



Office of the Auditor General / Bureau du vérificateur général

2009 AUDIT OF SPECIFIC CONTRACTS

AT THE NEPEAN NATIONAL EQUESTRIAN PARK

2009

VÉRIFICATION DES CONTRATS PROPRES

AU PARC ÉQUESTRE NATIONAL DE NEPEAN

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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^o. 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 n^o. 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 n^o. 1 held their Horse Show from July 12 to 16, 2006.

In 2007, on the 20th anniversary edition of the event, organizing group n^o. 1 cancelled their equestrian tournament. Organizing group n^o. 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 n^o. 2) teamed up to revive the annual National Capital Open in Ottawa. The first edition was held in 2008 under the organizing group n^o. 2, co-chaired by █████ and █████, with █████ as honorary chair and █████ as show manager. The organizing group n^o. 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^o. 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^o. 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^o. 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^o. 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^o. 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^o. 2. Correspondence from City staff indicates that this work was undertaken to “accommodate the [organizing group n^o. 2] event”.

2. Based on the above, one could reasonably conclude that preferential treatment was afforded the organizing group n^o. 2.
3. During 2003, the organizing group n^o. 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^o. 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^o. 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^o. 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 nor 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 n^o. 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 n^o. 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^o. 1 ceased its operation of a yearly weeklong event to be valid.

The allegation of preferential treatment included claims that the organizing group n^o. 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^o. 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^o. 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^o. 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^o. 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^o. 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 n^o. 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^o. 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^o. 2. Correspondence from City staff indicates that this work was undertaken to “accommodate the [organizing group n^o. 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^o. 2.
- Both the organizing group n^o. 1 and the organizing group n^o. 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^o. 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^o. 1 and organizing group n^o. 2.

RÉSUMÉ

Introduction

La vérification des contrats propres au Parc équestre national de Nepean (PENN ou le Parc) a été effectuée à la suite d'un signalement à la Ligne directe de fraude et d'abus. Elle n'était pas précisée à l'origine dans le plan de travail de 2009 du vérificateur général qui a été présenté au Conseil en juin 2008.

Contexte

Lors de la fusion, la Ville d'Ottawa a intégré à ses installations le Parc équestre national de Nepean de l'ancienne ville de Nepean. Le gestionnaire de portefeuille du PENN est responsable de l'administration du Parc et relève du gestionnaire de la Direction des installations sportives et récréatives du Service des parcs, des loisirs et de la culture.

Ottawa est l'une des rares municipalités canadiennes à exploiter une ferme équestre. Le PENN est une ferme de 270 acres située dans le quartier ouest de la Ville, au 401, chemin Corkstown. Le terrain est loué à la Commission de la capitale nationale (CCN) à un coût de 20 000 \$ par an. Ce bail expire en 2011.

En 2004, le Conseil municipal a donné instruction au personnel d'élaborer un modèle de prestation de services propre à assurer le recouvrement intégral des coûts du PENN. La mise en œuvre du modèle de prestation de services propre à assurer le recouvrement intégral des coûts a entraîné des augmentations du coût de location du Parc, fondement de l'allégation qui a abouti à la vérification actuelle. Malgré la mise en œuvre de ce modèle, le Parc continue d'enregistrer un déficit sur une base annuelle. En 2008, les dépenses réelles du PENN s'élevaient à 1 028 084 \$ et les revenus à 749 481 \$, pour un déficit total d'exploitation de 279 323 \$.

Les principales activités du Parc comprennent des leçons d'équitation de base pour le public, l'hébergement de 21 chevaux qui appartiennent à des particuliers, des camps de jour, des leçons d'équitation particulières ou en petits groupes, des stages ainsi que la location des lieux, en partie ou au complet, pour des événements (p. ex. tournois équestres, expositions canines, etc.). Au moment de la rédaction du présent rapport, le PENN possédait également 32 chevaux. Le Parc assure sa programmation grâce à 15 équivalents temps plein (ETP) : 13,4 ETP étant des employés municipaux, 1,4 des bénévoles et 0,2 un maréchal-ferrant contractuel. Une ressource additionnelle, un moniteur d'équitation, est sous contrat comme achat de services payé sans référence (abordé plus tard dans le présent rapport).

Depuis la fin des années 1980, le groupe organisateur n° 1 organise un concours équestre annuel de haut calibre qui a lieu en juillet au Parc équestre national de Nepean. Cet événement utilise l'ensemble du Parc, ce qui se reflète dans le prix de location. La direction nous a informés qu'à l'ancienne Ville de Nepean, le contact

initial en vue de cet événement s'est fait au niveau politique et a été négocié directement entre les organisateurs/coordonnateurs du concours et la haute direction. Cette pratique persiste jusqu'à aujourd'hui.

Les concours hippiques dont il est question dans le présent rapport sont des événements d'envergure nationale qui durent une semaine, et auxquels assistent des amateurs et des concurrents réputés et de haut calibre. De fortes sommes sont remises sous forme de prix.

Comme nous l'avons vu précédemment, pendant le processus d'établissement du budget de 2004, le Conseil municipal a donné instruction au personnel d'élaborer des options de prestation de services propres à assurer le recouvrement intégral des coûts. Le 28 septembre 2005, le Conseil a approuvé la proposition d'options de prestation de services des Parcs et des Loisirs visant à réaliser le recouvrement de 100 % des coûts du Parc équestre national de Nepean. La direction nous a informé que malgré le modèle de prestation de services propre au recouvrement des coûts approuvé par le Conseil, elle conserve le droit de louer à sa discrétion certaines installations, comme le Parc équestre national de Nepean, le terrain de golf Pineview, etc., à un taux inférieur au plein tarif de location. Une des possibilités de revenus recommandées dans le rapport au Conseil par le personnel était que la Ville fournisse seulement les installations pour des événements spéciaux, sans appui direct aux événements, qu'il s'agisse de temps consacré par le personnel ou de sous-traitance pour l'entretien des routes, l'arrosage des pistes de terre battue, etc. Une réduction du niveau de service fourni par la Ville sans facturation des frais au locataire devait être mise en œuvre graduellement au cours des deux années subséquentes, à compter de 2006. Les revenus accrus décrits dans le rapport de 2005 (qui ne comprenaient pas de hausse du tarif de location) devaient être réalisés sur une période de quatre ans, et comprenaient la tenue d'événements additionnels.

En 2006, le groupe organisateur n° 1 a été officiellement avisé de l'interruption de la fourniture des services par la Ville et de son incidence financière directe sur les locataires. Dans ce cas, il en résulterait des coûts additionnels de quelque 21 400 \$ (services de camion d'eau : 6 000 \$, coût de la main-d'œuvre pour l'entretien du manège : 12 000 \$, location du rouleau pour le manège et entretien des estrades : 3 400 \$). Néanmoins, le groupe organisateur n° 1 a organisé son concours hippique du 12 au 16 juillet 2006.

En 2007, lors du 20^e anniversaire de l'événement, le groupe organisateur n° 1 a annulé son tournoi équestre. Le groupe organisateur n° 1 a affirmé que l'annulation était liée directement aux frais additionnels imposés par la Ville qui faisaient que la tenue du tournoi n'était plus rentable. Par conséquent, Ottawa n'a accueilli aucun concours ou événement de ce calibre en 2007.

Les [REDACTED] et [REDACTED] (groupe organisateur n° 2) ont fait équipe pour rétablir le National Capital Open, qui a lieu annuellement, à Ottawa. La première édition a eu

lieu en 2008 sous l'égide du groupe organisateur n° 2, coprésidé par [REDACTED] et [REDACTED], avec [REDACTED] à titre de président d'honneur et [REDACTED] comme directeur du concours. Le groupe organisateur n° 2 a donné plus d'ampleur à l'événement annuel en augmentant le nombre de jours de compétition de cinq à dix sur deux fins de semaine : du 6 au 10 août, le tournoi National Capital, et du 13 au 17 août, le Kubota National Capital Open. L'événement supplémentaire d'une semaine (cinq jours de plus) est conforme à l'initiative énoncée dans le rapport du Conseil de septembre 2005 quant à la tenue par le PENN de nouveaux événements équestres afin d'accroître les revenus.

En 2009, le groupe organisateur n° 2 a organisé la deuxième édition du National Open du 12 au 16 août et le Tournoi national CSI du 19 au 23 août.

