 - House

1. Communications in the file indicate that the PMI told the owner that an as-built survey is not required for this location, when in fact the Policies, Guidelines and Standards require one, without exceptions. The Building Inspector issued a Final Occupancy Permit based on the direction from the PMI. Furthermore, the PMI required the inspector to ascertain the location of the house with respect to the property boundaries using landmarks.

2. The concerns with this file are that the Policies, Guidelines and Standards state that there are no exceptions to the requirement for an as-built survey. A survey was required. In addition, asking the inspector to verify the correct emplacement of the house with respect to the property boundaries essentially removes the responsibility for meeting the requirement from the owner and transfers it, unmitigated, to the inspector and hence to the City. In our opinion, this is a case in which the PMI is trying to not inconvenience the owner, but in effect is not acting in the best interest of the City.

File No. 6 - House

1. The Building Inspector noticed on November 13, 2008 that the owner had started construction with no permit or application. The owner informed the Building Inspector that he had a meeting scheduled with the PMI on November

21. The Building Inspector wrote to the PMI on November 17, to request instruction on whether to issue an OTC; the application for permit was submitted on November 14th.

2. The PMI wrote to the Building Inspector indicating that the file had been re-evaluated and that he had allowed construction of the foundation to proceed without a permit because of the impending cold weather; no construction beyond the foundation should be allowed until the building permit is issued. The PMI should not have allowed construction to proceed without a permit.

File No. 7 - Vars Fire Hall

1. The Vars Fire Hall at 6090 Rockland Road was constructed in 2006 and completed in 2007. For the purposes of the Building Code, the owner is the Real Property Asset Management Branch; the operator is the City of Ottawa's Fire Services Branch.

2. RPAM and Fire Services decided to install an underground cistern with treatment system to provide storage for two weeks of demand for the building. Drinking water would be supplied using bottled water.

3. The PMI issued an Order to Comply, indicating that four contraventions of the Building Code had to be corrected before an Occupancy Permit could be issued, namely a) Complete the building exterior; b) Provide sealed general review letter from the civil engineer regarding the fire fighting water supply; c) Provide general review letter; and, d) No potable water is provided.

4. Discussions regarding the suitability of the drinking water supply and whether it met the requirements of the Building Code and the Safe Drinking Water Act led to a Partial Occupancy Permit being issued with the condition that the building water supply would be treated as non-potable and all drinking water requirements would be met using bottled water.

5. The Final Occupancy Permit was issued in December 2007, with the condition that the water supply be tested every two weeks in accordance with Ontario Regulation 252/02.

6. Our review of the file did not find any items of concern with respect to the actions taken by the PMI.

File No. 8 - House

This residence was constructed in 2002. The main issues that were found in the file documentation are as follows:

1. The professional engineer report on the foundation soils was not available at the time of the footing construction, but the inspector provided a Pass in the Inspection Report, and indicates that the soil "appears Ok". The inspector should have insisted in receiving the report before the concrete was placed. As

in other instances discussed in this report, the action of the inspector creates a transfer of liability to the City. Although the inspector is qualified to do the inspections, the inspector must insist that the owner follows the rules.

2. A note to file by the inspector on June 11, 2003 indicates that the house was built without the required inspections. The note further indicates that the last inspection was done June 6, 2002 for the insulation and did not pass; framing deficiencies were not corrected; occupancy inspection was not completed; well water test required, but not provided; and the permit was issued for a single attached garage, not a double garage as built.

3. Subsequent documentation in the file, prepared by another inspector, indicates that the required inspections were not required because the house was pre-fabricated. However, the fact that the house may be prefabricated does not remove the requirement for inspections.

4. A note on June 25, 2003 by another inspector indicates that the soil bearing report by a professional engineer was not required. This is not in accordance with the Policies, Guidelines and Standards. The note further indicates that the footings and pad footings are now approved (in June 2003), but does not provide any documentation on why they were approved.

5. The final occupancy inspection for mechanical gives as a condition "Ventilation Section 9.32 OBC", but does not provide any further details or is sufficiently specific to permit follow-up. This condition is extremely vague, apart from the fact that it should not be required if the house is constructed in accordance with the Code.

Document Retention Requirements

1. Section 20 of the Policies, Guidelines and Standards prepared by the Building Code Services Branch list the documents that must be preserved with the building file.

2. The results of the review of the various files found that several of them do not contain all the documentation that is required based on the Policies, Guidelines and Standards. For example, the inspection files do not always contain a copy of the approved roof truss drawings, as-built survey and soils report; in some cases, the structural engineer's letter in the file does not correspond to the approved version of the letter.

3. In addition, in a number of files, the PMI allowed the owner to not submit the required as-built survey. This practice should be eliminated due to the potential for unforeseen and unnecessary liability to the City. In addition, the requirement by the PMI that one of the inspectors uses visible landmarks to ascertain that the house is located properly within the property is not a proper use of the resources available to the PMI.

4. In reviewing the files with respect to the contractor who covered the plumbing work, Finding 1 (*Inspection Passed Site Unseen)* below, it was noted that they do not contain information on the companies responsible for the various trades. This information is essential in order for the City to be able to keep a complete database of residential construction within the City.

Structural Field Review

1. The protocol for sensitive soils prepared by the Branch (Sensitive Soils Inspection Guidelines) indicates that the structural engineer shall provide site review memos for each lot confirming that the footings and foundation walls sizes and reinforcing, concrete strength, etc. are installed as per the design requirements and approved permit drawings.

2. We found in some instances that the structural engineer's representative responsible for reviewing the foundation and foundation walls during construction found deficiencies in the placing of the reinforcing steel and noted them in the inspection memos; however, the structural engineer did not return for re-inspection. The City's inspector allowed construction of the building to proceed on the basis of the structural engineer's initial memo, instead of requiring that the engineer return to confirm that the footings and foundation walls were reinforced in accordance with the design and his instructions.

3. The concern with the procedure as carried out is that the owner's and engineer's responsibility for the corrections or additions to the reinforcement are assumed by the City's inspector. The inspector must be absolutely clear that the responsibility for the sign-off on the foundation is the owner's and the owner's engineering consultants.

Inspection Passed Site Unseen

1. During the review of inspection files, we found two instances where the building inspector arrived at the site and found that there was no access to the basement to permit inspection of the plumbing; the inspector instructed in writing that the contractor was not to cover the plumbing until the inspector had inspected it; but upon his return a few days later, the inspector found that the contractor had poured the concrete slab for the basement floor, thus covering the plumbing under the slab and preventing its inspection.

2. Nonetheless, the inspector provided a Plumbing Inspection Report indicating that the plumbing had passed, without actually inspecting the plumbing. The reasoning for this, as written in the Inspection Reports, was that the contractor had done acceptable and similar work in other sites.

3. During the interview the inspector confirmed that there had been two other occasions (a total of four times) where he had approved the plumbing site unseen under similar circumstances. The inspector did not recall the addresses

of the other two sites, but indicated that both were also located in the subdivision.

4. When asked if the PMI was aware of these cases, the inspector indicated that he had discussed the matter with the PMI, who had indicated this procedure was acceptable. Discussion of the matter with the PMI during the interview, and subsequent conversations, found that the PMI did not agree with this procedure. Further discussion revealed that another inspector remembered that this had been done in two other sites, located in other subdivisions; however, it was not possible during this Audit to confirm which properties were involved.

Refundable Inspection Fees

1. The Building By-law makes provision for a refundable inspection fee to be deposited with the building permit application. Should the builder call in unnecessary inspections when the work is not ready for inspection, the refundable inspection fee will be charged $100 per "not-ready for inspection" site visit by the inspector.

2. During the review of the files for a specific subdivision, it was noted that the inspectors did not mark the box for charging of inspection fees even though there were several repeat inspections. We reviewed fifty files at random within the specific subdivision; all fifty files had at least one "not ready for inspection" event and found that none of the cases had been marked for the $100 fee. This represents $5,000 that the City did not charge this specific developer. The City should now charge the developer those fees.

3. Review of the files for other developers and building permit files found that other builders are being charged the "not ready for inspection fees".

4. The City provided list of fees paid by the particular developer, which showed that the last "not-ready for inspection" fee was paid for March 2007.

Inspections by Interns and Summer Students

1. During the interviews and in the examination of email correspondence, it was found that a number of inspections were carried out by summer students without the required qualifications as required by the Ontario Building Code after January 1, 2006. The City provided a list of inspections carried out by students in 2006, 2007 and 2008, to enable evaluation of those inspections done by students without the qualifications as required under the Ontario Building Code Act (i.e., unqualified interns and summer students).

2. During some of the interviews it was alleged that the PMI had unqualified interns and summer students conduct inspections that must be completed by qualified inspectors. Further investigation of this matter found correspondence involving the Manager, Inspections, and the various Program Managers,

Inspections in which they discussed the potential negative impacts on the City should this practice not be stopped and should it come to light.

3. Interviews with the Chief Building Official, the Manager, Inspections, and the PMI confirmed that they were all aware that the practice, in essence, is illegal. The Chief Building Official justified the practice on the grounds that the requirements for timeliness of inspections prescribed by the Building Code plus the dearth of qualified staff had required this action.

4. The Manager, Inspections provide spreadsheets listing all the inspections carried out by interns and summer students during 2006, 2007, and 2008.

5. Based on correspondence and interviews, we found that several illegal inspections were credited to a qualified inspector in the system.

6. The total illegal inspections are summarized in the following table.

Total Illegal Inspections				
	Year			TOTALS
	2006	**2007**	**2008**	
Illegal Inspections from MAP	756	537	705	**1,998**
Illegal Inspections Credited to Inspector	356	151	5	**512**
Total Illegal Inspections	**1,112**	**688**	**710**	**2,510**

7. Illegal inspections by summer students comprised building inspections (including inspections of excavations, foundations, and framing, and progress and final inspections); mechanical inspections (heating, ventilation, and air conditioning systems); and plumbing (water lines, sewage lines, and backwater prevention valves).

8. The Building Code Act (the "Act") requires inspectors, and where certain conditions are met, intern inspectors, to carry out building inspections. Persons who are neither inspectors nor intern inspectors are not permitted to carry out inspections of buildings.

9. Conducting inspections by unqualified inspectors are illegal.

10. Building Code Services should take the necessary steps to address potential issues arising from the illegal inspections by summer students.

11. Building Code Services should, on a per file basis, assess whether a further inspection and notice to the building owner is required.

Internet and Email Use

1. We reviewed the email and Internet use of the PMI. We found that he used both the corporate email system and Internet for non-business use and disregarded the City's Responsible Computing Policy and the City's Code of Conduct. As a City employee the computer misconduct (e.g., jokes, and inappropriate materials) is particularly serious. We determined that personal email usage was generally very high averaging 30%. The 30% is based on 5,687 non-business emails of the 19,250 emails reviewed. This employee's non-business related Internet hits amounted to 32% of his Internet traffic.

2. Some of the internal and external emails we reviewed and classified as "jokes" contained offensive and/or inappropriate material.

3. Based on our review, we conclude that the PMI's personal use of the Internet and email were in our opinion excessive and ultimately resulted in his spending less time performing duties for which the position is responsible for. It is also our opinion, based on our review, that staff at the Building Code Services Branch (BCSB) are not properly managing time and actions of some of their staff.

4. As stated in various other audits, IT Services need to enforce the Responsible Computing Policy at all levels of the organization. In addition, stronger measures are needed to address the level of jokes and inappropriate materials received and sent by City employees using the corporate email system. Based on the results of our review of the PMI Internet and emails, we expanded our scope to include the emails and Internet usage of the Building Inspection Unit 's remaining managerial staff as well as one Building Official III. In these cases, we found examples of high personal use of both the corporate email system and Internet.

5. We also observed that a management employee had saved on his H drive (personal network drive) on June 6, 2008 a photograph of an office pool under filename: "*(name of builder)* Lottery.jpg". Per the photograph, it appears that 11 of this program manager's subordinates may have been speculating on the number of inspections a specific developer would fail from June 16 to 23, 2008. Given the role and responsibility of staff within BCSB, it is our opinion that this conduct is inappropriate and unprofessional.

Recommendations and Management Responses

Recommendation 1

That the City ensure Building Code Services staff maintains a Building Permit database and that it be reviewed at reasonable intervals to identify cases where the Partial Occupancy Permit had conditions, in order to permit the inspector to return and verify that the conditions have been corrected.

Management Response

Management agrees with this recommendation.

From a Building Code standpoint, the scheduling of inspections is a function of the builder's readiness and is not in the Branch's realm of control. Per section 10.2 (1) of the Building Code Act, the responsibility to schedule the inspections rests clearly with the builder. It is the prerogative of the builder to determine how quickly they wish to complete their construction once the minimum standards for occupancy of an unfinished building have been met (i.e., partial occupancy).

With respect to Findings 1-6 (*File No. 1)*, the Auditor has expressed a number of opinions which management would like to clarify as follows:

- Findings 1-6: The PMI directed the building official to issue an Order to Comply (OTC) on the assumption that the structure under construction was a foundation wall for a building. Following further investigation, the PMI determined that the construction was that of a fence, which does not require a building permit. The OTC was therefore lifted. The decision to lift the OTC was within the authority of the Code competent PMI. The Building Code Act does not provide authority to compel an owner to obtain a permit for future phases of a project nor is there authority to compel the owner to connect the fence to the yet to be built building. Further, the fence structure is not subject to Part 4 of the OBC.

An electronic 'bring forward system' will be integrated with enhancements to MAP to improve the tracking of inspections and to equip inspection staff with remote technological capability. The multi-phased four-year project commences in 2010 and will be completed in 2014.

Recommendation 2

That the City ensure Building Code Services Branch provides the Inspectors with a list of conditions that are not acceptable, in order to provide guidance to the Inspectors when deciding whether Partial Occupancy Permits can be issued. Alternatively, a quality control review of the Partial Occupancy Inspection Form could be done by the Program Manager, Building Inspections Unit or a senior inspector acting as his representative.

Management Response

Management agrees with this recommendation.

With respect to Finding no. 5 (*File No. 3 - Subdivision)*, it is noted that by the time the Final Occupancy Permit was issued, the deficiency had been addressed and although this incident was a single event, management will provide additional guidance to inspection staff. In addition, program managers are undertaking

quality control reviews of a representative sample of inspection files on an ongoing basis.

Recommendation 3

That the City ensure Inspectors are made aware that Final Occupancy Permits should not have conditions, and that if the inspection reveals items where the Code is not met, that the Final Occupancy Permit not be issued until the conditions are remedied and lifted.

Management Response

Management agrees with this recommendation.

To ensure clarity, management will provide additional instructions to inspection staff by the end of Q1 2010. In the audited case, the insertion on an inspection report "Ventilation Section 9.32 OBC" was actually a note to file for the benefit of the inspector and was not a 'condition'. This was not a standard practice of the Building Officials. The inspector has since left the City.

Recommendation 4

That the City ensure Building Code Services Branch files have all the required documentation per the Policies, Guidelines and Standards document.

Management Response

Management agrees with this recommendation.

With respect to Finding 7 (*File No. 3 - Subdivision)*, a review of the files subject to the audit confirmed that with the exception of a very small number of files, all were complete as set out in the branch's Policies, Guidelines and Standards. Missing documents have now been inserted in the files. Management will continue to monitor through quality control reviews on an ongoing basis to ensure that documentation within files is complete.

Recommendation 5

That the City require Inspectors to follow up on active building permit files if a reasonable amount of time has passed between inspections and the owner has not called in, with the purpose of ensuring that work is not continuing without the inspector having an opportunity for timely inspections. The City should define what will be considered to be a reasonable amount of time.

Management Response

Management does not agree with this recommendation.

From a Building Code standpoint, the scheduling of inspections is a function of the builder's readiness and is not in the branch's realm of control. Per section 10.2 (1) of the Building Code Act, the responsibility to schedule the inspections

rests clearly with the builder. It is the prerogative of the builder to determine how quickly they wish to complete their construction and to schedule the inspections accordingly.

The assumption of progress or status inspections for all permits irrespective of the permit holder's readiness would increase inspections resourcing requirements significantly and could be misconstrued by the permit holder and the industry that the municipality has assumed statutory responsibilities vested in the permit holder / industry. This would confuse respective legislative roles and responsibilities.

The Building Code Services branch (BCS branch) has instituted other effective processes at minimal cost. In 2006, the BCS branch introduced the Refundable Inspection Fee as an incentive for the builder to complete the inspection process in a timelier manner and make more judicious use of the limited inspection resources. The Fee is reimbursed once the Final Occupancy Permit is issued. Since the introduction of the Refundable Inspection Fee, the timeframe between the start of construction to completion has decreased for low-rise residential construction. A large number of files reviewed in this audit pre-dated the introduction of the Refundable Inspection Fee in 2006.

Regarding Findings 1 to 4 (*File No. 4 – House),* and section *4.1.4* (in the detailed audit report) the Auditor has expressed a number of opinions regarding the regulatory requirements of the building subject of the audit. Management would like to clarify that the building permit was issued for a <u>factory-built home</u>. Building components that are designed and constructed in manufacturing plants in accordance to the applicable CSA standard are deemed to comply with the Code.

In this case, the foundation of the house was constructed outside the place of manufacture and was subject to the required inspections. The foundation inspection was undertaken December 10, 2004. The plumbing underground was inspected May 4th, 2005. However, the homeowner did not schedule the occupancy inspection due to their lack of familiarity with the processes and requirements. It is noted that the final plumbing and final mechanical inspections are normally undertaken at the time of the Final Occupancy inspection.

Recommendation 6

That the City ensure that the primary responsibility of the Program Managers is to enforce the requirements of the Building Code. In addition, they should take into account the potential risks to the City resulting from their determinations if they decide to not follow the Policies, Guidelines and Standards. Any decision to deviate from the Policies, Guidelines and Standards should be made by the Chief Building Official, and not by the Manager involved or the Program Manager.

Management Response

Management agrees with this recommendation.

BCS branch staff and program managers are fully qualified and aware of their responsibility to enforce the Building Code Act and the Ontario Building Code (OBC). Managers and program managers are required to evaluate the risks of decisions made with regard to each permit application and permit. It is common practice to elevate issues, concerns or questions to the Chief Building Official that have high-risk implications. Policies, guidelines and standards have built in flexibility as appropriate to ensure appropriate decision-making authority supporting effective operation of the branch.

Regarding findings 5 and 6 (*File No. 4 – House)*, and section 4.1.4.1 (in the detailed audit report), the Auditor has expressed a number of opinions regarding the regulatory requirements of the building subject of the audit. Management would like to clarify that the Code does not set specific timeframes for compliance, rather the Act and Code have assigned this task to the Building Official who will determine what is appropriate based on the circumstances of each case and as is necessary to achieve compliance.

Recommendation 7

That the City ensure the Program Managers and Inspectors be clearly directed to follow the Policies, Guidelines and Standards, which provide for no exceptions in the handling of documentation in the files.

Management Response

Management agrees with this recommendation.

Employees have been and will continue to be directed to follow branch Policies, Guidelines and Standards to enhance decision-making, ensure consistency of application and enforcement city-wide, despite operating out of different geographical areas, and to mitigate risk exposure.

These branch Policies, Guidelines and Standards assign specific and discretionary responsibilities to staff in the handling of documentation in the files. For example, the operational policy relating to the requirement by a permit holder to submit a Plan of Survey to confirm the location of a new foundation complies with the setbacks from a lot line is "as determined by the Building Inspector". This operational policy assigns discretion. Whereas the operational policy requiring the submission of final review letters from an engineer clearly specifies these must be submitted prior to the issuance of the final occupancy permit without exception.

A review of the sampling of the files subject to this audit revealed there were few instances where documentation was missing. Management will continue to

monitor on an ongoing basis to ensure that documentation within files is complete.

With respect to Finding 8 (*File No. 4 – House)*; Findings 1 and 2 (*File No. 5 – House)*; and, Finding 2 (*Document Retention Requirements)*, the suggestion that the exercise of discretion, in determining whether a Plan of Survey is required or not, is an inefficient use of resources, it should be noted that the alternative is to require every permit holder to obtain and submit a Plan of Survey prepared by an Ontario Land Surveyor (OLS) to confirm the location of the foundation as against the lot lines. This would needlessly increase the construction costs borne by the property owner (representing an additional $1,000 - $2,000 per survey) and is contrary to the principles of Service Excellence. The Building Inspector is quite capable of discerning whether a Plan of Survey is required or not based on a quick assessment of whether the set back requirements from the lot lines have been met .

Recommendation 8

That the City ensure Partial Occupancy Permits be issued only when there are no outstanding safety issues.

Management Response

Management agrees with this recommendation.

The OBC clearly sets out the conditions that must be addressed prior to allowing occupancy of an unfinished dwelling unit. Review of the audited files confirmed the approval to occupy an unfinished building was correct per the Building Code.

Regarding Findings 9 and 10 (*File No. 4 – House)* and section 4.1.4.3 (in the detailed audit report)**,** the Auditor has expressed a number of opinions regarding the regulatory requirements of the building subject of the audit. Management would like to clarify that there are no Building Code requirements to have the basement insulation covered as a requirement of occupancy. There appears to be an inference that the basement walls are fire separations, which they are not. It should be noted that there are **no** Code requirements for fire separations within a single-family dwelling. Further, Section 3.1.5.12 does not apply to Part 9 buildings. The dwelling unit subject to this audit and recommendation was a Part 9 building.

The OBC minimum requirements for occupancy of an unfinished building were met despite the building still being under construction, thus the building was no longer illegally occupied once the partial occupancy (correct reference per OBC is "occupancy of an unfinished building") was permitted.

Recommendation 9

That the City ensure the BCSB follow the Policies, Guidelines and Standards, which require the submission of an as-built survey for new housing prior to issuance of an Occupancy Permit. In this case, an as-built survey was not provided.

Management Response

Management does not agree with this recommendation.

The branch Policies, Guidelines and Standards assign discretion to staff to determine whether the requirement for a Plan of Survey is applicable, or not, based on specific site conditions. For example, as in this case, the lot was 5.08 acres and based on the permit plans, the Building Official was able to determine that the foundation of the building was sufficiently set back from the lot lines to satisfy the minimum required set backs for front, side and back yards. In fact, the building was set back approximately 42 m from the front lot line [required set back was 15 m], 16 m in the east side yard [required 10 m], 60 m in the west side yard [required 10 m] and 63 m in the rear yard [required 15 m]. A plan of survey was not necessary to determine compliance.

As previously noted, the operational policy clearly affords discretionary authority to staff:

> "It is the policy of the Building Services Branch to require the submission of a plan of survey prepared by an Ontario Land Surveyor for (i) new housing and (ii) additions to housing as determined by the Building Inspector."

In the review of the sampling of files, there were no instances where a Plan of Survey was omitted contrary to the branch Policies, Guidelines and Standards.

As also noted in the response to Recommendation 7, requiring every permit holder to obtain and submit a Plan of Survey prepared by an Ontario Land Surveyor is inefficient, needlessly increases the construction costs borne by the property owner and runs counter to the principles of Service Excellence.

Recommendation 10

That the City ensure the BCSB be instructed that its primary responsibility is the enforcement of the Building Code, and that BCSB should not be allowing construction to proceed without a permit.

Management Response

Management agrees with this recommendation.

Building Officials are fully qualified and aware of their responsibility to enforce the Building Code Act and the OBC. With respect to Finding 2 (*File No. 6 – House*), the Auditor has expressed a number of opinions regarding the exercise of

authority pursuant to the Building Code Act. Management would like to clarify that the property owner made the decision, independently, to commence construction without a permit. Review of the audited files confirmed that staff did not allow construction to proceed. Construction was halted at the direction of staff and a permit was obtained prior to the resumption of construction. The requirements of the Building Code Act were satisfied as a result of staff action.

Recommendation 11

That the City ensure a copy of the soils or geotechnical report is provided to the Building Code Services Branch at the same time that it is provided to Planning and Infrastructure Approvals.

Management Response

Management agrees with this recommendation.

BCS branch will work with Development Review branches and the industry to establish a protocol for the acquisition of copies of subsurface soils investigation reports and updates prior to the submission of building permits for a new subdivision. This will be completed by end of Q2 2010.

