



Office of the Auditor General

2010 ANNUAL REPORT



Office of the Auditor General / Bureau du vérificateur général

September 8, 2011

Mayor and Members of Council:

I am pleased to present the 2010 Annual Report of the Auditor General of the City of Ottawa. The 2010 Audit Plan consisted of new projects in addition to conducting a follow-up of 22 previously completed audits from 2005-2008. The results of each of these are presented in this report as well as an overall summary and assessment of progress made to-date against 2005-2008 audit recommendations. As was directed by Council, follow-ups will now be conducted yearly.

In addition to the follow-up audits, 18 new audits were also conducted in 2010. Two of these audits are being presented in camera: the Audit of the Glen Cairn Flooding and the Development Review Processes within the Carp Watershed; and, the Audit of the Mackenzie King Bridge Rehabilitation. Two other audits, the Pine View Municipal Golf Course; and the Ottawa Municipal Campground, were also conducted in 2010. These audits have been provided to their respective boards and, as such, are not included in this report.

Two 2010 audits have also been presented to Council last year: the Audit of the Lansdowne Park Proposal (LPP) Financial Model; and, the Audit of the Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System. The sixth annual report on the Fraud and Waste Hotline is also presented here, including a summary of the results of audits arising from Hotline reports.

In accordance with Council approval, the Hotline has been offered to the general public effective May 21, 2009. The 2010 Hotline report includes those reports received from the public.

Finally, the Audit Plan for 2012 is provided for Council's approval.

Respectfully,

A handwritten signature in cursive script, appearing to read 'Alain Lalonde'.

Alain Lalonde, FCGA, CIA
Auditor General



**Staff of the Office of the Auditor General
2010**

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1 OVERVIEW OF ACTIVITIES IN 2010

The 2010 Audit Plan for the City of Ottawa has focussed on conducting both new projects and follow-up audits on projects completed by the Office of the Auditor General (OAG) from 2005 to 2008. Twenty two separate follow-up audits were completed during 2010, representing 508 recommendations. It should be emphasized that recommendations arising from audits represent the Auditor General's (AG) suggested course of action to resolve the issues identified, however, once these recommendations are approved they become direction from Council to management. As such, progress in implementing these recommendations should be viewed as fulfilling Council's direction.

Included in this volume of the 2010 Annual Report are the results of these 22 follow-ups. As was the wish of Council, the results of follow-up audits are now presented to Council as part of each yearly Annual Report.

In addition to the follow-up audits, a number of new audits were also completed in 2010 as a result of the Annual Work Plan, Council requests and/or Fraud and Waste Hotline reports. These include:

1. Audit of the Use of City Vehicles and Mileage Claims
2. Audit of Selected Grant Recipients - Signed Agreements and Audit Clauses
3. Audit of the Nepean Sailing Club Agreement
4. Audit of the Sugarbush (Action Vanier) Agreements
5. Audit of the Revenue Branch
6. Audit of a Staffing Process in the Children's Services Branch
7. Audit of the City's Management of a Loan Agreement
8. Audit of a the City's Role regarding a Canada Day Event
9. Audit of Internet and Email Usage Policies and Procedures
10. Audit of the Mackenzie King Bridge Rehabilitation (presented in camera)
11. Determination of Sampling Requirements for Audits of Payroll Accuracy
12. Audit of Compressed Work Week Agreements
13. Audit of the City's Operating Relationship with the Ottawa Centre for Research and Innovation (OCRI)
14. Audit of the Glen Cairn Flooding and the Development Review Processes within the Carp Watershed (presented in camera)
15. Audit of the Lansdowne Park Proposal (LPP) Financial Model (presented June 17, 2010)
16. Audit of the Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System (presented June 23, 2010).

Two other audits, the Pine View Municipal Golf Course, and the Ottawa Municipal Campground, were also conducted in 2010. These audits have been provided to their respective boards and, as such, are not included here.

Based upon the input received from Council, no more than one report per year will be issued by the OAG.

1.1 Fraud and Waste Hotline

The City's Fraud and Waste Hotline was launched on November 1, 2005 to provide an anonymous and confidential vehicle for City staff and the public to report suspected fraud or waste. Section 6 of this report contains the sixth annual report on the Hotline. It includes overall statistics on the types and frequencies of reports to the Hotline, as well as summary reports on specific audits undertaken on issues arising from Hotline reports. In some cases, Hotline reports are transferred directly to management to be addressed, while in other instances the OAG has undertaken its own review, conducted a separate formal audit or considered the matter as part of an ongoing planned audit. Some of the Hotline reports that resulted in an audit being conducted are presented in Section 6. In the future, all Hotline reports will be referred to management for action. Reports to the Hotline are also used as part of the OAG risk assessment in identifying possible future audits.

1.2 Tabling Protocol

With the creation of the Audit Sub-committee, a revised reporting protocol for the OAG Annual Report was required. In keeping with the Terms of Reference of the Finance and Economic Development Committee (FEDC), the following protocol was confirmed by Council in February 2011:

1. A Notice of Tabling will be provided to Council
2. Annual Report tabled at the Audit Sub-committee (ASC)
3. Annual Report referred to various Standing Committees as directed by ASC
4. Annual Report presented to Council for final discussion and questions
5. Any recommendations where management does not agree are to be brought to the Audit Sub-committee or other Standing Committee as directed by Council for resolution.

1.3 2010 Budget

In 2010, the Auditor General recommended that his office's budget be reduced from 0.08% to 0.07% of the total City's operating budget. This resulted in a 2010 office budget of \$1.76 million, a reduction of \$186,000 or approximately 10% from 2009. This budget reduction was possible in part due to changes to the administration of the Fraud and Waste Hotline whereby the use of a new external

service provider resulted in a \$70,000 decrease to the cost of the Hotline. All of the audits presented in this report, including Council requests, were conducted within the 2010 budget.

2 APPROACH TO AUDITING AT THE CITY OF OTTAWA

Since the inception of the OAG in 2004, the focus of audits has been to identify issues and concerns as well as potential recommendations. The focus of audit work has always been to offer practical suggestions to address concerns and improve operations at the City. Recently the OAG has received comments that indicate a perception among some that these audits have been overly critical of City operations and negatively focussed. However, the high level of acceptance and action by senior management to the recommendations, as evidenced by the various follow-up audits, clearly indicates that the audits have been successful in generating improvements in efficiency and effectiveness throughout the City. It is important to point out that no issue is deemed trivial in conducting audits. The use of specific examples and incidents is not designed to simply criticise but to clearly describe the impact of broader system inefficiencies. Finally, information was provided to management in 2010 outlining \$39.6 million in potential savings identified in various audits from 2005 to 2009. Details on these potential savings are contained in Appendix B.

3 SUMMARY AND ASSESSMENT OF OVERALL PROGRESS MADE TO-DATE ON 2005-2008 AUDIT RECOMMENDATIONS

Audits are designed to improve management practices, enhance operational efficiency, identify possible economies and address a number of specific issues. The focus of the 2010 work plan was twofold; conduct both new audits and follow-up of 2008 audits as well as audits from previous years that had not yet been followed up. The follow-up audits completed in 2010 included:

1. Follow-up to the 2005 Audit of Internet Usage and Controls
2. Follow-up to the 2005 Audit of Drinking Water Services
3. Follow-up to the 2006 Audit of the Wastewater and Drainage Services Division
4. Follow-up to the 2006 Audit of the Food Safety Program
5. Follow-up to the 2007 Audit of 2006 and 2007 Compensation Budgets
6. Follow-up to the 2007 Audit of the Carp River Watershed Study and Related Projects
7. Follow-up to the 2007 Audit of Parks and Recreation Branch
8. Follow-up to the 2007 Audit of Parks and Recreation Financial Management and Revenue Processes
9. Follow-up to the 2008 Audit of the Children's Services Division

10. Follow-up to the 2008 Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies
11. Follow-up to the 2008 Audit of Information Technology Capital Expenditures and Project Approval Process
12. Follow-up to 2008 Audit of the Long Term Care Branch
13. Follow-up to the 2008 Audit of the Ottawa Paramedic Service
14. Follow-up to the 2008 Audit of Building Code Services Process for 215 Preston Street
15. Follow-up to the 2008 Audit of Hospitality and Other Ethical Matters
16. Follow-up to the 2008 Audit of the Parking Function
17. Follow-up to the 2008 Audit of Sick Leave Management
18. Follow-up to the 2008 Audit of Traffic Operations Division
19. Follow-up to the 2008 Audit of the City of Ottawa Water Rate
20. Follow-up to the 2008 Audit of the 2006 Sewage Spill
21. Follow-up to the 2008 Audit of the Governance and Compliance with the Access Management Agreement of the Southpointe Community Association
22. Follow up to the 2008 Audit of the Governance and Compliance with the Community Funding Service Agreement of the Banff Avenue Community House.

The table below summarizes our assessment of the level of completion of each recommendation for all 2008 follow-ups completed to-date.

Action	Percent complete	Number of Recommendations	% of Total Recommendations	Cumulative % of Total
Little to no action	0 – 24	13	3%	} < 50% complete: 8% of total recommendations
Action initiated	25 – 49	23	5%	
Partially complete	50 – 74	44	9%	9%
Substantially complete	75 – 99	87	17%	} 75 -100% complete: 83% of total recommendations
Complete	100	341	66%	
Total (for follow-ups completed to-date)		508	100%	

This report is not intended to provide an assessment of each individual recommendation. Rather, it presents our overall evaluation of progress made to-date across all completed audits. Should Council wish to have a more detailed

discussion of specific follow-ups, OAG staff are available to do so. In the years since the creation of the OAG in 2004, we have seen management practices gradually evolving to better reflect the size and complexity of the City of Ottawa. Our follow-up audits since 2005 indicate that operational improvements have occurred in a number of areas.

As mentioned in the 2009 Annual Report, success depends ultimately upon Council and Management working in synergy to alter the organization's culture and practices. We note that there is a clear commitment on the part of both Council and Senior Management to fulfill its role as change agents and move the City toward greater efficiency and effectiveness. Many of the follow-up audits presented here demonstrate solid improvement with regard to this objective. We also identified specific areas where improvements are still needed and in some parts of the City change has been more incremental and the timing of expected progress has been more protracted than in other public sector organizations. However, in our opinion, the overall message arising from the follow-up exercise is that the City is moving in the right direction in a great many areas.

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

- A. Solid Progress = 50% or more of the recommendations evaluated at 75-100% complete.
- B. Little or No Progress = 50% or more of the recommendations evaluated at 0-49% complete.
- C. Gradual Progress = All others.

A. Solid Progress	Audits
	<ol style="list-style-type: none"> 1. Follow-up to the 2005 Audit of Internet Control and Usage 2. Follow-up to the 2005 Audit of Drinking Water 3. Follow-up to the 2006 Audit of the Wastewater and Drainage Services Division 4. Follow-Up to the 2007 Audit of the Food Safety Program 5. Follow-up to the 2007 Audit of the 2006 and 2007 Compensation Budgets 6. Follow-up to the 2007 Audit of the Carp River Watershed and Related Studies 7. Follow-up to the 2007 Audit of Parks and Recreation Financial Management & Revenue Processes 8. Follow-up to the 2008 Audit of the Children’s Services Division 9. Follow-up to the 2008 Audit of Assessment and Monitoring of Eligibility for Social Housing Subsidies 10. Follow-up to the 2008 Audit of Hospitality and Other Ethical Matters 11. Follow-up to the 2008 Audit of IT Capital Expenditures and Project Approval Process 12. Follow-up to the 2008 Audit of the Long Term Care Branch 13. Follow-up to the 2008 Audit of the Ottawa Paramedic Service 14. Follow-up to the 2008 Audit of the Building Code Services Process for 215 Preston Street 15. Follow-up to the 2008 Audit of the 2006 Sewage Spill 16. Follow-up to the 2008 Audit of the Traffic Operations Division 17. Follow-up to the 2008 Audit of Governance and Compliance with Access Management Agreement of SCA 18. Follow-up to the 2008 Audit of Governance and Compliance with Community Funding Agreement of the BACH 19. Follow-up to the 2007 Audit of the Parks and Recreation Branch 20. Follow-up to the 2008 Audit of the Parking Function 21. Follow-up to the 2008 Audit of Sick Leave Management
B. Little or No Progress	No audits.
C. Gradual Progress	<ol style="list-style-type: none"> 1. Follow-up to the 2008 Audit of the City of Ottawa Water Rate

There have been a number of cases where management has disagreed with the original recommendations contained in these audits. The former Council Audit Working Group has met to discuss the majority of these. As outlined in the May 26, 2011 report to the Audit Sub-Committee (ASC), future outstanding disagreements will be monitored via the follow-up audit process with results presented to ASC for resolution as required. As with the follow-ups conducted in 2009, it is encouraging to note that, despite disagreeing with the recommended course of action; management has typically agreed with the need to address the underlying issue and has implemented changes to do so.

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

Follow-up audits to be presented as part of the 2011 Annual Report will include:

1. Five Specific Staffing Processes
2. Specific Contracts at the NNEP
3. Bridge Maintenance Program
4. Bridge Maintenance Process for a Specific Bridge
5. Payroll
6. Eight Specific Building Code Services Files
7. Specific House Drawings.

4 EXECUTIVE SUMMARIES – FOLLOW-UP AUDITS

This section contains the executive summaries for each of the follow-up audits completed in 2010.

4.1 Follow up to the 2005 Audit of Internet Usage and Controls

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of Internet Usage and Controls was included in the Auditor General's Audit Plan.

The key findings of the original 2005 audit included:

- Updating the City's anti-virus software;
- Improving log management practices to allow for detection of malicious activity and to track trends; and,
- Prohibiting the installation of software not officially sanctioned.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of Spring 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	7b, 7f	2	5%
PARTIALLY COMPLETE	50 – 74	18a, 18b, 18c, 18d	4	10%
SUBSTANTIALLY COMPLETE	75 – 99	7c, 7g, 12, 14, 15, 21a*, 21b*, 21c*	8	19%
COMPLETE	100	1, 2, 3, 4a, 4b, 5a, 5b 6a, 6b, 7a, 7d, 7e, 7h, 8a, 8b, 9, 10, 11, 13a, 13b, 16, 17a, 17b, 17c, 19a*, 19b*, 20*	27	66%
TOTAL			41	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	7b, 7f	2	5%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	7c, 7g, 12, 21a*, 21b*, 21c*	6	15%
COMPLETE	100	1, 2, 3, 4a, 4b, 5a, 5b 6a, 6b, 7a, 7d, 7e, 7h, 8a, 8b, 9, 10, 11, 13a, 13b, 14, 15, 16, 17a, 17b, 17c, 18a, 18b, 18c, 18d, 19a*, 19b*, 20*	33	80%
TOTAL			41	100%

*Confidential recommendations are omitted from this report as they contain information that could compromise the City's information technology security.