Portée de la vérification

La vérification portait sur les contrats particuliers de location de cinq jours, à savoir le concours hippique du groupe organisateur n° 1 organisé de 1987 à 2006 (contrats de 2006-2007 examinés), le Kubota National Capital Open de 2008 et le National Capital Tournament de 2008. La vérification englobait également les dépenses en capitaux engagées pour l'entretien et la mise à niveau du PENN ainsi que les subventions accordées à des tournois/concours hippiques particuliers (jusqu'en 2008). Cependant, les critères et la justification de l'octroi des subventions n'ont pas été examinés.

La vérification ne comportait pas l'examen approfondi de l'exploitation des installations ni l'examen du bail signé entre la Commission de la capitale nationale et la Ville.

Objectifs

Objectif de la vérification 1 : Évaluer la validité de l'allégation de traitement préférentiel et inéquitable dans les conditions générales du contrat.

Objectif de la vérification 2 : Évaluer la validité des allégations d'investissements substantiels de la part de la Ville depuis la prise en charge de l'événement par de nouveaux coordonnateurs.

Résumé des principaux résultats

1. Cette vérification fut entamée afin de répondre à une allégation voulant que le PENN, dans ses tentatives de raviver le tournoi annuel National Capital Open en 2008, est alloué un traitement préférentiel au groupe organisateur n° 2. Notre examen de documents (c.-à-d. le contrat provisoire de 2007 annulé par le locataire et le contrat de 2008), ainsi que les mesures prises par la gestion en ce qui concerne les dépenses en immobilisations au Parc, ont soulevé les points suivants :

- a) le contrat provisoire de 2009 avec le groupe organisateur n° 2ne comprenait pas la hausse du tarif de location de 32 773 \$ à 36 050 \$ (taxes comprises);
 - b) il est difficile de déterminer si tous les services de soutien ont été facturés au locataire;
 - c) pendant le National Capital Tournament et le Kubota National Capital Open qui ont duré 10 jours en 2008, 59 heures supplémentaires ont été encourues par le PENN, pour une somme de 1 619 \$. L'information disponible ne nous permet pas de déterminer avec certitude si une partie ou la totalité de ces 59 heures supplémentaires concernait ces événements;
 - d) la Ville a injecté 95 875 \$ (26 % des fonds) dans les six premières années suivant la fusion et 270 619 \$ (74 %) dans les 2,5 dernières années après l'entrée en scène du groupe organisateur n° 2. (Ces totaux sont en date du 19 juin 2009.) Bien que certains de ces fonds aient été utilisés pour le secteur de l'école d'équitation, plus de 100 000 \$ ont été investis en 2008 dans l'amélioration du système d'électricité dans le secteur qui devait être utilisé par le groupe organisateur n° 2. La correspondance du personnel de la Ville indique que ce travail a été entrepris pour « accueillir l'événement [groupe organisateur n° 2] ».
2. D'après ce qui précède, on pourrait raisonnablement conclure qu'un traitement préférentiel a été réservé au groupe organisateur n° 2.
 3. En 2003, le groupe organisateur n° 1 a reçu une subvention ponctuelle au développement économique de 10 000 \$ pour aider à compenser la perte de deux commanditaires importants de l'événement de cette année-là, et en 2008, le groupe organisateur n° 2 a reçu une subvention ponctuelle au développement économique de 15 000 \$ pour atténuer le coût de démarrage de la tenue du concours de 10 jours. Dans ni l'un ni l'autre de ces cas, les états financiers vérifiés de l'événement n'ont été demandés par Parcs et Loisirs ou la Viabilité économique et Durabilité de l'environnement. De plus, la direction nous a avisé que le groupe organisateur n° 1 a également reçu 5 000 \$ en 2001 et 5 350 \$ en 2002 de la Ville d'Ottawa. Le financement de 2001 a été dépensé à même le centre de coûts « Fournitures diverses » avec la mention « Commandite ». Le financement de 2002 a été dépensé à même le centre de coûts « Location-Divers » avec la mention « PENN-Location de tentes-Saut d'obstacles ». Ces montants additionnels portent le montant total remis au groupe organisateur n° 1 à 20 350 \$.
 4. La capacité du Parc de répondre à ses objectifs opérationnels est en péril en raison du manque d'application efficace et efficiente des processus municipaux de gestion des opérations quotidiennes. Les domaines précis touchés sont la gestion des documents, la gestion des contrats ainsi que la gestion financière. Par exemple :

- Le PENN n'a pas de bureau central pour la conservation des documents et n'envoie pas les dossiers anciens à Iron Mountain, le service d'entreposage des dossiers de la Ville. Le Parc n'utilise pas non plus le Système de gestion des documents (SGD) de la Ville et n'ouvre pas de dossier officiel à l'aide du modèle de classement des documents municipaux.
- Les contrats de location ont été signés seulement après la tenue de l'événement. De plus, bien que l'Annexe A, l'Annexe B et les conditions générales soient jointes au contrat, les locataires ne les parafent pas.
- Le paiement de la location des installations enfreint habituellement la Politique municipale Payer avant de jouer (*Pay Before You Play*) qui stipule que le paiement doit être effectué entièrement selon les conditions de paiement décrites sur le contrat CLASS. L'échéance du contrat CLASS examiné était une semaine avant la date de l'événement. La date de réception du paiement exigée sur le contrat est également décrite à l'article 29 des conditions générales jointes au contrat. De plus, la direction du Service des parcs, des loisirs et de la culture a réitéré que c'était l'usage durant tout le temps qu'a duré notre travail de vérification sur le terrain.
- Aucun acompte n'est demandé aux locataires, ce qui est contraire à l'article 32 des conditions générales – Annulation/remboursements joint au contrat, qui précise que : « Un préavis écrit de 30 (jours) est exigé pour des événements tels que, sans s'y limiter, des tournois, camps, événements spéciaux ou foires commerciales. Pour des événements d'envergure, des exigences supplémentaires peuvent être ou sont ajoutées au contrat. Aucun remboursement n'est accordé une fois la période d'avis écoulée ». En n'exigeant pas le paiement d'un acompte au moment de la réservation, la Ville se prive également d'un revenu d'intérêts potentiel. La direction nous a avisé que le Service des parcs, des loisirs et de la culture n'a actuellement aucune politique qui exige qu'un acompte soit versé pour toutes les locations.
- En 2008, on a envoyé une facture pour l'enlèvement du fumier qui n'était pas conforme à la politique et aux procédures municipales, et la somme à recevoir n'a pas été saisie dans le CLASS. Il ne s'agissait pas d'une facture officielle de la Ville d'Ottawa, elle n'était pas datée, ne portait pas de numéro de facture ou de date d'échéance, et les sommes dues comportaient des erreurs.
- Aucune pièce justificative (c.-à-d. une copie de la facture) n'était incluse dans le dépôt du chèque pour examen par la Gestion de la trésorerie. Par conséquent, le montant au complet a été porté à un compte de recettes, alors qu'il aurait été plus exact de le porter à un compte de recouvrement. La partie de la facture liée à la TPS (bien qu'elle ait comporté une erreur de calcul) a également été portée au compte de recettes au lieu du compte de taxes approprié.

- À l'heure actuelle, le personnel du PENN n'a pas une bonne compréhension des systèmes financiers de la Ville et des politiques et procédures municipales essentiels à sa tâche, et a besoin de formation supplémentaire.
 - Ni l'Unité du soutien financier (USF) ni l'Unité de la conformité de la Ville n'ont surveillé le PENN. En ne surveillant pas plus attentivement les installations périphériques et éloignées, la Ville s'est exposée à l'utilisation de pratiques comptables qui ne sont pas conformes aux politiques et procédures municipales et qui pourraient aboutir au détournement de fonds municipaux.
 - Depuis la fusion, 25 chèques totalisant un montant de 38 278 \$ ont été remis à l'ancien gestionnaire de portefeuille, dont 29 180 \$ pour des prix en argent. La Ville n'a aucune pièce justificative probante qui confirme que ces sommes ont réellement été versées dans leur intégralité aux gagnants d'événements. Aucune indication dans la documentation des paiements fournie par le Service des finances ne montre que l'USF a déjà remis en cause ces transactions.
 - Le PENN emploie actuellement divers moniteurs d'équitation, toutefois, l'ancien gestionnaire de portefeuille est le seul moniteur d'équitation sous contrat avec la Ville. Du 23 mai 2008 au 29 mai 2009, le Parc a versé à ce dernier 8 150 \$ pour des services de moniteur d'équitation.
 - La responsabilité de l'administration des ressources financières de l'installation, y compris les budgets et les revenus, incombe au gestionnaire de portefeuille. La description du poste se lit comme suit : « Préparation, planification et élaboration de soumission du budget de fonctionnement et d'immobilisations de la Direction afin de financer adéquatement les programmes, les installations et les projets de l'unité; y compris la détermination, la coordination et la gestion de tous les budgets d'immobilisations liés à l'entretien du cycle de vie des installations. » La direction du PENN n'a pu fournir d'informations sur les dépenses en capitaux investis dans le Parc.
5. Si les améliorations au Parc servent tous les groupes et tous les événements, il n'en demeure pas moins que la propriété appartient à la CCN et que le bail de la Ville expire en 2011.