Regarding Finding 2 (*File No. 2 – Subdivision),* Findings 1 to 9 (*Sensitive Soils),* and section 4.2 (in the detailed audit report, the Auditor has expressed opinions regarding the carriage of specific building permits of building constructed in an area of sensitive soils. Management would like to clarify that the PMA and PMI acted appropriately. Specifically,

- The PMA reviewed the subsurface soils investigation report upon receiving it and immediately alerted the PMI and the Building Code Engineer of the potential for additional actions the permit applicant/holder would be required to satisfy to address the nature of the soils conditions with regard to the new Code seismic requirements as per the branch's guideline on sensitive soils;

- The builder was advised immediately of the City's concerns and was directed to provide additional information to address the new permit applications, the permits just issued, and the buildings under construction. The PMA advised the builder of a need on their part to devise a plan to address, in a satisfactory manner, the impact of the subsurface conditions on the existing and future foundations;

- Staff met with the builder and their consultants to clarify the branch's requirements in terms of documentation in support of a Part 4 review of foundation designs for foundations located in areas of sensitive soils. Any remediation was undertaken and completed shortly thereafter. In addition, the builder integrated any special considerations, accounting for the condition of the sensitive soils, in the foundation design for the other

foundations. Permit applications for subsequent lots included the design considerations related to the sensitive soils and the new seismic requirements;

- The CBO is not authorized under the OBC to require the submission of subsurface soils investigation reports undertaken for a subdivision application review as a blanket requirement of a building permit application for a specific building lot. There must be a factual basis for requiring any technical reports from an applicant. As soils conditions vary from building lot to building lot, a blanket requirement is not legal or enforceable; and,

- There was no basis for the PMA to require a subsurface soils investigation report, as the PMA was not aware of any specific and special geotechnical subsurface conditions based on the previous phases of the development which had not exhibited any specific and special conditions. In addition, the site review memos provided by the soils consultant indicated the allowable soil bearing pressure was 100kPa. This design soil bearing capacity was within the prescriptive parameters of design of the Code for non-engineered foundations. There were no field conditions, which would have triggered the branch requirement for additional submission information prior to the issuance of the permits.

With regard to the Auditor's suggestion of relying on the soils engineering reports prepared in accordance with the Geotechnical Investigation and Reporting Guidelines for Development Applications, as adopted February 2008, BCS branch will certainly review these for identification of general and specific soils conditions, if any, and refer to these for purposes of assisting the permit applicant to understand the additional submission requirements related to the soils and seismic conditions per the branch's guidelines on sensitive soils.

It is noted that the primary purpose of the Geotechnical Investigation and Reporting Guidelines for Development Applications is to quantify the impact of the soils on the design and installation of the infrastructure. There is a direct relationship between the positioning of the foundations and that of the infrastructure such as the sewers and water services. For example, the high water table may affect the footing design and the location of the footings within the soil strata and this may affect the design and location of the services. Hence, the reason why these reports include a section on Foundation Design.

Recommendation 12
As a number of files reviewed did not contain all the required documentation (i.e., copy of approved truss drawings, structural engineer's letter, as-built survey), that the City ensure that the requirements of the Building Code Act and the City's Policies, Guidelines and Standards be followed when reviewing files for completeness.

Management Response

Management agrees with this recommendation.

The Building Code Act and the branch Policies, Guidelines and Standards assign specific and discretionary responsibilities to staff with respect to the handling of documentation in the files.

A review of the sampling of files subject to the audit confirmed there were few instances where documentation was missing. Management will monitor on an ongoing basis to ensure that documentation within files is complete.

With respect to Findings 1 to 5 (File No. 8 – House), and Findings 3 and 4 (Document Retention Requirements), management would like to clarify as follows:

- The branch guideline for requiring a soils report indicating the allowable soil bearing pressure was not implemented until September 2003. Prior to the introduction of the guideline, the practices of the former municipalities continued pending reviews and the standardization of standard operating procedures. Another practice of the former municipality was the undertaking of excavation inspections to evaluate the soils conditions. This practice was adopted in lieu of requiring a soils report of the soils of the building lot. As the Building Official determined the soils to be sufficient, there was no basis to require any additional evaluation to further confirm what was already established.

- With respect to the Auditor's suggestion that the branch collect and maintain a complete database of residential construction within the City, management would like to clarify that the Building Code Act and OBC do not require the compilation of this information, nor is the permit applicant or permit holder required to provide this information. In fact, the Province's mandatory application form for a building or demolition permit does not provide for the capturing of this information.

Recommendation 13

As in one of the files reviewed the structural engineer for the builder identified some deficiencies in the foundation and foundation walls, but did not re-inspect them to confirm that the deficiencies had been corrected, that the City ensure that inspectors refrain from signing off without the engineers confirmation that the structures are being built in accordance with the design. Failure to do so results in unwarranted transference of liability from the builder to the City.

Management Response

Management does not agree with this recommendation.

It is not the building official's role to give directions on how the consulting engineer is to discharge his/her responsibilities. Providing directions would effectively transfer the assumption of liability for the design of the reinforced concrete foundations from the qualified designer, the consulting engineer, to the City. It is the building official's role to accept the engineering reports provided on site by the permit holder and to review the information for the purpose of confirming the reports reflect the intended Part 4 design. If deficiencies in the engineer's reports are identified, the building official will request further engineering reports. The consulting engineer, in performing field reviews, accepts responsibility for their design as constructed. The consulting engineer is requested by the permit holder to perform any re-inspections where deficiencies have been observed by the building official.

Contrary to the opinion expressed in Finding 4 (*File No. 2 – Subdivision)*, and Findings 2 and 3 (*Structural Field Review)*, the City must not assume responsibility and liability that rests squarely with the professional by giving direction, as suggested above, as to how the professional engineer is to manage their responsibility. BCS branch's obligation is to ensure Part 4 design under the OBC for Part 9 buildings or parts thereof, that fall outside the prescriptive standards set out in Part 9, by requiring the design to be carried out by a qualified designer, which the branch has deemed to be a professional engineer. The building official does not manage the permit holder's consultants. Branch Policies, Guidelines and Standards require that the consulting engineer provide the building official the final letter of sign-off prior to the issuance of the Final Occupancy Permit.

The final letter of sign-off by the consulting engineer will include statements of the deficiencies noted, the remedial work completed to address the deficiencies and acceptance of the remedial work. The consultant engineer thereby assumes responsibility and liability for the work undertaken. The branch's Policies, Guidelines and Standards reflect this delineation of responsibility and risk assumption.

Recommendation 14

That the City ensure Inspectors exercise their responsibility and right to demand uncovering of work that they have not been able to inspect due to premature cover-up by the builder; and, that Inspectors are warned that inspection reports done on a site unseen basis are negligent and that they may be subject to disciplinary action.

Management Response

Management agrees with this recommendation.

The Building Code Act provides for a number of tools and methods for determining compliance with the OBC. In this instance, other means by which

the construction could be inspected without destructive investigation were pursued and the building official determined the underground plumbing to be in compliance. When the incidents were brought to the attention of management, the building official was directed to 'fail' such inspections and to use the tools available to determine compliance where construction has been covered prematurely, as appropriate.

In regards to Findings 1 to 4 (*Inspection Passed Site Unseen*), the building official duly reported he had not viewed the construction but had nevertheless passed it based on above surface observations and knowledge of the work throughout this subdivision of the licensed trade.

Recommendation 15

That the City ensure that the Inspectors charge all developers for all the inspection visits where the contractor was not ready in order that the City can obtain reimbursement for unnecessary inspections.

Management Response

Management agrees with this recommendation.

The Refundable Inspection Fee was introduced as an incentive for the industry to complete the inspection process in a timelier manner and make more judicious use of limited inspection resources. The Fee is reimbursed once the Final Occupancy Permit is issued. The Fee is reduced where a builder has called for an inspection prematurely, has failed to give proper notice of cancellation, or has occasioned unnecessary repeat inspections and the Building Official's time has been wasted. A review of the audited files has determined the charges were collected at the final occupancy permit per the branch's Policies, Guidelines and Standards.

The branch's Policies, Guidelines and Standards related to Refundable Inspection Fees were revisited with the building officials to ensure clarity and consistency of application.

Recommendation 16

That the City charge the developer the Refundable Inspection Fee applicable under Section 39 of the City By-law, including the uncharged fees noted in this audit report.

Management Response

Management agrees with this recommendation.

The branch has processed and will continue to process any draw downs, as applicable, and in accordance with the Building By-law. As the timing of completion of construction is in the control of the permit holder as is the closure of the permit files, completion of the implementation is not identifiable.

Recommendation 17

That the City make qualification under the Building Code a condition of employment for summer students conducting building inspections.

Management Response

Management agrees with this recommendation.

Following 2008, the branch no longer recruits students to undertake completion checks as the branch's Internship Program has now produced sufficient graduates to undertake this work.

Should BCS branch resume employing construction / engineering / architectural students to undertake site completion checks of exterior conditions that are not related to the minimum building standards for health and safety (for example: verifying that the siding is complete, all openings have been caulked, the light fixtures at the entrances have been installed, the vent covers have been installed, the masonry weep holes are clear of debris and whether the ground is sloping away from the foundation), the applicable job descriptions will be revised to require students to be recognized by the Province as an "*Inspector*" per the Building Code Act and Code.

Prior to 2006, Building Inspectors and students were not required to be qualified by the Province to undertake any inspections. Notwithstanding this absence of a province-wide minimum standard for Code knowledge, and to mitigate risk associated with undertaking inspections, the City ensured proficiency of its Building Inspectors through extensive training, field experience and by requiring Building Inspectors to be certified as Building Officials under a program established by the Ontario Building Officials Association.

Prior to 2006, the branch relied on construction / engineering / architectural students to undertake the exterior completion checks as part of the final occupancy inspections, status inspections and inspections of components of the building or systems such as final HVAC and final interior inspections, depending on the students' experience and training. The majority of the students who conducted the exterior completion checks in 2006, 2007 and 2008 were employed prior to 2006 and had undertaken the same exterior completion checks and 'other' inspections competently prior to the new provincial requirements.

The branch also had relied upon consultants, who were retired building inspectors, to assist in dealing with the peak workloads experienced May to November each year. Due to the new legislative requirements for qualifications, the consultants opted to discontinue their services. This drop in available resources, together with a vacancy rate of 25% in 2006, and a continued construction boom, necessitated the decision to continue to use students to

undertake exterior completion checks despite their not having fully established their qualifications with the Province.

Management considered its options and believed that the continuation of the program using students was in the best interest of new homeowners, the building industry and the City. Not undertaking the completion checks, or reassigning the completion checks to the qualified Building *Inspectors* that would have drawn more experienced *Inspector* resources away from the more critical inspections, would have caused a considerable reduction in service delivery to new homeowners and the industry. The options were untenable.

The Chief Building Official did confirm awareness of the operational decision to continue the practice and had advised the Auditor that the risk was **low**, and that although these completion checks were not crucial for health and safety, they were nevertheless essential for providing a better level of service by ensuring construction was completed within three (3) years of permit issuance.

The operational decision to continue the program was made with full regard to all factors and risks. To mitigate any risk, the students were provided with extensive training to ensure their competence in undertaking the completion checks, and were supervised by the PMIs as well as coached by the Building *Inspectors* who had carriage of the permit files (referred to as the Building *Inspector* of record).

It is noted that meeting the qualification requirements set out by the Ministry of Municipal Affairs and Housing, does not make one an inspector. A prudent municipality would ensure the newly qualified "*Inspector*" received extensive training, in and out of the field, in addition to being coached by an experienced *Inspector*. Students were also instructed to only perform exterior completion checks. The students were further encouraged to take the Ministry exams and file their information with the Province such that over the summer(s), they could achieve the required level of qualification required by the Province. By 2008, most of the students were qualified as "*Inspectors*" per the OBC.

The exterior completion checks performed by the students represented a small percentage (0.58%) of the total of *281,614* inspections undertaken by the branch over a three (3) year period. The exterior completion checks undertaken by the students involved elective inspections triggered by the Building By-law and were components of the final occupancy inspections (refer to Appendix 2 for a description of all inspections).

The practice of retaining students to undertake exterior completion checks and closing permit files was essential to maintain excellence in service delivery, was unavoidable due to lack of resources (25% vacancy rate), and was pursued only after ensuring public safety would not be compromised. The practice was discontinued after 2008 in view of the BCS branch's lower vacancy rate.

Regarding Findings 1 to 11 (*Inspections by Interns and Summer Students*), and Section 4.7 (in the detailed audit report) management would like to clarify as follows:

- There were no misrepresentations. The email correspondence involving Building Inspections management expressed concerns as to the accuracy, or lack thereof, of the MAP data on inspections activities and the glitch in the MAP process that required certain fields to be checked off (√) in order to close the file and trigger MAP to produce a standard letter to the permit holder confirming issuance of the final occupancy permit and the amount of refundable inspection fees to be remitted, as applicable.

- Management was noting that the person who processed the file and updated MAP to trigger the letter, would automatically be credited the inspections and be the signatory on the form letter (hence the expression, the last person to touch the [MAP] file was credited the inspections).

- In the correspondence, management debated whether it was more appropriate to ensure MAP was accurate versus ensuring the letter featured as the signatory, the Building *Inspector* of record, instead of the student who in closing the file and updating MAP, became the signatory of the letter. One PMI found a solution to the glitch by having the student insert in MAP the name of the Building *Inspector* of record in the final inspections fields and inserting in the MAP Note field the actual person's name, who completed the final inspection, in an attempt to ensure veracity of the MAP information.

- The Auditor's statement that "the system was used deliberately to show a legal inspection in place of an illegal inspection" is contradicted by the facts. Had that been the intent, no note would have been entered in MAP. The notation in MAP denotes honesty.

- In its present state of development, MAP requires an overhaul in order for the system to function as an information management system. Management is aware of this and relies on the actual official business records, the building permit files, as the source of information whether for management purposes, fact verification, court processes (prosecution and defending claims), etc. The MAP data is only relied upon for purposes of measuring metrics, such as the number of permits issued, inspections undertaken, etc, with a full understanding of its strengths and weaknesses.

- The Auditor has confirmed in Section 4.7 (in the detailed audit report) that the data is not reliable, that it is incorrect 25% of the time in relation to the completion checks (Table 1), 40% in relation to the other inspections (Table 2), and 20% for the entire sample (Table 3) of the entries. This is why management does not rely on the MAP data as a management tool and has made the development of the Inspections Tracking Application in MAP a priority in order to transform the database system into a useful and effective management tool.

- Building Inspections management are conducting regular file audits to monitor performance, ensure compliance with established policies, guidelines and standards and to identify training and development needs.

Recommendation 18

That the City develop an Action Plan to deal with all the illegal inspections completed by Building Code Services Branch, including inspections identified in the audit and any other that may exist. The Action Plan should consider notification of the property owners and steps to ensure that corrective measures are taken.

Management Response

Management agrees with this recommendation.

This section of the audit deals with inspections performed by students. Students undertook exterior completion checks as part of an established program as well as 'other' inspections. The following table (Table 4 of the full audit report) sets out management's results of the investigation based on the detailed review of actual official business records, the building permit files and MAP database for the metrics.

Total number of inspections performed by students 2006, 2007 and 2008

	2006	2007	2008	TOTALS
Final exterior completion checks				
• Performed as a qualified *Inspector*	85	676	833	1594
• Performed without provincial qualifications	986	307	43	1336
Other inspections (Building, Mechanical and Plumbing)				
• Performed as a qualified *Inspector*	625	5362	2819	8806
• Performed without provincial qualifications	231	10	72	313
Total inspections by students	1,927	6,355	3,767	12,049
Total Building Code inspections by BCS branch	**85,335**	**90,698**	**105,581**	**281,614**

- *Excludes pools (all years)*
- *Excludes pre-permit inspections (2008)*

In summary, of the total inspections undertaken by students during 2006, 2007 and 2008, only 1,649 inspections were performed by students lacking the requisite provincial qualifications. The majority of these inspections were exterior completion checks. This represents 0.58% of all inspections undertaken by the BCS branch during the three years.

The following response reflects the detailed analysis of the two distinct categories of inspections.

Completion checks:

With respect to the exterior completion checks and the information provided in response to Recommendation 17 above, BCS branch has reviewed the work and has determined that there is no need or basis for duplicating the completion checks that were properly undertaken by well-trained construction /engineering /architectural students. The training and development of the students far exceeded the minimum standards set out by the Province for undertaking completion checks. The decision to continue to use students, following a change in the Act, was necessitated by the peak workloads associated with the continuing construction boom and the inability to recruit pre-qualified inspectors.

Trained and experienced students viewed the following building elements and conditions to complete exterior checks necessary for the issuance of the final occupancy permits: visual checks to confirm positive drainage from the foundation walls, completion of the siding and fascia, exterior caulking of openings in the building envelope, the presence of guardrails on any decks, etc. Students were supervised and reported to the Building *Inspector* of record any observations of scope outside their training, which would require an inspection for Code compliance.

In view of the Auditor's concern, BCS branch contacted Tarion Corporation to determine whether any of the above referenced elements were the subject of any registered claims. Tarion has confirmed that there were no claims registered for any of the elements viewed as complete by the students from 2006 to 2008.

'Other' inspections:

With respect to the 'other' inspections that entailed components of inspections triggered by the OBC, such as Building, Mechanical and Plumbing, the following information is provided:

- 'Other' inspections involved the inspection of components of the interior of the building such as a review of the vapour barrier for one room (Building), or verifying the location and discharges of required exhaust fans (mostly bathroom exhaust fans) (Mechanical) and witnessing the air pressure test of the plumbing system (Plumbing).

- The Audit revealed that student *Inspectors* performed a total of 8,806 'other' inspections over the three-year period. Management was not aware student *Inspectors* were performing these 'other' inspections despite the formal training program that clearly outlined the expectations of workloads, and the fact the PMIs and/or the Building *Inspector* of record were reviewing their inspection report*s*. It is now clear that additional tools were required to ensure compliance with the branch's directives.

- These inspections, while performed without the approbation of management, were legal in accordance with the Building Code as these inspections were limited to components of the inspection process which did "*not constitute a substantial part of the plans review or inspection on a project,*" in accordance with the Building Code.   A detailed review of 50 permit files containing 'other' inspections performed by student "*Inspectors*" confirmed that these inspections were limited to only <u>components</u> of the inspection process.   The complete listing of all the inspections for low rise residential housing comprising of the inspection process is appended to this response – refer to Appendix 2.

- Management's review of permit files identified 313 of the 9119 (3.4%) 'other' inspections undertaken by a student that was not an "*Inspector*" per the OBC. The remainder of the inspections were completed in compliance with the OBC.

- Management only became aware of these 'other' inspections performed by students <u>on May 18, 2010</u> following the disclosure by the Auditor of the specific building permit files that founded the Auditor's contentions.

- Up to that point in time, the Auditor's source for his findings was solely the MAP data. Management had identified concerns as to the accuracy and reliability of the MAP data to the Auditor in September 2009 as part of the fact verification process. Management provided specific examples of the disconnect between MAP entries and the actual official business records, the building permit files. The Auditor first responded to these concerns in April 2010.

- Prior to the disclosure by the Auditor, management had initiated its own review of permit files to locate the inspections, other than the exterior completion checks that had apparently been undertaken by students that were not an "*Inspector*". Management reviewed over 300 permit files and was not able to locate any 'other' inspections undertaken by a student that was not an "*Inspector.*"   The findings in fact supported the contention that the MAP data was flawed and unreliable.

- At a May 14, 2010 meeting, the Auditor clarified his concerns regarding the 'other' inspections (other than the completion checks which management was

aware of), and as a result, management retrieved specific files to investigate the 'other' inspection (Building, Mechanical and Plumbing).

- On May 19, 2010, management alerted the Auditor that some of the files required further review and that management would report back as to its factual findings on May 21. A legal opinion for the benefit of the Auditor was sought on May 20, 2010. The results of the scrutiny of the official business records were provided to the Auditor at a meeting on May 21, 2010.

- Disclosure by the CBO was timely and in earnest. Management has shared whatever information was available at the time as requested.   The CBO needed to rely on factual evidence based on the official business records, the building permit files, before drawing any conclusions.

- It is noted that the review of "Eight Specific Building Service Files" involved over 700 permit files. The branch requested the Auditor identify the permit files that supported the findings in order to enable the fact-finding review and to comment on the Auditor's interpretations of building regulatory processes and building code standards. Close to 200 files were identified by the Auditor, but none related to the inspections undertaken by students.

- Review of the permit file records did reveal that in some of the cases, the inspections were performed to assist the qualified Building *Inspector* who had carriage of the permit file. Students were coached by the Building Inspector as to what to observe and were instructed that if a performance standard was satisfied, to proceed to advise the builder that he/she could proceed with construction.

- Management will review the associated permit files and take appropriate action based on the findings. It is noted that if a deficiency was missed as a result of these inspections, these would have been brought to the attention of the builder, who is responsible for building in accordance with the OBC, or to the Tarion Corporation under the New Home Warranty Act. Management will verify with Tarion whether there have been any deficiencies identified as a result of these inspections.   Presently, there has been no indication that these inspections have resulted in deficiencies being missed.

- Further, any determination as to whether these 'other' inspections were performed in accordance with the OBC, or not, should be made by an appropriately qualified and Code competent person, informed with the actual documentation of each permit file. At the time of this audit, the Auditor had only reviewed the documentation of approximately 150 permit files, commencing in May 2010, each requiring further review with appropriate staff in order to confirm the facts.

With respect to Section 4.7, management would like to clarify as follows:

The Building Code requires the following for a person to be appointed as an "*Inspector*":

- To have successfully completed the examination program administered or authorized by the Ministry relating to the knowledge of the Act and the Code in the categories of qualifications set out in Table 3.5.2.1 that correspond to the type of buildings the Inspector will plan review and/or inspect; and,

- To have filed the requisite information with the Ministry.

Thus, an *Inspector* must have successfully completed the examination of the category "House" in order to be able to inspect a detached house or semi-detached house including the building's systems and any ancillary building. To be able to inspect a substantial part or all of a plumbing system of a 'House,' the *Inspector* must also have successfully completed the examination covering Plumbing-House, etc. *Table 3.5.2.1* of the Code sets out the matrix to follow to ensure an *Inspector* is qualified to inspect what they are tasked to inspect.

There is, however, an exception. *Note (1)* to *Table 3.5.2.1* of the Code permits an *Inspector* qualified in one category of qualifications to carry out plans review and inspections in another category where to do so does not constitute a substantial part of the plans review or inspection of any project.

Thus, if a student was a qualified *Inspector* for 'House,' and many were in 2007 and 2008, he or she was able to inspect components of the building, including, confirming the location of footing pads prior to the pouring of the basement slab, and inspecting the rough-in of the plumbing or witnessing the air test prior to occupancy. A number of students had attained the requisite qualification for 'House' when they undertook the 'other' inspections of components of the building (Table 2) and therefore, these 'other' inspections were performed by "*Inspectors*" in accordance with the OBC.

In Section 4.7 of the detailed audit report, the Auditor refers to four files where a student undertook "Framing or Backfill (Foundation) inspections. Closer scrutiny of these inspections revealed: that two of the four inspections involved confirming the location of footing pads prior to the pouring of the basement slab; one involved the measuring the depth of an excavation for sono tubes for the piers of a sundeck; and the fourth inspection involved the review of the framing of a refab shed. Each of these inspections were performed under the guidance of the Building *Inspector* of record, where required.

Recommendation 19

That the City review the conduct of staff who violated the Ontario Building Code by authorizing the illegal inspections undertaken by unqualified inspectors, and take appropriate disciplinary action.

Management Response

Management agrees with this recommendation.

Management has reviewed the decision to continue a longstanding practice that addressed a significant shortfall in resource allocation from 2006 - 2008, as well as the outcomes of that decision. At the time, the practice was essential to maintain excellence in service delivery, was unavoidable due to lack of resources, and was pursued only after ensuring public safety would not be compromised. A risk assessment indicated the risk was low for the homeowners and the City.   The practice was discontinued as soon as the Interns were trained and qualified. No further action is required.