Conclusion

Most of the recommendations from the 2005 Audit of Internet Usage and Controls have been implemented by the Information Technology Services (ITS) Department. The main issues identified relate to monitoring of staff Internet and e-mail activity. In 2009, two Cisco PIX firewalls were nearing the end of their useful life and manufacturer's support and have been replaced by newer ASA firewalls in 2010. This will offer increased stability and manufacturer support in case of incidents. There was no Intrusion Detection System (IDS)/Intrusion Prevention System (IPS) on the network at the time we conducted this follow-up audit, but the ITS Department is in the process of implementing such devices. These efforts align with the implementation of the Payment Card Industry (PCI) requirements which the City of Ottawa is subject to.

The requested Websense reports containing City staff's Internet use could not be provided due to technical difficulties. The ITS Department is deploying its efforts to provide these documents and these will be reviewed. As is, the City of Ottawa internal network generally meets industry best practices for secure architecture and use of appropriate protection technologies. The Security Information and Event Management (SIEM) project will add strength from a security standpoint to the City's network, considering the IDS/IPS devices are part of the implementation.

There is no evidence that sensitive information is being encrypted on the City network. No document has been provided indicating information classification and/or guidelines for its handling. Implementation of PCI requirements will require such tools; as a minimum for banking and personal data that is transmitted over the City network. Once implementation of current PCI requirements is achieved, these deficiencies will probably be rectified.

Acknowledgement

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

4.2 Follow-up to the 2005 Audit of Drinking Water Services

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of Drinking Water Services was included in the Auditor General's Audit Plan.

The key findings of the original 2005 audit included:

- The Drinking Water Services Division complies with federal and provincial regulations governing the safe supply of drinking water to Ottawa residents. While no concerns over water safety were raised, the audit concludes that there is room for improvement in the following areas:
 - Although not required by legislation, the City should implement a proactive lead service replacement program;
 - The City should require all private water systems connected to the City's system to have written maintenance procedures;
 - The City's water loss program could be better coordinated;
 - Responsibility for water services is dispersed with only the City Manager having overall responsibility; and,
 - Better prioritization of meter and remote sensor repairs could generate additional annual revenues of approximately \$300,000.

Summary of the Level of Completion

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

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

2. The table below outlines management's assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	3, 19, 24	3	12%
COMPLETE	100	1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 25	22	88%
TOTAL			25	100%

Conclusion

It was found that a significant amount of progress has been made with regards to implementation of work associated with the recommendations in the 2005 audit. It appears that City staff, management, and Council have each attempted to make progress in the areas identified in the audit.

Staff have shown that they are keeping up to date by monitoring changes in drinking water legislation and guidelines with regards to the parameter bromodichlormethane (BDCM). The Guideline Technical Document for Trihalomethanes (THMs) in Drinking water was modified to remove a separate guideline for BDCM because the maximum acceptable concentration for THMs is protective of the health effects of all THMs, including BDCM. It will be important for staff to continuously monitor changes in legislation and guidelines for other water quality parameters.

Progress has been made with regards to the setup of a temporary procedure that allows Drinking Water Services to receive invoices from Finance. This temporary solution should be refined to reduce staff hours spent requesting and waiting for information. Attempts should be made to have Hydro Ottawa forward two copies of invoices to the City, one to Finance and one directly to Drinking Water Services. At the very least, a policy should be put in place such that when a member of Finance staff receives an invoice for Drinking Water Services, a copy is immediately forwarded to the correct Drinking Water Services staff member.

Based on the documentation received and reviewed for this follow-up audit, there has been little progress with regards to the design and implementation of a water meter maintenance program. As the age of the meters increases their accuracy will decrease. This could cost the City lost revenue for water that is being used but not recorded. Part of the problem with meter maintenance is access. Access procedures

need to be put in place and by-laws enforced with a focus on service termination or fines for homeowners that refuse staff access.

The Automated Meter Reading project has been underway for some time. Staff have issued a Request for Qualifications (RFQ) which was reviewed by City staff in April of 2009. Once this technology is installed the meter reading frequency is scheduled to increase to once per month which will increase the amount of data collected for use by DWS, and decrease the number of estimated meter readings and bills. With this, there should be a drop off in customer service complaints with regards to incorrect bills.

A formal assessment of the ITX/IIMS has been completed and the City has identified SAP as a replacement to the ITX maintenance program. SAP and ESRI can be configured to support the many business requirements that staff have defined. This system will be operational in late 2010 and will focus on an infrastructure and work management system for water mains and sewers. This will lay the foundation for subsequent phases where information regarding additional assets will be added to the system.

Procedures have been created to reconcile water accounts with property tax accounts, reconcile water accounts with meters installed (ITX/IIMS), and to reconcile water accounts with building permits.

The 2005 audit recommended that the internally established collections target should be re-evaluated by Revenue and Collections Management. The year end process for setting the collections target has been reviewed and clearly set out. The collections target has been increased over the past few years. Continuous improvement has been shown; however, staff should consider avenues to cost effectively collect the remainder of the tenant lease receivables.

The City has made significant progress with regards to the implementation of a Cross Connection Control program. The City of Ottawa website provides the public with good background information regarding cross-connections and outlines the public consultation process that has been taking place. Similar by-laws enacted by other municipalities regarding cross-connections are also posted on the website. This will help the public to understand the potential wording and implications of any by-law that the City of Ottawa might enact and enforce.

The Drinking Water Quality Management System and Operational Plan are being implemented. The City has received accreditation from the Canadian General Standards Board and has received its Municipal Drinking Water Licence from the Ministry of the Environment. Although the work completed to date is significant, staff haven't begun to address the remainder of Recommendation 23 from the 2005 audit which recommends that Quality Management Systems for Solid Waste and Wastewater be implemented in addition to the Drinking Water Quality Management System.

A proactive lead services replacement program has been put in place. A public information campaign has been initiated that includes mass mailing to residents suspected of having lead services and a portion of the City's website describes the lead services replacement program. Council has instructed staff to provide provisions in the budget to replace the City's portion of lead water services by 2014.

Drinking Water Services has been identified as the group to lead and be responsible for all water loss reduction programs. The Water Loss Control 2008 Summary Report outlines the sources of water loss as well as the potential solutions for reducing losses and increasing the amount of water that is billed.

Acknowledgement

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

4.3 Follow-up to the 2006 Audit of the Wastewater and Drainage Services Division

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2006 Audit of the Wastewater and Drainage Services Division was included in the Auditor General's Audit Plan.

The key findings of the original 2006 audit included:

- The City is meeting all provincial regulations for wastewater management except for required staff training. Approximately 50% of the City's wastewater staff need additional training to meet the Province's regulations.
- Combined sanitary and storm sewers that remain in operation in the City require upgrades, however issues regarding discharges from these sewers are being managed in concert with the Province. No violation orders have been issued to the City in this area.
- The City needs an overall sewer inflow/infiltration program and wet weather strategy to better manage sewer capacity in the future.

Summary of the Level of Completion

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

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	12, 19	2	11%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	3, 4, 5, 7, 16	5	26%
COMPLETE	100	1, 2, 6, 8, 9, 10, 11, 13, 14, 15, 17, 18	12	63%
TOTAL			19	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	3, 4, 5, 7, 12, 16	6	32%
COMPLETE	100	1, 2, 6, 8, 9, 10, 11, 13, 14, 15, 17, 18, 19	13	68%
TOTAL			19	100%

Conclusion

The Wastewater and Drainage Services Division (WDSO) has made substantial progress since the fieldwork phase of the original audit in 2006. The Division has acted on all of the recommendations, and WDSO and ISB have developed strategic plans and timelines, which have or will lead to the complete implementation of all the OAG’s recommendations.

After reviewing the information provided by WDSO, it is apparent that the Division has acted on the recommendations, and is continually striving to improve in all areas and stay current with all regulations and best management practices.

Acknowledgement

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

4.4 Follow-up to the 2007 Audit of the Food Safety Program

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Food Safety Program was included in the Auditor General's Audit Plan.

The key findings of the original 2007 audit included:

- The Program is currently unable to meet the legislative requirements for inspection;
- Although there have not been any outbreaks of illness, the Provincial Mandatory Guidelines for Food Safety are not being met by the City of Ottawa;
- Completion rates of annual inspections are significantly below prescribed levels; and,
- Management has, over the years, endeavoured to improve the performance of the Program. However, despite an increase in the annual budget for Food Safety of approximately 50% from 2004 to 2006, the Program has been unable to meet legislative requirements.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of Summer 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	3d	1	3%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	1, 2, 3a, 3b, 3c, 4a, 4b, 4c, 4d, 4e, 4f, 5a, 5b, 5c, 5d, 6a, 6b, 6c, 6d, 6e, 7a, 7b, 8, 9, 10, 11, 12, 13, 14a, 14b, 14c, 14d, 14e, 14f	34	97%
TOTAL			35	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	1, 2, 3a, 3b, 3c, 3d, 4a, 4b, 4c, 4d, 4e, 4f, 5a, 5b, 5c, 5d, 6a, 6b, 6c, 6d, 6e, 7a, 7b, 8, 9, 10, 11, 12, 13, 14a, 14b, 14c, 14d, 14e, 14f	35	100%
TOTAL			35	100%

Conclusion

Significant progress has been made on all of the audit's recommendations. With the exception of Mandatory Food Handler Training, which management has determined it will not pursue, all other recommendations can be deemed fully implemented. Of particular note is the solid progress in launching an Environmental Health Information System (EHIS), the Quality Assurance (QA) program and on-line disclosure of inspection results. Most recent statistics provided by management show an encouraging increase in the number of inspections completed. While all premises received at least one inspection in 2009, it should be noted that only 33% of high-risk premises received the required three inspections during the year. Factors identified that contributed to this include:

- Reassignment of staff during the OC Transpo strike to visit vulnerable populations in high-risk buildings;
- Reduction in availability of Public Health Inspectors (PHIs) to conduct routine inspections due to training of the new EHIS system;
- Relocation of staff to Ottawa's west end to perform health hazard assessments in the homes of flood victims;
- Redeployment of nearly 90% of PHIs during the H1N1 pandemic response and mass vaccination campaign; and,
- Participation of staff in five large-scale food recalls to ensure that affected products were removed from retail distribution.

Management indicates that it is on target to meet its 2010 targets, however, has also indicated that additional PHI positions are required to maintain the organization's

ability to consistently meet these targets in the future, to sustain its achievements and will be requested in the 2011 budget submission.

Acknowledgement

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

4.5 Follow-up to the 2007 Audit of 2006 and 2007 Compensation Budgets

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the 2006 and 2007 Compensation Budgets was included in the Auditor General's audit plan.

The key findings of the original 2007 audit included:

- Compensation/Benefit budgets for 2006 and 2007 were overstated by more than \$8 million; and,
- The overstatement was initially reported to Council as being due to savings from staff vacancies even though correspondence indicated that management was aware that the overstatement actually related to compensation benefits and not staff vacancies.

The audit identifies other opportunities for improvement including:

- Developing a budget policy, to create a provision for expected staff vacancies at the beginning of the budgeting process; and,
- Ensuring that as soon as overstated budgets are identified that are sustainable, the corresponding base budget adjustment be made and reported to Council.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of Summer 2010.

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

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Fall 2010 in response to the OAG’s assessment. These assessments have not been audited.

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

Conclusion

Substantial progress has been made towards implementing most of the recommendations.

A Vacancy Allowance Policy has been established which includes a vacancy allowance target of 1.6% of the department’s total compensation budget plus an unallocated vacancy provision of \$7.4 million representing approximately 1% which applies to all City portfolios and departments. However, this does not cover the Transit Services Department which represents approximately 20% of total compensation. In August 2010, management has indicated that Transit Services is committed to working with their partners in Finance to complete this work by Q2 2011.

Management has indicated that any budget adjustment of a permanent nature would have been captured in the 2009 budget documents under the “2008 Baseline Adjustments”. This was illustrated by the example of the elimination of approximately 100 vacant full time positions which appears in the 2009 budget under the “2008 Baseline Adjustments” heading.

A review of budget adjustments related to the unallocated budgeted vacancy provision for 2009 and 2010 show that the Budget and Financial Planning Unit (BFP) of the Corporate Finance Branch generates a variance report for compensation. They would identify to the Financial Support Unit (FSU), on a cost centre basis, the potential amounts of additional vacancy allowance that could be allocated. This is usually done on the same frequency as the Operating Status reports.

The OAG recommended that the variance analysis for compensation and non-compensation line items be segregated on a line basis and reported to Council in order to increase transparency and prevent surpluses in one area offsetting deficiencies in another area. The recommendation remains outstanding as management continues to disagree.

Acknowledgement

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

4.6 Follow-up to the 2007 Audit of the Carp River Watershed Study and Related Projects

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Carp River Watershed and Related Studies was included in the Auditor General's Audit Plan.

The key findings of the original 2007 audit included:

- Parts of the study and related projects were incomplete or erroneous.
- A possible conflict of interest may exist even if the requirement of the code of ethics of the Professional Engineers of Ontario was met. The Auditor General had concerns that an engineering firm worked concurrently for both the project developer's landowners group and the City. The implications of this were exacerbated by the fact that the City of Ottawa formed part of the developer's landowners group while at the same time reviewing and approving the studies and reports.
- Studies and reports completed as part of the Kanata West development did not satisfy some provincial and City policies.
- Technical design components of the studies and reports were based on erroneous drainage areas and did not properly calculate the volumes of runoff. For instance, peak water levels in some parts of the Carp River could be more than a metre higher than indicated in the design modelling.
- The City should require developers to correct, at no cost to the taxpayers, the design errors prior to proceeding further with the development.
- The City should ensure such potential conflicts do not occur in the future as they put the professional engineering firm in the position of having two masters.
- Based on legal advice, the results of audit work concerning the Glen Cairn development were not included in the report.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009 and Fall 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	2, 6, 8	3	23%
COMPLETE	100	1, 3, 4, 5, 7, 9, 10, 11, 12, 13	10	77%
TOTAL			13	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Fall 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	2	1	8%
COMPLETE	100	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	12	92%
TOTAL			13	100%

Conclusion

For the recommendations where management agreed or agreed in principle, management has been dutiful in implementing them, as evidenced by the large number of completed recommendations in the Summary of the Level of Completion.