Recommandations et réponses de la direction

Recommandation 1

Que le PENN se conforme à la politique et aux procédures de gestion des documents de la Ville.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La direction collaborera avec le personnel du SGD pour s'assurer que le personnel du PENN reçoit la formation nécessaire et se conforme à la politique de gestion des documents de la Ville d'ici la fin du T3 2010. Une évaluation de suivi sera entreprise durant le T4 2010 afin d'en vérifier l'application.

Recommandation 2

Que la Ville s'assure que les contrats, y compris les contrats de location, mais sans s'y limiter, sont signés par le locataire et un membre du personnel autorisé de la Ville avant un événement, idéalement au moment de la réservation, et que toutes les pages de toutes les annexes sont parafées.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La direction convient que les contrats concernant le PENN doivent être signés avant l'événement et c'est maintenant l'usage courant au PENN. Conformément à la procédure des Parcs et des Loisirs relative à la signature de contrats de location et approuvée le 6 octobre 2008, les contrats de location doivent être signés avant l'événement qui fait l'objet de la location afin d'être parachevés.

La direction est en désaccord avec la nécessité de parafer toutes les pages des annexes jointes aux contrats. Les Services juridiques ont avisé la direction que les locataires n'ont pas à parafer ni à signer les annexes, tant que ces annexes sont remises au client à la signature du contrat et que le contrat de location précise que les conditions générales jointes au contrat en font partie.

Recommandation 3

Que la Ville s'assure que, conformément à la politique de gestion des documents, les contrats signés et les annexes parafées sont classés à l'aide du SGD municipal comme documents d'affaires officiels.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La direction convient que les contrats et les annexes au contrat signés doivent être classés comme des documents d'affaires officiels, toutefois, elle souhaite réitérer qu'à la suite de la réception d'un avis des Services juridiques, elle n'est pas d'accord qu'il est nécessaire de parafer les annexes, comme elle en fait état dans sa réponse à la recommandation n° 2.

La direction collaborera avec le personnel du SGD pour s'assurer que le personnel du PENN reçoit la formation nécessaire et se conforme à la politique de gestion des documents de la Ville d'ici la fin de T3 2010. Une évaluation de suivi sera faite durant le T4 2010 pour en vérifier l'application.

Recommandation 4

Que la Ville s'assure que le plein tarif de location en vigueur est facturé pour tous les événements.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

Le plein tarif de location est facturé pour les événements spéciaux au Parc équestre national de Nepean. Le personnel de Parcs, Loisirs et Culture, y compris le personnel du PENN, n'est pas autorisé à modifier le tarif de location saisi dans CLASS sans l'approbation de la direction. L'équipe de soutien de CLASS est le seul personnel autorisé à contourner les frais indiqués dans CLASS, après réception de l'approbation de la direction.

Le directeur général de Parcs, Loisirs et Culture peut, conformément à l'article 17(1)(a) du Règlement municipal 2009-231 sur la délégation de pouvoirs, approuver, modifier, prolonger et signer des contrats concernant l'utilisation des installations récréatives de la Ville.

Le tarif de location est un aspect de ces contrats qui est négocié dans le contexte du mandat du Service des PLC, et du mandat du PENN approuvé par le Conseil le 28 septembre 2005. Ce mandat, qui était une proposition soumise au Conseil par le personnel des Parcs et Loisirs, est de réaliser le recouvrement intégral des coûts du PENN.

Dans le cas du groupe organisateur n° 2, la direction s'est engagée à maintenir le tarif de location au taux de 2008 pendant trois ans afin d'assurer l'uniformité des paiements et ainsi de donner au groupe l'occasion de consolider sa position et de permettre au PENN d'accroître ses revenus conformément au Rapport de l'examen de la prestation concurrentielle de services approuvé par le Conseil.

Recommandation 5

Que la Ville établisse une politique exigeant le versement d'un acompte pour toutes les locations et, par l'entremise de l'USF correspondante, qu'elle s'assure que des acomptes sont perçus sur tous les contrats de location et que le paiement intégral est reçu avant la tenue d'un événement.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La direction estime qu'il n'est pas nécessaire que les acomptes soient perçus pour tous les contrats de location du PENN, puisque la politique actuelle de Payer avant de jouer de Parcs, Loisirs et Culture exige que le paiement soit perçu avant le début d'un événement qui requiert une location. Pour tous les contrats de

location du PENN, le paiement est maintenant reçu avant l'événement visé par la location.

Recommandation 6

Que la Ville clarifie la responsabilité de la négociation des événements spéciaux et revoie les descriptions et classifications de postes en conséquence.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La direction a examiné la description de poste concernée et a déterminé qu'aucune révision de la description et de la classification du poste n'est nécessaire. Le gestionnaire de portefeuille du PENN négocie tous les événements spéciaux qui ont lieu au Parc. À l'heure actuelle, il se tient 15 événements spéciaux par an au Parc, en plus des locations régulières. Dans le cas du groupe organisateur n° 2, il s'agissait d'un nouvel événement à grande échelle et par conséquent des cadres supérieurs ont participé à la négociation des tarifs de location.

Recommandation 7

Que la Ville, par l'intermédiaire de l'USF, s'assure que tous les services qu'elle fournit, dont la responsabilité incombe au locataire, sont inscrits comme des comptes clients dans le système financier approprié, facturés au locataire (au moyen d'une facture officielle de la Ville d'Ottawa) et que le paiement est reçu dans les délais fixés par la municipalité.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Tous les services fournis par la Ville qui étaient de la responsabilité du Kubota National Capital au PENN ont été facturés et payés par le locataire. Toutefois, les procédures municipales relatives à la facturation et à la réception n'ont pas été suivies dans le cas examiné dans le cadre de la vérification.

Pour y remédier, en date du T2 2010, tous les services non facturés dans le cadre du contrat de location du CLASS feront l'objet d'une facture officielle de la Ville d'Ottawa. Un communiqué du bureau du directeur général a été envoyé à tout le personnel le 21 septembre 2009, précisant que toutes les factures doivent être envoyées par le Service des finances de la Ville sous la forme de documents financiers officiels.

Recommandation 8

Que l'USF s'assure que les paiements sont portés aux comptes appropriés.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La politique de la Ville sur le règlement financier, approuvée par la trésorière municipale, visait les rôles et les responsabilités du Service des finances et des divers services. Il incombe aux services de porter les paiements au compte approprié.

Les transactions dans le système CLASS sont téléchargées automatiquement dans le SAP et portées au compte approprié. Il incombe au superviseur de l'installation de passer en revue les acomptes traités en dehors du système CLASS. De plus, l'USF passe en revue le rapport mensuel des revenus par rapport aux budgets alloués afin de déterminer les transactions qui ne semblent pas être en règle ou bien codées.

Recommandation 9

Que la Ville s'assure que les fournisseurs de services centralisés (p. ex. USF, Ressources humaines, Gestion des documents, etc.) suivent plus attentivement les opérations et installations périphériques/éloignées et leur apportent davantage d'aide.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

Les fournisseurs de services centralisés (p. ex. USF, Ressources humaines, Gestion des documents, etc.) fournissent une aide appropriée au PENN. Le gestionnaire de portefeuille est responsable de la surveillance des opérations et des installations du PENN, et les fournisseurs de services centralisés (p. ex. USF, Ressources humaines, Gestion des documents, etc.) fournissent un soutien continu.

Recommandation 10

Que la Ville offre au personnel du PENN de la formation appropriée dans le domaine des systèmes financiers de la Ville et des politiques et procédures municipales.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La direction s'assurera que l'ensemble du personnel concerné du PENN a reçu une formation sur les systèmes financiers de la Ville avant la fin du T2 2010. De plus, la direction s'assurera que les politiques et procédures municipales ont été passées en revue d'ici la fin du T4 2010.