In hindsight, management could have discontinued the final exterior completion checks, which would have necessitated striking out or suspending the By-law section. However, management was concerned with the detrimental effects of not continuing the program, specifically, having open files with unresolved Code issues, incomplete construction three years after a permit has been issued, and an increase in the number of disputes between the builders and the purchasers involving the BCS branch. Further, a decision to strike out the related By-law sections would have only been required for less than 1% of inspections and was part of a transition process that was complete within three years.

Management was also concerned with the impact of a sudden drop of service level. An operational decision was made to ensure excellent service. The CBO regrets not advising the DCM and Council of the situation in 2006.

Recommendation 20

That the City take appropriate disciplinary action regarding the PMI and others involved with inappropriate use of the City's Internet and email services.

Management Response

Management agrees with this recommendation.

Appropriate disciplinary action has been implemented, a communiqué has been delivered to all branch staff re-affirming the expectations of proper computer use under the City's Responsible Computing Policy and all BCS branch employees received an in-depth briefing of the responsible computing policy from IT Services, in Q4 2009.

Regarding Findings 1 to 4 (*Internet and Email Use)* and section 4.9.1 (in the detailed audit report), management would like to clarify that a detailed examination of the information provided by the Auditor revealed that other than one case where the use and storage of emails by one employee was of concern, the use of the Internet and emails by the branch management was in keeping with the City's Responsible Computing Policy. See management's response to Recommendation 22.

Recommendation 21

That the City ensure all employees abide by the Corporate Responsible Computing Policy through active and documented monitoring practices.

Management Response

Management agrees with this 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 can work with Labour Relations when interpreting certain data sets.

All BCS branch employees received an in-depth briefing of the Responsible Computing Policy from ITS in Q4 2009, in addition to a memo from the Director of Building Code Services and Chief Building Official in Q1 2010, reminding all staff to comply with the Responsible Computing Policy.

Recommendation 22

Given the level of personal use of Internet and email, that the City perform a review of the staffing requirements in Building Code Services Branch to determine if all existing staff are required.

Management Response

Management does not agree with this recommendation.

Overall there were no substantiated performance issues or evidence of wasted productivity that would warrant such a recommendation.

It is noted that this recommendation contradicts the 2006 Audit of Building Services which stated "Insufficient resources exist within BSB to continue to effectively manage workload".

Internet Usage

Many sites result in IP address tags. Visiting certain businesses' websites can generate up to 40 "non-business hits" using the criteria defined by this audit. It is conjecture to conclude that BCS branch program managers were using the Internet inappropriately from the kind of analysis conducted. Reliance on the raw data is not sufficient to clearly and accurately discern intent of use. One would have to sit with an employee at his or her computer to correctly ascertain and categorize the usage. For example, in one case a program manager had been listening to a news piece on a particular building site in preparation for responding to media enquiries and accidentally left his computer running all

through the weekend with the browser still open to cbc.ca. This generated a very large number of "hits" which were included in the count as personal use.

The City's Responsible Computing Policy does not disallow Internet streaming for local media. In a recent presentation to all BCS branch employees an IT Services manager specifically told staff that listening or visiting local media sites is permitted as long as network bandwidth capacity is not impacted.

Emails

The photograph found of an "office pool" was taken by an employee. The program manager will download to his personal drive photographs from City-owned cameras whenever a building official is reassigned with the intent to review these, cull the inventory, and properly store the pictures in the branch's electronic library at a later time. The program manager had not yet scrutinized the photos to determine their relevancy for work. Since the time of this audit the photograph was removed from the program manager's drive. There was no lottery as is implied in the audit. The incident was related to several building officials' unprecedented frustration over a builder's abuse of the inspection process. Eventually the situation was resolved as meetings were held with the builder's representatives to discuss the performance issues. The board was never visible to the general public and was up two to three days at most. Once the program manager noticed the board it was removed. The employees have since been made aware of the inappropriateness of the incident and have been reminded of the Code of Conduct to which they are held.

Since this audit, all BCS branch staff and management have received training on the City's Responsible Computing Policy. In addition, a memo regarding appropriate use of email and Internet use that included a reminder of the Code of Conduct was sent to all staff from the Director/Chief Building Official. In addition, the Director/Chief Building Official has also requested that IT Services conduct periodic reviews of Internet use within the branch.

Please see the briefing note (Appendix 1) dated 25 January 2010 submitted from IT Services to the City Manager regarding the ability to use the City's Internet filtering service for interpreting Internet usage.

Conclusion

The audit revealed that the Program Manager, Inspections is not following the Building Code requirements and the Policies, Guidelines and Standards of the City in some cases. In particular, we found that the Program Manager, Inspections did not follow these requirements with respect to the following aspects:

1. Allowing a property owner to proceed with construction without a building permit.

2. Approving inspections for plumbing without an actual inspection having taken place.

3. Overriding decisions by inspectors to issue Order to Comply even though appropriate permits or inspections had not been completed.

4. Incomplete documentation in the files, such as as-built surveys, soils reports, etc.

The audit found that the BCSB allowed 2,500 illegal inspections to be completed over the past three years (2006 to 2008) by unqualified summer students.

This audit started on January 12, 2009 as an audit of two specific building services files. Based on our work the scope was expanded to eight specific files. Our audit was again subsequently expanded to address the use of unqualified inspectors by the BCS Branch and the resulting risk management issues.

Management made the decision to use unqualified students, being fully aware that this contravened the requirements of the Ontario Building Code Act. Management indicates that this action was taken to deal with peak workloads associated with a construction boom. Management undertook this action without informing Council, appropriate management tools, legal advice or risk assessment.

Our Office was informed on May 21, 2010 that the CBO was seeking a legal opinion as the applicability of some section of Building Code regarding these illegal inspections. That the CBO, 16 months after the start of the audit, would seek a legal opinion indicates she lacks a full understanding of risk management.

The audit also revealed that the Program Manager, Permit Approvals did not properly assess the potential of sensitive clays in a subdivision, and that the documentation provided for subdivisions is not distributed to all the persons who have a direct interest in that information.

It is our opinion that BCSB should ensure that there is compliance to the Ontario Building Code Act at all times.

We reviewed the email and Internet use of the PMI. We found that he used both the corporate email system and Internet excessively for non-business use and disregarded the City's Responsible Computing Policy and the City's Code of Conduct. As a mid-management level employee the computer misconduct (e.g., jokes and inappropriate materials) is particularly serious. Based on our review, we conclude that this user's extensive personal use ultimately resulted in his spending less time performing duties for which the position is responsible for. Based on these findings, we expanded the scope of our review to include the emails and Internet usage of the Building Inspection Unit 's remaining managerial staff as well as one Building Official III.

Following review of the Internet and email use by the Units managerial employees as well as Building Official III, it is our opinion that staff at the Building Code

Services Branch are not properly managing time and actions of some of their staff. Disciplinary action should be taken as required in those cases.

As stated in various other audits, IT Services need to enforce the Responsible Computing Policy at all levels of the organization. In addition, stronger measures are needed to address the level of jokes and inappropriate materials received and sent by City employees using the corporate email system.

4.3 Audit of a Specific House - Drawings

EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of a report to the Fraud and Waste Hotline. This audit was not originally identified in the Audit Plan that was presented to Council.

House models built in Kingston were the reason for disciplinary hearings of the Association of Professional Engineers of Ontario (PEO) in October 2007. These models were also reportedly constructed in the City of Ottawa. The Director of the Building Code Services Branch (BCSB) stated in the news reports that the houses constructed by the developer in Ottawa would have been issued a building permit only after the BCSB would have been satisfied that the houses met the requirements of the Ontario Building Code.

The PEO disciplinary hearing found six specific defects in the engineering review of the house models as built in Kingston. The specific details of the complaint, the disciplinary hearings, and the penalty decisions are presented in the PEO Gazette.

Audit Objectives

Audit Objective No. 1 – Examine the drawings submitted by the developer to the City of Ottawa's Building Code Services Branch.

Audit Objective No. 2 – Determine if the drawings are the same as those submitted to the City of Kingston for identical house models.

Audit Objective No. 3 – Determine whether the drawings are consistent with relevant policies, procedures, legislation and regulations.

Audit Objective No. 4 – Examine the role of the Building Code Services Branch in relation to the specific files.

Audit Scope

The Audit Scope encompassed the building permit and inspection process for houses of the house models subject of the PEO disciplinary hearing, constructed by the developer and reviewed by the engineering company in Ottawa.

Summary of Key Findings

1. Interviews with the Building Code Services Branch management and staff disclosed that the developer offered in the City of Ottawa only one model of the three offered by the developer in Kingston. Consequently, the review addressed only the pertinent house model.

2. The City of Ottawa building permit and inspection file for a house of the subject house model was examined to determine whether the documentation provided to the City of Ottawa meets the Code requirements.

3. The Building Code requirements are summarized in the City's House Submission Record for single-family dwellings, semi-detached dwellings and townhouses. The Plans Examiner concluded that the building permit application contained the required information in the City's House Submission Record for the subject Building Permit Application.

4. Subsequent to review of the information in the application and supporting documents, the Plans Examiner wrote to the applicant requesting additional information. In the request for additional information, the Plans Examiner identified five issues that were similar in scope to those that were raised in the complaint to the PEO. This demonstrates that the Plans Examiner was diligent in the review of the application and submitted documents.

5. The Applicant submitted in a letter a response to the request by the City for additional information. With the letter, the engineering company submitted drawings with the required revisions marked by hand.

6. Our review of the information provided by the engineering company confirmed that the information conforms to the requirements of the Code.

7. Upon review of the PEO Gazette and the Decision and Reasons summarizing the disciplinary hearing, the Building Code Services Branch reviewed the house model drawings submitted to the City by the developer, with particular emphasis on the items noted in the PEO complaint and disciplinary hearing summary. The review confirmed that the drawings submitted for the house model reviewed addressed all the items in the PEO disciplinary hearing.

8. The results of the review by BCSB are summarized on one page of undated handwritten notes. We note that the handwritten notes should have a title (for instance, Review of House Model vs. PEO Disciplinary Hearing), should be dated, and should have the name of the person doing the review. When we requested a copy of the review notes, we found that they were not included with the house file, but were kept separately by the Plans Examiner in a separate file.

9. Review of the overall file for the subject house showed that the documentation in the file was complete, per the requirements of the Policies, Guidelines and Standards Manual and the Building By-law. However, we noted that the HRAI Residential Mechanical Ventilation Record, which BCSB requested of the builder in May 2007, was only provided by the builder to the City on May 25, 2009, four days before the Final Occupancy Permit was issued. The HRAI Residential Mechanical Ventilation Record is on the checklist of items to be submitted during the occupancy inspection, and as such should be provided by the builder on time.

10. The Final Occupancy permit was issued in May 2009.

Recommendations and Management Responses

Recommendation 1

That the City ensure that the review notes by the Plans Examiner be filed with the respective building permit and inspection file, and that the document be titled, dated, and signed (with name printed) by the Plans Examiner. This was not the case in the file we audited.

Management Response

Management agrees with the recommendation.

In compliance with the City's Records Management Policy, the personal notes kept by the Plans Examiner were deemed transitory in nature and were not an *official business record*.

The supplementary review of the specific model was undertaken at the request of the Chief Building Official to confirm that the plans and specifications were in compliance with the Ontario Building Code, with specific reference to outstanding documentation as noted in the Professional Engineers of Ontario disciplinary hearing summary. The notes were kept for future reference only and did not document any obligation or responsibility and were, therefore, not considered an official business record. Notwithstanding, the documentation has been formalized and filed in the permit file.

Recommendation 2

That the City ensure that the documentation requested of the builder be submitted on time to permit the Inspector to review the documentation. In this case, the HRV balancing report was not provided by the builder until two years after BCSB requested it.

Management Response

Management agrees with the recommendation.

A review of the audited file confirmed that the required documentation was submitted within the prescribed timeline in accordance with the Building Code Services (BCS) branch Policies, Guidelines and Standards.

Specifically, the Building Official flagged to the permit holder, at the time of the Partial Occupancy inspection, the requirement to submit the report with the expectation it would be submitted prior to the issuance of the Final Occupancy Permit. There was no expectation to receive the report immediately following the issuance of the Partial Occupancy report. This is in recognition that the 'HRV balancing' report [known as the HRAI Residential Mechanical Ventilation

Record] documents the *as-built* condition of a system that is commissioned only at the final stages of construction.

It is important to note that in the majority of Partial Occupancy inspections performed for single dwelling units where an HRV is installed and balanced per the HRAI design summary, a copy of the HRAI Residential Mechanical Ventilation Record is provided to the Building Official by the builder even though this documentation is not required for partial occupancy. In this instance, the HRAI Residential Mechanical Ventilation Record was requested by the Building Official and was received prior to the issuance of the Final Occupancy permit in accordance with branch Policies, Standards and Guidelines.

Thus, there will be instances where documentation, to be produced as a prerequisite to the issuance of the Final Occupancy Permit, is submitted some time after the Partial Occupancy Permit is issued.

Conclusion

The audit revealed that the revised house model drawings submitted to the City of Ottawa by the engineering company addressed the concerns expressed in the PEO Complaint, and that the BCSB also reacted correctly to the news of the PEO decision by reviewing the submission by the engineering company. The file documentation was complete, but some of the information was not provided at the required time.

Acknowledgement

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

4.4   Audit of Five Specific Staffing Processes

Executive Summary

Introduction

This audit was conducted as a result of reports to the Fraud and Waste Hotline. The reports received through the Fraud and Waste Hotline allege improprieties and preferential treatment in the recruitment and/or selection of four individuals in the Revenue Division as a result of family relationships, and the appointment of an employee in Public Works allegedly without posting and contrary to City policy.

Key Findings

In two of four cases reviewed in the Revenue Division, applicants who did not meet the basic requirements of the position as posted were allowed to compete on the basis of liberal interpretations of "equivalencies" and the fact that the applicants were known by a hiring manager or other City employee.

The City provides good paying jobs and benefits and should only consider the best-qualified candidates who meet the full requirements of the jobs from within the City or from the labour market. Accepting candidates who do not meet the basic requirements results in employees being paid for education and experience they do not possess, and potentially impacts the City's level of expertise and capability to deliver on its programs.

The City's policy on Hiring and Employment of Family Members is not well understood or applied and was contravened without repercussions in the case involving the ▮▮▮▮▮▮▮▮▮▮ Unit of the Revenue Division. This case involves a disregard or lack of understanding amongst managers of the City's policy, and the need to be cognizant that broader familial ties and other close personal relationships may give rise to the same concerns surrounding real or perceived conflicts as those specifically addressed in the policy.

The City needs to take stronger disciplinary action for those involved in selection processes that are deemed to be inappropriate, unfair or in contravention of City policy to deter such behaviour and to demonstrate its commitment to its principles of merit and integrity.

The sourcing, selection and hiring of temporary employees and summer students is left to a large extent to the sole discretion of the hiring manager, which is a prime reason behind the complaints of favouritism or perceptions of favouritism involving familial ties.

The combination of familial ties, the lowering of minimum standards in some cases, and that some employees are privy to information on available opportunities can

undoubtedly lead to real or perceived conflicts of interest and favouritism in hiring practices.

Relatives of City employees have undoubtedly more opportunities to work for the City than other citizens. A similar conclusion was arrived at in the 2007 Audit of Staffing regarding the City's summer employment practices.

Of the four cases from the Revenue Division reviewed during this audit involving the selection of temporary or part-time employees with familial ties at entry level positions, three of these placements subsequently led to successful competitions for full-time or longer term seasonal employment opportunities.

The fifth case reviewed, in Public Works, followed the appropriate staffing process.

The City needs to implement higher standards and better practices related to the hiring of temporary employees and summer students to ensure greater objectivity and impartiality in the hiring process in order to eliminate real or perceived conflict of interest in its hiring practices. The establishment of a pool of pre-qualified candidates for temporary positions should be considered.

Recommendations and Management Responses

Recommendation 1

That the City clearly indicate in the competition poster how equivalencies will be evaluated by way of a grid or definition of equivalent combinations of education and experience in order to protect the integrity of the process, and to ensure that successful candidates do in fact provide the City with value for money and the level of expertise for which it pays.

Management Response

Management disagrees with the recommendation.

The Human Resources department (HR) refers to the Education & Experience Equivalency Guidelines For Recruitment & Staffing Purposes, which outlines the various options for evaluating equivalencies. Each individual applicant must be assessed on their own merits, given their unique combination of experience, training and education. It is not practical, therefore, to attempt to include all of the equivalency options in a competition poster.

Recommendation 2

That the City ensure that screening of candidates is conducted in a more consistent and rigorous fashion based on job poster requirements and that candidates who do not meet the requirements are screened out.

Management Response

Management agrees with the recommendation.

The Human Resources department conducts screening of candidates based on the posted requirements and the City's equivalency considerations. Given the technical requirement of some jobs, hiring managers may need to make their own interpretations with respect to the suitability of applicants. If the hiring manager screens a candidate back in, the hiring manager must document the rationale/criteria in the 'Competition Screening Summary'. Staffing Officers review the file to confirm that this documentation is present and appropriate, and will contact the hiring manager if it is not.

Based on the limited sample reviewed as part of this audit, it cannot be assumed as indicated in the report, that it is a prevalent practice to allow employees to compete on the basis of a liberal interpretation of equivalencies.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 3

That the City ensure that its hiring managers provide documented rationale of actions and decisions taken, such as providing the competition screening summary with their comments to Human Resources within a reasonable period of time prior to the scheduling of interviews to allow meaningful consultation and the opportunity for Human Resources to fulfill its oversight and compliance role.

Management Response

Management agrees with the recommendation that hiring managers provide documented rationale of actions and decisions taken on the Competition Screening Summary, and this is the current practice.

Management disagrees with the recommendation that the Competition Screening Summary be returned to HR and reviewed prior to the interviews being scheduled.

The role of the Human Resources (HR) department is to provide hiring tools, direction, and advice to managers; the role of hiring managers is to be accountable for the hiring decision.

HR provides a 'Competition Screening Summary' spreadsheet and an email to hiring managers that includes detailed instructions and links to key tools with respect to the competition process. Hiring managers are required to document their comments and decisions on the 'Competition Screening Summary' spreadsheet prior to initiating interviews. Consultation with HR is recommended however, in many cases the competition is straightforward and the hiring manager can choose to proceed without consulting HR. Further, given the volume of competitions, this recommendation is neither practical nor feasible.

The completed Competition Screening Summary is checked for compliance upon return to HR. In addition, HR conducts quarterly reviews/audits of competition files to ensure that the proper staffing processes have been followed.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 4

That the City ensure that hiring managers document competition results and send competition files with summary sheets outlining all results as well as the proposed order in which offers would be made for discussion and validation to Human Resources prior to any verbal or written offers being made.

Management Response

Management agrees that a review of the competition file should be completed by HR prior to a written offer being issued, however, that review can be done via a discussion with the hiring manager.

The role of the Human Resources (HR) department is to provide hiring tools, direction and advice to managers; the role of hiring managers is to be accountable for the hiring decision. HR is directly involved in creating all written offers.

For all competitions, HR provides hiring managers with detailed instructions and links to key tools with respect to the process.

Final interview results and proposed offers are generally discussed with the Staffing Officer or Human Resource Consultant prior to offers being extended. However, where Human Resources is not directly involved in the interview process, a verbal offer may be extended at the discretion of the hiring manager.

Requiring that all competitions have a consultation point with HR prior to a verbal offer would prolong the process unnecessarily for a straightforward staffing action. Management believes that this additional investment yields limited returns. All written offers are extended following consultation and a review of the hiring decision with HR.

The Human Resources department uses the "Competition Administrator" database to track competition milestones, including the date the completed file is received.

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, as part of their current review, ensure that the policy includes a broader definition of "family" and at a minimum develop an appropriate communication strategy to clearly explain to all hiring managers and employees the importance of being free from any real or perceived improper influence based on family relationships in order to maintain public confidence in the integrity of the City's hiring and employment practices, and avoid the situations described above.

Management Response

Managements agrees with the recommendation.

This issue was considered during the last review of the Hiring Policy and a statement has been developed to address this concern, namely:

"While this policy is intended to apply solely to immediate family relationships (see definitions), employees and elected officials should be cognizant that broader familial ties and other close personal relationships may give rise to the same concerns surrounding real or perceived conflicts as those specifically addressed in this policy. As a result, employees and elected officials who may find themselves in such situations should be sensitive to these concerns and govern themselves in keeping with the spirit and intent of this policy."

A similar recommendation was made in the 2007 Audit of the Staffing Process and was discussed at the November 21, 2008 meeting of the Council Audit Working Group (CAWG). CAWG has directed the City Manager to "review the definition of "family member" contained in the portion of the Hiring Policy that relates to employees, with a view to establishing a broader definition of "family member" that is in keeping with the spirit and intent of the policy and the law in this regard, and to report such direction to Council". The Auditor General was in agreement with the above-mentioned direction. The CAWG direction will go forward for Council approval in the next status report.

Further, a communication strategy will be developed and issued in Q4 2009 that clearly explains to all hiring managers and employees, the importance of being free from any real or perceived improper influence based on family relationships in order to maintain public confidence in the integrity of the City's hiring and employment practices, and to avoid the situations noted in the audit.

Recommendation 6

That the City develop clear guidelines and disciplinary consequences for those involved in selection processes that are deemed to be inappropriate, unfair or in contravention of City policy to deter such behaviour and demonstrate commitment to its principles of merit and integrity.

Management Response

Management agrees with the recommendation. The guidelines and disciplinary consequences in place meet the intent of the recommendation.

The Code of Conduct sets out that the Department Head will ensure that the matter is addressed in an appropriate manner: "Upon receiving written disclosure of an actual or potential breach of the Code, the Department Head shall either determine that no breach exists or take reasonable steps to ensure that the matter is addressed in the appropriate manner. This may include seeking a written legal opinion from the City Solicitor". Any resulting disciplinary action would be documented as indicated in response to Recommendation 8. These policies are currently in place.

Recommendation 7

That the City ensure that:

a) **All disciplinary actions taken are documented, and a record of such infraction is kept on the employee's file or in the immediate supervisors records; and,**

b) **Performance appraisals address disciplinary issues.**

Management Response

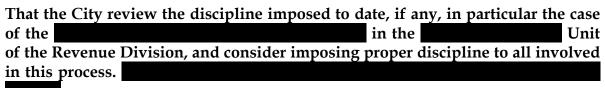Management agrees with recommendation 7 a).

There is a training course available for managers: "Managing in a Unionized Environment", which has a section on the disciplinary process. Managers dealing with a disciplinary issue typically work with a Labour Relations Consultant and receive guidance throughout the process.

Disciplinary actions are documented, as outlined in the corporate procedures on discipline, and are placed on the employee's file according to time limits outlined in collective agreements or terms and conditions.

Management disagrees with recommendation 7 b).

Performance appraisals are non-disciplinary tools that have a much broader application for performance and development and are not intended to deal with disciplinary issues. While aspects of performance that have been subject to discipline may be discussed and referred to in a performance appraisal document, the disciplinary process is separate from the performance management process.
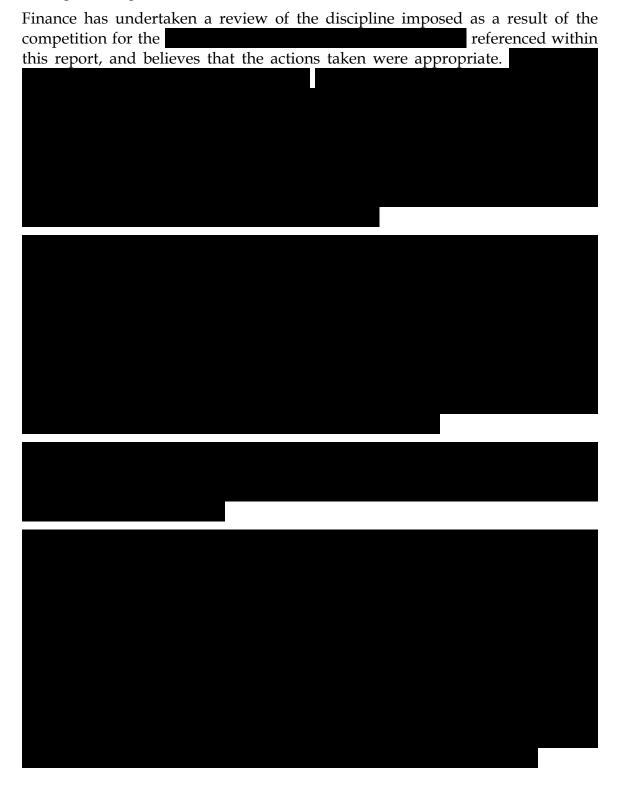
Recommendation 8

That the City review the discipline imposed to date, if any, in particular the case of the ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ in the ▮▮▮▮▮▮▮▮▮▮▮ Unit of the Revenue Division, and consider imposing proper discipline to all involved in this process. ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ ▮▮▮▮

Management Response

Management agrees with the recommendation.