There were three recommendations where management originally indicated disagreement in the management responses. The update/status comment indicates that some action has been taken, which we consider a positive response to the findings of the audit.

Acknowledgement

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

4.7 Follow-up to the 2007 Audit of Parks and Recreation Branch

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Parks and Recreation Branch was included in the Auditor General's Audit Plan.

At that time, management agreed with 17 of the 21 proposed recommendations. The original audit raised issues in the following areas:

- City needs a stronger leadership and oversight of the Parks and Recreation programs and facilities;
- Absence of a Recreation Master Plan;
- Lack of overall direction impacting low-income residents, people with disabilities and French language programming;
- Little management reporting at all levels of the branch to facilitate decision-making;
- Need to implement more processes to ensure a consistent approach to program and fee determination; and,
- Develop tools and reporting mechanism to ensure proper oversight and accountability of the individual facilities.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of February 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	2, 5, 7	3	14%
PARTIALLY COMPLETE	50 – 74	6, 12, 16, 18, 19, 20	6	29%
SUBSTANTIALLY COMPLETE	75 – 99	1, 8, 9, 13, 14	5	24%
COMPLETE	100	3, 4, 10, 11, 15, 17, 21	7	33%
TOTAL			21	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Fall 2010 in response to the OAG's assessment. These assessments have been validated through discussions with management.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	2, 7	2	9%
PARTIALLY COMPLETE	50 – 74	6, 12, 16, 19, 20	5	24%
SUBSTANTIALLY COMPLETE	75 – 99	8, 9, 13, 14	4	19%
COMPLETE	100	1, 3, 4, 5, 10, 11, 15, 17, 18, 21	10	48%
TOTAL			21	100%

Conclusion

The October 2008 corporate reorganisation (Phase III) saw the Parks and Recreation Branch dissolved and the establishment of the present Parks, Recreation and Cultural Services Department. Notably, the present department no longer includes Child Care; however, now contains Cultural Services. The reorganization has impacted some recommendations. Within the past year, progress towards full implementation of the audit's recommendations focussed on efforts to develop a Recreation Master Plan as well as the completion of the three-year Marketing Plan. Consequently, implementation of many recommendations has been impacted and/or delayed.

The need for a Recreation Master Plan was first identified in 2002 but as stated in the original audit, it was only in April 2007 that the branch (now department) started with its preliminary meetings for this endeavour. Management made three white papers available to the public in May 2009, with a view of receiving public input until August 2009. Management advised that they anticipated that key directions would be provided to Council in Q4 2009 with staff reporting back to Committee and Council in Q1 2010 with the final Recreation Master Plan. The consultation results including guiding principals and key recommendations for the Recreation Master Plan were presented to City Council at their December 9, 2009 meeting.

The Recreation Master Plan was not complete as of January 2010 and as a result full implementation of many of the original audit's recommendations was pending at the time of this follow-up. As well, as of January 2010, one of the seven Community Associations that provide significant level of recreational programming out of City facilities had signed formal recreation programming/service agreements in place.

There remains a requirement for performance measures of individual facilities. Each facility marketing plans provide individual performance indicators and measuring tools, however quarterly reporting of outcomes to Council occurs on only four measures at the department level. As we stated in the original audit, "this data is useful at a very high-level but it does not provide any information or analysis on performance by program, by facility, or by area."

Acknowledgement

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

4.8 Follow-up to the 2007 Audit of Parks and Recreation Financial Management and Revenue Processes

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of Parks and Recreation Financial Management and Revenue Processes was included in the Auditor General's Audit Plan.

The key findings of the original 2007 audit included:

- A need to significantly tighten financial controls and place a greater emphasis on reporting, both performance and financial;
- The majority of financial transactions were processed at the facility level but with very limited controls set up to ensure that certain functions are only performed by authorized staff; and,
- Little reporting generated as a means of ensuring compliance to financial policies and monitoring performance.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of February 2010. Subsequently, management's response in the Fall of 2010 was in agreement with that assessment.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	20, 24b, 26b, 30b, 30c	5	9%
PARTIALLY COMPLETE	50 – 74	30d, 32b	2	3%
SUBSTANTIALLY COMPLETE	75 – 99	32a	1	2%
COMPLETE	100	1, 2, 3a, 3b, 3c, 3d, 4a, 4b, 5a, 5b, 5c, 5d, 5e, 6, 7, 8, 9, 10a, 10b, 11a, 11b, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24a, 24c, 25, 26a, 26c, 27, 28, 29a, 29b, 30a, 31a, 31b, 33, 34a, 34b, 35, 36, 37, 38	51	86%
TOTAL			59	100%

Conclusion

The October 2008 corporate reorganisation (Phase III) saw the Parks and Recreation Branch dissolved and the establishment of the present Parks, Recreation and Cultural Services Department. Notably, the present department no longer includes Child Care however now contains Cultural Services.

Management has successfully implemented the majority of the 2007 audit's recommendations. For the most part, we observed that the department has issued many reminders, procedures and guidelines addressing the majority of the recommendations. However, monitoring for compliance (e.g., that the procedures and guidelines are being followed) could be strengthened. In some cases, there is no evidence that a review took place and that the area managers were aware of exceptions/situations. In other cases, there was no evidence that staff had reviewed documents. Establishing a process where reviewed documents are dated, signed and/or initialized as well as retained for an appropriate amount of time should be considered.

Management indicated that they had completed a review of the Cash Handling – Corporate Policy/procedure and that it was signed off March 31, 2009. However the Cash Handling – Corporate Policy and procedures were not posted to Ozone until the first week of February 2010. In addition, in many cases no “reminder or advisory” e-mails were issued to staff while the manual was being revised.

Systems, such as CLASS, can be configured with hard controls that impose limitations. We observed that the department had not developed specific CLASS routines, as recommended due to system limitations and departmental business practices. However, to address the spirit of certain recommendations, we observed that some mitigating controls had been established.

Positive change was observed in the issuance of a new Refund Policy specifically as it pertains to having the Financial Support Unit (FSU) perform non-point of sales refunds. Improvement in staff accuracy to minimize refunds and reviews of the special circumstances to ensure fairness is encouraged.

We noted that the department continues to have outstanding receivables although it has implemented its Pay Before You Play policy. In addition, we observed that clients with an outstanding receivable over 30 days or greater were still allowed to register and therefore incurred additional current receivables. The department's Interim Procedure for Review and Collection of CLASS A/R states:

1. FSU Account Manager meeting with Division and Area Managers at the Quarterly Financial Review meeting (the month following the quarter) to review AR reports.
2. Area/Division Managers must ensure that all outstanding balances in CLASS are followed up and cleared by the next quarter.

Acknowledgement

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

4.9 Follow-up to the 2008 Audit of the Children's Services Division

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Children's Services Division (CSD) was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The City of Ottawa is the only Ontario municipality that allocates fee subsidies to child care agencies rather than directly to clients, resulting in an under-utilization of fee subsidies and an overly complex budgetary process.
- Since the City allocates fee subsidies to agencies rather than the client, those most in need are not necessarily receiving subsidies.
- The City should explore the elimination of the allocation of fee subsidies to child care agencies in favour of a client based fee subsidy system.
- Current income testing produces mixed results where those less needy may occupy a subsidized space while those who require significant subsidies based upon lower income are prohibited from obtaining a subsidized spot.
- The current approach to the Centralized Waiting List for subsidies does not accurately reflect the true need in the community.
- There has been only limited progress to address the issues and recommendations contained in the 2006 Audit of the Ontario Works Child Care subsidies.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 31, 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	2, 23, 28	3	11%
SUBSTANTIALLY COMPLETE	75 – 99	1, 3, 7, 8, 10, 12, 14, 15, 16, 17, 18, 19, 20, 22	14	50%
COMPLETE	100	4, 5, 6, 9, 11, 13, 21, 24, 25, 26, 27	11	39%
TOTAL			28	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	2, 23, 28	3	11%
SUBSTANTIALLY COMPLETE	75 – 99	1, 3, 7, 8, 10, 14, 15, 17, 18, 19, 20, 22	12	43%
COMPLETE	100	4, 5, 6, 9, 11, 12, 13, 16, 21, 24, 25, 27, 27	13	46%
TOTAL			28	100%

Conclusion

The Children's Services Branch has made significant progress in many areas, particularly with respect to file content and documentation standards. The staff and management were well engaged in the policy and procedure development process and were appreciative of the opportunity to be involved and make change. However, both staff and management expressed concern regarding the resources required to develop policies and procedures and the ability for staff to be objective in their development. It was recognized, and we agree, that it is very difficult to be objective when one performs the duties each day over several years. The policies and procedures that have been developed by staff and management since 2008 need to be reviewed by an objective source to ensure that no gaps exist and that all legislative and provincial policies are appropriately reflected. This analysis could be undertaken within the Branch from a different program or from outside the Branch altogether. It is important, however, that staff and management be permitted to provide input and feedback throughout the process. We also noted that the policies and procedures do not contain description of processes in order to ensure that each step is undertaken on a file in a consistent manner. We recommend that the policies and procedures be supplemented with process maps with associated decision points, roles and responsibilities.

A review of the self-employment policy should be undertaken to ensure that the City is assessing income adequately in all cases. Similarly, the newly documented appeal policies and processes require further review to ensure clarity.

With respect to training, the Branch has undertaken a training program in the fee subsidy program that is currently being evaluated to ensure its comprehensiveness. A similar approach should be undertaken with the other programs.

The Ontario Works Child Care (OWCC) receipt process has much improved since 2008 with the introduction of the new electronic receipt. The result is a much improved approach. The review of the receipts on an ongoing basis will be helpful in identifying any further changes required in the future.

The Branch's relationship with Employment and Financial Assistance (EFA) (which became Social Services Operations Branch) has improved and participation agreements with OWCC clients are generally current. However, the meetings that were to occur between EFA and the Branch have not been regular to ensure that information is shared. The Branch has issued payments to clients in a few cases where activities were not up to date and documented. We recommend that a long term, semi-annual schedule be developed and adhered to.

Finally, the introduction of full day kindergarten has had significant, long term impacts on the delivery of childcare services in the province and the City. The newest directives require that the fee subsidies follow the child rather than be assigned to childcare agencies. Consequently, the City's approach to fee subsidies is naturally changing to a child based subsidy approach. This will mean changes in the manner in which the City operates as well as the agencies. The current budget process will continue to change. That being said, in the interim, the Branch has made some significant changes to the budgetary process with Purchase of Service childcare agencies. Although some complications remain, the introduction of the Child Care Service Provision Price Index (CCSPPI) has significantly simplified the process and has shortened the timeframe for budgetary approval.

Although the Branch has some work to do, particularly in the policy and procedure development area, there has been significant progress. The Branch has been tracking this progress and recognizes the areas that are still under development. We recommend that this improvement process continue and that the Branch include a progress report at each Branch meeting.

Acknowledgement

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

4.10 Follow-up to the 2008 Audit of the Assessment and Monitoring of Eligibility for Social Housing Subsidies

Introduction

The Follow-up to the 2008 Audit of Assessment and Monitoring of Eligibility for Social Housing Subsidies was included in the Auditor General’s Audit Plan.

The key findings of the original 2008 audit included:

- Management controls and oversight functions need to be strengthened.
- There is a perception among some citizens that there is abuse in this area, and that the lack of consistency in many areas creates the real risk that these concerns are more than just perception.
- Procedures need to be formalized to guide the staff in carrying out their duties.
- Service Agreements between the City and housing providers need to be properly executed and retained on file.
- The annual reconciliation process between the City and housing providers is often significantly delayed.
- The current approach to the Centralized Waiting List for subsidies does not accurately reflect the true need in the community.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	3, 5	2	12%
SUBSTANTIALLY COMPLETE	75 – 99	1, 4, 6, 7, 9, 14, 15, 17	8	47%
COMPLETE	100	2, 8, 10, 11, 12, 13, 16	7	41%
TOTAL			17	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	3, 5	2	12%
SUBSTANTIALLY COMPLETE	75 – 99	4, 6, 7, 9, 14, 15, 17	7	41%
COMPLETE	100	1, 2, 8, 10, 11, 12, 13, 16	8	47%
TOTAL			17	100%

Conclusion

Overall, management has made substantial efforts to complete the recommendations from the 2008 Audit of Assessment and Monitoring of Eligibility for Social Housing. One of the most prevalent management responses to the recommendations is the creation of the Policy and Procedures Manual and, since it is almost complete at the time of this follow-up audit, many of the recommendations were found to be substantially complete. However, it is important to note that the Manual is still in draft form and has not yet been approved or implemented. Management plans to make the Policy and Procedures Manual official by December 31, 2010.

Management has not taken action on Recommendations 11 and 12 due to the fact that they are not in agreement with the recommendations as follows:

- Recommendation 11 refers to management seeking Council direction on the desire to petition the Ministry of Municipal Affairs and Housing to allow the City to require confirmation that anyone claiming abuse has commenced legal proceedings. Management is not in agreement due to the fact that the Social Housing Reform Act (SHRA) disallows this practice.
- Recommendation 12 refers to the Registry reducing the types of documents that establish that a household meets the residency eligibility requirements. Management and the Registry feel that other forms of documentation may be acceptable (such as Ontario Works (OW) slips or Ontario Disability Support (ODSP) slips) due to the fact that OW and ODSP have rigorous standards which must be satisfied confirming residency status before funds are issued. While this may be the case, management would need to be in a position to have evidence that the OW and ODSP processes for verifying residency are in place and operating effectively to make this assumption.

Management's position is that Council was informed of these recommendations, as well as their response to them and no request was made by Council to take any action. Therefore, they do not intend to take further action with respect to these two recommendations. As such, no further resolution is required.

Acknowledgement

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

4.11 Follow-up to the 2008 Audit of Information Technology Capital Expenditures and Project Approval Process

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of IT Capital Expenditures and Project Approval Process was included in the Auditor General’s Audit Plan.

The key findings of the original 2008 audit included:

- The City needs to have a more consistent approach to setting its Information Technology (IT) priorities;
- The escalation/resolution process for disputes arising from the priority-setting process has not been clearly documented;
- While the recommendations arising from the Mayor’s recent eGovernance Task Force have yet to be implemented, management anticipates they will be in place by the time the 2010 budget is presented to Council;
- The role of Executive Management Committee as the final approval authority should be clarified;
- The current process allows departments to receive budget approval before projects have been prioritized; and,
- There is a need to centralize IT capital funding under a single authority.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of December 2010. Subsequently, management’s response in the Winter of 2011 was in agreement with that assessment.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	11, 12	2	14%
COMPLETE	100	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14	12	86%
TOTAL			14	100%

Conclusion

In response to the budgeting and capital expenditure recommendations, the audit recommendations have been fully addressed, through the implementation of quarterly reporting, for both IT-owned and client owned capital expenditures.