Recommandation 11

Que la Ville demande les états financiers vérifiés des grands événements, à la fois pour évaluer la validité de la demande d'aide financière avant le déboursement du montant de la subvention et pour s'assurer de la pertinence du tarif de location.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Comme l'a recommandé le Bureau du vérificateur général dans la Vérification des subventions et contributions de 2008, un cadre politique municipal régissant tous les mécanismes de financement des organismes externes sera élaboré et soumis au Conseil avant la fin du T2 2010. La politique inclura les critères selon lesquels la Ville demanderait les états financiers vérifiés des grands événements, y compris ceux tenus au PENN.

Recommandation 12

Que la Ville entreprenne une étude des installations comparables, privées et publiques, afin de déterminer si les tarifs de location du PENN sont concurrentiels.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La direction effectue chaque année une analyse de l'environnement avant de hausser les tarifs de location.

En ce qui concerne le PENN, l'exercice s'est révélé difficile parce que :

- il n'existe aucune installation comparable;
- les concurrents privés sont réticents à fournir quelque information que ce soit;
- l'information trouvée sur Internet s'est révélée peu fiable, car de nombreuses variables sont prises en compte dans l'établissement des tarifs de location. Parmi ces variables, citons : la nature des services fournis et leur nombre, la période de l'année, la fréquence, la présence de personnel syndiqué/les salaires, le recours à du personnel à plein temps ou à temps partiel, la durée de la location, la taille des installations et les services précis qui sont réservés/requis pour l'événement, c.-à-d. la totalité ou une partie des installations; et
- il est difficile de déterminer les taux de financement direct et indirect obtenu de diverses sources.

Les tarifs de location du PENN sont déterminés en fonction de trois variables :

- l'information obtenue de l'analyse environnementale;

- les ajustements au coût de la vie approuvés par le Conseil pour le Service des parcs, des loisirs et de la culture; et
- les cibles de recouvrement des coûts.

Recommandation 13

Que la Ville rédige une politique ou une directive municipale régissant l'attribution des prix en argent y compris, mais sans s'y limiter :

- les critères d'attribution des prix en argent;
- la comptabilité des prix en argent; et
- les pièces justificatives probantes du déboursement; et

Que l'USF concernée en assure la mise en application.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La distribution de prix en argent est une exception à la Ville d'Ottawa, et la direction ne croit pas que la rédaction d'une politique ou d'une directive municipale soit nécessaire.

En ce qui concerne cette vérification, la pratique de la distribution de prix en argent par le personnel municipal du PENN a cessé. Le personnel du PENN n'a pas administré ni attribué de prix en argent pour des événements à cet emplacement depuis 2007. La distribution et la comptabilité des prix en argent sont maintenant surveillées par les organisateurs externes de l'événement. Les critères de jugement et d'attribution des prix associés aux événements signalés dans la vérification sont dictés par Canada hippique ou par l'Association équestre de l'Ontario.

Recommandation 14

Qu'avant d'émettre un chèque, le Service des finances vérifient soigneusement les demandes d'émission de chèques aux employés.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Toute demande particulière d'émission de chèque à un employé doit être accompagnée de la documentation appropriée et signée par son gestionnaire. Ces politiques ont été rappelées au personnel du Service des finances, et les procédures appropriées sont suivies.

Recommandation 15

Que la Ville crée des postes budgétaires distincts pour la comptabilité des prix en argent, y compris, mais sans s’y limiter, la compétition de saut d’obstacles du PENN.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La distribution de prix en argent est exceptionnelle à la Ville d’Ottawa et la direction ne croit pas que la création de postes budgétaires distincts soit justifiée.

En ce qui concerne cette vérification, la pratique de la distribution de prix en argent par le personnel municipal du PENN a cessé. Le personnel du PENN n’a pas administré ni attribué de prix en argent pour des événements à cet emplacement depuis 2007. La distribution et la comptabilité des prix en argent sont maintenant surveillées par les organisateurs externes de l’événement.

Recommandation 16

Que le PENN reconsidère sa décision de retenir les services de l’ancien gestionnaire de portefeuille comme moniteur d’équitation sous contrat.

Réponse de la direction

La direction est d’accord avec cette recommandation.

La direction a reconsidéré sa décision et a déterminé qu’elle maintiendra le contrat conclu avec l’ancien gestionnaire de portefeuille. Le regroupement bénévole *Friends of the Park (Les amis du Parc)* a spécifiquement requis les services de l’ancien gestionnaire de portefeuille comme moniteur, car il est réputé et respecté au sein du milieu équestre et de la collectivité, et qu’il peut apporter un niveau plus élevé d’expertise pour répondre à leurs besoins individuels. Le coût de ce service est remboursé intégralement à la Ville. De plus, étant donné que le départ de la Ville de l’ancien gestionnaire de portefeuille était volontaire, il peut être embauché de nouveau par la Ville.

Recommandation 17

Que la direction du PENN exerce un suivi plus serré des dépenses en capital au Parc.

Réponse de la direction

La direction est d’accord avec cette recommandation.

La responsabilité des budgets d’immobilisations majeures incombe au Service des travaux publics et aux Services d’infrastructure. Après le remaniement de la Direction, la direction a commencé à intégrer la surveillance des dépenses en capital dans le travail quotidien du gestionnaire de portefeuille du PENN.

Le gestionnaire de portefeuille a toujours eu la responsabilité complète du budget d'immobilisations mineures du PENN.

Recommandation 18

Que la Ville s'assure que la direction du PENN exécute les tâches et les responsabilités exigées, ou à l'inverse, que les descriptions de fonctions sont modifiées et réévaluées par rapport aux fonctions qui ne sont pas effectuées à l'heure actuelle.

Réponse de la direction

La direction est en désaccord avec cette recommandation.

La direction a examiné la description de fonctions applicable et s'est assurée que le personnel du PENN exécute les tâches et les responsabilités nécessaires. Elle ne croit pas que la description de fonctions nécessite une modification ni une réévaluation.

Recommandation 19

Que la Ville confirme son intention de poursuivre l'exploitation du PENN avant l'expiration du bail de la CCN, et avant d'injecter de nouveaux capitaux.

Réponse de la direction

La direction est d'accord avec cette recommandation.

À l'heure actuelle, l'exploitation est dirigée selon le Rapport de l'examen de la prestation concurrentielle des services au Parc équestre national de Nepean approuvé par le Conseil le 28 septembre 2005. À la demande du Conseil, la direction soumettra un rapport sur l'exploitation des installations au Comité et au Conseil d'ici la fin du T2 2011.

Conclusion

La Ville d'Ottawa a hérité de l'exploitation d'un Parc équestre de l'ancienne ville de Nepean. Une allégation de traitement préférentiel et inéquitable en ce qui concerne les conditions générales de contrats au PENN a motivé cette vérification.

Le fondement de cette allégation repose dans la réduction des services de soutien municipaux fournis par la Ville aux événements. En dernière analyse, cette réduction des services de la Ville découlait d'un rapport demandant que le PENN fonctionne sur la base du recouvrement intégral des coûts, approuvé par le Conseil en septembre 2005. Bien que nous ayons comparé les conditions générales des contrats et que nous les ayons trouvés identiques, il est plus difficile de vérifier s'ils ont été appliqués de manière stricte et uniforme. Nous avons constaté la validité de l'affirmation selon laquelle la Ville a fait de plus gros investissements en capital

après que le groupe organisateur n° 1 a cessé d'organiser un événement annuel d'une semaine.

L'allégation de traitement préférentiel comprenait des affirmations selon lesquelles le groupe organisateur n° 2 retirait des avantages de ne pas être tenu responsable des coûts supplémentaires engagés par la Ville. Bien que nous ayons décelé des problèmes précis dans la facturation, dans le cas de la collecte et de l'enlèvement du fumier après la fin de l'événement spécial, nous avons constaté qu'une rétrofacturation a eu lieu. Nous n'avons pas pu établir avec certitude si une partie ou la totalité des 59 heures supplémentaires encourues par le PENN concernaient le tournoi National Capital et le Kubota National Capital Open. Toutefois, il n'y a eu aucune autre facturation. Nous avons également observé un manque d'action de la part de la Ville (p. ex. une amende ou un avertissement) concernant l'infraction à la disposition n° 11 de l'Annexe B du contrat (enlèvement du fumier dans un délai précis).

D'après ces constatations, on pourrait raisonnablement conclure qu'un traitement préférentiel a été réservé au groupe organisateur n° 2.

Il est indéniable que la Ville s'est engagée à continuer d'organiser des événements hippiques de haut calibre dans le Parc. Cependant, il est nécessaire de se pencher sur la raison de l'implication continue à l'échelon de la haute direction dans la planification de ces événements – une tâche qui incombe à la direction du PENN. Les processus de prise de décisions et de responsabilisation doivent être clairement établis, documentés et respectés.