Finance has undertaken a review of the discipline imposed as a result of the competition for the ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ referenced within this report, and believes that the actions taken were appropriate.

Recommendation 9

That the City revoke the delegation of authority for hiring from the Managers involved in this case for a definite period of time during which time all hirings would involve the direct participation and final approval of Human Resources.

Management Response

Management disagrees with the recommendation.

In accordance with the Staffing and Selection Guide for Managers and Supervisors, the hiring manager is accountable for the hiring process, which is not subject to final "approval" by Human Resources. Human Resources will work with the hiring manager to ensure compliance with the process.

Although this recommendation is based on an isolated case, the Finance department will implement new measures to ensure greater internal scrutiny to mitigate any perception of conflict of interest in its hiring practices.

Recommendation 10

That the City ensure appropriate processes and controls are implemented with respect to the proper documentation and retention of competition files, and that the hiring managers and the Department of Human Resources fulfill their respective responsibilities in this regard.

Management Response

Management agrees with the recommendation, and it has been implemented.

Human Resources have an approved Records Information Management (RIM) file that incorporates all aspects of the competition process and managers submit all of their competition files for inclusion on this official file. The Human Resources Consultant and/or Staffing Officer review the file upon receipt and request missing documents from the hiring manager.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 11

That the City implement higher standards and more objective practices relating to the hiring of temporary employees and summer students to ensure greater fairness and impartiality in the hiring process such as selection from pre-qualified job inventory lists.

Management Response

Management disagrees with the recommendation.

Summer students are subject to a competitive process. Temporary hires are subject to various processes outlined in collective agreements and may include a

competitive or non-competitive process, however, the hiring decision must be defensible under the collective agreement rules. Accordingly, management believes that this process is objective and has high standards. The exception to this process is for temporary positions of less than 14 weeks where the employee can be hired through a temporary agency, which has its own screening process.

With respect to the proposal of a pre-qualified job inventory list, the City has a vast variety of jobs that would preclude developing and maintaining inventories for temporary employees in all possible job turnover situations. In many cases, the hiring of temporary employees is subject to various considerations under collective agreement, such as acting appointments and recalls from layoff. Temporary employees may also be hired from temporary agencies under the City's standing offer.

Recommendation 12

That the City determine a maximum duration for acting appointments.

Management Response

Management disagrees with the recommendation.

The Terms and Conditions of Employment (MPE in this instance) provide guidelines that indicate when an acting appointment should be posted, with an ability to recognize exceptions to meet operational requirements. It is management's view that flexibility is sometimes necessary for operational requirements but has found that it is not often exercised.

Conclusion

While it is impossible to conclude unequivocally that any candidate received preferential treatment as a result of familial ties, there is no question that the circumstances of these cases clearly contravenes the intent and spirit of the policy on Hiring and Employment of Family Members. These cases serve as a classic example of what happens in the workplace when favouritism or perception of favouritism occurs in employment practices. Under normal circumstances, the results of the competitions would be overturned and new competitions held to uphold the broader objectives of fairness and integrity of the City's hiring practices. Unfortunately, the passage of time has made this intervention untenable.

These cases reflect a disregard of the policy and poor judgment on the part of several managers. Corrective actions taken to date were cosmetic and actually served to condone the inappropriate behaviour of all involved. There is a need for stronger actions now as none were taken at the appropriate time by those who had an opportunity and responsibility to act, and eliminate any conflict in order to protect the integrity of the City's hiring and employment practices. The City needs to uphold the principles of its policies and convey the implications to everyone who is not in compliance with them.

Acknowledgement

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

4.5 Audit of Specific Contracts at the Nepean National Equestrian Park

EXECUTIVE SUMMARY

Introduction

The Audit of Specific Contracts at the Nepean National Equestrian Park, (NNEP or the Park) was conducted as a result of a report received through the Fraud and Waste Hotline. It was not originally identified in the Auditor General's 2009 audit work plan that was presented to Council in June 2008.

Background

At amalgamation, the City of Ottawa expanded its facilities to include the Nepean National Equestrian Park from the former City of Nepean. The Portfolio Manager, NNEP is responsible for managing the Park and reports to the Divisional Manager, Sports and Recreation Venues within the Parks, Recreation and Cultural Services Department. .

Ottawa is one of the few municipalities in Canada to operate an equestrian farm. The NNEP is a 270-acre farm, located in the west end of the City at 401 Corkstown Road. The land is leased from the National Capital Commission (NCC) at a cost of $20,000 per year. This lease expires in 2011.

In 2004, City Council directed staff to develop a full cost recovery service delivery model for the NNEP. The implementation of a cost recovery service delivery model resulted in cost increases for park rental that are at the root of the allegation that engendered the present audit. Notwithstanding the implementation of the full cost recovery service delivery model, the Park continues to operate year-over-year at a deficit. In 2008, NNEP had actual expenditures of $1,028,084 and revenues of $749,481; incurring a total operating deficit was $279,323.

The Park's primary activities include introductory horse riding lessons to the public, boarding of 21 privately owned horses, day camps, private and semi private riding lessons, clinics, and rental of its facility, part or whole, for events (e.g., equestrian tournament, dog show, etc.). At the time of this report, NNEP also owned 32 horses. The Park delivers its programming by means of 15 full time equivalent (FTEs): 13.4 FTEs are City employees, 1.4 are volunteers and 0.2 is a contracted farrier. An additional resource, a horse-riding instructor, is under contract as a purchase of service paid without reference (discussed later within the report).

From the late 1980's, organizing group n°. 1 held a yearly high-level equestrian competition in July at the Nepean National Equestrian Park. This event used the entirety of the Park, which was reflected in the rental rate. Management informed

us that at the former City of Nepean, the initial contact for this event was via the political level and was negotiated directly between the show coordinators/ organizers and senior management. This practice has persisted to this date.

The horse-show tournaments discussed herein are weeklong, national events attended by both amateurs and high calibre, prominent competitors and hold substantial prize money.

As mentioned earlier, during the 2004 budget process, City Council directed staff to develop service delivery options towards full cost recovery. On September 28, 2005 Council approved the service delivery options proposal from Parks and Recreation to achieve 100% cost recovery at the Nepean National Equestrian Park. Management have informed us that notwithstanding the Council approved cost recovery service delivery model, management retains discretion to rent certain facilities, such as the Nepean National Equestrian Park, Pineview Golf Course, etc., at a rate which is less than the full rental fee. One of the report's revenue opportunities recommended to Council by staff was that the City only provide the facility for special events and not directly support the events through staff time and subcontracting for road maintenance, watering of dirt tracks, etc. A reduction in the level of services provided by the City and not charged-back to the lessee was to be phased in over the following two years, with 2006 as first year of implementation. Increased revenues outlined in the 2005 report (which did not include an increase in the rental rate) were to be achieved over a four-year period. This included holding additional events.

In 2006, the organizing group no. 1 Horse Show was formally advised of the end of service provided by the City and the direct financial impact on lessees. Specific to them, this would result in their incurring additional costs of approximately $21,400 (water truck services $6,000, staff costs for ring maintenance - $12,000, roller rental for ring and bleacher maintenance - $3,400). Nonetheless, organizing group no. 1 held their Horse Show from July 12 to 16, 2006.

In 2007, on the 20th anniversary edition of the event, organizing group no. 1 cancelled their equestrian tournament. Organizing group no. 1 asserted that cancellation was directly linked to the City's additional charges which made holding the show no longer financially viable for them. As a result, Ottawa did not host any show or event of that calibre during 2007.

███ and ███ (organizing group no. 2) teamed up to revive the annual National Capital Open in Ottawa. The first edition was held in 2008 under the organizing group no. 2, co-chaired by ███ and ███, with ███ as honorary chair and ███ as show manager. The organizing group no. 2 increased the magnitude of the yearly event from five to ten days of competition over two weekends: from August 6-10, National Capital Tournament, and, from August 13-17, Kubota National Capital Open. The additional weeklong event (five additional days) is in

line with the September 2005 Council report initiative that NNEP hold new equestrian events in order to increase revenues.

In 2009, the organizing group n°. 2 held the second edition of the National Open August 12-16 and the CSI National Tournament August 19-23.

Scope

The audit focused on specific five-day rental agreements; namely the organizing group n°. 1 Horse Show held from 1987 to 2006 (2006-2007 contracts reviewed) and the Kubota National Capital Open 2008 and National Capital Tournament 2008. The scope also extended to capital dollars expensed and committed for the maintenance and upgrade of the NNEP as well as grants awarded to specific equestrian tournaments/shows (to 2008). However, criteria and basis for the award of grant monies were not reviewed.

The audit did not include a full review of the facility's operations nor did it include a review of the lease agreement between the National Capital Commission and the City.

Objectives

Audit Objective 1: To assess the validity of the claim of preferential and inequitable treatment in contract's terms and conditions.

Audit Objective 2: To assess the validity of allegations of substantial investments by the City since the event was taken-over by new event coordinators.

Summary Key Findings

1. The basis for conducting this audit was to respond to an allegation that the NNEP had provided preferential treatment to the organizing group n°. 2 in its efforts to revive the annual National Capital Open in 2008. Our review of documentation (e.g., 2007 tentative contract cancelled by the lessee and the 2008 contract), as well as management action in regard to capital expenditures at the Park, indicates the following:

 a) The tentative agreement with the organizing group n°. 2 for 2009 did not include the rental fee increase from $32,773 to $36,050 (includes taxes).

 b) It is difficult to determine if the lessee was billed for all support services.

 c) During the 2008 ten-day National Capital Tournament and Kubota National Capital Open, 59 overtime hours were incurred by the NNEP totalling $1,619. Based on the information available, we cannot determine with certainty whether any or all 59 hours of overtime related to these events.

d) The City injected $95,875 (26% of fund) in the first six years after amalgamation and $270,619 (74%) in the last 2.5 years after the organizing group n°. 2 became involved. (Totals are as at June 19, 2009.) Although some of these funds were used for the riding school area, over $100,000 was invested in 2008 to upgrade the electrical system in the area to be used by the organizing group n°. 2. Correspondence from City staff indicates that this work was undertaken to "accommodate the [organizing group n°. 2] event".

2. Based on the above, one could reasonably conclude that preferential treatment was afforded the organizing group n°. 2.

3. During 2003, the organizing group n°. 1 was awarded a $10,000 one-time economic development grant to help offset the loss of two of their major sponsors for that year's event and in 2008 the organizing group n°. 2 were provided with a $15,000 one-time economic development grant to help offset the start-up cost of holding the ten-day competition. In neither of these cases were audited financial statements for the event requested by either Parks and Recreation or Economic and Environmental Sustainability. In addition, management advised us that the organizing group n°. 1 were also awarded $5,000 in 2001 and $5,350 in 2002 from the City of Ottawa. The 2001 funding was expended out of the "Miscellaneous Supplies" cost centre and was referenced as "sponsorship". The 2002 funding was expended out of the "Rentals-Miscellaneous" cost centre and was referenced as "NNEP-Tent Rental –Show Jumping". These additional amounts bring the total awarded to organizing group n°. 1 to $20,350.

4. The Park's ability to meet its business objectives is at risk due to the absence of effective and efficient application of corporate processes in managing day-to-day operations. Specifically, these pertain to records management; contract management as well as financial management. For example:

- NNEP does not have a centralized records' office nor does it send old records for archiving to Iron Mountain, the City's record depository. The Park also does not use the City Records Management System (RMS) and does not open official files using the corporate records classification scheme.

- Rental agreement contracts were only signed after the event took place. In addition, although schedule A, schedule B and general terms and conditions, are included, lessees are not initialling these.

- Payments for the rental of the facility usually contravene the City's Pay Before You Play policy, which stipulates that payment must be made in full as per the payment terms outlined on the Class contract. The Class contract reviewed had a due date one week prior to the event. The requirement for payment to be received by as specified on the contract is also outlined in Section 29 of the general terms and conditions attached to the contract. In

addition, Parks, Recreation and Cultural Services management reiterated that this was the practice throughout our fieldwork.

- No deposit is being requested from lessees, which is contrary to Section 32 - Cancellation/Refunds of the general terms and conditions which accompanies the contract and states that: "Thirty (days) written notice is required for events such as, but not limited to tournaments, camps, special events or trade shows. For large events, additional conditions may/will be outlined in the contract. Refunds will not be granted once the notification period has expired". By not requiring that a deposit be paid at the time of booking, the City is also foregoing potential interest revenue. Management advised us that there is currently no policy within the Parks, Recreation and Cultural Services Department that requires that a deposit be requested for all rentals.

- In 2008, one invoice was sent for manure removal which did not comply with corporate policy and procedures and the receivable was not entered in CLASS. This was not a formal City of Ottawa invoice, was undated, did not possess an invoice number or invoice due date and included inaccurate amounts due.

- No support documentation (i.e., copy of the invoice) was included in the deposit for the cheque for Cash Management to review. As a result, the entire amount was posted to a revenue account where it should have been more accurately posted against a recovery account. The GST portion of the invoice (although incorrectly calculated) was also posted against the revenue account as opposed to the appropriate tax account.

- NNEP staff do not currently possess an understanding of the corporate financial systems and corporate policies and procedures essential to the employee's position and requires additional training.

- Neither the FSU not the City's Compliance Unit have been monitoring the NNEP. By not monitoring more closely outlying and remote facilities, the City exposed itself to accounting practices that do not conform to corporate policies and processes and could potentially result in misappropriation of City funds.

- Since amalgamation, 25 cheques totalling $38,278 were remitted to the former Portfolio Manager of which $29,180 was for prize money. The City has no evidentiary supporting documentation to confirm these monies were in fact distributed in their entirety to event winners. No indication was found in the payment documentation provided by Financial Services that the FSU ever questioned these transactions.

- The NNEP currently employs various horse riding instructor resources, however the former portfolio manager is the City's only horse riding

instructor under contract. From May 23, 2008 to May 29, 2009 the Park paid $8,150 for the former portfolio manager's horse riding instructor services.

- Responsibility for managing the facility's financial resources, including budgets, and revenues rests with the Portfolio Manager. The job description for this position states: "Preparing, planning and developing the Branch's operational and capital budget submissions to adequately provide for unit programs, facilities and projects; including, identifying, coordinating and managing all capital budgets related to the lifecycle maintenance of the facility." NNEP management were unable to provide any information on how much capital dollars had been spent at the Park.

5. While improvements to the Park serve all groups and events, the fact remains that the property is owned by the NCC and that the City's lease expires in 2011.

Recommendations and Management Responses

Recommendation 1

That the NNEP comply with the City's record management policy and procedures.

Management Response

Management agrees with the recommendation.

Management will work with RMS staff to ensure that NNEP staff receive training and comply with the City's records management policy by the end of Q3 2010. A follow-up assessment will be undertaken in Q4 2010 to confirm compliance.

Recommendation 2

That the City ensure that agreements, including but not limited to rental contract agreements, be signed by the lessee and City authorized staff prior to an event, ideally at the time of booking, and that all pages of all schedules be initialled.

Management Response

Management disagrees with the recommendation.

Management agrees that contracts relating to the NNEP must be signed prior to the event and this is now the current practice at the NNEP. As per the Parks and Recreation Procedure for Signing Rental Contracts, approved on October 6, 2008, rental agreements must be signed prior to the rental event in order to finalize the rental contract.

Management disagrees that all pages of schedules attached to the agreements should be initialled. Legal Services has advised management that rental clients are not required to initial or sign the schedules, as long as these schedules are provided to the client at the time the agreement is signed and the rental contract

states that the terms and conditions attached to the agreement form part of the agreement.

Recommendation 3

That the City ensure that, in accordance with the records management policy, signed contracts and initialled schedules as official business records are filed using the City's RMS.

Management Response

Management agrees with the recommendation.

Management agrees that signed contracts and schedules to the agreement should be filed as official business records, however, would like to reiterate that further to advice received from Legal Services, management does not agree that there is a requirement to initial schedules as per the management response to recommendation 2.

Management will work with RMS staff to ensure that NNEP staff receive training and comply with the City's records management policy by the end of Q3 2010. A follow-up assessment will be made in Q4 2010 to confirm compliance.

Recommendation 4

That the City ensure that the full rental rate in effect be charged for all events.

Management Response

Management disagrees with the recommendation.

The full rental rate is charged for special events at the Nepean National Equestrian Park. Parks, Recreation and Culture staff, including NNEP staff, do not have the permissions to change rental fees entered in Class without management approval. The Class Support team are the only staff that can override fees in Class, once management approval is received.

The General Manager of Parks, Recreation and Culture may, pursuant to Delegation of Authority By-law 2009-231 section 17(1)(a) approve, amend, extend and execute agreements related to the use of City recreational facilities.

The rental rate is one aspect of these agreements, which is negotiated within the context of the mandate of the PRC department, and the September 28, 2005 Council-approved mandate for the NNEP. This mandate, which was a proposal put forth to Council by Parks and Recreation staff, is to achieve 100% cost recovery at the NNEP.

In the case of the organizing group no. 2, management committed to holding the rental rate at 2008 levels for three years to provide consistency in payment to allow the group the opportunity to become established, and the NNEP to

increase revenues in accordance with the Council-approved Competitive Service Delivery Review Report.

Recommendation 5

That the City establish a policy that requires that a deposit be requested for all rentals and, through the corresponding FSU, ensure that deposits are collected on all rental contract agreements and that full payment is received prior to an event being held.

Management Response

Management disagrees with the recommendation.

Management feels that it is not necessary for deposits to be collected for all rental contract agreements at the NNEP since the current Parks, Recreation and Culture Pay Before You Play policy requires that payment be collected prior to the start of a rental event. For all rental agreements at the NNEP, payment is now received in advance of the rental event.

Recommendation 6

That the City clarify the responsibility for negotiating special events and revise job descriptions and classifications accordingly.

Management Response

Management disagrees with the recommendation.

Management has reviewed the applicable job description and has determined that no revision to the job description and classification is required. The NNEP Portfolio Manager negotiates all special events taking place at the park. The Park currently has 15 special events per year in addition to the regular park rentals. In the case of the organizing group nº. 2, this was a new and large-scale event and as a result more senior staff were involved in the negotiation of the rental fees.

Recommendation 7

That the City, through the FSU, ensure that any services rendered by the City, which is the responsibility of the lessee, be set up as a receivable within the appropriate financial system, be invoiced to the lessee (by means of a formal City of Ottawa invoice) and payment received within the set corporate timeframe.

Management Response

Management agrees with the recommendation.

All services rendered by the City that were the responsibility of the Kubota National Capital Open at the NNEP were invoiced and paid by the lessee, however corporate procedures with regard to invoicing and receipt were not followed in the case reviewed in the audit.

To address this, as of Q2 2010, all services not billed as part of the Class rental agreement are being invoiced through a formal City of Ottawa invoice. A communiqué was sent out to all staff on September 21, 2009, from the General Manager's office, indicating that all invoices must be sent out through the City's Finance department as official financial records.

Recommendation 8

That the FSU ensure that payments are applied against the appropriate accounts.

Management Response

Management agrees with the recommendation.

The Cash Handling Corporate Policy, as approved by the City Treasurer, sets out the roles and responsibilities of Financial Services and the departments. Applying payments against the appropriate account is a departmental responsibility.

Transactions in the Class system are automatically uploaded to SAP and applied to the appropriate account. It is the responsibility of the Facility Supervisor to review deposits processed outside of the Class system. Further, the FSU reviews monthly reporting of revenues against budgets to identify transactions that appear to be out of order or incorrectly coded.

Recommendation 9

That the City ensure that corporate service level providers (e.g., FSUs, human resources, records management, etc.) monitor more closely and provide greater assistance to outlying/remote operations and facilities.

Management Response

Management disagrees with the recommendation.

The corporate service level providers (e.g., FSU, human resources, records management, etc.) provide an appropriate level of assistance to the NNEP. The Portfolio Manager is responsible for monitoring NNEP operations and facilities and the corporate service level providers (e.g., FSU, human resources, records management, etc.) provide ongoing assistance.

Recommendation 10

That the City provide appropriate training in the areas of corporate financial systems and corporate policies and procedures to NNEP staff.

Management Response

Management agrees with the recommendation.

Management will ensure that all appropriate NNEP staff are trained in corporate financial systems by the end of Q2 2010. Further, management will ensure that corporate policies and procedures have been reviewed by the end of Q4 2010.

Recommendation 11

That the City request audited financial statements of major events to both assess the validity of request for financial assistance prior to the disbursement of grant dollars and to ascertain the appropriateness of the rental rate.

Management Response

Management agrees with the recommendation.

As recommended by the Auditor General's office in the 2008 Audit of Grants and Contributions, a corporate-wide policy framework governing all mechanisms for funding to external organizations will be developed and brought to Council by the end of Q2 2010. The policy will include criteria under which the City would request audited financial statements of major events, including those held at the NNEP.

Recommendation 12

That the City undertake a study of comparable facilities, both private and publicly owned, to determine if the rental rates at NNEP are competitive.

Management Response

Management disagrees with the recommendation.

Management conducts an environmental scan annually prior to increasing rental rates.

With regard to the NNEP, this has proven to be a difficult exercise since:

- There are no comparable facilities;

- Private competitors are reluctant to provide any information;

- Information found on the Internet has been found to be unreliable as many variables are taken into consideration when establishing rental rates. Examples of variables are: the nature and number of services provided, the period of time, the frequency, unionized staff/wages, is work performed by full-time vs. part-time staff, the duration of the rental, the size of the facility and exactly what is booked/required for the event i.e., entire facility vs. components of the facility; and,

- It is difficult to determine the levels of direct and indirect funding being received from various sources.

Rental rates at NNEP are determined based on three variables:

- Environmental scan information;

- Cost of living increases (COLA) approved by Council for the Department of Parks, Recreation and Culture; and,

- Cost recovery targets.

Recommendation 13

That the City develop a corporate policy or guideline governing the awarding of prize money including but not limited to:
- **Criteria for awarding prize money;**
- **Accounting of prize money; and,**
- **Evidentiary documentation of the disbursement;**

and that the appropriate FSU ensure its enforcement.

Management Response

Management disagrees with the recommendation.

The distribution of prize money is an anomaly at the City of Ottawa and management does not believe that the development of a corporate policy or guideline is required.

With regard to this audit, the practice of prize money being distributed by City staff at the NNEP has ceased. Staff at the NNEP have not managed or awarded cash prizes for events at this site since 2007. The distribution and accounting of prize money is now overseen by the third party event organizers. Criterion for judging and awards related to events noted in the audit is dictated by Equine Canada and/or the Ontario Equine Federation.

Recommendation 14

That Financial Services thoroughly scrutinize requests for cheques to employees prior to issuing a cheque.

Management Response

Management agrees with the recommendation.

Any specific cheque requests for employees must be accompanied by proper documentation, signed off by their respective manager. These policies have been reinforced with Finance staff and proper procedures are being followed.

Recommendation 15

That the City establish separate line items for accounting for prize-money, including but not limited to the NNEP - horse riding jumping competition.

Management Response

Management disagrees with the recommendation.

The distribution of prize money is an anomaly at the City of Ottawa and management does not believe that the establishment of separate line items is warranted.

With regard to this audit, the practice of prize money being distributed by City staff at the NNEP has ceased. Staff at the NNEP have not managed or awarded cash prizes for events at this site since 2007. The distribution and accounting of prize money is now overseen by the third party event organizers.

Recommendation 16

That the NNEP re-visit its decision to retain the services of the former Portfolio Manager as horse-riding instructor under contract.

Management Response

Management agrees with the recommendation.