The updating of Portfolio Value Management Framework (PfVM) process and its associated tools has fully addressed the majority of the audit recommendations from the 2008 Audit of Information Technology Capital Expenditures and Project Approval Process. The updates included:

- Providing overall guidance on Initiating an IT Project (using a 5-step approach);
- The identification of project owners for all projects;
- The requirement of a Concept Value Case;
- The distinction of projects which are transformational in nature from those which are sustaining or operational;
- The development of formal priority setting criteria and tool, through the creation of the Business Value Index (BVI) Scoring Tool to aide in the prioritization of projects prior to seeking funding approval;
- The review by the Technology Architecture Panel (TAP) to ensure overall feasibility and performance of options analysis;
- The requirement of Business Case Template for all growth and transformation projects;
- The clarification of voting rights for the Value Assessment Panel (VAP);
- The requirement that all projects are reviewed by the VAP or Mini-VAP (depending on project size and cost) review prior to approval by Council;
- The communication of value score and relative priority for all IT initiatives using the Project Scoring Summary; and
- The development of a new escalation process and the clarification of the Executive Management Committee (EMC) as final authority.

One area not fully addressed, but substantially addressed, was the formal and informal communication of overall requests and the informal communication of ITS capacity to address those requests.

Beyond this, the Project Management Office (PMO) maintains all of the documents related to the new prioritization process and continues to monitor their progress. The PMO has committed to making continuous process improvements as potential changes are identified.

Acknowledgement

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

4.12 Follow-up to the 2008 Audit of the Long Term Care Branch

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Long Term Care Branch was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The City's Long Term Care Branch needs to strengthen its processes for managing residents' trust accounts. The audit found that there were charges to residents' trust accounts that did not have appropriate documentation or authorization, and staff in the homes do not have access to adequate information to determine whether or not a particular charge can be made to a resident's account.
- Overall, the Branch is providing quality care to residents living in the well-maintained City homes. However, the report makes a number of recommendations for improvement and suggests that the Branch:
 - Develop policies and procedures for the management of trust accounts that are reflective of legislative standards and regulations and which clearly define the respective roles and responsibilities;
 - Implement an annual review process for each resident/family to ensure that the fees charged to the trust are agreed to;
 - Review the legislative standard for mandatory training, measure adherence and revise accordingly;
 - Develop a process by which compliance plans are centrally vetted prior to submission for consistency; and,
 - Review purchasing practices to ensure appropriate segregation of duties, and that documentation and settlement processes are implemented.

Since the original Audit was undertaken in 2008, a new piece of legislation governing the operations of all Long Term Care Homes across the province has been put into force. As of July 1, 2010, the City of Ottawa Long Term Care Homes are required to comply with the Long-Term Care Homes Act, 2007 and its regulations. This legislation and its regulations have brought substantial change to the sector. While the Branch and its four homes have been diligent in responding to these new requirements, this follow-up audit review is not intended to assess operations as per the LTCH Act. Rather, the review of the recommendations and the assessment of percentage completion are based on or consistent with the requirements at the time of the original audit in 2008.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of February 16, 2011.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	27, 56, 57	3	4%
PARTIALLY COMPLETE	50 – 74	2, 39	2	3%
SUBSTANTIALLY COMPLETE	75 – 99	6, 17, 30, 43, 45, 46, 47, 48, 49, 50, 59	11	15%
COMPLETE	100	1, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13,14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 31, 32, 33,34, 35, 36, 37, 38, 40, 41, 42, 44, 51, 52, 53, 54, 55, 58, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71,72, 73, 74, 75	59	79%
TOTAL			75	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	27	1	1%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	39	1	1%
SUBSTANTIALLY COMPLETE	75 – 99	17, 47, 48, 49, 56, 57, 59	7	10%
COMPLETE	100	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13,14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 40, 41, 42, 43, 44, 45, 46, 50, 51, 52, 53, 54, 55, 58, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71,72, 73, 74, 75	66	88%
TOTAL			75	100%

Conclusion

In conclusion, we found that there has been significant effort over the past two years by the Branch to meet the recommendations contained in the original audit. The Branch has evolved significantly whereby the four homes work together for the overall benefit of residents. There is evidence of growth and evolution of the “Branch” model with standardization in practice and Functional Teams success. This can only be done with strong leadership, which we witnessed. For some recommendations, although there remains minor action to be completed, a rating of 100% complete has been given.

This has occurred in a time of significant change in the long term care sector. There are clear partnerships being formed between the Branch and the corporate services such as the FSU, Public Works, Corporate Health and Safety and Infrastructure Services. Further, implementation of systems and technologies supported by Information Technology Services and the vendor partners has improved efficiencies and effectiveness at the operational level. Managers and staff have embraced the changes and have supported their staff throughout the changes. This is not to say that there are no outstanding recommendations, such as trust management policies. However, management has indicated that these items are being addressed and evidence indicates that this is the case.

We witnessed a highly motivated group of professionals that share a common purpose and commitment to improvement and quality. The resident and family surveys clearly show that the service provided by the homes is excellent and continues to improve.

Acknowledgement

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

4.13 Follow-up to the 2008 Audit of the Ottawa Paramedic Service

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Ottawa Paramedic Service was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The City should consider replacing its existing method of dispatching ambulances and bring it in line with the North American standard. The City is currently using a model of assessing calls for ambulances that is both inefficient and inaccurate. The result is that an abnormally high number of calls are misidentified as life threatening, creating an unsustainable burden on the service;
- In 2007, approximately 85% of all calls received were categorized as requiring a "lights and siren" response compared with 35-40% using the North American standard triage methodology;
- The Province currently requires the use of this ineffective mechanism despite its shortcomings;
- Of the over 85,000 calls dispatched as life-threatening, only 21,000 were actually transported to hospital as emergencies;
- The high number of calls identified as life-threatening means that frequently the City has very few, and in many cases, no ambulances available for other responses;
- Patient offload delays at Ottawa hospitals are a major driver of response time erosion in City land ambulance services; and,
- The City budget process has failed to supply regular and timely ambulance staffing growth increments to keep pace with ongoing call volume increases occurring between 2001 and 2008.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2010:

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	4, 6, 11, 17, 25, 26	6	18%
ACTION INITIATED	25 – 49	30, 34	2	6%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	2, 7, 8, 10, 19, 20	6	18%
COMPLETE	100	1, 3, 5, 9, 12, 13, 14, 15, 16, 18, 21, 22, 23, 24, 27, 28, 29, 31, 32, 33	20	58%
TOTAL			34	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	6, 11	2	5%
ACTION INITIATED	25 – 49	17, 25, 26, 27, 30, 34	6	18%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	1, 2, 7, 10, 19, 20, 21, 22, 23, 32, 33	11	33%
COMPLETE	100	3, 4, 5, 8, 9, 12, 13, 14, 15, 16, 18, 24, 28, 29, 31	15	44%
TOTAL			34	100%

Conclusion

Management has made significant progress in completing or rigorously addressing three quarters of outstanding recommendations associated with the original 2008 Audit of Paramedic Service. A number of “no action” recommendations cannot yet be acted upon by the Paramedic Service or management for valid timing reasons – these “no action” assessments by the OAG do not represent a lack of commitment on the part of the Paramedic Service or management.

Of particular note from an audit follow-up perspective is the pivotal role played by the recently completed Paramedic Service 2011-2020 Master Plan. The 2011-2020 Master Plan has comprehensively addressed/resolved a wide range of complex system planning, operational and performance measurement/reporting challenges originally raised in the 2008 Audit of Paramedic Service. The remaining outstanding 2008 audit recommendations should be addressed by a series of issue-specific special projects and reports to be executed/conducted in 2011. Management compliance with almost all outstanding 2008 audit recommendations (i.e., 95% compliance rate) should be achieved no later than end of Q1 2012.

Acknowledgement

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

4.14 Follow-up to the 2008 Audit of Building Code Services Process for 215 Preston Street

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Building Code Services Process for 215 Preston Street was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The owner proceeded with demolition and the renovations without the appropriate demolition and building permits;
- During the time from the last Stop Work Order, the City Inspector did not monitor the site;
- Staff had the duty to enforce the legislative requirements of the Building Code but did not;
- The City issued a Partial Occupancy Permit without having received all the required professional engineer and architect reports; and,
- The City should have used stricter methods to prevent what appears to be blatant disregard for the Code, the Building By-law and the requirements of the policies, guidelines and standards.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of September 30, 2010. Subsequently, management's response in the Spring of 2011 was in agreement with that assessment.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	2, 5	2	17%
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	1, 3, 4, 6, 7, 8, 9, 10, 11, 12	10	83%
TOTAL			12	100%

Conclusion

The City has addressed all the recommendations of the original audit, and has completed most of them. The two recommendations that are not complete are in progress and, in our opinion, the process for completing them appears sound.



Acknowledgement

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

4.15 Follow-up to the 2008 Audit of Hospitality and Other Ethical Matters

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of Hospitality and Other Ethical Matters was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- Since a City Manager's directive in June 2007 prohibiting City staff from accepting gifts, entertainment and hospitality, virtually all such activity has stopped.
- Prior to the City Manager's memo of June 15, 2007, the acceptance of hospitality was widely prevalent throughout the Corporation. There was a very positive change after this time, as nearly all staff have adhered to the new directive.
- However, the audit concluded that some employees continue to have close personal relationships with suppliers or have a conflict of interest and there remains a need for vigilance, to ensure that former practices are not revived.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	7	1	14%
SUBSTANTIALLY COMPLETE	75 – 99	1, 2, 3, 4, 6	5	72%
COMPLETE	100	5	1	14%
TOTAL			7	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	7	1	14%
SUBSTANTIALLY COMPLETE	75 – 99	1, 4, 6	3	43%
COMPLETE	100	2, 3, 5	3	43%
TOTAL			7	100%

Conclusion

The majority of the recommendations made in the original 2008 audit have at least been partially implemented, including one which has been fully completed.

Progress on some recommendations might appear to have been slow, however, a new Code of Conduct has a major impact, with the objective of a culture change. There were consultations at executive and management levels, with staff associations, and with the Corporate Services and Economic Development Committee (CSEDC). The Code was officially distributed in the third quarter of 2010. Some parts of the recommendations still need to be put in place and there remain some small gaps.

There is only one recommendation for which management had initiated implementation, and then decided to stop the implementation process, and for which there is a significant gap. The gap is for the ITS retention period of purging all calendar emails older than 90 days, and the change in the retention period to two years, which represents the statutory limitation period.

Acknowledgement

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

4.16 Follow-up to the 2008 Audit of Parking Function

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Parking Function was included in the Auditor General's 2010 Audit Plan.

Recommendations 1, 2, 3, 6, 7, 12 and 17 that were assessed as 100% complete by the OAG in the 2009 *Interim Follow-up of the 2008 Audit of the Parking Function* were not followed up during this audit.

The key findings of the original 2008 audit included:

- There is no overall strategy to manage the entire parking operations within the City of Ottawa.
- No plan exists that encompasses all aspects of parking including zoning changes, cash-in-lieu, residential on-street permits, new areas, rate setting and on and off-street operations.
- There has not been a lead group responsible for the overarching parking function at the City to ensure an appropriate and coordinated direction.
- Management will develop a parking management strategy that is strongly aligned with the Audit. With respect to parking occupancy rates, Management agrees to undertake a comprehensive study, as part of the overall strategy.
- Several areas, some outside the responsibility of the Parking Operations Section, are not being proactively and comprehensively managed.
- The City is collecting, on average, fees based on occupancy of only 2-3 hours per weekday per parking space. Management should conduct a review of parking occupancy rates.
- No formal, standard reviews of revenues are in effect to ensure dollars collected is reasonable based on past experience.
- Meters are not tested regularly to ensure they are working.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2010.

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

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Winter 2011 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	10, 11	2	11%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	4, 5, 8, 9, 14, 16	6	36%
COMPLETE	100	1, 2, 3, 6, 7, 12, 13, 15, 17	9	53%
TOTAL			17	100%

Conclusion

Parking Operations is recognized as having made significant strides in addressing the recommendations of the 2008 Audit of the Parking Function. A comprehensive Municipal Parking Management Strategy has been developed and approved by Council, substantial progress has been made in building a supportive operational and performance measurement framework, and integrating parking planning has been reinforced within municipal priority policies such as the Official Plan and Transportation Master Plan.

Parking Operations specifications and current documentation identifies a series of measurements that would appear to significantly leverage Pay-and-Display technology to increase the availability of detailed and disaggregated parking revenue, maintenance and utilization information. While only fully implemented late in the summer of 2010 and not yet fully operational, system reports are expected to routinize the collection of timely and comprehensive performance and audit information. Proposed Pay-and-Display variance and compliance reports will include parking revenue and occupancy discrepancies by geographic areas. This departmental initiative is expected to enable the Department to address key 2008 Audit concerns.

At the conclusion of the follow-up audit review and interviews, it remained unclear what internal processes and staff responsibilities have been installed to analyze new data streams, to provide the necessary reporting narrative that would qualify key variances and lessons learned. Moreover it remains unclear what measures will be used to determine administrative and contractual compliance with performance standards, most notably the Pay and Display Contract Revenue Guarantee.

Limited progress is being made in addressing 2008 Audit recommendations on continuing systemic uncertainties involving the Cash-in-Lieu policy, surface lots and on-street parking. Parking Operations has not identified a comprehensive approach to this issue; relying instead on infrequent neighbourhood Local Area Parking studies.

Acknowledgement

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

Overall Management Response

Significant progress has been made to address the OAG's concerns with respect to unclear business processes and staff responsibilities as noted in Recommendations 4, 5 and 14.

Comprehensive business processes were being analysed at the time of the follow-up audit fieldwork, and have now been finalized and documented by KPMG. These business processes clearly identify staff roles and responsibilities related to the reporting of new data streams and are in the process of being fully implemented. A copy of this work is available for review if desired. In the interim, staff are conducting regular monthly reconciliations of revenues against cash/credit card summary reports and audit tapes from the parking payment equipment to ensure that all revenue streams are accurate and fully accounted for.

With regard to the OAG's finding that there is a lack of a comprehensive approach to evaluate surface lots and on-street parking, the implementation of the Council-approved Municipal Parking Management Strategy provides exactly that. Funding and resourcing levels allow for two Local Area Parking Studies to be undertaken each year. This represents an on-going process that is required in order to properly consider the impact of parking changes on the local parking system and to fully consult with local stakeholders.