Notre examen a décelé des lacunes substantielles dans l'adhésion aux pratiques municipales, que ce soit au chapitre de la gestion adéquate des documents ou à celui des aspects financiers. Il est impératif de resserrer sans délai la surveillance des activités du PENN de la part des services de soutien centralisés. La Ville doit également instaurer une politique ou une directive régissant l'attribution des prix en argent, y compris, mais sans s'y limiter, les concours hippiques.

Bien que la portée de cette vérification ait été limitée, en nous fondant sur nos constatations, nous pouvons affirmer que la gestion quotidienne a été négligente et qu'il y a eu des lacunes dans la surveillance du PENN. Le manque de contrôles internes et les pratiques de la direction non contestées ont amené le Bureau du vérificateur général à ajouter un examen opérationnel complet du Parc, ainsi que d'autres installations spéciales (p. ex. le Club de golf Pineview, le Nepean Sailing Club, etc.) à son plan de travail de 2010.

Comme il était recommandé dans la vérification des subventions et contributions de 2008, la Ville doit également créer une enveloppe et une politique générales relatives aux subventions dirigées par un groupe spécifique. Les demandes de subvention individuelles doivent être évaluées selon des critères établis précis, avant le déboursement de toute aide financière.

Enfin, la stratégie à long terme de la Ville pour l'exploitation continue du Parc doit être examinée avant l'expiration du bail en 2011.

Commentaire général de la direction :

Aucune fraude ni perte n'a été établie dans le cadre de cette vérification. De plus, la direction est d'avis qu'aucun traitement préférentiel ou inéquitable n'a été réservé aux concours hippiques du groupe organisateur n° 1, Kubota National Capital Open ou National Capital.

La direction tient à profiter de cette occasion pour replacer les constatations du rapport en contexte et pour fournir des faits qui ne sont pas inclus dans le rapport de vérification.

1. On peut lire dans le rapport de vérification :

Résumé des principaux résultats (voir également la section 4.1.4 et la Conclusion)

« Pendant le National Capital Tournament et le Kubota National Capital Open qui ont duré 10 jours en 2008, 59 heures supplémentaires ont été encourues par le PENN, pour une somme de 1 619 \$. L'information dont nous disposons ne nous permet pas de déterminer avec certitude si une partie seulement ou la totalité de ces 59 heures supplémentaires concernait ces événements. »

Commentaire de la direction :

- La direction a passé en revue les horaires de travail du personnel, les demandes de congé et les feuilles de déclaration du temps et a parlé avec le gestionnaire de portefeuille avant d'établir avec certitude que ces 59 heures n'étaient pas liées à l'événement du groupe organisateur n° 2.
- Le 11 janvier 2010, la direction a fourni au Bureau du vérificateur général des feuilles de temps datées et la documentation détaillée des circonstances entourant chacune des 59 heures supplémentaires effectuées par le personnel du PENN. Si ces heures concernaient un événement spécial, elles auraient dû être codées comme des « Événements publics », cependant, elles ont été codées comme « terminer tâche en cours ».
- Pour confirmer que les heures ont été codées correctement et qu'aucune d'elles n'était liée à l'événement spécial en question, la direction a fait enquête sur les circonstances entourant les heures supplémentaires. La direction a déterminé que 51 des heures ont été effectuées pour remplacer le contremaître du Parc qui s'était fracturé le poignet et ne pouvait pas exercer pleinement ses fonctions, et les 8 heures restantes ont été effectuées pour couvrir du personnel en congé de deuil, et a fourni ce renseignement au BVG.
- Le personnel qui a effectué les heures supplémentaires n'a pas été interviewé par le BVG dans le cadre de cette démarche de vérification.

2. On peut lire dans le rapport de vérification :

Résumé des principaux résultats (voir également la Conclusion)

« D'après ce qui précède, on pourrait raisonnablement conclure qu'un traitement préférentiel a été réservé au groupe organisateur n° 2. »

Commentaire de la direction :

- Il serait tout aussi raisonnable, voire plus raisonnable, de conclure qu'aucun traitement préférentiel ou inéquitable n'a été réservé au Kubota National Capital Open ou au National Capital (groupe organisateur n° 2). La direction a fourni au Bureau du vérificateur général de la documentation qui l'indique clairement.
- Il est peu probable que le traitement réservé aux deux groupes, un en 2006 et auparavant et l'autre de 2007 jusqu'à aujourd'hui, soit identique. Toutes les différences entre le traitement de ces deux groupes, ou de tout autre groupe qui organise des événements au PENN découlent des circonstances propres aux divers événements. Ces dernières comprennent : le mandat du PENN de l'époque, l'incidence sur le budget du PENN, la demande pour le PENN, le climat économique et bien d'autres variables, et ne relèvent certainement pas du traitement préférentiel d'un groupe par rapport à un autre.

3. On peut lire dans le rapport de vérification :

Conclusion (voir également la section 4.1.4)

« Nous avons également observé un manque d'action de la part de la Ville (p. ex. une amende ou un avertissement) concernant l'infraction à la disposition n° 11 de l'Annexe B du contrat (enlèvement du fumier dans un délai précis). »

Commentaire de la direction :

- La direction du PENN a agi comme le démontrent la facture et le reçu du montant intégral dû. Les travaux de vérification sur place ont été entrepris en 2009. L'avertissement verbal, la facture et le reçu datent de 2008.
- Les conditions générales de location des services des Parcs et des Loisirs ne précisent pas que la Ville donnera un avertissement par écrit ou imposera une amende pour ne pas avoir enlevé le fumier à temps. La disposition n° 11 de l'Annexe B, jointe au contrat de location, stipule que :
 - Le fumier doit être enlevé des aires de drainage entre les tentes qui abritent les chevaux tous les jours avant 11 h. L'enlèvement du fumier, y compris les déjections et la litière souillée, doit être fait dans les cinq jours de la fin de l'événement, si le temps le permet. À défaut, la Ville prendra les arrangements nécessaires pour faire le nettoyage et enverra la facture au locataire. Un détecteur de métal doit être utilisé pour enlever les clous de fer à cheval, les aiguilles, etc.
- Le groupe organisateur n° 2 n'a bénéficié d'aucun traitement préférentiel.

4. On peut lire dans le rapport de vérification :

Résumé, page iv :

« La Ville a injecté 95 875 \$ (26 % des fonds) dans les six premières années suivant la fusion et 270 619 \$ (74 %) dans les 2,5 dernières années après l'entrée en scène du groupe organisateur n° 2. (Ces totaux sont en date du 19 juin 2009.) Bien qu'une partie de ces fonds ait été utilisée pour le secteur de l'école d'équitation, plus de 100 000 \$ ont été investis en 2008 dans l'amélioration du système d'électricité dans le secteur qui devait être utilisé par le groupe organisateur n° 2. La correspondance du personnel de la Ville indique que ce travail a été entrepris pour "accueillir l'événement" [groupe organisateur n° 2]. »

Commentaire de la direction :

- La plus grande part de ces fonds a été utilisée pour le secteur de l'école d'équitation.
- Le travail a été entrepris dans le but d'accueillir tous les événements au PENN : le premier événement à en profiter a été le groupe organisateur n° 2.
- Le groupe organisateur n° 1 et le groupe groupe organisateur n° 2 ont tous deux bénéficié des dépenses en immobilisations effectuées au PENN. Le 24 mars 2010, la direction a fourni au Bureau du vérificateur général un calendrier complet des réparations au système d'électricité, décrivant les problèmes de sécurité et les déficiences dans le codage du système d'électricité.
- En raison des programmes d'entretien du cycle de vie du matériel, des exigences en matière de santé et sécurité et de la disponibilité accrue des capitaux en dollars résultant du prélèvement d'impôts de 2 %, d'importantes dépenses en immobilisations ont été effectuées au Parc, au profit de tous les clients.
- Sur les 270 619 \$ dépensés dans les 2,5 dernières années, 124 145 \$ (46 %) ont été consacrés au remplacement du système d'électricité du secteur des écuries, qui avait atteint la fin de son cycle de vie. Tous les événements qui ont eu lieu au PENN ont profité de ces réparations (p. ex. les épreuves du concours canin de l'Association d'Agilité provinciale et nationale qui ont eu lieu en mai et juillet 2009), y compris le National Capital Open et le Kubota National Open... Les 146 474 \$ restants (54 %) ont été consacrés à des réparations générales liées au cycle de vie des immeubles pour les services de pension des chevaux et le programme d'équitation de la Ville.
- En 2008 et 2009, la location au groupe organisateur n° 2 a rapporté plus de 130 000 \$ en recettes et a également allongé la durée de l'événement annuel d'une à deux semaines. Cela était conforme aux modes de prestation de services approuvés par le Conseil municipal en septembre 2005, selon lesquels le PENN organiserait de nouveaux événements équestres afin d'accroître ses revenus. Cet événement de location n'aurait pu avoir lieu et ces revenus n'auraient pu être

obtenus sans les réparations effectuées afin de rendre le système d'électricité plus sécuritaire et conforme au Code.