Management has revisited its decision and has determined that it will continue to retain the former Portfolio Manager on contract. The "Friends of the Park" have specifically requested the services of the former Portfolio Manager to provide their instruction as he is well-known and respected within the industry and the community and is able to bring a higher level of expertise to meet their specific needs. The City is reimbursed 100% for the cost of this service. In addition, the former Portfolio Manager's separation from the City was voluntary and as such he is in a position for re-employment by the City.

Recommendation 17

That NNEP Management more closely monitor of capital dollar expenditure at the Park.

Management Response

Management agrees with the recommendation.

The responsibility for the major capital budgets resides in the Public Works Department and the Infrastructure Services Department. Following the Branch realignment, management began integrating the monitoring of capital dollar expenditures into the daily work of the NNEP Portfolio Manager.

The Portfolio Manager has always had complete responsibility for the minor capital budget at the facility.

Recommendation 18

That the City ensure NNEP management meet the required duties and responsibilities or conversely that job descriptions be amended and re-evaluated in relation to duties not currently performed.

Management Response

Management disagrees with the recommendation.

Management has reviewed the applicable job description and have ensured that NNEP staff meet the required duties and responsibilities and does not believe that the job description requires amendment or re-evaluation.

Recommendation 19

That the City confirm its intention to continue the operation of the NNEP prior to the expiration of the NCC lease and before injecting further investment dollars.

Management Response

Management agrees with the recommendation.

The current operations are directed as per the Nepean National Equestrian Park Competitive Service Delivery Report approved by Council on September 28, 2005. As directed by Council, management will prepare a report to Committee and Council by the end of Q2 2011 with respect to this operation.

Conclusion

The City of Ottawa has inherited the operations of an equestrian park from the former City of Nepean. An allegation of preferential and inequitable treatment in contract terms and conditions at the NNEP has prompted this audit.

At the bottom of this allegation lies the reduction in City services being provided by the City to support events. Ultimately, this reduction in City services was as a result of a report that the NNEP operate on a 100% cost recovery basis approved by Council in September 2005. While we compared and found that contracts terms and conditions were identical, their strict and consistent application is more difficult to ascertain. We found the claim that the City expanded greater capital investments after organizing group n°. 1 ceased its operation of a yearly weeklong event to be valid.

The allegation of preferential treatment included claims that the organizing group n°. 2 benefiting from not being held responsible for additional cost incurred by the City. Although there were specific issues with the invoicing, in the case of the collection and disposal of manure after the end of the special event, we found that a charge back did occur. We were unable to determine with certainty whether any or all of the 59 hours of overtime incurred by the NNEP related to the National Capital Tournament and Kubota National Capital Open events, however no other invoicing occurred. We also observed a lack of action taken by the City (e.g., fining or providing a warning) relating to the breach of contract of provision 11 of Schedule B (removal of manure within a specific timeframe).

On the basis of these findings, one could reasonably conclude that preferential treatment was afforded the organizing group n°. 2.

There is undeniable commitment on the part of the City to continue holding high calibre equestrian events at the Park. However, there is a need to examine the reason for the continued involvement of the senior management level in planning these events – tasks for which NNEP management is responsible. The decision-making and accountability processes need to be clearly established, documented and adhered to.

Our review revealed significant lapses in adhering to corporate practices whether it be proper records management or financial aspects. There is an immediate need for closer monitoring of the NNEP's activities by corporate level support services. The City also needs to establish a policy or guideline governing the award of prize-money including but not limited to horse-shows.

Although the scope of this audit was limited, based on our findings, over the years there has been poor day-to-day administration and a lack of oversight at the NNEP. The lack of internal controls and unchallenged management practices has lead the Office of the Auditor General to add a full operational review of the Park, as well as other special facilities (e.g., Pineview Golf Club, Nepean Sailing Club, etc.) to its 2010 work plan.

As recommended in the 2008 Audit of Grants and Contributions, the City also needs to create an overarching grant envelope and policy overseen by a specific group. Individual grant requests should be assessed against specific established criteria prior to any funds being disbursed.

Lastly, the City's long-term strategy for its continued operations of the Park should be reviewed prior to the expiration of the lease in 2011.

Overall Management Comment:

No fraud or waste was established as part of this audit. Further, it is management's position that no preferential or inequitable treatment was afforded to the organizing group n°. 1 Horse Show, the Kubota National Capital Open or the National Capital Tournament.

Management would like to take this opportunity to place the report findings in context and provide facts not included in the audit report.

1. Audit Report states:
Summary Key Findings (Also see Section 4.1.4 and Conclusion)
"During the 2008 ten-day National Capital Tournament and Kubota National Capital Open, 59 overtime hours were incurred by the NNEP totalling $1,619. Based on the information available, we cannot determine with certainty whether any or all 59 hours of overtime related to these events."
Management comment:
- Management reviewed staff schedules, leave requests, time sheets and spoke with the Portfolio Manager before determining, with certainty, that these fifty-nine (59) hours were not associated with the organizing group n°. 2 event.

- On January 11, 2010, management provided the Auditor General's office with dated time sheets and detailed documentation of the circumstances for each of the 59 overtime hours worked by NNEP staff. If these hours were related to a special event, they should have been coded "Public Event", however, the hours were coded "Complete Active Job".
- To confirm that the hours were correctly coded, and that none were related to the special event in question, management researched the circumstances surrounding the overtime. Management determined that fifty-one (51) of the hours were worked to cover off for the Park Foreperson who had broken his wrist and was not able to perform his full duties and the remaining eight (8) hours were worked to cover off for a staff on bereavement leave, and provided this information to the OAG.
- The staff who worked the overtime hours were not interviewed by the OAG as part of this audit process.

2. Audit Report states:

Summary Key Findings (Also see Conclusion)

"Based on the above, one could reasonably conclude that preferential treatment was afforded the organizing group n°. 2."

Management comment:

- It would be just as reasonable, or perhaps more reasonable, to conclude that no preferential or inequitable treatment was afforded to the Kubota National Capital Open or the National Capital Tournament (organizing group n°. 2). Management has provided detailed documentation to the Auditor General's office that clearly indicates this.
- The treatment of the two groups, one in 2006 and prior and the other during 2007 to the present, is not likely to be identical. Any differences that exist in the treatment of these two groups, or any other groups that hold events at the NNEP, are the result of circumstances surrounding individual events. These include the mandate of the NNEP at the time, budget impact on the NNEP, demand for the NNEP, economic climate, and many other variables, and are certainly not a result of the preference of one group over another.

3. Audit Report states:

Conclusion (Also see Section 4.1.4)

"We also observed a lack of action taken by the City (e.g., fining or providing a warning) relating to the breach of contract of provision 11 of Schedule B (removal of manure within a specific timeframe)."

Management comment:

- NNEP management took action as evidenced by the invoice and receipt of the full amount owed. The audit fieldwork was undertaken in 2009. The verbal warning, invoicing and receipt of payment occurred in 2008.

- The Parks and Recreation Terms and Conditions of Rental do not indicate that the City will provide a written warning or issue a fine for not removing the manure in time. Clause #11 of Schedule B, which is attached to the rental contract, states:

  > **Stable waste must be removed from the drainage areas between the stabling tents daily prior to 11:00 a.m. Removal of waste, including stable waste and contaminated shavings within five days (weather permitting) of the conclusion of the event. In the event that this is not done, the City will arrange the clean up and the lessee will be invoiced. A metal detector must be used to clean up horse shoe nails, needles, etc.**

- The organizing group no. 2 did not receive any preferential treatment.

4. Audit Report states:

Executive Summary, page iii:

"The City injected $95,875 (26% of fund) in the first six years after amalgamation and $270,619 (74%) in the last 2.5 years after the organizing group n°. 2 became involved. (Totals are as at June 19, 2009.) Although some of these funds were used for the riding school area, over $100,000 was invested in 2008 to upgrade the electrical system in the area to be used by the organizing group n°. 2. Correspondence from City staff indicates that this work was undertaken to "accommodate the [organizing group n°. 2] event"."

Management comment:

- The majority of the funds were used for the riding school area.
- The work was undertaken to accommodate all events at the NNEP: the first event to take advantage of it was the organizing group n°. 2.
- Both the organizing group n°. 1 and the organizing group n°. 2 benefited from capital investments performed at the NNEP.   On March 24, 2010, management provided a complete timeline of the electrical system repairs to the Auditor General's office, outlining the safety concerns and code deficiencies with the electrical system.
- As a result of lifecycle maintenance schedules, health and safety requirements and availability of increased capital dollars resulting from the 2% tax levy, substantial capital investments were performed at the Park for the benefit of all clients.
- Out of the $270,619 spent in the last 2.5 years $124,145 (46%) was spent to replace the electrical system for the stabling area, which had reached the end of its lifecycle. This repair benefited all events held at the NNEP (e.g., Provincial and National Agility Association of Canada Dog Trials held in May and July 2009), including the National Capital Tournament and Kubota National Capital Open... The remaining $146,474 (54%) was spent on general building lifecycle repairs for the boarding services and the City's riding program.

- In 2008 and 2009, the organizing group n°. 2 rental brought in over $130,000 in revenues, and also increased the yearly event from the previous one week to two weeks. This was in line with the service delivery options approved by Council in September of 2005, which indicated that the NNEP would hold new equestrian events to increase revenues. This rental event could not have taken place, and the revenue could not have been realized, without the repairs to make the electrical system safe and to bring it up to code.

Management has conducted a detailed investigation and consulted with a number of licensed electrical experts, both from within and outside the City of Ottawa, who were involved with the assessment of the electrical wiring at the NNEP. These licensed electricians have all indicated that the electrical system, prior to the 2008 repairs, did not meet code and posed a hazardous risk to both clients and staff. Deficiencies to the electrical system were not formally documented, but were made verbally to City staff with the understanding that the City would take appropriate action.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management; the FSU; the former Portfolio Manager; organizing group n°. 1 and organizing group n°. 2.

4.6   Audit of the Bridge Maintenance Process

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor General (OAG) had originally identified an audit of the Bridge Maintenance Process in the 2008 Audit Plan that was presented to Council.

Provincial Requirements

Maintenance and inspection of municipal bridges and other similar structures are carried out in accordance with provincial legislation and regulations, and standards set by the Ministry of Transportation of Ontario (MTO) Provincial legislation regarding the inspection and maintenance of bridges comprise Public Transportation and Highway Improvement Act, R.S.O. 1990, c. P.50 and Standards for Bridges, Ontario Regulation 104/97. The Regulation specifically refers to standards set by MTO in publications on this subject, including the Ontario Structure Inspection Manual, the Structural Manual and Structure Rehabilitation Manual, and the Ontario Bridge Management System. In addition, the Province of Ontario adopted the Canadian Highway Bridge Design Code as the bridge design code, subject to modifications noted in the Structural Manual.

Ontario Regulation 104/97, as amended, requires that the design, evaluation, construction, inspection or rehabilitation of a bridge shall conform to the Canadian Highway Bridge Design Code and the standards set out in the MTO's manuals and standards. The structural integrity, safety, and condition of every bridge shall be determined through the performance of at least one inspection in every second calendar year under the direction of a professional engineer and in accordance with the Ontario Structure Inspection Manual. The Regulation indicates that the design, evaluation, construction, inspection, or rehabilitation of a bridge may vary from the MTO manuals and standards where the variation is not a marked departure from the MTO manuals and standards and the variation does not adversely affect the safety and mobility of people and goods.

Bridge Maintenance Responsibilities

The City's Infrastructure Services Branch (now the Infrastructure Services Department)[1] is responsible for the maintenance of bridges, culverts, retaining walls, and the structural components of transit stations. Architectural, electrical, mechanical components are maintained by the Real Property Asset Management Branch.

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[1] The Infrastructure Services Branch is now the Infrastructure Services Department. The Infrastructure Management Division has been renamed Asset Management Branch. However, in this report we maintain the titles they had during the audit.

Bridge Maintenance includes all the systems and tasks that the City undertakes to prevent the development of defects or prevent the deterioration of a structure or its components. Repair is any modification, alteration, retrofitting or improvement to a component of the structure which is aimed at correcting existing defects or deficiencies. Rehabilitation is any modification, alteration, retrofitting or improvement to a structure sub-system or to the structure which is aimed at correcting existing defects or deficiencies. The entire system constitutes the Bridge Asset Management System.

The business units responsible for the Bridge Maintenance Process are the Infrastructure Management Division (IM) and the Construction Services Division of the Infrastructure Services Branch (ISB).

Bridge Maintenance Process

The Ministry of Transportation defines a structure as a bridge or culvert with a span of 3.0 m or greater. In addition, the Infrastructure Services Branch defines a bridge-culvert as a structure having more than 0.6 m of fill above the structure deck. The City owns approximately 750 bridges and bridge culverts; of these, approximately 527 are bridges.

The Infrastructure Services Branch defines bridge renewal as "Replacement, rehabilitation, or repairs resulting in the upgrading of the serviceability, durability or strength of a structure" in the Guidelines for Renewal Options Analysis, 2007. In addition, ISB classifies the structural renewal options into Minor and Major Rehabilitation and Replacement. Operational maintenance and repairs are performed by the Surface Operations Branch, based on operational needs and needs identified by their field staff, by 311 service requests, or in conjunction with staff in the Infrastructure Management Division.

The Infrastructure Services Branch indicated that it inspects the bridge and bridge culverts every two years or more frequently depending on the structure condition. This was confirmed during the audit.

As a component of the bridge asset management process, IM uses the Structure Information Management System (SIMS), a database prepared based on the former Municipal Bridge Assessment Data Entry System (MBADES). Currently the City is developing the Integrated Infrastructure Management System; one of the components of the system will be the Bridge Asset Management software upgrade.

Audit Objectives

Audit Objective #1: Examine and evaluate the studies, processes and methodologies pertaining to the Bridge Maintenance Procedures followed by the City.

Audit Objective #2: Determine whether the studies, processes and methodologies are consistent and compliant with all relevant policies, procedures, legislation and regulations**.**

Audit Objective #3: Examine representative reports, studies, and designs to determine if they are consistent with relevant policies, procedures, legislation, and regulations**.**

Audit Objective #4: Examine representative maintenance contracts to determine if the maintenance recommendations were fully implemented**.**

Audit Objective #5: Examine the implementation of the maintenance recommendations and the procedures used to record them in the structure database**.**

Audit Scope

The scope of the audit comprised the overall City processes used for the maintenance of the City's bridge and bridge culvert structures, including the bridge inspections, bridge database, methodology used for assigning maintenance priority, bridge rehabilitation processes, and bridge rehabilitation contract oversight and control. The audit examined both bridges and bridge-culverts as defined above.

The audit encompassed the following tasks:

- Review legislative framework;

- Review background data;

- Conduct interviews with individuals involved in the projects; and,

- Review project data for representative structures in the seven year cycle (2001 – 2007).

The file sample examined consisted of:

- Nine minor rehabilitations;

- Nine major rehabilitations (including the structure identified in the Fraud and Waste Hotline report);

- Five replacements; and,

- Eleven structures where the work consisted of operational maintenance or work done in conjunction with road maintenance (for instance, repaving of a section of road included repaving of a bridge deck).

Of the 34-structure sample, seven were bridge-culverts.

It is important to note that the audit did not include a physical inspection of the structures and the condition of the structures was not confirmed during the audit.

Summary of Key Findings

1. The Province of Ontario requires that all bridges be inspected at least every two calendar years, using the procedures in the Ontario Structure Inspection Manual (OSIM). This requirement is defined in the Public Transportation and Highway Improvement Act, R.S.O. 1990, c. P.50 under Standards for Bridges, Ontario Regulation 104/97. The Regulation allows use of procedures that depart from the OSIM procedures, where the procedures are not a marked departure from OSIM.

2. The inspections required every two calendar years are detailed visual inspections. Other inspections are carried out based on the results of the visual inspections and may include detailed condition assessments.

3. The Structure Information Management System was developed based on the former provincial database (Municipal Bridge Assessment Data Entry System or MBADES). SIMS was established for the City as part of the preparations for the Year 2000; the timing also was concurrent with the period during which the responsibility for the bridge inspections and database were transferred to the municipality.

4. SIMS follows the bridge appraisal system used in the MBADES database. Due to limitations in the database system, the data does not reflect the structure inspection system required by the current Ontario Structure Inspection Manual.

5. The City does not follow OSIM for the structure detailed visual inspections that are required at least once in every two calendar years. Instead, the City uses the methodology used for the MBADES system, comprising rankings of the various components of structures. Ranking ranges from 1 for a structure component in critical condition to 6 for a component in excellent condition. A ranking of 0 indicates that the specific item is not applicable.

6. The MBADES methodology provides inspection data and structure appraisal values that rely on subjective ranking assignments, rather than the more objective OSIM system, which provides evaluation of specific structural components, and any defects they may have.

7. The fact that the City does not follow the current OSIM for the bridge detailed visual inspections is allowed by the Regulation; however, the methodology used by the City, based on MBADES does not meet the requirements of the Regulation. Therefore, the system in use by the City does not meet Provincial legislative requirements.

8. We contacted the Ministry of Transportation's office in Kingston and St. Catharines. Discussions revealed that MTO does not consider that the old method of using Condition Ratings for the structure inspections is equivalent to the requirements of the OSIM and Ontario Regulation 104/97 as amended. The MTO indicated that methods which would qualify as alternatives within

Ontario Regulation 104/97 are methods that also use detailed visual inspections of structure elements and that give a quantitative indication of the percentage of each element that has defects. The Ministry of Transportation indicated that use of MBADES for structure inspections does not meet the requirements of OSIM and the Regulation.

9. The method used by the City for ranking of structures to set their priority for maintenance and renewal is based on data mining and analysis software external to SIMS.

10. The Senior Engineer responsible for maintenance of SIMS and for the ranking of the structures was the only person fully trained in the overall system. As the system requires professional judgement in the assignment of risk values, the fact that no other person was trained to manage SIMS and the attached processes constituted a concern.

11. During this audit, the Senior Engineer resigned; as a result, for a time thereafter it was necessary for two staff persons to maintain the database. These two staff persons were required to add the database maintenance duties to their regular duties. The Senior Engineer position was filled in late 2008 by promoting a Project Manager in Construction Services.

12. Application of the Guidelines for Renewal Options Analysis and the Project Management Manual have improved the uniformity of the filing and record-keeping methods used by different project managers. However, the City should improve the controls to ensure consistency between the project managers, as the quality of filing varies substantially.

13. Based on our sample, the studies, processes and methodologies used to manage the bridge assets are not always consistent and compliant with relevant policies, procedures and regulations, as noted below. The following table summarizes the results of our review:

Criteria	Number of Applicable Structures	Number of non-compliant Structures in relation to policies, procedures, and regulations	Percent Non-Compliant (Error Rate)
Inspections Interval	34	0	0.0%
Condition Survey	19	2	10.5%
Renewal Options Report	21	3	14.3%
Detail Design	30	4	13.3%
Contract Tendered	27	2	7.4%
Construction Done	27	0	0.0%

Criteria	Number of Applicable Structures	Number of non-compliant Structures in relation to policies, procedures, and regulations	Percent Non-Compliant (Error Rate)
Inspections done by City	26	3	11.5%
Inspections by outside firm	26	4	15.4%
Shop Drawings	23	3	13.0%
Quality Assurance	25	11	44.0%
Records of construction	25	5	20.0%
As-Built Drawing on File	30	9	30.0%
Renewal Info to Database	33	0	0.0%

14. Of the 34 structure files examined, only 3 files could be considered fully complete, in that all the information required to be filed was included in the file. All other files reviewed were missing one or more items that they were expected to contain. The complete files tend to be the most recent ones and those for more important projects (for example, the Laurier Avenue Bridge and the Green Creek bridge).

15. Some as-built record drawings have not been included in the network server, although the copy marked up with red pencil or ink (known as the red-lined copy) is available. A checklist or similar method may help in confirming to the program manager that all steps have been completed. In this regard, it is noted that the City already has procedures in the Project Manager Procedures Manual, but these are not being followed consistently.

16. Some records of quality assurance procedures have not been filed properly and could not be found. Consistent filing systems, as are now being implemented, should provide improvement of this issue.

17. Two structures had no information at all in their files. Information about the structures was included in the SIMS database, but there was no supporting data in the files. The structures had not had renewal work done since they were built circa 1975. Nevertheless, the City should have as a minimum a set of the original construction drawings on file. If none are available, the City should prepare the drawings from field information.

18. In two of the structures reviewed, the renewal work done in 2007 was resurfacing, completed as part of the road resurfacing contract. No condition survey or renewal options work was done to confirm that resurfacing was the only work required. We noted that the latest inspection sheets indicated a rating

of "Very Good" for one of the structures (Structure No. 056060), but some repairs were required for the other (Structure No. 016200). We found no confirmation that the repairs were completed.

19. IM indicated that, although the Structure Inspections do not follow OSIM, the Condition Survey included a detailed survey of the structure using OSIM forms and methodology. Our review of Detailed Condition Survey reports showed that generally this is the case, but we found three cases in which the OSIM forms were not used in the Condition Survey.

20. Replacement of culverts during road reconstruction contracts did not receive as strict review by IM as when the structures are examined independently of the road contract. Three bridge-culvert reconstruction or extension contracts in the sample were part of road reconstruction or widening contracts. We found that in those cases the investigation of renewal options was not done with the same level of detail as when structures are analysed independent of the road work. In addition, the construction inspection, the field inspection records, review of shop drawings, and quality assurance records were not kept as well in those three cases as for other bridges or bridge-culverts.

21. One of the bridge-culverts, the Castlefrank Road culvert in Glen Cairn, was designed as part of the flood control project. In reviewing the reports and options examined, we concluded that the range of options reviewed could have included alternatives that were not examined. Some of the construction difficulties encountered may have been avoided this way. In our opinion, IM should be involved in the assessment of replacement options in similar cases.

22. In the case of the Fortune Street culvert, the design of the culvert replacement was carried out by a firm which did not have the qualifications and experience to complete the work, as evidenced by the fact that they had to retain a specialist firm to undertake a review of their design.

23. In three cases the renewal options report was required by the Request for Quotations (or Request for Service) issued by the City, and was included as a task in the Offer of Services or Proposal by the consultant, but was not produced. In the three cases noted, when we noted that the renewal options reports were not in the files, the City indicated to us that the renewal options report were not required, when in fact it was. Subsequently, the City provided the required reports.

24. In two cases, the files were not provided for our review because they were held by the Legal Services Branch due to the existence of outstanding construction claims. We note that both files were managed by the same Project Manager. The two files noted above were provided for our review upon further request. It was found that these two files are incomplete. Specifically, the files did not include records of quality assurance for concrete and asphalt; the inspector notes

indicate that the information was received, but it is not in the files. The City subsequently clarified that only one file was held by Legal Services.

25. In one case (Structure 757210) we found no data at all in the file. The City indicated that this was the result of file retention policies. However, we noted that other two structures of approximately the same age did have part of their files available (these files also were not complete).

26. The City indicated that the File Retention Policies are based on the City's Records Management Policy, 2003. The Records Management Policy refers to the City's records retention and disposition schedule, which indicates that structure records must be kept inactive for 25 years. On this basis, the absence of records is appropriate. However, we note that records that are considered to have archival importance should not be destroyed. Since the structure (Structure 757210) was transferred in 2000, the structure records should have been available.

Recommendations and Management Responses

Recommendation 1

That the City ensure that the management of the database be fully documented in a manual and that training of the use of the database plus ranking of projects be provided to more than one person in the Infrastructure Management Division.

Management Response

Management agrees with the recommendation.

With the realignment that took place earlier this year in the Infrastructure Services Department (ISD), the former Infrastructure Management Division is now the Asset Management Branch (AMB). AMB has developed documentation on the management of the database. This documentation is expected to evolve as AMB migrates to a new structures management system in Q2 2011.

Within AMB, an intermediate level structural engineer reporting to the senior structural engineer has been created and staffed. This individual continues to be involved in the management of the database and on the prioritization of renewal projects.

Recommendation 2

That the City carry out bridge detailed visual inspections in accordance with current Ontario Structure Inspection Manual procedures to remove subjectivity of appraisals and to meet the requirement of current Provincial regulations.

Management Response

Management agrees with the recommendation.

AMB is working on modifications to its business processes and structures management system to align its visual inspections with the most recent Ontario Structures Inspection Manual (OSIM) requirements. AMB applies the OSIM requirements as part of detailed bridge condition assessments that take place prior to identifying specific renewal requirements.