4.17 Follow-up to the 2008 Audit of Sick Leave Management

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of Sick Leave Management was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- Decreasing sick leave is not, at present, an objective of the City's attendance management program. A fundamental goal of any attendance management program should be to decrease sick leave. Unless the City clearly establishes such a goal, decreasing sick leave will continue to represent a challenge for the City;
- For 2007, City employees averaged 10.6 paid sick days per eligible employee, costing taxpayers approximately \$27.8 million;
- City staff feel that corporate policies do not clearly define the roles of respective managers and staff in the sick leave management process;
- Managers perceive that some employees look at short-term sick leave as a benefit owed to them and not for bona fide short-term disability; and,
- Some medical certificates were found to be unsatisfactory and/or questionable, but nonetheless were accepted.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of Winter 2010.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	25, 28	2	6%
ACTION INITIATED	25 – 49	6, 13, 27, 31b	4	12%
PARTIALLY COMPLETE	50 – 74	15, 19, 20, 23, 24, 26, 30	7	20%
SUBSTANTIALLY COMPLETE	75 – 99	5, 7, 14, 21, 29, 32	6	18%
COMPLETE	100	1, 2, 3, 4, 8, 9, 10, 11, 12, 16, 17, 18a, 18b, 22, 31a	15	44%
TOTAL			34	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Spring 2011 in response to the OAG assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	13, 27, 31b,	3	9%
PARTIALLY COMPLETE	50 – 74	28, 30	2	6%
SUBSTANTIALLY COMPLETE	75 – 99	14, 15, 23, 26,	4	12%
COMPLETE	100	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 16, 17, 18a, 18b, 19, 20, 21, 22, 24, 25, 29, 31a, 32	25	73%
TOTAL			34	100%

Conclusion

Management has made considerable progress in implementing the recommendations from the 2008 Audit of Sick Leave Management. While all actions were not implemented within the timeframes originally envisioned in the management responses to the 2008 audit, overall good progress has been made with the City implementing or having substantially implemented 62% of the audit recommendations.

The 2005 to 2010 average sick leave days per City employee compared to the City of Toronto and the Toronto Transit Commission are as follows:

TABLE 1: 2005-2010 Average Sick Leave Days Per Employee

Year	City of Ottawa	City of Toronto (1)	Toronto Transit Commission (2)
2005	10.3	8.7	Did not obtain
2006	10.1	7.6	Did not obtain
2007	10.6	7.9	12.6
2008	9.9	8.0	13.2
2009	10.3	7.8	12.9
2010	10.7	10.4	13.0

(1) Source: City of Toronto - 2005-2007 AG audit report; 2008-2010 Human Resources

(2) Source: Toronto Transit Commission - Human Resources

Table 2 below compares the 2007 AMP average to the 2010 AMP average sick leave days per employee for the four branches that we reviewed in greater detail in the original 2008 audit.

TABLE 2: Comparison: AMP - Average Sick Days 2007 vs. 2010*Source: Human Resources Dept.*

Branch	Year	Average # Sick Days per Employee
Employment & Financial Assistance *	2007	13.9
Social Services Operations	2010	15.8
Ottawa Paramedic Service	2007	14.7
	2010	13.2
Long Term Care	2007	12.0
	2010	10.7
Traffic & Parking Operations	2007	10.3
Roads & Traffic Operations & Mtce	2010	11.6

* Name changed in 2010

We found that new procedures and processes were put in place to address the concerns noted in the original audit. Some of the key elements include strengthening AMP objectives to include decreasing sick leave; establishing top-up/top down processes; and, clawing back of uncertified sick leave days greater than provided under individual collective agreements.

Management's attention will now be needed to address the remaining recommendations from the 2008 Audit of Sick Leave Management, where effective action is still pending or has not progressed to expected levels. These areas include:

- Issues surrounding the AMP databases remain; the process contains manual steps, the database contains errors and the verification process could be improved. Specifically, we found that:
 - In November 2010, we were provided both AMP databases. In total, these contained 12,270 City employees (i.e., 11,302 full-time employees and 968 part-time employees). As confirmed by Management in their response, 266 employees were missing from the databases (144 full-time, 28 part-time and 94 employees who had resigned). These employees all had taken sick leave in 2009 but were not captured by AMP. This represents an error rate of 2.2%.
 - We provided management with a list of 836 employees whose sick leave in SAP did not match the sick leave reported in AMP. These 836 employees are in addition to the 266 employees whose sick leave was not captured at all in either AMP databases.
 - Management represented that employee absence trends are monitored, however in some areas, there was little or no documentation to substantiate that monitoring occurred.

- The Inventory of Existing Temporary Modified Duties/Positions (March 2010) provided during the audit requires further development and/or enhancement. We found the inventory provided to be limited, unfinished, and lacking in particulars of duties.
- Since September 2009, the City recovers (claws back) pay for uncertified sick leave days greater than what is provided under individual collective agreements.
- The City has not established objectives or set measurable targets for the decreasing sick leave and does not report to all levels of management as well as City Council on the status of the set targets vs. improvements in absenteeism; and, days taken by branch as well as related costs each cycle.
- For the most part, the City's average days of sick leave per employee has remained constant averaging 10.3 days/employee in 2009 and 10.7 days/employee in 2010.

Acknowledgement

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

4.18 Follow-up to the 2008 Audit of Traffic Operations Division

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the Traffic Operations Division was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- Traffic management at the City is not guided by a strategy, goals or priorities, making it difficult to ensure achievement of Council approved policies identified in the Official Plan and Transportation Master Plan;
- The Traffic Operations Division did not use any performance measurement systems to measure work conducted nor publish statistics on its performance to Council, although there was a corporate initiative underway to characterize performance measurements;
- Year-to-year planning is conducted in association with the corporate budget process, but a strategic plan for the Division does not currently exist;
- The City relies completely on a single contractor for all traffic controllers used. This leaves the City with no recourse should this contractor be unable to meet its obligations;
- Several City employees were also employed by a private engineering firm which conducts similar work for neighbouring municipalities; and,
- No action was taken by senior branch or departmental management to monitor or assess the conflict of interest by these employees. This issue is the subject of a separate audit report.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation conducted in January 2011. Subsequently, management's response in the Spring of 2011 was in agreement with that assessment.

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

Conclusion

This follow-up audit recognizes that Traffic Operations Division (now Roads, Traffic Operations and Maintenance Branch) has undergone substantial change in management structure since 2008 including a comprehensive change in persons occupying the three tiers of management responsibility over the Branch. Overall, the Traffic Operations Branch has partially to fully implemented 95% of the 2008 audit recommendations.

Substantial achievement was in evidence, as follows:

- Action has been initiated to alleviate over-crowding of staff and material handling activities at the 175 Loretta Avenue facility. The amalgamation of Traffic Operations with Roads and Maintenance has facilitated the sharing of various City of Ottawa yards and buildings.
- Staff reported positive change in the handling of Streetlight contracts. Staff resources have been rationalized and the Street Lighting work unit now reports to the Manager of Roads, Traffic Operations and Maintenance Branch.
- Field testing of regulatory signs minimum retro-reflectivity has been reinstated by Traffic Operations.
- Progress has started in the development of a Performance Measures (PM) system within Traffic Operations. A framework approach for reporting on unit performance has been developed and presentation of a complete PM system is expected in 2012.
- The Strategic Plan for the Unit is currently under development based on a Terms of Reference presented to Council in 2009.
- Management has started seeking alternative private sector involvement in personnel and material resourcing. Staff reported an initial effort at private sector competition in material supply that resulted in an approximately 18% reduction in unit costs on some traffic controller equipment, representing an annual savings of approximately \$49,000 over previous sole-sourced

contracts. Management should continue to look for opportunities for cost-effective alternate procurements in other areas.

- Efforts have been taken by Traffic Operations staff to document technical manufacturing standards for some traffic controller equipment. This development of written technical standards is required when considering private sector competitive bids for supply, and also represents a transfer back to the City of technology developed through its traffic controller research and development program.
- Management made efforts to reduce overtime, but overtime costs remain generally high and many of the individual staff members identified as very high overtime earners in the 2008 audit continue to earn significant overtime-related compensation in 2010. For both 2009 and 2010, total actual overtime was over budget in the Division. Management indicates that the variance in 2010 was primarily attributable to the additional work created by the economic stimulus funding the City received which the Traffic Operations Division had to support and respond to.

Acknowledgement

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

4.19 Follow-up to the 2008 Audit of the City of Ottawa Water Rate

Introduction

The Follow-up to the 2008 Audit of the City of Ottawa Water Rate was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The water rate being charged to the Township of Russell by the City of Ottawa includes all known City costs;
- The water rate charged to the Township of Russell is the same as the rate being charged to all City of Ottawa consumers and covers all currently known City costs. However, some water related expenditures are currently unknown, such as source water protection and long-term asset requirements and are not included in the current water rate;
- The City does not, at present, have a detailed asset management plan in place;
- A water cost of service analysis (including an asset management plan study) would be required to verify if water reserve balances are sufficient for long-term system sustainability;
- The water rate should be revised to ensure full cost recovery once new financial regulations take effect in 2010; and,
- The current fire protection charge is based on water meter size rather than the value of the asset being protected resulting in below average revenues for a municipality the size of Ottawa.

Summary of the Level of Completion

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

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	3	1	12.5%
PARTIALLY COMPLETE	50 – 74	1, 2, 4, 6, 7	5	62.5%
SUBSTANTIALLY COMPLETE	75 – 99	5	1	12.5%
COMPLETE	100	8	1	12.5%
TOTAL			8	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG’s assessment. These assessments have not been audited.

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

Conclusion

We believe that progress has been made with regards to the recommendations put forward in the 2008 Audit of the City of Ottawa Water Rate. While full implementation of some significant and extensive recommendations (i.e., the Cost, Revenue and Rate Study) are not yet complete, the basic fundamentals are in place/in progress, and a steady progression towards the desired results has been observed.

The Cost, Revenue and Rate Study is intended to incorporate information on the fire supply charge, the integrated asset management plan, and the inclusion of the requirements of O. Reg. 453/07 within financial plans.

Acknowledgement

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

4.20 Follow-up to the 2008 Audit of the 2006 Sewage Spill

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of the 2006 Sewage Spill was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The 764 million litre sewage spill into the Ottawa River was mainly the result of incompetent management of the City's sewer system. The spill was brought about by inadequate preventative maintenance and a lack of proactive equipment management.
- Once the event had occurred, a culture of either not understanding, or disregarding, the significance of sewage spills took over and the event was never viewed as noteworthy. The audit found that legislative requirements were ignored and the managers responsible, all of them professional engineers, failed to perform the duties required of their positions.
- A number of other professional staff at the City failed to recognize the significance of the spill or the responsibility for ensuring these incidents were given proper attention.
- An additional four unreported sewage spills have occurred since 1998 bringing the total to 16. Management has already reported two of these spills to the Ministry of the Environment (MOE), representing a minimum of 18 million litres. Of the two other spills, one represents approximately 165,000 litres of sewage while the other cannot be estimated, as data was not made available to the Auditor General.
- The report recommended a complete overhaul of the maintenance and safety procedures and the process for monitoring of sewage flows and that the City consider pursuing a complaint with the Professional Engineers of Ontario concerning the professional engineering staff identified in the audit.
- The audit also recommended that the City re-examine and improve its communication and reporting protocols regarding legislative compliance issues across all departments to ensure that senior managers, Council and regulatory bodies are informed in a timely manner.

Summary of the Level of Completion

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

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	4	1	17%
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	2, 5	2	33%
COMPLETE	100	1, 3, 6	3	50%
TOTAL			6	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of Summer 2010 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	-	-	-
SUBSTANTIALLY COMPLETE	75 – 99	4	1	17%
COMPLETE	100	1, 2, 3, 5, 6	5	83%
TOTAL			6	100%

Conclusion

City of Ottawa staff has done a good job in addressing the recommendations of the 2008 Audit of the 2006 Sewage Spill. A number of recommendations are complete or substantially complete and only one has limited action.

A number of maintenance policies and standard operating procedures (SOPs) have been developed for regulators that help bring the City into compliance with legislation as well as the American Water Works Association (AWWA) guidelines. The regulators are now being inspected on a 'not to exceed a seven day frequency' and include a visual inspection of the overflow pipe and the orifice downstream of the regulator gate. The regulators are also being inspected after heavy rainfall to ensure that the regulator gate has returned to its proper position. A Spill Reporting Protocol has been created that outlines the process for reporting Combined Sewer Overflows (CSOs) and Sanitary Sewer Overflows (SSOs) which includes the notification of the MOE Spills Action Centre. This Protocol also gives a list of important contacts that includes downstream water treatment plants, Ottawa Public Health Department, Emergency and Protective Services, and a list of selected City of Ottawa staff. It will be important to ensure that these contact lists are updated periodically as people change position and leave the organization.

A Condition and Safety Assessment of the regulators was completed in 2008. In general, the regulators and float systems were seen to be in very rusty condition.

Other maintenance issues found include: floats that are missing the vertical float guides, poor condition of pillow blocks, seized gates, gates blocked open and poor condition of sprockets. Some of these maintenance issues were corrected between the initial and follow-up inspections, however, some remain uncorrected. There were a number of safety concerns that apply to most of the regulators. There were no fixed and permanent lighting in place; the air quality was poor because of the lack of any ventilation; the sites were very noisy due to the flow through them; and there was no platform to perform work on equipment. Although some work has been completed there is no evidence that all of the maintenance and safety concerns have been addressed. It is understood that with the implementation of the Real Time Control project that the regulators are being reconstructed. Once this project is completed the regulators should be re-inspected to ensure that all of the maintenance and safety concerns have been addressed during the reconstruction.

A Standard Operating Procedure that describes the process to ensure the effective monitoring of flow data to identify anomalies and undertake investigations and require remediation in a timely manner has been implemented. This procedure also outlines the list of people to contact in the event of a CSO, SSO, or failure of monitoring equipment. It will be important to continuously monitor and update, as required, the contact information as people may change position or leave the organization.

An Environmental Quality Management System is currently being designed and implemented. The goal of this project is to bring Wastewater Services in compliance with the ISO14001 standard. The project is scheduled for completion at the end of 2010.