La direction a effectué une enquête détaillée et a consulté un certain nombre d'experts agréés en électricité, de la Ville d'Ottawa et de l'extérieur, qui ont participé à l'évaluation du câblage électrique au PENN. Ces électriciens agréés ont tous indiqué que le système d'électricité, avant les réparations effectuées en 2008, n'était pas conforme au Code et posait un risque dangereux pour la clientèle et pour le personnel. Les déficiences du système d'électricité n'ont pas été documentées de façon officielle, mais elles ont été signalées verbalement au personnel de la Ville, et il était entendu que la Ville prendrait les moyens pour remédier à la situation.

Remerciements

Nous tenons à remercier la direction, l'USF, l'ancien gestionnaire de portefeuille, et le groupe organisateur n° 1 et le groupe organisateur n° 2 pour la coopération et l'assistance qu'ils ont apportées à l'équipe de vérification.

1 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.

2 BACKGROUND

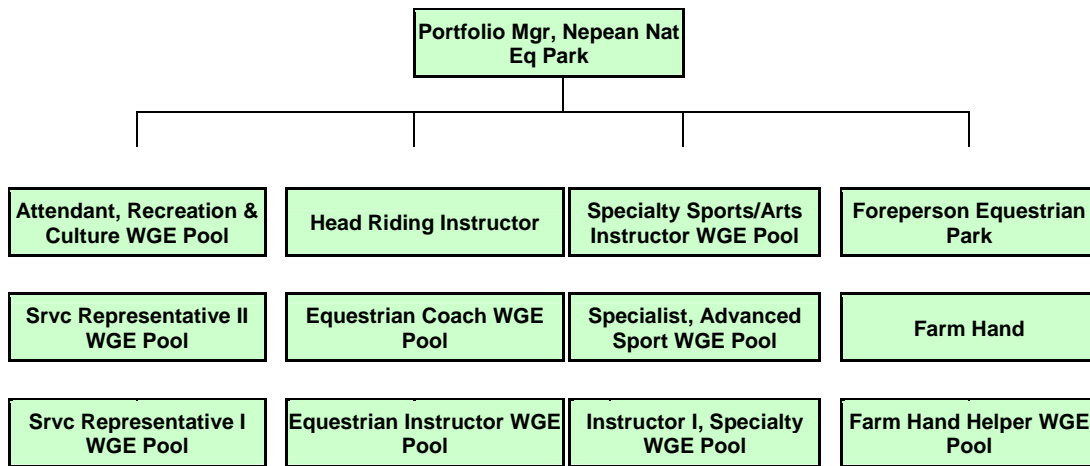
At amalgamation, the City of Ottawa expanded its facilities to include the Nepean National Equestrian Park from the former City of Nepean. The Portfolio Manager, NNEP is responsible for managing the Park and reports to the Divisional Manager, Sports and Recreation Venues within the Parks, Recreation 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 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).

TABLE 1: 2009 NNEP ORGANIZATIONAL CHART



NOTE: All positions report directly to the Portfolio Manager, NNEP

From the late 1980's, organizing group n^o. 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 n^o. 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 n^o. 1 held their Horse Show from July 12 to the 16, 2006.

In 2007, on the 20th anniversary edition of the event, organizing group n^o. 1 cancelled their equestrian tournament. Organizing group n^o. 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.

The organizing group no. 2 (which includes [REDACTED] and [REDACTED]) 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 [REDACTED] and [REDACTED], with [REDACTED] as honorary chair and [REDACTED] 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 no. 2 held the second edition of the National Open August 12-16 and the CSI National Tournament August 19-23.

3 AUDIT OBJECTIVES AND APPROACH

3.1 Scope

The audit focused on specific five-day rental agreements; namely the organizing group n^o. 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.

3.2 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.

4 OBSERVATIONS AND RECOMMENDATIONS

4.1 *Audit Objective 1: To assess the validity of the claim of preferential and inequitable treatment in contract's terms and conditions.*

4.1.1 Contract Documentation

The Park's ability to meet its business objectives is at risk. The risk results in 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.

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 City's records management policy outlines that managers are responsible for creating and maintaining records that adequately document the City's business transactions and that such records are under the control of the City and managed in accordance with the Information Management policies, procedures and practices.

We observed that records at the NNEP were kept in a passageway (which was locked during our site visit), in the Manager's office and under a staircase. The latter may represent a health and safety issue as records can only be obtained by an employee going up the first few steps of the staircase then jumping the railing. Boxes of files then have to be passed over the railing to another employee in the staircase. In addition, other documentation (i.e., the signed copy of the 2006 contract with organizing group n^o. 1) was not on site during the site visit but with the Division Manager, Sports & Recreation Venues at 2135 Huntley Road.

We found that the Park does not use the City Records Management System (RMS) and does not open official files using the corporate records classification scheme. As a result of not complying with corporate record management practices the NNEP had difficulty providing the Office of the Auditor General (OAG) with the required documentation on a timely basis if at all. It should be noted that one month elapsed between the OAG's request for a file review and receipt of the documentation which we were told needed to be pulled from different boxes and copies printed from the CLASS system. No individual files were found to exist for individual events. Documentation relating to specific events was incomplete and inconsistent between events. Many copies of the same unsigned contracts were reviewed and it was not possible to establish if these were the official City records or transitory records (administrative duplicate kept for convenience). In addition, as part of the contract management negotiations occurs outside the Park, by e-mail and by different individuals, it is not possible for NNEP to ensure completeness of information. The records management policy requires that e-mails, which are official business records (e.g., record decisions, commit the City to an action,

document an obligation/responsibility, etc.), be printed and managed as records in the RMS.

CLASS is the City's information system used for the registration of recreational programs and booking of facilities. As such, rental agreements are entered through CLASS. We noted that agreement contracts were only signed after the event took place. For example, the lessee signed the contract for the Kubota National Capital Open 2008 that was held from August 6 to August 10, 2008 inclusively on January 20, 2009 and faxed to the City. We also noted that many copies existed but no original signed copy was provided. In addition, although schedule A, schedule B and general terms and conditions are included, lessees are not initialling these. As the CLASS information system allows for amendment as well as printing of countless copies, it is essential that NNEP ensures that original agreement contracts are signed and schedules initialled and that signing occur at the time of booking and that these be retained per the City's records management system.

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.

4.1.2 Rental Deposit

We observed that 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. Table 2 below, outlines the payment history for the agreements reviewed.

TABLE 2: RENTAL FEE PAYMENTS FOR 5-DAY EQUESTRIAN EVENTS 2005-2008

YEAR	Lessee	Event Date	Daily Rental Fee	Total with tax	Due date	Payment	Payment Date	Signed Agreement
2005	Organizing group no. 1 Horse Show	JUL 13-17	\$6,000	\$32,100	30-Jun-05	\$10,000 \$22,100	21-Jul-05 08-Aug-05	06-Jul-05
2006	Organizing group no. 1 Horse Show	JUL 12-16	\$6,000	\$31,800	01-Jul-06	\$21,930 \$9,870	02-Aug-06 21-Dec-06	10-Jul-06
2007	Organizing group no. 1 Horse Show	JUL 18-22	\$6,000	\$31,800	CANCELLED			
2008	National Capital Tournament	AUG 6-10	\$6,242	\$32,777	31-Jul-08	\$32,777	08-Aug-08	20-Jan-09
	Kubota National Capital Open	AUG 13-17	\$6,242	\$32,777	31-Jul-08	\$32,777	01-Aug-08	20-Jan-09

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”*. As such, it would be difficult for the City to apply the condition. 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.

We compared the 2007 tentative contract (cancelled by the lessee) to the 2008 contract and noted very few differences. Provision 10 of Schedule B for the 2008 contract (organizing group n^o. 2) was slightly more stringent and the daily rental rate for the 2008 event increased by \$242. All other clauses, terms and conditions were comparable.

Sections 4.1.3 and 4.1.4 expand on additional risks pertaining to financial management.

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 n^o. 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.