The City is in the process of implementing a new Integrated Infrastructure Management System (IIMS). The structures management system is being implemented to align with the new IIMS. Funding for the new structure management system has been identified in the 2010 draft capital budget and the new system is expected to be completed by (Q2) 2011, subject to progress on the IIMS.

Recommendation 3

That the City ensure that the updated Structure Asset Management Database currently under development be provided with the capabilities required to remove the need for data mining and analysis using external software.

Management Response

Management agrees with the recommendation.

The new structures management system will have all the capabilities required for data management and analysis.

The City is in the process of implementing a new Integrated Infrastructure Management System (IIMS). The structures management system is being implemented to align with the new IIMS. Funding for the new structures management system has been identified in the 2010 draft capital budget and the new system is expected to be completed by (Q2) 2011, subject to progress on the IIMS.

Recommendation 4

That the City ensure that bridge-culvert projects undertaken as part of a road reconstruction project be reviewed in detail to confirm that the planning and design of the structure meets the requirements of the *Guidelines for Infrastructure Renewal Options Analysis.*

Management Response

Management agrees with the recommendation. This recommendation is consistent with Infrastructure Services' current procedure.

Recommendation 5

That the City implement a checklist or other management process to allow the program manager and the project manager to confirm that the inspection process has been completed, including the preparation of the As-Built drawings.

Management Response

Management agrees with the recommendation.

Infrastructure Services Department (ISD) has a Project Management Manual in place which defines project management requirements, communicates expectations and fosters consistency on all projects. The above-referenced requirements will be included in the manual by Q4 2010.

Recommendation 6

That the City ensure that the project files are set up, maintained, and complete in accordance with the City's policies and procedures and the Project Management Manual.

Management Response

Management agrees with the recommendation.

Infrastructure Services continues to improve adherence to proper project filing practices. While the audit concludes that only 3 of 34 structure files examined were complete in all aspects, it is noted that these structures span many decades and that filing practices have evolved over time. The four complete structure files represent projects undertaken since amalgamation and the adoption of the Project Management Manual in early 2006. The other 30 files contained over 85% of the required information.

Project filing requirements will be reviewed and reinforced in the Project Management Manual by Q4 2010.

Conclusion

The audit revealed that the Bridge Maintenance Process used by the City of Ottawa's Infrastructure Management Division is being used for the maintenance of the City bridges. However, the database management and structure ranking for setting of renewal priorities is cumbersome. Generally, we found that the City's overall bridge maintenance process has the necessary policies and procedures, but they are not being followed consistently. The variability in the application of the City's policies and procedures by different project managers results in a high error rate in the application of the policies and procedures and the Project Management Manual. We found only 3 of 34 structure files examined were complete in all aspects. The procedures used and the filing systems of the City require improvements to ensure that the policies and procedures and the Project Management Manual of the City are followed by all project managers.

The bridge inspection process and records for the detailed visual inspections do not comply with Provincial regulations and the Ontario Structure Inspection Manual. The City must change this procedure as soon as possible to be compliant.

Acknowledgement

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

4.7 Audit of the Bridge Maintenance Process for a Specific Bridge

EXECUTIVE SUMMARY

Introduction

The Office of the Auditor General (OAG) received through the Fraud and Waste Hotline information regarding concerns with the rehabilitation work for a bridge in the City, which deteriorated significantly after the rehabilitation work was completed in 2004. As a result of the rapid deterioration of the work completed in 2004, a second rehabilitation contract was issued in 2007 for essentially the same work as the 2004 contract.

The OAG decided to carry out, in addition to the Audit of the Bridge Maintenance Process (presented in a separate and concurrent report), an audit of the bridge reported through the Fraud and Waste Hotline. Please make reference to the Audit of the Bridge Maintenance Process for background information not contained in this report.

Background

The following information was extracted from the project files and the background information provided by the City.

The bridge is located on the Jock Trail in the former Township of Goulbourn, in Lots 9 and 10 of Concessions II and III, approximately 2.5 km east of Dwyer Hill Road and 0.5 km west of Munster Road. The Jock Trail is the road allowance between Concessions II and III.

Based on the data in the Structure Information Management System (SIMS), a plaque on the bridge, and drawings of rehabilitation works done in 1994, the bridge was designed and constructed in 1947.

The bridge is a single lane structural steel truss bridge with laminated timber deck. The bridge is 6.4 m± wide and spans 17.2 m± between supports. The bridge abutments are constructed of concrete on spread footings.

Prior to 1994, the bridge deck was a concrete deck supported on structural steel stringers and beams. In 1994, the Township of Goulbourn retained a consultant to design repairs to the bridge. The repairs comprised replacing the deck and a number or stringers and beams; reinforcing some of the steel truss members; repairs to the concrete abutments; and placing rock protection for scour prevention of the concrete abutments. The concrete deck was removed and replaced with a new laminated timber deck.

It is not clear from the 1994 drawings, but it would appear that the laminated timber deck was constructed without lateral slope to allow drainage of the deck.

From the 1994 drawings it can be concluded that the bridge slopes less than 0.3% along the road.

In August 2004 the timber deck failed and was replaced. In 2007, the timber deck installed in 2004 was also replaced.

Audit Objectives

Audit Objective #1: Examine and evaluate the studies, designs, processes and methodologies pertaining to the design and construction of the 2004 and 2007 bridge deck repairs.

Audit Objective #2: Determine whether the studies, designs, processes and methodologies are consistent and compliant with all relevant policies, procedures, legislation and regulations.

Audit Scope

The scope of the audit comprised the overall City processes used for the maintenance of the subject bridge, including the bridge inspections, bridge database, methodology used for assigning maintenance priority, bridge rehabilitation processes, and bridge rehabilitation contract oversight and control.

It is important to note that the audit did not include a physical inspection of the structure and the condition of the structure was not confirmed during the audit.

Findings

The 2004 design assignment was deficient as follows:

1. In 2004, the consultant did not investigate the reasons why the deck failed, although the Infrastructure Management Senior Engineer noted in an email dated August 17, 2004 that the deck drainage was inadequate, as evidenced by staining indicating ponding on the deck. The Senior Engineer noted that: "The breaks have all occurred on the driver side eastbound lane. Staining on the underside of the deck indicates that water may be ponding along the centreline of the bridge and weakening the decking under the driver's side wheels, i.e., closest to the centreline". The consultant did not consider lack of drainage and the effect of moisture on the timber as a potential cause of the deck failure.

2. The 2004 design was carried out without an adequate field survey of the structure, which would have disclosed that the stringers were not at the same level.

3. The 2004 consultant did not take into account in the design that the timber deck placed in 1994 had been levelled with steel plates (shims). As a result, the contract documents did not make provision for the shims and they were included as an extra to the contract. Consequently, the City had to pay the contractor a higher cost for the supply and installation of the shims than if the

shims had been included in the contract documents. If the shims were indeed required, the contract documents should have included the shims, including specifications and details.

4. The site instruction issued by the consultant recommending that shims be used to level the deck did not provide specifications or details for the shims. Management advise that the shims were restrained on the interior stringers by nailing plates that extended from the wood deck to the stringers on both sides of the shims, and they consider that there was no need to make a physical connection of the shims. The consultant should have provided a detail requiring that the shims be affixed to the bridge beams to prevent the shims from moving. In fact, the 2007 deck replacement drawings provide several details for the connection of the shims to the deck and the steel stringers.

5. The design of the deck in 2004 did not provide cross-fall to provide drainage of the deck. Poor drainage results in ponding of water on the deck, which contributes to the premature failure of the timber deck. Moisture is a significant factor in deterioration of wood structures, and efficient removal of water is essential to prevent premature damage to wood. The fact that the November 2005 inspection of the timber deck showed rotting of some of the timber in the deck indicates that the moisture problem was severe. The consultant should have made provisions for moisture control in 2004. In fact, in the 2007 design, the same consultant recommended adding waterproofing and a wearing surface to the timber deck to reduce moisture in the deck.

6. The additional stringers recommended by the consultant were added as a precaution against heavy axle loads, but their need was not fully justified by the consultant during the design work. The stringers were not required because the structure was posted as "No Trucks" after the 2004 contract.

Construction of the 2004 contract was deficient as follows:

1. The shims used to level the timber decking were not attached to the top flanges of the stringers. Lacking a detail provided by the consultant, the carpenter used nailing plates that extended from the wood deck to the steel stringers on each side of the shims. This method of restraint was not adequate, as evidenced by the subsequent vibrations, excessive noise and excessive displacements of the timber deck. In fact, the 2007 deck replacement drawings show details to connect the timber deck, the shims, and the steel stringers together.

2. The shims were constructed of plain steel, which rusted very quickly. As a minimum, the shims should have been galvanized. It is noted that the consultant site instruction specifies galvanized shims and the Inspector's notes also indicate the shims were galvanized. This discrepancy would indicate that the Inspector did not notice that the shims were not, in fact, galvanized.

3. The contractor had the carpenter provide and install the steel shims, although a carpenter is not qualified for structural steel work. The shims should have been provided and installed by the structural steel sub-contractor.

4. The actual cost of construction was $90,225, which is $31,742 higher than the original contract due to the addition of stringers, changes required to the nailing pattern and the stringer connectors, and the steel shims. Management have indicated that the additional cost resulted from additional temporary signs and the shimming. The cost of the stringers is not justified by the eventual posting of the bridge for NO TRUCKS.

The City's project management of the 2004 and 2007 rehabilitation work was deficient as follows:

1. No one questioned the design of the deck without shims, although the IM Senior Engineer had mentioned it in his email, noted above.

2. The reasons for failure of the deck were not fully investigated, even though the IM Senior Engineer noted evidence of water ponding on the deck and suggested that they could have weakened the deck along the failure area. The visual observations should have been followed up by the consultant.

3. The additional stringers proposed by the consultant were accepted without requiring further justification from the consultant. The cost of the additional stringers was unnecessary because the bridge was posted for No Trucks.

4. Management have indicated that one of the reasons for not investigating the deck failure in 2004 was that the deck had been in service for 10 years and therefore it had reached its life expectancy; consequently, Management have indicated that the deck failure was not unexpected. If this was the case [which we do not accept as accurate], the City should have been ready to replace the deck in 2004 or earlier. Therefore, justification for design shortcomings on the basis of "lack of time".

5. Once the 2004 deck failed in 2005, no one questioned the consultant's design or suggested that failure could be due to design deficiencies. During the design work done in 2006 and 2007 there was no documentation or communications that address why the 2004 design did not work properly and why the deck had to be replaced after only two years of service.

6. Management have indicated that they do not consider that the 2004 deck failed, although they replaced the deck as a result of noise complaints due to noise resulting from the deck moving against the steel stringers, due to the shims not being totally effective. However, they exonerate the consultant from any fault, justifying the problems with the 2004 design on the basis of complications due to the variable depth shims required and that installation of variable depth shims would have been very time consuming and that a short time was available

before winter. It should be noted that in our opinion, the deck did fail in serviceability.

7. Management have indicated that placement of the shims was complicated by variable sag and twisting of the stringers. There is no documentation in the file to indicate that the consultant addressed the reasons for sagging and twisting of the stringers, notwithstanding that such deformations could be indicative of serious structural deficiencies of the stringers. The City's Project Manager should have addressed this issue when replacing the timber deck.

8. The City agreed to classify the deck design as a "pilot project", essentially removing all responsibility from the consultant and assuming all potential exposure to liability itself. Given that this was the second failure of the deck, this decision protects the consultant and not the City. This is particularly concerning when one considers that the design of timber decks is well established.

9. Once the deck failed one year after construction, the City should have requested a third party to review the design and construction, in order to determine who was at fault regarding the failure. Alternatively, the City should have reviewed the cause of the failure.

10. The cost of the engineering design for the 2007 deck replacement was $12,600, plus GST, and the corresponding cost of construction was $84,970, plus GST. The total additional cost was $97,570 plus GST.

11. Part-time inspection may have been a factor in the failure of the 2004 deck, as evidenced by the fact that the contractor appears to have used plain steel shims instead of galvanized steel shims, but the Inspector did not correct this deficiency. In the 2007 contract, the Inspector was absent from the site for some of the days when the contractor was placing the connectors between the deck, the shims and the steel stringers.

Recommendations and Management Responses

Recommendation 1
That the City refer this file to Legal Services to determine the feasibility of obtaining compensation from the consultant and the 2004 contractor for the costs of design and construction of the 2007 deck repair.

Management Response
Management agrees with the recommendation. Files will be referred to Legal Services for review in Q4 2009.

Recommendation 2

That the City undertake the work themselves or requests proposals from a different consultant in cases where recently constructed works fail prematurely, to ensure that the original design is subject to adequate peer review.

Management Response

Management agrees with the recommendation.

Effective immediately, Infrastructure Services will ensure that in cases where work is to be done as a result of construction works that have failed prematurely, requests for proposal will be sought from a different consultant or the work will be undertaken by the City.

Recommendation 3

Given that in the 2004 contract the Inspector did not notice that the shims were not galvanized, and in the 2007 contract the Inspector was not on site at all times when the deck was being placed, that the City ensure that projects in which part-time construction inspection will be provided be arranged such that the Inspector has detailed instructions and sufficient decision latitude to allow the Inspector to ensure that critical construction steps are inspected.

Management Response

Management agrees with the recommendation.

The reference to provisions for part-time inspections is consistent with the Infrastructure Services department's Inspection Manual for City Construction Contracts.

Recommendation 4

Given the information provided by Management regarding sagging and twisting of the steel stringers, that the City arrange for a different consultant to inspect the bridge, with particular regard to the existing sagging and twisting of the steel stringers.

Management Response

Management agrees with the recommendation. This inspection will be completed by Q2 2010.

Conclusion

The design and construction of the 2004 deck replacement of the structure that was the subject of a Fraud and Waste Hotline report (i.e., Conley Bridge) had several deficiencies that were directly responsible for the failure of the deck in 2005. The additional cost to the City due to the premature failure of the deck is $97,570 plus GST. The City should consider action regarding the design and construction

administration against the consultant and the contractor involved in the 2004 contract. The subsequent design of the second deck replacement in 2007 should have been carried out by the City or a different consultant.

Acknowledgement

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

4.8   Audit of the Incremental Costs of the 2008-2009 Transit Strike

EXECUTIVE SUMMARY

Introduction

On March 11, 2009 Council approved the following motion:

"Moved by Councillor A. Cullen

Seconded by Councillor R. Bloess

WHEREAS from December 10, 2008 to January 31, 2009 the City of Ottawa experienced a strike by ATU 279, representing OC Transpo bus drivers and mechanics; and,

WHEREAS OC Transpo acquired both direct cost savings and revenue losses from this strike, as well as other costs associated with this strike being charged to the OC Transpo budget (including Council-approved mitigation measures and resumption of service fare incentives, among others); and,

WHEREAS there have been a number of estimates presented to City Council and published in the media regarding the cost and purported "savings" from this strike; and,

WHEREAS the Auditor General has indicated that he is able to conduct an audit within his existing resources;

THEREFORE BE IT RESOLVED THAT City Council request the City Auditor General to conduct an audit of the costs to OC Transpo and the City of Ottawa as a result of this strike;

AND FURTHER the Auditor General be directed to report back to Council with an indication of the timelines and the impact undertaking this audit would have on the current workplan;

AND THAT such an audit be reported to Transit Committee and City Council and include the direct costs (including revenue losses) and savings of the strike to OC Transpo for both the 2008 and 2009 budgets (including the Council-approved mitigation measures and resumption of service fare incentives) as well as the other costs to the City of Ottawa associated with the strike for both the 2008 and 2009 budgets."

As such, the audit of the financial impact of the transit strike was added to the 2009 work plan of the Office of the Auditor General.

Background

OC Transpo is responsible for operating the transit service for the City of Ottawa. In December 2008, Council approved a 2009 budget for OC Transpo with

approximate annual total revenue of $180 million including passenger revenues of $155 million, other revenue of $9 million and provincial gas tax allocation of $16 million. The operating expenditures were $349 million, leaving a planned net cost of approximately $169 million. Commencing December 11, 2008 OC Transpo experienced a strike by its Operators and Maintenance staff, which continued until February 1, 2009. On February 2nd, Maintenance workers returned to work and O Train service started while the main service resumed on February 7th resulting in a 58-day period with no service. Full service was not restored until March 23, 2009.

Audit Objectives

The objective of the audit was to present a statement showing the components of revenue and expenditure changes that were strike related and the net cost or benefit to the City.

Consideration was given to testing the results of this study against a proportional calculation of OC Transpo total revenues and expenditures for the year based on the number of days of service lost as a percentage of the total year. On further thought, it was concluded that this would not result in a meaningful comparison for the following reasons:

- The loss of service period was 58 days and not full months at either the beginning or end of the work stoppage.

- Maintenance returned to work earlier than Operations.

- Salaried staff and all other bargaining units continued to work during the strike.

- Fixed costs such as depreciation, leases, insurance and other such expenditures remained during the strike period.

- Certain revenue included in the total revenue value remained irrespective of the strike, for example, bus stop advertising revenue and gas tax revenue.

- December, January and March are not typical service months as service is reduced for the Christmas, New Year and March break holiday periods. This impacts the use of proportionate calculation for both expenditures and revenues.

- Associated with the point above is the fact that the December service stoppage period was 21 days or 5.8% of the year while the January and February service stoppage period was 37 days or 10.1% of the year for a total of 15.9% of the year. Using a proportion of such a small representation of the total year results in the calculations being skewed from what the normal situation would be.

- As all these factors would have to be adjusted which would include an extensive review of all accounts, it was determined that the time and cost to do this would not provide the City with value for money.

Audit Scope

The period reviewed was from the start of the strike, December 11, 2008, to the restoration of full service on March 23, 2009. Since revenues and expenditures are posted on a monthly basis, it was not possible to identify all revenues and expenditures within the start and cut-off dates and so the full four-month period from December to March was included. The development of the net cost of the strike included operating costs only and was not a reconciliation to those numbers that had been prepared by management. It covered incremental positive and negative changes to expenditures and revenues that were directly related to the strike.

Key Findings

1. The strike had a net cost to the City of $5.9 million (See Schedule 1 of the full audit report) as a result of reductions of $27.4 million in net revenues and $21.5 million in net expenses.

2. Para Transpo continued to operate during the strike with enhanced service to eliminate the normal 6% trip request refusal rate and in order to accommodate what amounted to 4.7% more trips. The cost of this additional service was $517,000. However, the additional revenue it generated was only $4,000 or less than 1%. This was caused by insufficient distribution of passes for purchase by Para Transpo riders.

3. Various accruals and prepayments totalling $2.3 million were made in the wrong months or to wrong accounts.

4. The City paid approximately $855,000 as a net underlifting penalty, for the difference between the original physical hedge price set on September 25, 2008 and the actual average daily oil prices posted by NYMEX at the end of each month of the study period (December to March), for fuel for which it could not accept delivery during the strike due to fuel storage tanks being full to capacity.

5. Taxi chits for disadvantaged general public clients distributed through community centres amounted to approximately $1 million. The City is disputing some of these charges.

Recommendations and Management Responses

Recommendation 1

That management develop plans for the sale, sufficient distribution and communication of the availability of passes for Para Transpo clients in the event of a strike.

Management Response

Management agrees with the recommendation.

Management has plans for the sale and sufficient (albeit limited) distribution of passes for Para Transpo clients in the event of a strike and those plans were in place during the last strike. Locations such as Zellers, Quickie, Infomart, Client Service Centres as well as some store locations at Ottawa hospitals carried the January passes for the convenience of Para Transpo clients. Community Passes were also made available at the City Client Centres as well as the Royal Ottawa Hospital.

The communication of the availability of passes for Para Transpo clients was done through advertising and public service announcements. The specific locations were communicated to the media and advertised in newspapers in January. Customer Services Officers spoke with numerous clients over the telephone and the Transit Services Accessibility Specialist was in close contact with members of the community who require Para Transpo service.

As a future practice, within two weeks of a strike announcement or before the end of the month (whichever occurs first):

- A Public Service Announcement (PSA) will announce fare media availability and locations of purchase for Para Transpo clients.
- The PSA will go to accessibility-dedicated and community centres for posting and distribution.
- Newspaper ads in French and English newspapers will appear within two days of the PSA.
- Ads and the PSA will mention availability of taxi coupons (if applicable) to Para customers according to current distribution practices.
- A selection of 50 corporate vendors with representation in every city ward will carry passes for Para Transpo clients.

The communication strategy will be completed by the end of Q4 2009.

Recommendation 2

That management ensure that utilization of special programs, such as the free tokens, is monitored to determine if it is being used as expected and value is obtained.

Management Response

Management agrees with the recommendation.

In the event of special programs requiring exchange of monetary value, management will ensure measures are put in place to monitor usage and that value is obtained. As of Q4 2009, this requirement has been established and will be evaluated on a case-by-case basis, as required.

Recommendation 3

That management ensure staff approving payment of invoices do so in a timely fashion.

Management Response

Management agrees with the recommendation.

Management designs processes to ensure the timely recording of goods and services to the correct accounting period. Finance is in the process of issuing a Request for Proposal (RFP) to automate certain manual accounts payable processes. The automation project will include processes that will alert management and financial staff on a timely basis of invoices that are due for payment. This new functionality will be available by the end of Q3 2010.

Recommendation 4

That management develop a monthly report of goods received with outstanding invoices that are older than 30 days and that the approval of those invoices be followed up.

Management Response

Management agrees with the recommendation.

A report is available for this purpose and will be monitored regularly to identify receipted transactions not matched to an invoice.

Finance presently reviews a report that lists goods received with outstanding invoices. Finance will continue to reconcile this report and alert management and financial support staff, on a timely basis, of any issues requiring follow-up. This report will be made available to the FSUs and management to allow for the timely follow-up of invoices commencing in Q1 2010.

Recommendation 5

That management ensure accruing costs and posting prepayments are allocated to the proper months and to the proper accounts and that accounts are reviewed on a monthly basis to detect potential errors in accruals or prepayments.

Management Response

Management agrees with the recommendation.

Presently, significant expenditures such as labour, are accrued for in the proper period. Generally, it is the intention to accrue for expenses on a timely basis and to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is required in order to prepare the City's audited year-end financial statements.

This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

Recommendation 6
That management pursue changes to the fuel contract to allow the City to eliminate or reduce the penalties for its inability to accept delivery of fuel during a strike.

Management Response
Management agrees with the recommendation.

On November 26, 2008, City Council approved a Commodity Hedging Policy from which a Diesel Hedging Strategy was established and implemented in 2009. The strategy was implemented by locking-in a fixed price with the supplier as well as entering into fixed swap transactions with banks to lock-in diesel prices. The swap transaction provides the City with greater capacity to manage changes in supply by providing the option to close out or unwind positions promptly and at current market prices subject to the restrictions of Provincial Regulation 653/05.

Recommendation 7
That management ensure significant expenditures that are for more than one accounting period are treated as a prepayment and allocated appropriately.

Management Response
Management agrees with the recommendation.

As mentioned in the management response to recommendation 5, generally it is the intention to accrue for expenses on a timely basis and to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is required in order to prepare the City's audited year-end financial statements. This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same

rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

Recommendation 8

That, when additional Para Transpo service is provided, management ensure plans to collect revenue for it are implemented.

Management Response

Management agrees with the recommendation.

Revenue collection processes for additional Para Transpo service will be developed and implemented by the end of Q3 2010.

Recommendation 9

That management ensure that when taxi chits are used, an appropriate control system be implemented to ensure that the City is billed only for the value of the services rendered.

Management Response

Management agrees with the recommendation.

The use of taxi chits during the transit strike was part of a mitigation strategy to alleviate the negative effects of the strike, particularly on vulnerable members of the community, including low-income residents, seniors, and persons with disabilities. Approximately 30,000 taxi chits were distributed to address ongoing transportation needs for the vulnerable sector during the strike.

A review of the taxi chits demonstrated that there were some irregularities in the manner in which a small percentage of chits were used. The City involved the assistance of the taxi chit supplier, Taxitab Inc., to undertake an accounting review of taxi chits and identified chits considered as suspicious. As a result of this process, approximately $45K in chits will not require payment by the City.