The City of Ottawa has implemented a number of SOPs with regards to spill reporting and communications protocols. The three SOPs reviewed for this follow-up audit were the Spill Reporting Protocol, the "No Surprises" Policy, and the Operator Notification of Reportable and Significant Operational Events. These policies form an adequate communication framework, however, they do not include information about notifying the public in the event of an emergency nor do they discuss how to get relevant information to the media and other City departments. These policies should be updated to include this information.

Legal Services has reviewed the findings contained in the Auditor General's 2008 Audit of the 2006 Sewage Spill report and has recommended that the City not pursue a professional misconduct complaint against the individuals identified in this report.

Acknowledgement

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

4.21 Follow-up to the 2008 Audit of the Governance and Compliance with the Access Management Agreement of the Southpointe Community Association

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of Governance and Compliance with Access Management Agreement of the Southpointe Community Association (SCA) was included in the 2010 Auditor General's Audit Plan, received by Council in June 2010.

The key findings of the original 2008 audit included:

- The last Access Management Agreement to Enter City of Ottawa Community Facilities between the City of Ottawa and Southpointe Community Association was dated July 20, 2004 and covered the period July 2004 to July 2005. This agreement was signed by the Southpointe Community Association but was not signed by the City of Ottawa. No Access Management Agreement has been signed covering subsequent years.
- Article 6.h of the Access Management Agreement requires SCA to visit and check the facility to ensure that users/organizations have secured the facility. The Acting Building Manager advised that these visits and checks are conducted regularly however there was no evidence of this as the Facility Inspection Form Pre & Post Event form is not used to document the visits and checks of the facility.
- While it is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based, there are some fundamental governance principles that the City needs to have in place to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of July 19, 2011.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24			
ACTION INITIATED	25 – 49			
PARTIALLY COMPLETE	50 – 74			
SUBSTANTIALLY COMPLETE	75 – 99			
COMPLETE	100	1, 2, 3, 4, 5, 6, 7	7	50%
TOTAL			14	100%

2. The table below outlines management’s assessment of the level of completion of each recommendation as applicable, as of May 16, 2011.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24			
ACTION INITIATED	25 – 49			
PARTIALLY COMPLETE	50 – 74			
SUBSTANTIALLY COMPLETE	75 – 99			
COMPLETE	100	1, 2, 3, 4, 5, 6, 7	7	50%
TOTAL			14	100%

It should be noted that no status on implementation was received from the Southpointe Community Association for recommendations 7-14 and as such these could not be assessed by the OAG.

Conclusion

The City has implemented the recommendations that pertain to its role in managing the Agreements. The Agreements have been updated to address the recommendations; however, some gaps still remain in the City’s enforcement of compliance to the Agreements. The degree of implementation of the recommendations that require action from the Southpointe Community Association could not be assessed due to lack of response from the Association.

Acknowledgement

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

4.22 Follow-up to the 2008 Audit of Governance and Compliance with Community Funding Service Agreement of the Banff Avenue Community House

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of Governance and Compliance with Community Funding Service Agreement of the Banff Avenue Community House was included in the Auditor General's Audit Plan.

The key findings of the original 2008 audit included:

- The funding contribution was applied to the services and activities as set out in the agreement with the exception of a payment of \$1,511 for supplies that did not relate to the services and activities supported by the City of Ottawa.
- Included in coordination was an amount of \$3,075 paid to the administrative assistant who was engaged as a contract worker. However, this amount was traced to the payroll records and, as such, there could be confusion as to whether this person is an employee or should be considered self-employed for Canada Revenue purposes.
- Advances to employees should be accounted for as assets and not as expenses.
- The amount relating to the City of Ottawa supported administration assistance and operational costs was combined with funds received from other sources and not shown separately.
- Generally, BACH follows the Operational Principles and Guidelines Manual of a Community House. However not all guidelines are being followed.
- While it is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based, there are some fundamental governance principles that the City needs to have in place to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of July 6, 2011.

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

2. The table below outlines BACH's assessment of the level of completion of each recommendation as of May 16, 2011.

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

Conclusion

BACH has made substantial progress toward the implementation of the recommendations of this audit, having fully implemented the majority of the recommendations. Where a recommendation had not been fully implemented, steps have been taken to begin the process of addressing the recommendation.

Acknowledgement

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

5 EXECUTIVE SUMMARIES – 2010 AUDITS

In addition to the follow-up audits described in Section 4, several other audits were also completed in 2010. The following presents the executive summaries for each of these audits.

5.1 Audit of the Use of City Vehicles and Mileage Claims

Introduction

The Audit of the Use of City Vehicles and Mileage Claims was included in the 2010 Audit Plan of the Office of the Auditor General, first presented to Council in 2008.

Background

The City of Ottawa compensates employees for vehicles used for business purposes in several ways. Some employees have use of a City owned vehicle, some have parking provided, and some receive a vehicle allowance. The City also provides compensation to employees for mileage incurred for business purposes on their personal vehicle.

An automated system was introduced in June 2009 for most employees to use when submitting a claim for reimbursement for business mileage incurred on their personal vehicle. The new system is accessed through the City's intranet. The automated system is not available for use by some employees, including those without network access, water meter readers, construction technicians, and some building code employees.

The Canada Revenue Agency (CRA) requires certain benefits related to compensation for vehicles, mileage, and parking to be taxed as income. As such, the City is responsible to calculate the taxable benefit in compliance with CRA, and to adjust the reporting of the employees' taxable and pensionable income accordingly.

This audit assessed the economy, efficiency, and effectiveness of the methods used to compensate employees for vehicles used for business purposes. The audit will also examine the City's internal processes for assigning, approving, providing, and reporting the compensation, with a specific review of the new automated system.

Audit Objectives and Scope

This audit examined the policies and procedures in use, and the transactions that took place to compensate employees for vehicles used for business purposes. The audit considered compensation that was provided for business mileage incurred on personal vehicles, assignment and use of a City owned vehicle, assignment and use of City paid parking, and the provisions of a vehicle allowance. The scope of the audit extended to all City departments, and covered the fiscal years 2008 – June 2010. The audit was conducted from April 12, 2010 to December 17, 2010.

Objective 1: To assess whether a framework exists to promote a consistent and reasonable provision of parking and vehicle benefits, and compensation for mileage.

Objective 2: To assess whether the most economic and efficient method of vehicle or parking compensation is used (i.e., use of City vehicle vs. mileage reimbursement).

Objective 3: To assess whether parking and vehicle benefits, and compensation for mileage are provided in compliance with City policies and procedures, and whether the benefit is captured accurately as a taxable benefit when appropriate.

Objective 4: To assess the effectiveness of internal controls in ensuring that the areas under audit are well managed, and that quality information is available for management decision making.

Objective 5: To assess the economy and efficiency of the use of the new automated system.

Summary of Key Findings

1. An overall management framework has not been established to ensure management receives the information required to make informed decisions, or to promote the comparison among options to ensure choices continue to be economical. As such, there is currently no consistency across the City with respect to managing these areas. Such a framework should include comprehensive policies and procedures, a system of internal controls including monitoring and oversight to ensure economy, efficiency and effectiveness, and clarity of roles and responsibilities for operational management as well as corporate functions such as Finance, Fleet, and Human Resources.
2. Comprehensive policies and procedures are not in place to govern the business use of City vehicles, provision of vehicle allowances, or parking passes.
3. The procedures for the use of the parking stamp are comprehensive and include internal controls.
4. The Mileage and Parking Policy and Procedures do exist but leave room for improvement in ensuring the most economical option is used, and in providing a framework for the provision of parking passes and vehicle allowances.
5. A review of mileage claim data covering the scope of this audit found several employees continually claimed a significantly large amount of mileage. Fleet services' breakeven report indicates that it is more economical to submit mileage claims for business use of a personal vehicle if the total mileage claimed is less than 15,000 km for a subcompact vehicle, or less than 17,000 km for a compact vehicle. In each of 2008 and 2009, 12 and 10 employees respectively were found to have incurred mileage in excess of 17,000 km. Considering the vehicle costs estimated by Fleet Services for the amount of mileage submitted by these

employees, the costs of these reimbursements that were greater than the 2003 Fleet breakeven point totals \$88,802 for 2008-2009. A review of the number of days worked (considering vacation, sick days, and other leave) for the top three employees in terms of mileage claimed each year found that the employees are purported to travel 138, 87, and 82 kilometres each day respectively in 2008. The same employees are purported to travel 132, 129, and 84 kilometres each working day in 2009.

6. In the absence of a management framework, inconsistencies in management practices were found that have led to uneconomical provisions of travel compensation. Specific instances found in the audit include the following:
 - a) One manager provided parking passes to employees as part of their compensation while another provided passes based on use. The manager who provided passes based on use explained that the employee uses the pass a minimum of two times each week. However, to reimburse a daily parking ticket twice a week would cost less than the provision of a monthly parking pass.
 - b) One manager provided parking passes based on the need to work offsite, but was unsure how frequently the employee was required to work offsite.
 - c) Five out of fifteen employees who received a monthly vehicle allowance did not require the use of a vehicle to carry out their duties, according to the manager who authorized payment of the allowance.
 - d) The relevant collective agreements specify that an employee is entitled to a vehicle allowance if the employee is required to have a vehicle available for business purposes. The CIPP collective agreement requires that the need to have a vehicle available for business purposes be outlined in the employee's job description. Thirteen out of fourteen job descriptions for CUPE and CIPP employees did not specify the requirement to have a vehicle available for business purposes.
 - e) Fleet services has calculated a breakeven point after which it is more cost effective to provide an employee with a City vehicle rather than reimburse the employee for business mileage incurred on their personal vehicle. Eight employees received mileage compensation greater than the 2003 Fleet breakeven point in both 2008 and 2009.
7. In many cases, information is not available or not reviewed to make informed management decisions on the provision of local travel compensation.
8. Some compliance issues were identified, including compliance to City policies and to Taxable Benefits Legislation.
9. The new automated mileage and parking system, designed and implemented by the Payroll Unit has improved efficiencies and some internal controls.

10. Cost savings opportunities of \$106,000 were found during the course of this audit, and are summarized in the following table. It should be noted that the savings listed are only those that were found from tests performed for the audit. Due to limitations in the accessibility and reliability of the data, the savings opportunities identified in the tests have not been extrapolated to the population. The qualitative findings of this audit suggest that additional cost savings would be found given systematic analysis and monitoring.

		Average Annual Expense (Rounded)	Errors Found	Cost Savings Found in Samples
Parking Passes	Parking Pass - other employees	\$402,000	16 out of 40 used infrequently	\$20,715
	Parking Pass - City Hall employees		4 out of 8 were not justified	\$8,256
	Taxable Benefit	N/A	0 passes are considered as a taxable benefit	Estimate only ¹
Parking Validation Stamp		\$140,000	No errors noted	\$0
Vehicle Allowances	Executive Allowance	\$284,000	No errors noted	\$0
	CIPP and CUPE Allowances	\$312,000	5 do not use their vehicle for work	\$9,495
			9 do not have the requirement in their job description	\$15,045 ²
City Vehicles		\$9,309,000	Information was not available/reliable to identify quantitative errors	\$0
Mileage and Parking Claims	Parking Claims	\$147,000	No errors noted	\$0
	Mileage Claims	\$2,225,000	8 > 2003 Fleet breakeven point over multiple years	\$44,401

¹ The City could be faced with an annual liability between \$100,000 and \$224,000.

² Management has indicated that, although the job descriptions do not specify the need for a vehicle, these employees do require one and as such management contends that this is not a potential cost saving.

		Average Annual Expense (Rounded)	Errors Found	Cost Savings Found in Samples
			In addition to 8 (above), 4 in 2008 & 2 in 2009 > 2003 Fleet breakeven point.	\$8,286
Total		\$12,819,000		\$106,198

It should be noted that the 2006 *Audit of Fleet Services* contained the following recommendation:

Recommendation 1(c)

That end users be held accountable to justify the identified low use vehicles directly to Council.

To date, end users are not held accountable to justify low usage vehicles directly to Council. A report of low usage vehicles is provided to management, but there is no follow up to ensure the report was reviewed and action taken as a result.

That audit also contained the following recommendation:

Recommendation 12(a)

That Fleet Services:

Ensure that vehicle log books are used especially for light passenger vehicles and perform random audits to determine how often the vehicle is required. Kilometres may not always represent a good indicator to validate whether a vehicle is justified or not. Unjustifiable vehicles should be reported to Council.

To date, log books are not consistently used and reviewed. Audits are not performed to determine how often vehicles are required. This responsibility has not been assigned or transferred to user departments. Information on how frequently vehicles are needed and a log of business and personal use is therefore not available in most cases. Utilization is reported to Management. Accountability to analyze the data and follow up where required has not been assigned.

Recommendations and Management Responses

Recommendation 1

That the City assign and document responsibility for overseeing the management of parking passes, parking validation stamps, vehicle allowances, mileage and parking claims. Responsibility should be assigned to ensure the following information is accurate, up to date, and readily available including:

Who has a City-paid parking pass;

- a) Justification of minimal usage of a parking pass; and,**
- b) Which positions within the City, and which employees within the City are entitled to receive a monthly vehicle allowance.**

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012. The policy will broadly cover mileage, parking and manager accountability to ensure the most cost-effective means of travel and employee reimbursement is selected. The new policy will be communicated to management and staff via a Management Bulletin and the employee newsletter, "In the Loop".

The procedures will be separated to cover the areas of: Parking Passes and Stamps (Parking Operations, Maintenance and Development); Car Allowances and Car Insurance Rebates (Human Resources), Mileage and Parking Claims (Payroll); and Use of City Vehicles (Fleet Services).

A new Parking Pass Procedure will be drafted to address parts a) and the applicable portion of part d) of this recommendation, and will be in effect by the end of Q2 2012.

A new Vehicle Allowance Procedure will be drafted to address part e) of this recommendation, and will be in effect by the end of Q2 2012.

Recommendation 2

That the City determine the most cost-effective means of assigning responsibility for overseeing the management of City vehicles including the assignment of vehicles and ensuring their appropriate use.

Management Response

Management agrees with this recommendation. A business case needs to be prepared before proceeding. Therefore the development of the new Personal Use of City Vehicles Policy will include analysis of the practicality, technology needs, costs and benefits of these reporting requirements. The new Policy will

include appropriate provisions based on the business case and will be in effect by the end of Q2 2012.