4.1.3 Negotiation of Contract

At present the responsibility of negotiating and managing third party agreements, service contracts, purchase of service agreements, concessions, and canteen operations; and responsibility for lease agreements and partnership agreements rests with NNEP management. This is further supported by Parks and Recreation Rentals for Halls, Specialized Studios and Gymnasiums policy, which establishes that trade shows are to be negotiated with individual facility managers.

As previously stated, historically, the former City of Nepean senior management negotiated high-calibre events held at the NNEP. This precedent's survival through amalgamation may in part be due to the prominence of lessees or participants to these events. As a result of this precedent, it is difficult to ascertain where the final

decision-making responsibility rests. Consequently, the authority granted NNEP's management is undermined.

During our file review, we observed that the tentative agreement with the organizing group n^o. 2 for 2009 did not include the rental fee increase from \$32,773 to \$36,050 (includes taxes), which could be viewed as preferential treatment by the City. Management confirmed that it was a higher-level decision not to increase the rental fee of the organizing group n^o. 2 to reflect the new rate. We did not find any documented evidence pertaining to this decision or its rationale.

We also noted that one condition of all agreements was that the lessee provides 40 VIP passes for the main hospitality tent, and 40 additional grounds passes. Management could not provide any clarification on the requirement for these passes, who or how they were distributed except that this has been a long-standing requirement of this event.

Should the City decide to reassign this responsibility to a more senior level, it needs to clearly establish who is responsible for the decision-making and negotiating of these events and update job descriptions, job classifications and policies accordingly.

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 n^o. 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.

4.1.4 Additional Support Services Provided by the City

Based on the documentation available it is difficult to determine that the lessee was billed for all support services. Furthermore, the invoicing which occurred did not comply with corporate policy and procedures.

As it is difficult to ascertain whether a specific support service occurred or not given the limited documentation available, we could not determine the total costs, if any, of additional support services provided by the City to the lessee. However, to conclude on the allegation against the Park, we reviewed billing to the lessee for the collection and disposal of manure after the ten-day 2008 competitions and billing for employee-incurred overtime.

The City/NCC lease stipulates that the City will operate and maintain the NNEP in accordance with the rule of good farm practices and follow the agricultural code of practices. In the case of the collection and disposal of manure after the end of the 2008 National Capital Tournament and Kubota National Capital Open, we found an invoice in the NNEP documentation. The invoice did not comply with corporate 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. We understand that the NNEP's FSU was not consulted and that the Park simply billed the lessee. Once payment was received from the lessee, the cheque was not entered in CLASS and was sent to Cash Management as part of the NNEP weekly deposit. 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 the revenue account 407206 - *Other short term rentals* where it should have been more accurately posted against a recovery account. Notwithstanding that GST had been calculated on an incorrect total, by not providing any support documentation, Cash Management assigned the entire cheque amount to *Other short term rentals* and did not reflect the GST portion in the appropriate account. After verifying with the Park's FSU, we can confirm that payment was deposited mid-November.

We were informed that starting in 2009, staff were directed by the FSU to list manual cheques not entered in CLASS on the GL Report with the name of the client on the cheque and that Finance would enter these. Unless appropriate supporting documentation accompanies these cheques, there is a risk of inaccurate accounting.

NNEP staff do not possess an understanding of the corporate financial systems and corporate policies and procedures. Additional training in these areas should be provided.

It should be noted that NNEP carried out the clean up even though the Parks and Recreation report suggests that lessees can subcontract the work at more favourable costs than having City employee perform the work. *"Staff considered passing direct costs for the additional support onto the event organizers in an effort to achieve full recovery; however, event organizers can purchase a similar level of support at a lower cost by contracting these services themselves¹."*

In addition, although a chargeback was subsequently made, we did not find any evidence of City action (e.g., issuing fines, providing a warning), for not removing

¹ September 2005, NNEP Competitive Service Delivery Review report to Health, Recreation and Social Services Committee and Council (Ref No. ACS2005-CPS-PAR-0014)

the manure within the set timeframe outlined in the agreement's terms and conditions.

Since 2005, the Park's overtime hours and expenditures have continually decreased. However, it is not possible to ascertain if this is due to the City's efforts to decrease overtime as a whole, to the Park's initiative to no longer provide City support services free of charge during special events; or a combination of both.

**TABLE 3: 2005-2009 OVERTIME
NEPEAN NATIONAL EQUESTRIAN PARK**

<i>Year</i>	<i>Hours</i>	<i>Overtime Cost</i>
2005	1,529	\$44,557
2006	1,166	\$31,076
2007	872	\$24,861
2008	686	\$18,146
2009	682	\$20,047

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. No additional invoices to the organizing group n^o. 2 were found in the documentation and the NNEP's FSU confirmed that (excluding the rental fee and invoice for manual removal) no additional invoicing took place.

**TABLE 4: NEPEAN NATIONAL EQUESTRIAN PARK
OVERTIME AUGUST 6-10, 2008 AND AUGUST 13-17, 2008**

<i>Date</i>	<i>Number of Hours</i>	<i>Overtime Cost</i>
06-08-2008	25	556
08-08-2008	8	257
09-08-2008	10	292
10-08-2008	8	257
17-08-2008	8	257
Grand Total	59	\$1,619

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.

4.1.5 Economic Development Grants

Council approves Economic Development's grant-envelop as part of the budget process. We were informed that grant monies are to be awarded for strategic initiatives to promote Ottawa. Grants are awarded based on the economic benefits to the City. Our 2008 follow-up audit of grants and contribution revealed that the City still lacks an overarching policy governing grants and contribution.

During 2003, the organizing group n^o. 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. No other grants could be identified until 2008 when the organizing group n^o. 2 was provided with a \$15,000 one-time economic development grant to offset the start-up cost of holding the ten-day competition. Documentation on the first grant was limited consisting solely of an invoice from organizing group n^o. 1 to the City requesting payment for \$10,000, i.e., a very different process than a typical grant. No other file or documentation could be provided. For the 2008 grant, an agreement for funding between the City of Ottawa and the National Capital Show Jumping Tournament was signed by the acting Director, Economic and Environmental Sustainability and the grantee.

In neither of these cases were audited financial statements for the event requested by either Parks and Recreation or Economic and Environmental Sustainability.

For both groups, weekly rental rate of the Park was approximately \$30,000 (see table 2). The lessee pays the City this amount and in turn get all proceeds from registration fees, boarding during the event; entrance and parking fee to attendees, a percentage of concession which would normally occur, etc. By not obtaining audited financial statements of the event the City is not in a position of determining the appropriateness of the fee charged. The OAG did not compare NNEP rental rates to the rental rates of private sector comparable facilities. As such, the City may not only be foregoing on possible additional revenues but is possibly providing grants where they are not needed.

The handling of both the 2003 and the 2008 grants was unusual. As mentioned earlier, in 2003 the lessee invoiced the City for the grant monies; and, in 2008 the

funds were transferred out of Economic Development's Grants Account to the NNEP Sundry Account. The Park's FSU in turn issued a cheque to the lessee.

As stated earlier, a decision was made not to charge the organizing group no. 2 the full increased rental fee for the 2009 event. In our opinion, this financial assistance constitutes a form of subsidy/grant.

By providing for grant monies and subsidies the City is not truly generating genuine revenues. However, as the event organizers hold other events of comparable size and calibre and include olympic level competitors, there may have been wisdom in the City not awarding grant money in the first year the event was held but postponing any award until a review of the event financials could be conducted to assess valid need.

In addition to these two grants, management highlighted that the organizing group n^o. 1 were also awarded \$5,000 in 2001 and \$5,350 in 2002 from the City. In mid-2009, during our fieldwork we verified with Economic Development Branch, who in turn reported having verified with Finance, that no additional financial support to events at the NNEP outside of the 2003 and 2008 grants had been given.

Further review of SAP revealed that the \$5,000 given in 2001 was referenced as "sponsorship" and expended from the cost centre title "Miscellaneous Supplies". In turn the \$5,350 paid to the organizing group n^o. 1 in 2002 was referenced as being for "NNEP-tent rental-Show Jumping" and expended from the "Rental - Miscellaneous" cost centre.

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.

4.1.6 NNEP Management

Service Level Agreements (SLA) were established between client departments and corporate support expertise, such as FSUs, fleet, etc., to insure consistency in practices, rule enforcement and level of involvement in controls and processes. Financial Services' Policy and Compliance Unit has the responsibility of ensuring that consistent control procedures are applied. Neither of these groups seems to have been monitoring the NNEP.

Parks and Recreation staff's main objective is to provide programming and do not assign as much importance to financial management. 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.