There is the potential that some other chits may have been abused, however the accounting exercise was not able to readily identify same. The Chief License Inspector has undertaken her own investigation and revealed a small number of licensed taxicab drivers who appear to have taken advantage of the taxi chit system and thereby may have engaged in conduct adverse to the public interest, contrary to the Taxi By-law. The Chief License Inspector is furthering this investigation and will consider status review hearings where appropriate, before the City's License Committee in order to serve as a specific and general deterrent regarding taxi chit misuse.

Management is working with the taxi chit supplier to seek further improvements that will serve to improve the integrity of the taxi chit system. An appropriate

control system will be developed by staff representatives from Community and Social Services, Parks, Recreation and Cultural Services, Financial Services, and Legal Services, by the end of Q2 2010.

CONCLUSION

The City experienced a transit strike from December 11, 2008 to February 1, 2009 and service was fully restored on March 23, 2009. The strike had a net financial impact of approximately $5.9 million on the City.

ACKNOWLEDGEMENT

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

4.9   Audit of the Lansdowne Park Proposal Process

EXECUTIVE SUMMARY

Introduction

At its meeting of 2 September 2009 Council approved the following two motions:

> *.1.1.1.1 MOTION NO. 71/34*
>
> *Moved by Councillor C. Doucet*
> *Seconded by Councillor G. Bédard*
>
> *WHEREAS a solicited proposal requires a competitive process for purchase of city goods and services, and construction; and*
>
> *WHEREAS City Council has approved a process refining a proposal from OSEG; and*
>
> *WHEREAS city staff have been working diligently with the proponents to clarify and define the proposal;*
>
> *THEREFORE BE IT RESOLVED that the Auditor-General be requested to determine if the OSEG bid remains unsolicited or should be considered as a project subject to the process under the Purchasing By-Law for Requests for Proposals, and that this report be made available prior to the Committee of the Whole discussion.*
>
> *.1.1.1.2 MOTION NO. 71/36*
>
> *Moved by Councillor J. Legendre*
> *Seconded by Councillor G. Bédard*
>
> *WHEREAS as Council has requested an unsolicited proposal for a Lansdowne Park Partnership Plan;*
>
> *WHEREAS City staff have reviewed the proposal for value-for-money;*
>
> *THEREFORE BE IT RESOLVED that the Auditor-General be requested to consider auditing the staff review of the proposal and that his audit report be tabled prior to Council's scheduled approval of this partnership proposal.*

This report contains the results of the audit requested by Council related to Lansdowne Park.

Background

The table below presents a brief chronology of key events related to the re-development of Lansdowne Park since 2007.

9 May 07	2006 Audit of Property Management released with recommendation 2 stating *"That the Branch develop, for City Council approval, a long-term plan and vision for Lansdowne Park in order that future usage of the park be done in conjunction with the citizens' expectations."* Follow-up audit indicates that Management's intention was to use the Design Lansdowne approach to develop this strategy.
28 Nov 07	Design Lansdowne process initiated by Council based on a "Right to Develop" approach.
8 July 08	Memo from Deputy City Manager, Infrastructure Services and Community Sustainability to Planning and Environment Committee indicating Design Lansdowne is on hold pending complete review of building condition of stadium and arena and a "review of the Shenkman business plan/CFL proposal." Per meeting minutes report was received without comment. Memo does not appear on any subsequent Council agenda.
12 Nov 08	A Council motion to re-start Design Lansdowne process is tabled and will "…rise for consideration when the City Manager's evaluation has been completed and is before Council for consideration." Motion carried without discussion.

11 Mar 09	1. "Needs Assessment and Location Analysis for Multi-Purpose Sport and Entertainment Facility" to Council. Report indicates 23 possible sites with Bayview and Carleton University as #1 and Lansdowne as #6.
	2. "Stadium Opportunity Assessment Framework" to Council. Includes criteria to be used in evaluating unsolicited proposals:
	  o Overall Need
	  o Business Plan
	  o Site Considerations
	  o Facility Design and Overall Concept
	  o Risk to City
	  o Financial Impacts to City
	3. Framework used to evaluate Ottawa Sports and Entertainment Group (OSEG) and Senators Sports and Entertainment (SS&E) proposals.

22 Apr 09	"Assessment of Stadium Proposals from OSEG and SS&E" to Council. Direction from Council to proceed with OSEG negotiations with several conditions, including in part (see Appendix 1 for complete direction):
	  o No housing component;
	  o No big box retail;
	  o Commercial uses to be "boutique" in nature;
	  o Public transit be considered; and,
	  o Any revenues generated not to be used to subsidize any professional sports.

11 June 09	City contracts with GBA for "Development Advisory Services for Lansdowne Revitalization Project Lansdowne Live". Total value of the contract is $85,400 with an additional $75,884 sub-contract to Price Waterhouse Coopers for "…preparation of the business plan and financial aspects of the project…"
2 Sep 09	OSEG/City proposal tabled at Council.

Audit Objectives

As specified in the motions from Council, the objectives of this audit are to:

- Determine if the OSEG bid remains unsolicited or should be considered as a project subject to the process under the Purchasing By-Law for Requests for Proposals; and,

- Audit the staff review of the OSEG proposal.

Conclusion

In response to the first Council motion to the Auditor General, it is our opinion that this represents a sole source response to an unsolicited bid. However, no contravention of the Purchasing By-Law has occurred and furthermore Council effectively approved this action at its meeting on November 12, 2008 when a motion to re-start the design competition was tabled pending the results of the City Manager's evaluation of the OSEG proposal. This decision was reinforced on 11 March 2009 when Council approved the Assessment Framework and was further reinforced at the Council meeting of 22 April 2009 when the City Manager was given direction to negotiate an agreement with OSEG. As such, the process being followed is legitimate and is neither inappropriate nor illegal.

In response to the second Council motion to the Auditor General, it is our opinion that, notwithstanding any potential issues with the current proposal, staff, in response to Council direction, completed a substantive negotiation process in an effort to ensure the best interests of the City were achieved.

What can also be concluded is that the current proposal does not fully comply with the conditions Council placed on the solution and contains a number of elements that remain undeveloped and which could significantly affect the viability of the project. Nevertheless, Council may determine that the current proposal is acceptable. In making this decision, it may be prudent to re-visit the conditions Council has placed on the negotiations and consider whether an approach that does not meet all of them is still satisfactory.

Acknowledgement

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

5 2009 ANNUAL REPORT ON THE FRAUD AND WASTE HOTLINE

5.1 Evaluation of the Hotline

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 and is accessible either by phone or the Internet.

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 following table summarizes the results of the employee survey conducted in June of 2008 as part of this evaluation.

Total Responses Received			2,251
Response Rate			15%
Response By Question:			
	YES	NO	
Q1 – Aware of Hotline?	2,050 = 91%	91 = 9%	
Q2 - Would use Hotline?	1,353 = 60%	898 = 40%	
Q3 – Hotline has value?	1,383 = 61%	868 = 39%	
Number of Surveys Received with Comments			942 = 42%

The analysis of the 942 comments received is presented in the following table.

Type of Comment Received	# / %
Hotline is not cost-effective. Too many resources required to address minor issues. The Hotline itself is a waste. Do not see/know of any results. Nothing changes as a result of a report.	230 comments 24% of total
Hotline has a negative connotation. Encourages vindictive, malicious and unfounded accusations. Damages City's image and employee morale.	188 comments 20% of total
Would report fraud/waste to own supervisor/manager. Use/create other avenues to report.	133 comments 14% of total

Type of Comment Received	# / %
Do not trust the anonymity/confidentiality. Fear of reprisals or repercussions.	125 comments. 13% of total
Keep Hotline. Expand it to include Police, Councillors, etc.	97 comments 10% of total
Unclear on what is intended. Do not know about it.	64 comments 7% of total
Other/Miscellaneous.	105 comments 12% of total

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 effective May 21, 2009 the Hotline was offered to the general public. During 2009 the source of the report could not be determined unless the reporter self-identified this, however, based upon the information that is available, the distribution of reports to the Hotline was as follows:

Reported by Type	Number of Reports	Percentage
Employee	49	30%
Public	50	30%
Unknown	66	40%
Total	165	100%

For 2010 and beyond, the Hotline will require that the reporter identify whether they are an employee or a member of the public.

5.2   Summary of 2009 Hotline Reports

The table below summarizes the reports received by the Hotline to December 31, 2009 by report category since its inception in November 2005.

Fraud and Waste Hotline Reports as at December 31, 2009						
Report Category[1]	2005[2]	2006	2007	2008	2009	Total
Harm to People or Potential Harm to People	0	0	0	0	0	0
Health and Safety, Environment	0	3	5	4	6	18
Alcohol or Drug Use or Other Substance Abuse	2	3	3	0	1	9

[1]   See Appendix B for the definitions of each category.
[2]   For the period of November and December 2005.

Fraud and Waste Hotline Reports as at December 31, 2009						
Report Category[1]	2005[2]	2006	2007	2008	2009	Total
Theft, Embezzlement, Fraud	3	39	26	22	28	118
Unauthorized Use or Misuse of City Property, Information, or Time	3	33	50	34	40	160
Manipulation or Falsification of Any Data	2	2	4	3	8	19
Unethical Conduct or Conflict of Interest	0	5	17	18	20	60
Violation of Laws, Regulations, Policies, Procedures	2	11	13	16	14	56
Financial Reporting and Accounting	0	1	0	1	2	4
Management/Supervisor	0	2	5	3	0	10
Suggestions for Improvement	31	26	34	18	14	123
Suggested Areas for Audit	2	4	19	7	20	52
Other	3	6	14	14	12	49
Total	48	135	190	140	165	678

During 2009, 165 reports were made to the Fraud and Waste Hotline, of which 7 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 136 reports in 2009, 105 related to 2009 and 31 related to prior years. Of these, 94 were transferred directly to management to be addressed, and 42 were addressed by the OAG.

5.3 2009 Audits Arising from Fraud and Waste Hotline Reports – Reports provided to Council

The following five audits were undertaken by the OAG in 2009 as a result of Fraud and Waste reports:

- Audit of Eight Specific Building Code Services Files
- Audit of Specific House Drawings
- Audit of Five Specific Staffing Processes
- Audit of Bridge Maintenance Process for a Specific Bridge
- Audit of Specific Contracts at the Nepean National Equestrian Park

5.4   2009 Other Issues Arising from the Hotline - No Audit Report Provided

This section includes the summaries of examples of Hotline reports which were addressed in 2009 but which were not the subject of specific audits.   Where management has taken action, the outcomes are noted below.

5.4.1 Time and Leave

1. A Paramedic Service Branch employee was sleeping in a parked City vehicle. The employee was issued a one-day suspension.

2. A Community and Social Services employee was found not fulfilling their Compressed Workweek Agreement (CWW).   The employee's CWW was cancelled for 2009.

3. A Transit Security employee was found to be "working out" during their shift. Management reported that disciplinary action was taken.

4. A By-law and Regulatory Services Branch employee was found to be taking extended breaks. The employee was issued a verbal warning.

5. A group of approximately 10 firefighters with 4 fire vehicles were seen at a City park.   The firefighters were playing soccer.   Although firefighters are encouraged to engage in local community events, this was not the case as no members of the community were participating. Fire Services management recognizes this behaviour is unacceptable and indicated this would not happen again.

6. Employees of Community and Social Services who conduct home visits were found to not return to work after home visits. The Department has introduced "Desk Side Interviewing" and there is no longer a requirement to complete home visits for some Ontario Works cases. In circumstances where home visits are required, the Branch has introduced new controls for staff.

5.4.2 Vehicles and Equipment

1. An Ottawa Fire Service (OFS) vehicle was parked in a fire lane while an occupant of the vehicle entered a coffee shop. OFS policy articulates that parking in a fire lane is prohibited during any non-emergency responses. The individual in question was interviewed and verbally reprimanded with regard to violating the standard operating procedure for parking in fire lanes with Fire Service vehicles.

2. A Transit Maintenance Branch employee had his toolbox delivered to his residence. The employee was found to be retired with physical constraints and as a result unable to move the toolbox. A policy was developed to deal with these matters.

3. A City of Ottawa vehicle was speeding near a crosswalk. The Roads and Traffic Operations and Maintenance Branch Manager reviewed with the employee their obligation to obey laws and/or applicable laws to their position as public safety is paramount to the City's operations. In addition, a hard copy of the applicable sections of the Highway Traffic Act was given to the employee.

4. A gate was left open at a City facility. Corporate Security has completed the reactivation of the gate and alarm system.

5. A member of the public contacted 3-1-1 numerous times to report a leaky splash pad and did not receive a satisfactory response. It was found that there was a flaw in the design of the splash pad and the manufacturer will provide a replacement at no charge to the City.

6. The locking mechanism on the green bins is easily broken. The provisions of the green bin contract include a 10-year warranty on all bins for normal wear and tear consistent with collection. The defective bins are replaced at no cost to the City.

7. It was found that a bus shelter that sustained serious damage was not cleaned up in a timely manner. This is due to the gap in time between when the damage is reported to the City and when the City provides the repair request to the repair contractor. Management indicted the City Call Centre now has the after-hours contact information for the repair contractor to improve response times.

8. A By-law officer was found to be violating the City's Idling Control By-law and the City policy with respect to unattended vehicles by idling their vehicle while giving out parking tickets. The employee was issued a verbal reprimand and was given a copy of the applicable policy.

9. A resident is receiving special snow clearing services. The resident has since been advised that these services cannot be offered and information was provided about the Snow and Go Assist programs.

5.4.3 Lost Revenue

Over 300 parking meters in the City of Ottawa had been damaged from August 2009 to September 2009. The cost to repair the parking meters was $34,358 and the total loss of parking revenue was estimated to be $12,000. A suspect was arrested in September 2009 and deported. No thefts have been reported since the deportation.

5.4.4 Conflict of Interest

A former City employee who was in receipt of a severance package was providing professional services to the City through a consulting firm. This violates the City's Re-employment Policy which states …"a former employee may not be re-employed on a permanent, temporary, fee for service or contract bases, 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." The City paid the firm $255,776 in fees, for the services of the former employee during the period the former employee was still receiving a severance. In this case, neither Supply Management nor the Department involved identified the potential violation of City policy before proceeding with this contract. In our opinion both should have been aware of the consultants status as a former employee still receiving a severance.

In the future the Supply Management Branch will revise the City's bid solicitation process to include a provision requiring proponents to comply with the City's policy on re-employment of former employees in receipt of severance.

5.4.5 Suggestions for Improvement

The parking lot at Constellation employs parking attendants. A cost comparison analysis was done to evaluate the use of attendants versus a swipe access gate. The gate was found to be more cost effective and will be implemented in 2010.

5.5 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 email and Internet resources by some City employees. Our 2005 audit in this area revealed significant issues regarding excessive and inappropriate non-business usage of these resources. This issue was also reported in previous Annual Reports.

In 2009, the City's own testing of the 55 top Internet users and a random 50 Internet users continued to reveal excessive non-business use. Additionally in 2009, the City reported on the 50 top Internet users from 2008. These users also had excessive non-business use. Management also reviewed one employee's corporate email account.

It is the opinion of Information Technology Services Branch; of the 155 Internet account reviewed, 11 employees appeared to have excessive non-business related Internet use. Labour Relations also found that one employee had inappropriate and non-business email usage. In total, management found that for 12 out of 156 or 8% of cases, there was either excessive or inappropriate non-business use.

The results of management reviews found that actual use in these cases ranged from appropriate use to excessive or inappropriate non-City business use. Employees with excessive non-City business use were from across the City including Deputy City Treasurer Revenue Branch, Roads & Traffic Operations & Maintenance Branch, Social Housing & Shelter Management Branch, Management Integration, Quality & Standards Branch, Paramedic Service Branch and By-law and Regulatory Service Branch. Discipline ranged from verbal warnings to written warnings. A summary of the results of management's reviews in these 156 cases is detailed in the chart below:

2009 Fraud and Waste Hotline Reports related to Usage of Corporate Email and Internet Resources		
Outcome per Management Findings	**# Of Employees**	**%**
Excessive Non-business and/or Inappropriate Use – Written Warning	6	4%
Excessive Non-business Use – Verbal Warning	1	1%
Excessive Non-business Use - Letter of Instruction/Expectation	3	2%
Excessive Non-business Use – Staff no longer with City	2	1%
Subtotal	12	8%
Reasonable Use	144	92%
Total	**156**	**100%**

This table does not include Email and Internet reviews that are part of other audits, such as the Audit of Payroll and the Audit of Eight Specific Building Code Services Files.

5.5.1 Personal Mobile Devices

This Hotline report is presented separately and in more detail since the OAG provided a specific recommendation to management. A report was received alleging a number of Paramedics were accessing Facebook and other websites through their own personal mobile devices while on duty. Management's response was this issue was discussed at all pre-shift meetings as a reminder to staff of the City policy for use of electronic equipment (both their City and personal equipment) while on duty.

The Office of the Auditor General suggested management proactively deal with the emerging issue of personal mobile device use. Our recommendation and the management response are noted below.

RECOMMENDATION
That management create and enforce a policy to address the use of personal mobile devices by City staff during work hours.

MANAGEMENT RESPONSE
Management disagrees with this recommendation. Management does not believe it is necessary to create a separate policy with respect to incidental use of personal mobile devices by City staff as we believe revisions to existing policies and current management accountabilities adequately address this issue.

The Responsible Computing Policy currently allows for responsible incidental personal use of City of Ottawa information technology assets. The use of personal mobile devices should not negatively impact the ability of any City employee to fulfill the requirements of their job. It is a key accountability in

every manager's ICA to ensure that staff are performing their duties in keeping with service excellence objectives. A revised Responsible Computing Policy will be issued following the approval of the revised Code of Conduct accompanied by a communications strategy that will reinforce the expectation of responsible incidental personal use of City assets.

The revised Code of Conduct, expected to come forward to Committee in April 2010, will be a foundational document that will outline expected staff behaviors. It will address employees' obligations to devote themselves to their City duties during work hours, which it is understood, is at the root of the concerns raised in this case.

5.5.2 Follow-up Regarding Corporate E-mail and Internet Resources from 2008 Annual Report

In the 2008 Annual Report there were four employees categorized where discipline was pending results of further management investigation. Management has now reported that of the four employees, three were issued letters of instruction/expectation.

The fourth employee was advised by their manager about the audit prior to finalization of the IT review. Labour Relations advised the manager that the employee should only be advised once the review is completed, as the City cannot impose further disciplinary action. The manager advised Labour Relations that the matter has been dealt with and no further action is required. Labour Relations recommended a follow-up review in September 2009. A review of the September and October 2009 usage reports revealed almost no Internet activity during work hours.

6 2010-2013 AUDIT PLAN

6.1 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 2009, beginning with the 2010 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 four years, taking it to the end of the mandate of the current AG.

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.

6.2 Real-time Audit of Infrastructure Projects

In 2009, the federal government announced an economic stimulus package that would provide funding to municipalities for approved infrastructure projects. It had been anticipated that the City of Ottawa's OAG would undertake real-time audits of projects being managed under this stimulus funding throughout the period of 2010-2013. However, in March 2010, it came to our attention the Auditor General of Ontario is planning to conduct a similar audit. In our view, it is more appropriate for the AG of Ontario to conduct these audits. As such, it would be a duplication of effort for the City staff and the OAG to pursue a separate audit and therefore we will not be doing so.

6.3 2010 Audit Plan

1. Remaining 2005-2007 follow-up audits

2. Financial Audit of the Lansdowne Park Proposal

3. Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System

4. Glen Cairn Sewer Rehabilitation

5. Audit of the Revenue Branch

6. Car Mileage and Use of City-owned Vehicles

7. Unique Recreational Facilities (e.g., Pineview Golf Course, Nepean National Equestrian Park, Nepean Sailing Club, etc.)

8. Selected Grant Recipients – Signed Agreements and Audit Clauses

9. OC Transpo (Part l)

10. Specific Staffing Processes in Children's Services Branch

11. Emergency Services Communication

12. Construction of the Firefighters' Memorial

13. Audits arising from Requests by Council

14. Audits arising from the Fraud and Waste Hotline

15. Follow-up of Selected Completed Audits

6.4   2011 Audit Plan

1. Performance Measurement

2. Strategic and Environmental Services Division

3. Road Resurfacing Program

4. By-Law and Regulatory Services – Licensing and Programs

5. Occupational Health and Safety

6. Records Management

7. Selected Grant Recipients

8. Audits arising from the Fraud and Waste Hotline

9. Audits arising from Requests by Council

10. Follow-up of Selected Completed Audits

6.5   2012 Audit Plan

1. Treasury

2. Print Shop

3. Performance Appraisal Process

4. Corporate Communication

5. Selected Grant Recipients

6. Audits arising from the Fraud and Waste Hotline

7. Audits arising from Requests by Council

8. Follow-up of Selected Completed Audits

6.6   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 COMMITTEE

2009 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 #
Audit of Payroll	28	25	3	0	10, 17b, 25
Audit of Eight Specific Building Code Services Files	22	18	4	0	5, 9, 13, 22
Audit of Specific House Drawings	2	2	0	0	
Audit of Five Specific Staffing Processes	12	8	4	4	1, 2, 3, 4, 7b, 9, 10, 11 12
Audit of Specific Contracts at the Nepean National Equestrian Park	19	10	9	0	2, 4, 5, 6, 9, 12, 13, 15, 18
Audit of the Bridge Maintenance Process	6	6	0	0	
Audit of the Bridge Maintenance Process for a Specific Bridge	4	4	0	0	
Audit of the Incremental Costs of the 2008-2009 Transit Strike	9	9	0	0	
Audit of the Lansdowne Park Proposal Process	0	0	0	0	
Total 2009 Recommendations - Annual Report	**102**	**82**	**20**	**4**	

Audit of Payroll

Recommendation 10

That the City review which work schedules will require "precise" time entry and that the City ensure accurate clock times are entered into the system, and that inaccurate times are not assumed or forced into the system.

Management Response

Management disagrees with this recommendation.

In 2004, when the City moved all employees to SAP, the City did a review and determined the operational areas that require "precise" work schedules. The decision was made to implement three different types of work schedules in SAP. These include: "precise", "generic" and "off by seven".

Precise schedules identify exact start and end times plus duration of lunch for each and every day of the work schedule, which can be several weeks in duration. These schedules have been set up in areas where there are variable work periods such as 24 X 7 operations and rotating shifts. All precise schedules reflect accurate clock times in the system. The benefit of precise schedules is that they drive the payment of premiums, such as shifts and statutory holiday payments, therefore alleviating the requirement to perform manual time entry as was required in the former legacy payroll systems. Over 3,600 precise schedules are utilized.

Generic work schedules have been assigned to Monday - Friday workers, who have weekends and statutory holidays off and where there is no requirement to pay premiums based on regular hours worked. The City's largest union, CUPE 503 I/O allows for flexible hours (Article 5) for employees who work Monday to Friday, 7 or 8 hours per day that span between 7 am and 5 pm. It would not be cost-effective or administratively feasible to create work schedules for every employee's flexible schedule. More importantly, it would create an administrative nightmare to manage these changes. Generic work schedules are regarded as a best practice and are utilized in many organizations. There is no advantage to having precise clock times in the system for those on generic schedules.

The 'off by seven' schedule is used primarily for casuals, as this group does not have predetermined work hours. Time entry must be completed for this group to be paid. Since there are no premiums associated with the 'off by seven' schedule, clock times are not utilized.

Recommendation 17

That the City:

a) Review their current process with respect to acting pay to ensure that documentation and system entries properly reflect the actions taken; and,

b) Review system functionality and documentation for acting pay to ensure that acting pay is properly controlled, started and stopped appropriately and that system functionality is fully utilized.

Management Response

a) Management agrees with this recommendation.

The end date for long-term acting is identified in the SAP system. However, the system has not been designed to automatically adjust pay. HR runs the "End of Acting" reports and works with clients to determine if the acting should be extended or if the term should be ended. Management will review the current process by end of Q3 2010.

b) Management disagrees with this recommendation.