Recommendation 3

That the City develop a management framework governing the use and control of parking passes including, at a minimum:

- a) Policies and procedures for the provision of parking passes;**
- b) The flow chart provided by POMD depicting the application process for a parking pass;**
- c) Specific criteria that warrant the provision of a City paid parking pass;**
- d) Assignment of responsibility and accountability for provision, use, monitoring use, and monitoring compliance to the Policy;**
- e) Reference to the guidelines in the parking validation stamp procedures that describe specific cost based scenarios that warrant the provision of a parking pass over use of a parking stamp or reimbursement of a daily ticket; and,**
- f) Assignment of responsibility to periodically review pass holder data to ensure the provision of a pass is and continues to be appropriate and economical.**

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Parking Operations Management and Development branch will draft a new procedure for parking passes that addresses parts b) through f) of this recommendation by the end of Q2 2012.

Recommendation 4

That a complete listing of employees in receipt of a City paid monthly parking pass be compiled, and reconciled when appropriate. The listing should identify the corresponding pass ID number. (Such a listing did not exist at the time of this audit.)

Management Response

Management agrees with this recommendation.

Parking Operations Maintenance and Development (POMD) branch will compile a complete listing of employees in receipt of a City paid monthly parking pass by the end of Q4 2012, and will reconcile it on a regular basis. The listing will identify the corresponding pass ID number.

Recommendation 5

That the justification for receipt of a parking pass be documented and kept on file for each employee, along with the expected frequency of use.

Management Response

Management agrees with this recommendation.

Approved Parking Pass Request Forms are currently kept on file by the Parking Operations Maintenance and Development branch. The Parking Pass Request Form will be amended to reflect policy changes requiring the justification and frequency of use of City-paid parking passes by the end of Q2 2012.

Recommendation 6

That the chart of specific cost-based criteria for managers to use to determine when each option of parking compensation is appropriate be referenced or included in the policies or appendices for each of the parking compensation options. A similar chart should be drafted and communicated for business travel including mileage reimbursements and the use of City vehicles.

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy to include both of these charts by the end of Q2 2012.

Further, the parking option chart will be referenced by all parking-related procedures, and the transportation option chart will be referenced by all local transportation related procedures, to be in effect by the end of Q2 2012.

Recommendation 7

That the City develop a management framework governing vehicle allowances, including, at a minimum:

- a) Policies and procedures for the provision of vehicle allowances;**
- b) Clarification of when, according to the collective agreements, a vehicle allowance is justified;**
- c) Specification of what constitutes a job required need to have use of a vehicle, including a reference to cost or frequency of travel;**
- d) Criteria for revoking the allowance;**
- e) Responsibility for reviewing the provision of allowances for appropriateness and accuracy; and,**
- f) Responsibility for measuring compliance to the Policy.**

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Human Resources will also draft a new procedure for Vehicle Allowances that addresses parts b) through f) of this recommendation, to be in effect by the end of Q2 2012. See the management responses to Recommendations 7 and 8 for more detail.

Recommendation 8

That a listing of positions within the City, and/or employees within the City who are entitled to receive a monthly vehicle allowance be compiled. This listing should be independent of the SAP accounting records that show who has received a monthly allowance.

Management Response

Management agrees with this recommendation.

Human Resources will establish a position attribute field in SAP HR to identify those CUPE positions identified by management as meeting the criteria for a minimum monthly allowance. CIPP positions entitled to a grandfathered minimum monthly allowance are tracked in SAP HR. This is only applicable to those employees who were entitled on December 20th, 2007, and only as long as they remain in the position and a vehicle continues to be a requirement of the job.

In Q3 2011 Human Resources will send all managers a listing of those employees and positions in their branch which are currently identified as eligible for a monthly allowance. Managers will be asked to confirm if they continue to meet eligibility criteria for receipt of a minimum monthly allowance according to collective agreement requirements (i.e., the requirement of a vehicle remains a condition of employment), and to identify any that have not yet been identified. In Q4 2011 management responses will be collated. Human Resources will update SAP to reflect the position attribute for each monthly allowance requirement with the objective of having updated records in SAP HR by Q1 2012.

To ensure SAP HR is current, Human Resources will validate the list of positions with managers on an annual basis. Human Resources will send managers a listing of the positions in their branch that are identified as being eligible for a monthly vehicle allowance. Managers will be accountable to confirm the entitlement and to advise Human Resources of any changes through an Organization and Position Management (OPM) form to update SAP HR. Human Resources will provide the annual report to Payroll/Finance to reconcile against actual SAP payments for monthly allowances.

The annual review supplements, but does not replace, the managers' ongoing accountability to ensure position attributes are up-to-date and that employees are properly compensated for mileage and parking payments.

This recommendation will be considered fully implemented after the first annual reconciliation is complete, at the end of Q4 2012.

Recommendation 9

The justification for receipt of a vehicle allowance should be documented and kept on file, including the reason for the assessment that a vehicle is required in the performance of the employee's duties.

Management Response

Management agrees with this recommendation.

The annual confirmation by managers, as discussed in the management response to Recommendation 7, will be retained in SAP as the official business record documenting the continued eligibility for a minimum monthly allowance. This recommendation will be implemented by the end of Q4 2011.

Recommendation 10

That the City's Mileage and Parking (Local Transportation) Policy be expanded to include specific and comprehensive internal controls to ensure consistent, complete, appropriate, and accurate reimbursements. The Policy should include responsibility to review claim data across branches for errors and anomalies, and should assign responsibility to review mileage incurred to ensure that mileage reimbursements are reasonable, and continue to be the most economic option.

Management Response

Management agrees with this recommendation.

The revised Mileage and Parking (Local Transportation) Policy will provide a framework for managers to follow to determine the most cost-effective means of mileage. Under the current Human Resources Level of Authority managers at organizational level L5 and above are accountable for reviewing and approving mileage claims. These managers are responsible for ensuring that mileage reimbursements are reasonable, and continue to be the most economic option.

The revised Mileage and Parking (Local Transportation) Policy will be implemented by the Mileage and Parking Claims Procedure. Payroll will review claims across branches for errors and anomalies. Further, Payroll will also run audits that will help to identify instances where the most economic option appears not to be utilized (review of claims over the breakeven point, highest mileage claims).

The revised Mileage and Parking (Local Transportation) Policy will be in effect by the end of Q2 2012.

Recommendation 11

That the City develop a management framework to govern the use of City vehicles, covering both personal and business use, including as a minimum:

- a) Policies and procedures;**
- b) The criteria that warrant use of a City vehicle;**
- c) Expectations related to the business and personal use of the vehicle;**
- d) A reporting requirement to track vehicle use and mileage;**
- e) A monitoring and review requirement to assess appropriateness and effectiveness of the vehicles' usage;**
- f) Specific instructions on safeguarding the vehicles, including where and how the vehicles should be parked;**
- g) Assignment of accountability for vehicle usage, reporting, monitoring and safeguarding;**
- h) Assignment of responsibility to monitor compliance to the Policy; and,**
- i) Appropriate specification of consequences for non-compliance to the Policy.**

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Fleet Services Branch will revise the policy currently titled Personal Use of City Vehicles to address both business and personal use, and will put in place supporting procedures that address parts b) through i) of this recommendation by the end of Q2 2012.

Recommendation 12

That the City determine the most cost-effective means of compiling and monitoring information regarding which employees operate and/or are responsible for a City vehicle, the justification for providing a vehicle and any special provisions (such as on call access to a vehicle).

Management Response

Management agrees with this recommendation.

Fleet Services and responsible operating departments will identify and consider potential solutions by the end of Q2 2012 and take action as appropriate based on this analysis.

Recommendation 13

That the chart outlining cost based criteria to determine which form of parking reimbursement to use be included, where relevant, as instruction rather than a guideline.

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy to include the parking charts by the end of Q2 2012.

Recommendation 14

That the City assign responsibility, and put in place processes to ensure compensation for vehicles used for business purposes are provided in the most appropriate and cost effective manner. The processes should ensure:

- a) **That parking passes not be provided to individuals who are not expected to use them frequently enough to be cost effective;**
- b) **That monthly vehicle allowances not be paid to employees who do not use a vehicle in the performance of their job responsibilities;**
- c) **That expenses for City vehicles not be incurred when the vehicle's use is minimal; and,**
- d) **That the Fleet breakeven point be updated and that annual mileage claims greater than this breakeven point be minimized.**

Management Response

Management agrees with this recommendation.

With respect to part a), see the management response to Recommendation 18 a).

With respect to part b), see the management response to Recommendations 7 and 31.

With respect to part c), Fleet Services is committed to supporting users in dealing with low utilization units as part of the Fleet Efficiencies Program. Under that program, 2010 and 2011 are scheduled to improve the delivery of fleet services to enable a fleet reduction of 10% in 2012 by removing the need for a "Just in Case Fleet."

With respect to part d), management is already following this practice by considering the breakeven point and other factors and will ensure that the Fleet breakeven point is updated.

Pursuant to the further development of policies and tools and the existence of better, accurate and up-to-date data, management will continue to ensure that the best options for travel are being implemented. This will take into consideration operational variables and additional factors as noted below.

For the high mileage claims noted in this report, the nature of the work, unique operational requirements, the variance in claims year to year, and the pending changes to collective agreements are the factors that resulted in management reaching a different conclusion than the OAG. Factors that management considers in addition to the base mileage break-even point include:

- Adjustments for the down time and additional costs associated with operating/maintaining a City vehicle. This could include extra mileage daily to pick up/drop off City vehicles, drive to depots for gas, mileage and lost time for oil changes, maintenance, car washes, winter maintenance, etc. In one example this could amount to an additional 2,500 km and approximately 100 to 150 extra hours per year at about \$30/hour for an extra HR cost to the City of \$3,000 to \$4,500 per vehicle.
- The need for flexibility. For example, having a fleet of two vehicles for a total of 13 water meter positions would remove the flexibility of work assignment by management, and require forecasting a year in advance which individual may exceed a set limit.
- Construction technicians (ISD) are assigned projects based on the Annual Capital Program. Construction technicians (PGM) undertake inspections work on a project-by-project basis, spanning sites across the City. These programs vary from year to year both in magnitude as well as geographic locations. During years of heavy construction, higher mileage is incurred. Purchasing vehicles for those years where mileage use is high would result in vehicles being under-utilized during those years when the Capital Program or construction activity is reduced.
- Any extra City vehicle that would be underused below the anticipated threshold would automatically result in extra cost to the City thus negating some of the savings for such a small number of vehicles.
- Letter of Understanding #13. In accordance with the CUPE 503 collective agreement, construction technicians are entitled to receive payment for mileage when traveling between the job site and home at the beginning and end of the working day (To and From Mileage). As per Letter of Understanding #13 this entitlement will expire in December 2012, at which time mileage will be significantly reduced.
- Ergonomics. Priority placements and existing meter readers often deal with back-related issues. Sub-compacts are less than optimal and as a minimum, the use and the relevant costs associated with a compact car should be the basis of any analysis.

Recommendation 15

That, in addition to the ad-hoc audits, the Payroll Unit take a risk based and systematic approach to determining which audits to perform. The Payroll Unit should perform the audits as planned, and follow up on the audit findings.

Management Response

Management agrees with this recommendation.

The Payroll Unit currently uses a risk based and systematic approach to determining which audits to perform and these audits are run on a scheduled basis. Exceptions are followed up with managers as required and written justification is kept on file.

To further reduce the risk of overpayments, Payroll has eliminated the requirement to perform manual audits by enhancing the SAP system to disallow any minimum flat monthly claims for CIPP employees where there is no grandfathered entitlement.

This recommendation will be considered fully completed after the implementation of the procedures that will support the new Local Transportation Policy, and the new Use of City Vehicles Policy. Once in place, appropriate audit reports will be determined, performed, and Payroll will follow-up on the findings, by the end of Q4 2012. After this point, audits will continue with appropriate adjustments on an on-going basis.

Recommendation 16

That among the audits performed by Payroll, an audit of mileage in excess of the breakeven point as calculated by Fleet Services be conducted.

Management Response

Management agrees with this recommendation.

Payroll currently runs an audit to identify mileage distances for the non taxable mileage of over 1,000 km per month processed in SAP. In response to this recommendation, Payroll will perform an audit of mileage in excess of the breakeven point as calculated by Fleet Services.

It should be noted that Payroll cannot currently report on distances travelled for the taxable mileage forms, as the distances travelled are not entered into SAP. Payroll has added this requirement to the SAP enhancement work plan and it will be prioritized with other initiatives. In the meantime, Payroll will determine if there is an interim solution for determining the distances being travelled by employees using the taxable mileage form. This will be completed by Q2 2012.

Recommendation 17

That options for travel compensation, along with criteria for determining the most appropriate choice be documented and communicated to managers.

Management Response

Management agrees with this recommendation.

Human Resources will document the criteria for determining the most appropriate choice for local transportation and will communicate it to managers as part of the implementation of the revised Mileage and Parking (Local Transportation) Policy, by the end of Q2 2012.

Recommendation 18

That the City periodically review the provision of parking passes and vehicle allowance to ensure they are and continue to be the most economical option. The justification for continued use should be documented.

- a) **Parking pass usage should be reviewed for cost effectiveness; and,**
- b) **Job requirements should be reviewed to ensure provision of a vehicle allowance continues to be justified.**

Management Response

- a) Management agrees with this recommendation.

The periodic review of the provision of parking passes will be part of the Parking Pass Procedures. This recommendation will be considered fully implemented after the first review is complete, at the end of Q4 2012.

- b) Management agrees with this recommendation.

As more fully described in Recommendation 7, Human Resources will coordinate an annual review where managers will be accountable for confirming the entitlement and advising Human Resources of any changes, when they occur.

This recommendation will be considered fully implemented after the first annual reconciliation is complete, at the end of Q4 2012.

Recommendation 19

That the City determine the most appropriate means of assigning responsibility to review and follow-up on vehicle-related expenses to ensure cost-effectiveness.

Management Response

Management agrees with this recommendation.

Parking pass data, City vehicle data, and mileage reimbursement data will be individually monitored to ensure the most appropriate and cost-effective manner of local transportation is being used. Parking pass data, City vehicle data, and

mileage reimbursement data, are however, stored in different systems thereby making a review by individual and across branches impractical.

Managers are responsible for the approval of all claims, are responsible for any anomalies or excesses found in the data, and are ultimately responsible for their budgets that combine all of these expenses. There is no method, however, to provide detailed data by individual and across branches.

With the completion of updated policies and improved tools available for tracking and monitoring, managers will be in a better position to proactively assess that cost-effective transportation solutions are being applied.

Recommendation 20

That the breakeven report be provided to departments that incur mileage claim expenses as well as those who use City vehicles.

Management Response

Management agrees with this recommendation.

Human Resources will document the criteria for determining the most appropriate choice for local transportation, including the 'breakeven point' for use of a City vehicle, and will communicate it to managers as part of the implementation of the revised Mileage and Parking (Local Transportation) Policy, by the end of Q2 2012.