Multiple assertions by management that information relating to NNEP events would be difficult to get due to the leaving of the former Portfolio Manager in 2008 prompted us to further investigate the matter. We found that, contrary to management's assertions, the former Portfolio Manager never left the NNEP and continues to this day to provide services to the Park as a horse-riding instructor.

Since the former portfolio manager severed his\her employment in 2008 and became an instructor under a purchase of service contract; the former employee's services are being paid as "payment without reference".

Since amalgamation, 25 cheques totalling \$38,278 were remitted to the former Portfolio Manager. Prize money and consultant fee/horse-riding private lesson instructor were charged unsystematically against accounts 502710, recreational activities; 505995, miscellaneous supplies; and, 505984, program supplies. The table below outlines all payments by category (e.g., prize money, consultant fee for horse riding instructor, and, car mileage and training) by year.

TABLE 5: CHEQUES MADE TO FORMER PORTFOLIO MANAGER, NNEP/NOW CONSULTANT FOR THE PERIOD 2001 TO JUNE 2009

Year	Prize Money	Consultant Fee / Horse Riding Instructor	Car Mileage and Training	TOTAL
2001	\$3,950			
2002	\$4,130		\$948	
2003	\$5,800			
2004	\$3,535			
2005	\$3,115			
2006	\$3,035			
2007	\$5,615			
2008		\$5,500		
2009 to June		\$2,650		
TOTAL	\$29,180	\$8,150	\$948	\$38,278

From 2001 to 2007, cheques in the amount of \$29,180 were issued directly to the former Portfolio Manager for prize money for various events held at the site. We could not locate any policy or guideline governing the handling of funds disbursed by the City as prize money. From an accounting standpoint, if the corporation intends to allocate prize money, a separate line item should be established and a set budget allocated against which transactions can be posted.

An additional \$8,150 represented payments for services rendered as the City's only horse riding instructor under contract. As illustrated by the organizational chart, table 1, the City already employs various horse riding instructor resources. Our interview revealed that prior to severing his\her City employment, the former Portfolio Manager became a consultant for the City (providing private lessons) at the request of NNEP management. Although there was a change in employment status (e.g., from employee to consultant), this person never ceased working for the NNEP. This is further substantiated by payment remitted to the employee's vendor number starting as early as May 2008 (employment was severed end of April 2008). During our interview, the former employee stated also having provided private lessons when he/she was Portfolio Manager; duties which were not part of the

position's job description and contravenes collective agreement terms (e.g., management position employee doing the job of unionized members).

The payee identified on all payments requests reviewed was the former Portfolio Manager. One payment was to the employee's vendor number and the other to the employee's external vendor number. The majority of cheques made directly to the former Portfolio Manager were to have been for prize money for events held and coordinated by the Park.

As a control practice, City employees at all levels have their immediate supervisor authorize the issuance of a reimbursement or a cheque. However, in 4 of the 13 supporting documents reviewed (31%) the former portfolio manager successfully requested without any other authorizing signature that a cheque be made directly to him. In addition some support for prize money request was a simple typed up white sheet of paper outlining the dollar amount requested per prize position (e.g., 1st prize - \$50). In other cases, we could not reconcile the prize money requested to the back up provided as support for the cheque issued by Financial Services. During our interview the former employee/consultant stated that he would cash the prize money cheque at the bank and distribute cash amounts to event winners in a white envelop.

We found that the City has no evidentiary supporting documentation to confirm these monies were in fact distributed in their entirety to event winners. Winners were not asked to sign that they received any prize money. As part of the back-up for one request there is a signed note that one show had been postponed and that therefore part of the prize money cheque had been transferred to a show but also outlined amounts deducted for other events for various payment including a farrier invoice. It should be noted that the latter was ultimately paid in cash. No indication was found in the payment documentation provided by Financial Services that the FSU ever questioned these transactions.

We also observed that the present Portfolio Manager has not received any prize monies against his/her vendor number since being assigned to the position.

As a result of deficiencies in internal controls and lack of proper documentation/information highlighted throughout this report, the Office of the Auditor General will add a complete review of the Nepean National Equestrian Park operations to its 2010 audit plan.

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.

4.2 *Audit Objective 2: To assess the validity of allegations of substantial investments by the City since the event was taken-over by a new event coordinator.*

4.2.1 Capital Investment - NNEP

Part of the allegation against the City related to an unfair injection of capital dollars into the Park since the organizing group n^o. 2 revived the yearly mid-summer horse show, whereas the former group, organizing group n^o. 1, had been left to pay for any upgrades or maintenance they required to hold their event themselves.

Information related to capital expenditures at the Park was first requested from management which could not provide any information on how much capital dollars had been spent at the Park. Ultimately, the information was provided through the Divisional Manager from RPAM. 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.”

We reviewed expended and committed capital dollars, from amalgamation to date, regardless of which area of the City funds came from and found that for the period 2001 to 2006 while organizing group n^o. 1 was renting the NNEP to hold their yearly July show, \$95,875 or 26% of all money spent since amalgamation was injected at the Park. Conversely, for the 2.5 years from 2007 to date (June 2009) while organizing group n^o. 2 was using the NNEP, \$279,619 was spent and \$15,460 was committed, totalling 74% of all money injected at the NNEP since amalgamation.

The following table illustrates the City’s injection of 26% of fund in the first six years after amalgamation and 74% in the last 2.5 years supporting the allegation.

**TABLE 6: NNEP CAPITAL EXPENDITURE 2001-2009
AS AT JUNE 19, 2009**

Period	Planned	Committed	Actual Expenditure	% of Actual Expenditure
2001 to 2006	95,875	0	95,875	26%
2007 to 2009	295,619	15,460	270,619	74%
Grand Total	\$391,494	\$15,460	\$366,494	100%

Period	Spent and Committed	% of Actual Expenditure
2001 to 2006	95,875	25%
2007 to 2009	286,079	75%
Grand Total	\$381,954	100%

Although some of the 2007-2009 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^o. 2. We found correspondence from different sources indicating that this electrical work was done to assist the 2008 show. Specifically, these read: “significant investment this spring related to the electrical hook-ups in the stabling area that will limit the event to ensuring electrical distribution needs associated with your event for competition rings, exhibitors, sponsors tent etc...” and “plans are presently in the works to have the electrical hook-up in the temporary stabling area overhauled so it will be suitable for your show”.

Based on a review of documentation, the sequence of events leading to the electrical repairs was as follows:

- In April 2007, after the organizing group n^o. 1 had indicated it would not participate in the annual equestrian competition in July, and after negotiations had begun with the organizing group n^o. 2, NNEP management began soliciting quotes to complete the electrical work. Correspondence from City staff indicates that this work was being undertaken to “accommodate the [organizing group n^o. 2] event”.
- Also at this time NNEP contacted the City’s property management group to obtain funding to complete this work. Property staff indicated that funding was not available as this work had not been identified as part of the life-cycle management of the site.
- In January 2008, property staff decided to provide funding from the surpluses available from other projects after receiving correspondence from the then Director of Parks and Recreation.
- It is at this point that an inspection of the site was completed to determine the extent of the electrical work required.
- Once the work was underway, Parks and Recreation allocated \$10,000 from its operating budget to assist in funding the required repairs.

While these and any other improvements to the Park will also serve other groups and events, it appears clear that the electrical work was initially undertaken to assist the organizing group n^o. 2 in organizing the 2008 event. In addition, the fact remains that the property is owned by the NCC and that the City's lease expires in 2011. As such, it is perhaps questionable whether extensive capital investment in the facility by the City was warranted at this time until it was determined whether the City would continue to operate the site beyond 2011.

Lastly, we were informed that organizing group n^o. 1 had a locked trailer situated on Park premises, where rent was not charged and for which City staff did not have access (e.g., keys for). Over the years organizing group n^o. 1 did invest dollars to upgrade the Park, which management advises they told organizing group n^o. 1 these were going to remain property of the City of Ottawa. However, when vacating the NNEP, organizing group n^o. 1 removed the heads for the watering system they had purchased thereby making them unusable. This was done unbeknownst to NNEP employees.

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.

5 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^o. 1 ceased its operation of a yearly weeklong event to be valid.

The allegation of preferential treatment included claims that the organizing group n^o. 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^o. 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^o. 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^o. 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^o. 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^o. 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 n^o. 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^o. 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^o. 2. Correspondence from City staff indicates that this work was undertaken to "accommodate the [organizing group n^o. 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^o. 2.
- Both the organizing group no. 1 and organizing group n^o. 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^o. 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.

6 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^o. 1 and organizing group n^o. 2.