Management does not agree that a hard control is necessary for various reasons. An assessment was undertaken with the City's IBM partners when implementing SAP across the organization and the resulting recommendation was to utilize SAP vanilla functionality. Automatic future dating the end of assignments in SAP was not recommended, as it would be neither cost- effective nor administratively efficient. For example, the majority of acting and temporary assignments are extended beyond the initial acting period, and therefore, employee pay is at risk if a hard control is instituted. In addition, employee status changes can occur with ongoing extensions, affecting employee entitlements and future end dating at time of hire, to pay and leave.

Recommendation 25

Given the high personal use of the Internet and e-mail, that the City perform a review of the staffing requirements in Payroll Division to determine if all existing staff are required.

Management Response

Management disagrees with this recommendation.

Payroll management reviewed the information provided by the Auditor. With respect to personal emails, we found that for six of the ten highest users, the personal usage was less than eight emails per day per employee, including incoming and outgoing emails. Management feels that there is a flaw in the Auditor's calculation in that they counted incoming emails, which the employee cannot always control. For the remaining four employees, usage was found to be in excess of the norm and appropriate action has been taken. See management's response to Recommendation 26.

Payroll management also had both Labour Relations and IT complete an independent review of Internet and email usage within Payroll. The results of the Internet review indicate no excessive usage by Payroll employees. Payroll staff use the OZONE on a daily basis to retrieve Request for Personnel Action (RPA) forms in order to process payroll. Information is sent to the bank daily via Internet for weekly and daily processing of payroll direct deposit. These activities create Internet "hits". Although the report indicates that personal Internet usage is very high, it is based on the notion of an Internet "hit". A hit is described as the retrieval of any item from a web server and it does not necessarily mean the employee was actively accessing various Internet sites. For example, listening to local radio via headset was a practice allowed within Payroll due to close proximity of employees in a very open and busy environment. An enormous number of "hits" can be associated with listening to local radio while the employee is productively working. A simple test showed that listening to the radio over the Internet can produce over 1,600 hits in one day alone.

A briefing note provided by the Manager IMIT Architecture and Security at the request of the City Manager, indicates that Internet access logs should not be used to measure time and attendance nor to measure FTE requirements of specific work units due to the fact that automated news feeds or "hits" continually update as long as the browser is open even if there is no Internet site being actively visited by the user. Furthermore, Websense, the City's Internet Security service provider has provided an opinion on the use of Websense logs to measure an employee's time spent on the Internet and hence their productivity. They support the Manager IM/IT's opinion that there is no accurate way to interpret Websense logs to measure how much time an employee spends on the Internet.

Therefore, the chart in the report identifying Internet usage in hourly increments is not an accurate way to conclude that non-business related activities are occurring within each hourly segment. Additionally, important to note on the chart is that 49% of the Internet usage falls between 11 a.m. and 2 p.m. Since Payroll staff are allowed to take lunch hour between these hours, it would be normal to see higher Internet usage throughout those timeframes, which further calls into question the auditor's conclusion with respect to employee productivity. Refer to Appendix C "Understanding Internet Access Logs" and supporting letter from Websense, for detailed information pertaining to Internet usage.

Based on the information presented above regarding personal use of Internet and email, management is of the opinion that this has no impact on determining staffing levels. In addition, the payroll management team assesses organizational and staffing requirements on an ongoing basis based on criteria such as past

experience, production volumes and special project workload requirements (such as Telestaff integration, automated mileage and parking reimbursement, and time/leave automation).

Audit of Eight Specific Building Code Services Files

Recommendation 5

That the City require Inspectors to follow up on active building permit files if a reasonable amount of time has passed between inspections and the owner has not called in, with the purpose of ensuring that work is not continuing without the inspector having an opportunity for timely inspections. The City should define what will be considered to be a reasonable amount of time.

Management Response

Management does not agree with this recommendation.

From a Building Code standpoint, the scheduling of inspections is a function of the builder's readiness and is not in the branch's realm of control. Per section 10.2 (1) of the Building Code Act, the responsibility to schedule the inspections rests clearly with the builder. It is the prerogative of the builder to determine how quickly they wish to complete their construction and to schedule the inspections accordingly.

The assumption of progress or status inspections for all permits irrespective of the permit holder's readiness would increase inspections resourcing requirements significantly and could be misconstrued by the permit holder and the industry that the municipality has assumed statutory responsibilities vested in the permit holder / industry. This would confuse respective legislative roles and responsibilities.

The Building Code Services branch (BCS branch) has instituted other effective processes at minimal cost. In 2006, the BCS branch introduced the Refundable Inspection Fee as an incentive for the builder to complete the inspection process in a timelier manner and make more judicious use of the limited inspection resources. The Fee is reimbursed once the Final Occupancy Permit is issued. Since the introduction of the Refundable Inspection Fee, the timeframe between the start of construction to completion has decreased for low-rise residential construction. A large number of files reviewed in this audit pre-dated the introduction of the Refundable Inspection Fee in 2006.

Regarding Findings 1 to 4 (*File No. 4 – House)*, and section *4.1.4* (in the detailed audit report) the Auditor has expressed a number of opinions regarding the regulatory requirements of the building subject of the audit. Management would like to clarify that the building permit was issued for a factory-built home. Building components that are designed and constructed in manufacturing plants

in accordance to the applicable CSA standard are deemed to comply with the Code.

In this case, the foundation of the house was constructed outside the place of manufacture and was subject to the required inspections. The foundation inspection was undertaken December 10, 2004. The plumbing underground was inspected May 4th, 2005. However, the homeowner did not schedule the occupancy inspection due to their lack of familiarity with the processes and requirements. It is noted that the final plumbing and final mechanical inspections are normally undertaken at the time of the Final Occupancy inspection.

Recommendation 9

That the City ensure the BCSB follow the Policies, Guidelines and Standards, which require the submission of an as-built survey for new housing prior to issuance of an Occupancy Permit. In this case, an as-built survey was not provided.

Management Response

Management does not agree with this recommendation.

The branch Policies, Guidelines and Standards assign discretion to staff to determine whether the requirement for a Plan of Survey is applicable, or not, based on specific site conditions. For example, as in this case, the lot was 5.08 acres and based on the permit plans, the Building Official was able to determine that the foundation of the building was sufficiently set back from the lot lines to satisfy the minimum required set backs for front, side and back yards. In fact, the building was set back approximately 42 m from the front lot line [required set back was 15 m], 16 m in the east side yard [required 10 m], 60 m in the west side yard [required 10 m] and 63 m in the rear yard [required 15 m]. A plan of survey was not necessary to determine compliance.

As previously noted, the operational policy clearly affords discretionary authority to staff:

> "It is the policy of the Building Services Branch to require the submission of a plan of survey prepared by an Ontario Land Surveyor for (i) new housing and (ii) additions to housing as determined by the Building Inspector."

In the review of the sampling of files, there were no instances where a Plan of Survey was omitted contrary to the branch Policies, Guidelines and Standards.

As also noted in the response to Recommendation 7, requiring every permit holder to obtain and submit a Plan of Survey prepared by an Ontario Land

Surveyor is inefficient, needlessly increases the construction costs borne by the property owner and runs counter to the principles of Service Excellence.

Recommendation 13

As in one of the files reviewed the structural engineer for the builder identified some deficiencies in the foundation and foundation walls, but did not re-inspect them to confirm that the deficiencies had been corrected, that the City ensure that inspectors refrain from signing off without the engineers confirmation that the structures are being built in accordance with the design. Failure to do so results in unwarranted transference of liability from the builder to the City.

Management Response

Management does not agree with this recommendation.

It is not the building official's role to give directions on how the consulting engineer is to discharge his/her responsibilities. Providing directions would effectively transfer the assumption of liability for the design of the reinforced concrete foundations from the qualified designer, the consulting engineer, to the City. It is the building official's role to accept the engineering reports provided on site by the permit holder and to review the information for the purpose of confirming the reports reflect the intended Part 4 design. If deficiencies in the engineer's reports are identified, the building official will request further engineering reports. The consulting engineer, in performing field reviews, accepts responsibility for their design as constructed. The consulting engineer is requested by the permit holder to perform any re-inspections where deficiencies have been observed by the building official.

Contrary to the opinion expressed in Finding 4 (*File No. 2 – Subdivision)*, and Findings 2 and 3 (*Structural Field Review)*, the City must not assume responsibility and liability that rests squarely with the professional by giving direction, as suggested above, as to how the professional engineer is to manage their responsibility. BCS branch's obligation is to ensure Part 4 design under the OBC for Part 9 buildings or parts thereof, that fall outside the prescriptive standards set out in Part 9, by requiring the design to be carried out by a qualified designer, which the branch has deemed to be a professional engineer. The building official does not manage the permit holder's consultants. Branch Policies, Guidelines and Standards require that the consulting engineer provide the building official the final letter of sign-off prior to the issuance of the Final Occupancy Permit.

The final letter of sign-off by the consulting engineer will include statements of the deficiencies noted, the remedial work completed to address the deficiencies and acceptance of the remedial work. The consultant engineer thereby assumes responsibility and liability for the work undertaken. The branch's Policies,

Guidelines and Standards reflect this delineation of responsibility and risk assumption.

Recommendation 22

Given the level of personal use of Internet and email, that the City perform a review of the staffing requirements in Building Code Services Branch to determine if all existing staff are required.

Management Response

Management does not agree with this recommendation.

Overall there were no substantiated performance issues or evidence of wasted productivity that would warrant such a recommendation.

It is noted that this recommendation contradicts the 2006 Audit of Building Services which stated "Insufficient resources exist within BSB to continue to effectively manage workload".

Internet Usage

Many sites result in IP address tags. Visiting certain businesses' websites can generate up to 40 "non-business hits" using the criteria defined by this audit. It is conjecture to conclude that BCS branch program managers were using the Internet inappropriately from the kind of analysis conducted. Reliance on the raw data is not sufficient to clearly and accurately discern intent of use. One would have to sit with an employee at his or her computer to correctly ascertain and categorize the usage. For example, in one case a program manager had been listening to a news piece on a particular building site in preparation for responding to media enquiries and accidentally left his computer running all through the weekend with the browser still open to cbc.ca. This generated a very large number of "hits" which were included in the count as personal use.

The City's Responsible Computing Policy does not disallow Internet streaming for local media. In a recent presentation to all BCS branch employees an IT Services manager specifically told staff that listening or visiting local media sites is permitted as long as network bandwidth capacity is not impacted.

Emails

The photograph found of an "office pool" was taken by an employee. The program manager will download to his personal drive photographs from City-owned cameras whenever a building official is reassigned with the intent to review these, cull the inventory, and properly store the pictures in the branch's electronic library at a later time. The program manager had not yet scrutinized the photos to determine their relevancy for work. Since the time of this audit the photograph was removed from the program manager's drive. There was no lottery as is implied in the audit. The incident was related to several building

officials' unprecedented frustration over a builder's abuse of the inspection process. Eventually the situation was resolved as meetings were held with the builder's representatives to discuss the performance issues. The board was never visible to the general public and was up two to three days at most. Once the program manager noticed the board it was removed. The employees have since been made aware of the inappropriateness of the incident and have been reminded of the Code of Conduct to which they are held.

Since this audit, all BCS branch staff and management have received training on the City's Responsible Computing Policy. In addition, a memo regarding appropriate use of email and Internet use that included a reminder of the Code of Conduct was sent to all staff from the Director/Chief Building Official. In addition, the Director/Chief Building Official has also requested that IT Services conduct periodic reviews of Internet use within the branch.

Please see the briefing note (Appendix 1) dated 25 January 2010 submitted from IT Services to the City Manager regarding the ability to use the City's Internet filtering service for interpreting Internet usage.

Audit of Five Specific Staffing Processes

Recommendation 1

That the City clearly indicate in the competition poster how equivalencies will be evaluated by way of a grid or definition of equivalent combinations of education and experience in order to protect the integrity of the process, and to ensure that successful candidates do in fact provide the City with value for money and the level of expertise for which it pays.

Management Response

Management disagrees with the recommendation.

The Human Resources department (HR) refers to the Education & Experience Equivalency Guidelines For Recruitment & Staffing Purposes, which outlines the various options for evaluating equivalencies. Each individual applicant must be assessed on their own merits, given their unique combination of experience, training and education. It is not practical, therefore, to attempt to include all of the equivalency options in a competition poster.

Recommendation 2

That the City ensure that screening of candidates is conducted in a more consistent and rigorous fashion based on job poster requirements and that candidates who do not meet the requirements are screened out.

Management Response

Management agrees with the recommendation.

The Human Resources department conducts screening of candidates based on the posted requirements and the City's equivalency considerations. Given the technical requirement of some jobs, hiring managers may need to make their own interpretations with respect to the suitability of applicants. If the hiring manager screens a candidate back in, the hiring manager must document the rationale/criteria in the 'Competition Screening Summary'. Staffing Officers review the file to confirm that this documentation is present and appropriate, and will contact the hiring manager if it is not.

Based on the limited sample reviewed as part of this audit, it cannot be assumed as indicated in the report, that it is a prevalent practice to allow employees to compete on the basis of a liberal interpretation of equivalencies.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 3

That the City ensure that its hiring managers provide documented rationale of actions and decisions taken, such as providing the competition screening summary with their comments to Human Resources within a reasonable period of time prior to the scheduling of interviews to allow meaningful consultation and the opportunity for Human Resources to fulfill its oversight and compliance role.

Management Response

Management agrees with the recommendation that hiring managers provide documented rationale of actions and decisions taken on the Competition Screening Summary, and this is the current practice.

Management disagrees with the recommendation that the Competition Screening Summary be returned to HR and reviewed prior to the interviews being scheduled.

The role of the Human Resources (HR) department is to provide hiring tools, direction, and advice to managers; the role of hiring managers is to be accountable for the hiring decision.

HR provides a 'Competition Screening Summary' spreadsheet and an email to hiring managers that includes detailed instructions and links to key tools with respect to the competition process. Hiring managers are required to document their comments and decisions on the 'Competition Screening Summary' spreadsheet prior to initiating interviews. Consultation with HR is recommended however, in many cases the competition is straightforward and the hiring

manager can choose to proceed without consulting HR. Further, given the volume of competitions, this recommendation is neither practical nor feasible.

The completed Competition Screening Summary is checked for compliance upon return to HR. In addition, HR conducts quarterly reviews/audits of competition files to ensure that the proper staffing processes have been followed.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 4

That the City ensure that hiring managers document competition results and send competition files with summary sheets outlining all results as well as the proposed order in which offers would be made for discussion and validation to Human Resources prior to any verbal or written offers being made.

Management Response

Management agrees that a review of the competition file should be completed by HR prior to a written offer being issued, however, that review can be done via a discussion with the hiring manager.

The role of the Human Resources (HR) department is to provide hiring tools, direction and advice to managers; the role of hiring managers is to be accountable for the hiring decision. HR is directly involved in creating all written offers.

For all competitions, HR provides hiring managers with detailed instructions and links to key tools with respect to the process.

Final interview results and proposed offers are generally discussed with the Staffing Officer or Human Resource Consultant prior to offers being extended. However, where Human Resources is not directly involved in the interview process, a verbal offer may be extended at the discretion of the hiring manager.

Requiring that all competitions have a consultation point with HR prior to a verbal offer would prolong the process unnecessarily for a straightforward staffing action. Management believes that this additional investment yields limited returns. All written offers are extended following consultation and a review of the hiring decision with HR.

The Human Resources department uses the "Competition Administrator" database to track competition milestones, including the date the completed file is received.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 7

That the City ensure that:

a) All disciplinary actions taken are documented, and a record of such infraction is kept on the employee's file or in the immediate supervisors records; and,

b) Performance appraisals address disciplinary issues.

Management Response

Management disagrees with recommendation 7 b).

Performance appraisals are non-disciplinary tools that have a much broader application for performance and development and are not intended to deal with disciplinary issues. While aspects of performance that have been subject to discipline may be discussed and referred to in a performance appraisal document, the disciplinary process is separate from the performance management process.

Recommendation 9

That the City revoke the delegation of authority for hiring from the Managers involved in this case for a definite period of time during which time all hirings would involve the direct participation and final approval of Human Resources.

Management Response

Management disagrees with the recommendation.

In accordance with the Staffing and Selection Guide for Managers and Supervisors, the hiring manager is accountable for the hiring process, which is not subject to final "approval" by Human Resources. Human Resources will work with the hiring manager to ensure compliance with the process.

Although this recommendation is based on an isolated case, the Finance department will implement new measures to ensure greater internal scrutiny to mitigate any perception of conflict of interest in its hiring practices.

Recommendation 10

That the City ensure appropriate processes and controls are implemented with respect to the proper documentation and retention of competition files, and that the hiring managers and the Department of Human Resources fulfill their respective responsibilities in this regard.

Management Response

Management agrees with the recommendation, and it has been implemented.

Human Resources have an approved Records Information Management (RIM) file that incorporates all aspects of the competition process and managers submit all of their competition files for inclusion on this official file. The Human

Resources Consultant and/or Staffing Officer review the file upon receipt and request missing documents from the hiring manager.

OAG COMMENT: The OAG considers that this recommendation should be forwarded to the Audit, Budget and Finance Committee for discussion.

Recommendation 11

That the City implement higher standards and more objective practices relating to the hiring of temporary employees and summer students to ensure greater fairness and impartiality in the hiring process such as selection from pre-qualified job inventory lists.

Management Response

Management disagrees with the recommendation.

Summer students are subject to a competitive process. Temporary hires are subject to various processes outlined in collective agreements and may include a competitive or non-competitive process, however, the hiring decision must be defensible under the collective agreement rules. Accordingly, management believes that this process is objective and has high standards. The exception to this process is for temporary positions of less than 14 weeks where the employee can be hired through a temporary agency, which has its own screening process.

With respect to the proposal of a pre-qualified job inventory list, the City has a vast variety of jobs that would preclude developing and maintaining inventories for temporary employees in all possible job turnover situations. In many cases, the hiring of temporary employees is subject to various considerations under collective agreement, such as acting appointments and recalls from layoff. Temporary employees may also be hired from temporary agencies under the City's standing offer.

Recommendation 12

That the City determine a maximum duration for acting appointments.

Management Response

Management disagrees with the recommendation.

The Terms and Conditions of Employment (MPE in this instance) provide guidelines that indicate when an acting appointment should be posted, with an ability to recognize exceptions to meet operational requirements. It is management's view that flexibility is sometimes necessary for operational requirements but has found that it is not often exercised.

Audit of Specific Contracts at the Nepean National Equestrian Park

Recommendation 2

That the City ensure that agreements, including but not limited to rental contract agreements, be signed by the lessee and City authorized staff prior to an event, ideally at the time of booking, and that all pages of all schedules be initialled.

Management Response

Management disagrees with the recommendation.

Management agrees that contracts relating to the NNEP must be signed prior to the event and this is now the current practice at the NNEP. As per the Parks and Recreation Procedure for Signing Rental Contracts, approved on October 6, 2008, rental agreements must be signed prior to the rental event in order to finalize the rental contract.

Management disagrees that all pages of schedules attached to the agreements should be initialled. Legal Services has advised management that rental clients are not required to initial or sign the schedules, as long as these schedules are provided to the client at the time the agreement is signed and the rental contract states that the terms and conditions attached to the agreement form part of the agreement.

Recommendation 4

That the City ensure that the full rental rate in effect be charged for all events.

Management Response

Management disagrees with the recommendation.

The full rental rate is charged for special events at the Nepean National Equestrian Park. Parks, Recreation and Culture staff, including NNEP staff, do not have the permissions to change rental fees entered in Class without management approval. The Class Support team are the only staff that can override fees in Class, once management approval is received.

The General Manager of Parks, Recreation and Culture <u>may</u>, pursuant to Delegation of Authority By-law 2009-231 section 17(1)(a) approve, amend, extend and execute agreements related to the use of City recreational facilities.

The rental rate is one aspect of these agreements, which is negotiated within the context of the mandate of the PRC department, and the September 28, 2005 Council-approved mandate for the NNEP. This mandate, which was a proposal put forth to Council by Parks and Recreation staff, is to achieve 100% cost recovery at the NNEP.

In the case of the organizing group n⁰. 2, management committed to holding the rental rate at 2008 levels for three years to provide consistency in payment to allow the group the opportunity to become established, and the NNEP to increase revenues in accordance with the Council-approved Competitive Service Delivery Review Report.

Recommendation 5

That the City establish a policy that requires that a deposit be requested for all rentals and, through the corresponding FSU, ensure that deposits are collected on all rental contract agreements and that full payment is received prior to an event being held.

Management Response

Management disagrees with the recommendation.

Management feels that it is not necessary for deposits to be collected for all rental contract agreements at the NNEP since the current Parks, Recreation and Culture Pay Before You Play policy requires that payment be collected prior to the start of a rental event. For all rental agreements at the NNEP, payment is now received in advance of the rental event.

Recommendation 6

That the City clarify the responsibility for negotiating special events and revise job descriptions and classifications accordingly.

Management Response

Management disagrees with the recommendation.

Management has reviewed the applicable job description and has determined that no revision to the job description and classification is required. The NNEP Portfolio Manager negotiates all special events taking place at the park. The Park currently has 15 special events per year in addition to the regular park rentals. In the case of the organizing group n⁰. 2, this was a new and large-scale event and as a result more senior staff were involved in the negotiation of the rental fees.

Recommendation 9

That the City ensure that corporate service level providers (e.g., FSUs, human resources, records management, etc.) monitor more closely and provide greater assistance to outlying/remote operations and facilities.

Management Response

Management disagrees with the recommendation.

The corporate service level providers (e.g., FSU, human resources, records management, etc.) provide an appropriate level of assistance to the NNEP. The

Portfolio Manager is responsible for monitoring NNEP operations and facilities and the corporate service level providers (e.g., FSU, human resources, records management, etc.) provide ongoing assistance.

Recommendation 12

That the City undertake a study of comparable facilities, both private and publicly owned, to determine if the rental rates at NNEP are competitive.

Management Response

Management disagrees with the recommendation.

Management conducts an environmental scan annually prior to increasing rental rates.

With regard to the NNEP, this has proven to be a difficult exercise since:

- There are no comparable facilities;

- Private competitors are reluctant to provide any information;

- Information found on the Internet has been found to be unreliable as many variables are taken into consideration when establishing rental rates. Examples of variables are: the nature and number of services provided, the period of time, the frequency, unionized staff/wages, is work performed by full-time vs. part-time staff, the duration of the rental, the size of the facility and exactly what is booked/required for the event i.e., entire facility vs. components of the facility; and,

- It is difficult to determine the levels of direct and indirect funding being received from various sources.

Rental rates at NNEP are determined based on three variables:

- Environmental scan information;

- Cost of living increases (COLA) approved by Council for the Department of Parks, Recreation and Culture; and,

- Cost recovery targets.

Recommendation 13

That the City develop a corporate policy or guideline governing the awarding of prize money including but not limited to:
- **Criteria for awarding prize money;**
- **Accounting of prize money; and,**
- **Evidentiary documentation of the disbursement;**

and that the appropriate FSU ensure its enforcement.

Management Response

Management disagrees with the recommendation.

The distribution of prize money is an anomaly at the City of Ottawa and management does not believe that the development of a corporate policy or guideline is required.

With regard to this audit, the practice of prize money being distributed by City staff at the NNEP has ceased. Staff at the NNEP have not managed or awarded cash prizes for events at this site since 2007. The distribution and accounting of prize money is now overseen by the third party event organizers. Criterion for judging and awards related to events noted in the audit is dictated by Equine Canada and/or the Ontario Equine Federation.

Recommendation 15

That the City establish separate line items for accounting for prize-money, including but not limited to the NNEP - horse riding jumping competition.

Management Response

Management disagrees with the recommendation.

The distribution of prize money is an anomaly at the City of Ottawa and management does not believe that the establishment of separate line items is warranted.

With regard to this audit, the practice of prize money being distributed by City staff at the NNEP has ceased. Staff at the NNEP have not managed or awarded cash prizes for events at this site since 2007. The distribution and accounting of prize money is now overseen by the third party event organizers.

Recommendation 18

That the City ensure NNEP management meet the required duties and responsibilities or conversely that job descriptions be amended and re-evaluated in relation to duties not currently performed.

Management Response

Management disagrees with the recommendation.

Management has reviewed the applicable job description and have ensured that NNEP staff meet the required duties and responsibilities and does not believe that the job description requires amendment or re-evaluation.

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.

APPENDIX C: BY-LAW NO. 2009-33