Recommendation 21

That departments in receipt of the breakeven report use the information to ensure cost effectiveness, i.e., the breakeven point should be incorporated in periodic analysis to identify trends that may indicate excessive mileage claims.

Management Response

Management agrees with this recommendation.

Payroll currently runs an audit to identify mileage travelled over 1,000 km per month for the non taxable mileage processed in SAP. Exceptions are followed up with managers as required and written justification is kept on file.

In response to Recommendation 16, Payroll will also perform an audit of mileage in excess of the breakeven point as calculated by Fleet Services by the end of Q4 2011, and will continue to do so on a regular basis. Exceptions are followed up with managers as required and written justification is kept on file.

It should be noted, however, that at this time Payroll cannot report on distances travelled for the taxable mileage forms, as the distances travelled are not entered into SAP. Payroll has added this requirement to the SAP enhancement work plan and it will be prioritized with other initiatives. In the meantime, Payroll will determine if there is an interim solution for determining the distances being

travelled by employees using the taxable mileage form. This will be completed by Q2 2012.

Recommendation 22

That the City assign appropriate responsibility to monitor compliance to policies, along with the responsibility to follow up to ensure timely remediation. Each policy should identify the consequences of non-compliance.

Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Each of its procedures will assign specific responsibility to monitor compliance, to follow-up, and to ensure timely remediation. Further, each procedure will identify the consequences of non-compliance. These new procedures will be in effect by the end of Q2 2012.

Recommendation 23

That the City assess when the provision of a parking pass should be considered a taxable benefit, and adjust its accounting and reporting accordingly.

Management Response

Management agrees with this recommendation.

Management would like to clarify that the summary of key findings includes a table with a potential liability for taxable benefits that would not be incurred. Any taxable benefit liability arising from parking passes will be that of the employee not the City. The only portion for which the City may be liable is for any penalty that may be imposed.

The Payroll Unit is currently working to assess the taxability of parking passes. The completion of this assessment is dependent on the introduction of the new Parking Pass Request Form which will enable the gathering of the required information (see Recommendation 24). This recommendation will be completed by the end of Q2 2012.

Recommendation 24

That the parking pass request form, and other forms used to authorize the provision of a benefit or reimbursement contain information on when the provision is considered a taxable benefit, the minimum required frequency of use to be cost beneficial, and the reasons it is necessary for business use.

Management Response

Management agrees with this recommendation.

The Parking Pass Request Form will be amended in consultation with the Payroll Unit to include information regarding when the provision of a City-paid parking pass is considered a taxable benefit, the minimum required frequency of use to be cost beneficial, and the reasons it is necessary for business use, by the end of Q2 2012.

Recommendation 25

That, in addition to the vehicle number, City vehicles be marked with the name of the department to which they belong.

Management Response

Management agrees with this recommendation.

Fleet Services and the Communications departments are currently revising the Markings on City Vehicles and Equipment Policy in order to include department and/or branch names as approved vehicle markings. Once the changes to the policy are made and approved by senior management, Fleet Services will proceed with marking the vehicles, in accordance with the policy.

City vehicles will be marked with the name of the department to which they belong by the end of Q3 2011.

Recommendation 26

That in addition to reviewing the taxable benefits related to personal use of City vehicles, the Payroll Unit request the consultant review taxable benefit issues related to City paid parking passes.

Management Response

Management agrees with this recommendation.

The Payroll Unit will ensure the review of taxable benefit issues related to City paid parking passes, however, it should be noted that this review will likely be conducted by City staff.

This recommendation will be completed by the end of Q2 2012.

Recommendation 27

That a City employee be tasked with keeping track of who has a City paid parking pass, including when a pass is exchanged between employees, or when it is revoked. Reliance should not be placed on the third party supplier to provide this information.

Management Response

Management agrees with this recommendation.

A City employee (or internal designate) will be tasked with keeping track of who has a City-paid parking pass. The policy and procedure will assign responsibility for notifying that City employee whenever a pass is to be requested or revoked.

This recommendation will be considered fully implemented after the first annual review and reconciliation is complete, at the end of Q4 2012.

Recommendation 28

That the City keep clear accounting records that indicate when an expense is incurred for a parking pass. The records should facilitate identification of the pass holder for whom the expense is incurred.

Management Response

Management agrees with this recommendation.

The City's accounting records will be modified to clearly indicate when an expense is incurred for a parking pass and will facilitate identification of the pass holder for the respective expense. These improvements will be in place by the end of Q4 2012.

Recommendation 29

That one City employee be responsible to receive the newly activated City paid parking passes from the contract site manager, and distribute them to the pass holder rather than the pass holders receiving them directly from the contractor. Similarly, when an employee is terminated or changes duties and no longer requires the use of a pass, responsibility should be assigned to one individual/area within the City to retrieve the pass and update the tracking list.

Management Response

Management agrees with this recommendation.

A process for distributing newly activated City-paid parking passes will be implemented to segregate the roles of the externally contracted supplier of the pass from the City staff responsible for validating that the application has been appropriately approved, and also from the City staff person who physically provides the pass to the approved employee. Management notes that although the recommendation says 'one City employee', the intent of this recommendation is to ensure an internal staff member is responsible for the role, and that it is reasonable that the task will need to be shared with other staff to ensure back-up.

The responsibility for retrieval of a parking pass from an employee is identified on the checklist for departing employees (Termination- Resignation/Retirement Procedures). Responsibility for retrieving passes, updating the tracking list and

requesting regular justification reviews will be assigned in the revised policy and procedures.

This process will be documented in the Parking Pass Procedure, to be in effect by the end of Q2 2012.

Recommendation 30

That the City ensure that the log of parking validation stamp usage is reviewed and approved by an individual of appropriate authority.

Management Response

Management agrees with this recommendation.

This recommendation will be completed as part of the implementation of the revised Parking Stamp Procedure in Q2 2012.

Recommendation 31

That monthly vehicle allowance payments required by the collective agreements are paid systematically, consistently, and accurately.

Management Response

Management agrees with this recommendation.

The current vehicle allowance payments process requires manager authorization monthly. This will be enhanced by the following initiatives: Human Resources will establish a position attribute in SAP, as noted in Recommendation 7, to define those positions which require either a grandfathered monthly allowance (CIPP) or a monthly allowance (CUPE). This information will be provided to managers for review on an annual basis and will also be provided to Payroll/Finance to reconcile against actual SAP payments of monthly allowances.

These improvements will be in place by the end of Q2 2012.

Recommendation 32

That changes made to job descriptions be made in consultation with the manager and other impacted individuals. Care should be taken to guard against inadvertently creating non-compliance issues with the collective agreements.

Management Response

Management agrees with this recommendation.

Changes to job descriptions are, and will continue to be undertaken in consultation with managers and affected employees.

Recommendation 33

That when entering manual mileage claims into the system, the Payroll Unit enter the distances being claimed for all employees.

Management Response

Management agrees with this recommendation.

This requirement has been added to the SAP enhancement work plan and will be prioritized with other activities. In the meantime, Payroll will determine if there is an interim solution for tracking the distances being claimed by employees who report taxable mileage. This will be completed by Q2 2012.

Recommendation 34

That the City evaluate the cost/benefit of automating the regular monthly payments to CIPP and CUPE employees.

Management Response

Management agrees with this recommendation.

The cost/benefit of automation will be completed by Q2 2012.

Recommendation 35

That the City investigate opportunities to build in analytical controls into the automated mileage and parking system. These could include:

- a) **A flag or report that identifies when an individual or group of individuals is projected to exceed a specified limit both for mileage and for parking; and,**
- b) **Automated checks that help ensure exceptional mileage claimed by Construction Technicians is appropriate (i.e., lesser of the distance from home to work location, or from home to administrative office).**

Management Response

Management agrees with this recommendation.

Payroll will investigate if there are opportunities to build analytical controls into the automated mileage and parking system by the end of Q2 2012.

Recommendation 36

That the City include Meter Readers and Construction Technicians in the automated mileage system to take advantage of the current improved efficiency and controls, as well as potential improved analytical controls.

Management Response

Management agrees with this recommendation with respect to construction technicians.

Payroll will add the requirement to develop an automated form for taxable mileage to the SAP enhancement work plan and it will be prioritized with other initiatives. This work effort will be completed by Q4 2012.

The tool will be in place for all employees reporting taxable mileage, and management has confirmed that construction technicians will use the tool when it is built. In accordance with the CUPE 503 collective agreement, construction technicians are currently entitled to receive payment for mileage when traveling between the job site and home at the beginning and end of the working day (To and From Mileage). This entitlement will expire in December 2012, as per Letter of Understanding #13, at which time, mileage will be reduced.

Management disagrees with this recommendation with regard to meter readers.

The primary reason for the exclusion of meter readers from the automated mileage system is the nature of the outside work that does not require them to have permanent access to the City network and dedicated PCs. At present, a single computer is provided for all 13 positions to enable them access to resources such as Ozone. It is estimated that meter readers queuing up for access at the same time every two weeks to a computer, waiting to login and replicating the mileage information that is already filled in from the mileage sheets after every assignment; would result in an estimated extra 15 minutes per employee, plus on average a 30 minute wait time, for 10 extra hours bi-weekly.

In addition, all meter readers would need to login to the available computer to enter their data and then check back to confirm approval. This would result in an estimated 260 hours a year, or \$7,800, in lost productivity.

An alternative would be to invest in additional computers that would sit idle except for 15 minutes every two weeks to improve data entry wait times. This is not viable and would result in lost productivity estimated at \$2,500. The loss in productivity would not offset any efficiency gained by providing access to the new automated system for meter readers that do not have, or currently require, permanent access to the City network.

At this point water meter readers do not have easy access to PCs, however if that should change, water meter readers will also be able to use the automated form. If not, they will continue to report in hard copy as they do today.

Conclusion

The audit found a need to develop a complete management framework governing all elements in the scope of this audit, including relevant policies and procedures and a system of internal controls, monitoring and oversight to assist the managers across the City in managing their operations to a consistent standard of care. Review and monitoring practices need to be implemented with a focus on economic choices. Tracking and oversight is needed, particularly in the use of parking passes,

business use of City vehicles, and taxable benefits. The audit also found a need for improved documentation of who has, or is entitled to a benefit or reimbursement, along with a justification.

Some efforts have recently been made to improve the management of the processes in the scope of this audit. A new automated mileage and parking system was implemented by the Payroll Unit in 2009 that has built in efficiencies and enhanced some controls in the mileage and parking claim process. The Payroll Unit has also taken initiative in identifying weaknesses in the Personal Use of City Vehicles Policy and the understanding of taxable benefits therein, and is taking steps to clarify the Policy. Procedures for the parking validation stamp were recently drafted, and include comprehensive and specific instructions on the controls expected in managing the process.

Potential annual cost savings of \$106,000 were identified in the audit, with an additional \$240,000 in liabilities related to taxable benefit reporting that could be avoided. Due to the lack of accurate and reliable data, a more comprehensive analysis of potential savings could not be completed.

Acknowledgement

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

5.2 Audit of Selected Grant Recipients – Signed Agreements and Audit Clauses

Introduction

The Audit of Selected Grant Recipients – Signed Agreements and Audit Clauses was included in the Office of the Auditor General (OAG) 2010 annual work plan presented to Council in June 2010.

Audit Objective, Scope and Methodology

The objective of this audit was to review a sample of 2009 grant agreements from the Community Funding Program and the Cultural Funding Program to verify that the agreement was signed by the appropriate parties and ensure the agreement included an audit clause.

A list of all organizations which received funding in 2009 via any of the grant programs administered by the Community Funding Program and the Cultural Funding Program was obtained from management. From this list, 25 agreements from Community Funding Program and 25 agreements from Cultural Funding Program were selected for review. Each sample of 25 files included the 10 organizations with highest funding amounts and an additional 15 randomly selected organizations with funding amounts greater than \$10,000.

Observations and Recommendation

2009 Community Funding Grants

In 2009, based on data provided by management, a total of 222 organizations received funding from the Community Funding Program. The total amount of this funding was \$21,865,718. Of the 25 files reviewed, all contained a signature from the City and recipient.

There are three different versions of the audit clause currently in use. The first is within the Letter of Agreement contained in the Terms and Conditions, stating:

Accounting

- a) *The Recipient shall keep and maintain records, invoices and other documents relating to the City of Ottawa's Funding Contribution in a manner consistent with generally accepted accounting principles and administrative practices, and shall maintain such records for a period of three years from receipt of the Funding Contribution.*
- b) *The Recipient authorizes the City of Ottawa, its agents and the City of Ottawa Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the recipient which relate to the Funding Contribution.*

- c) *The right of inspection under this paragraph includes the right to perform a full or partial audit.*

A more comprehensive version appears in the Community Funding Contribution Agreement, stating:

7. Audit Requirements

- a) *The Recipient shall keep and make available proper books of account and records of the financial management of the funds provided under this agreement, in accordance with generally accepted business and accounting practices.*
- b) *The Recipient shall make its books, accounts and records available at all reasonable times for inspection and audit by representatives of the City to ensure compliance with the terms and conditions of this agreement.*
- c) *Audit requirements shall survive for three years beyond the termination of this agreement.*
- d) *The Recipient shall provide annual audited financial statements.*
- e) *The Recipient shall make available program and governance information for audit purposes.*
- f) *The Recipient authorizes the City of Ottawa, its agents and the City of Ottawa Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient which relate to the Funding Contribution.*

Finally, there is a general statement within the Recreation Service Delivery Agreement stating:

The Program Sponsor shall maintain and make available for audit by representatives of the General Manager financial records indicating the disposition of the City's contribution to the programs as well as all program revenues, expenses, assets, and liabilities. The Program Sponsor shall provide annual audited financial statements for all contracts over the amount of \$25,000.

2009 Cultural Funding Grants

In 2009 a total of 227 organizations received funding from the Cultural Funding Program. The total amount of this funding was \$8,023,435. All files except one were found to contain appropriate signatures. The one agreement in question did not contain a signature from the City but did contain signatures from the recipient organization. This has subsequently been corrected.

There are currently five different audit clauses in use for the Cultural Funding program, including:

1. Arts Program, Capacity Building Program and Festivals & Fairs Program:

9. Accounting

The Recipient shall keep and maintain records, invoices and other documents relating to the funding allocation in a manner consistent with generally accepted accounting principles and clerical practices, and shall maintain such records for a period of three years from receipt of funding.

The Recipient authorizes the City, its agents and the City Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient which relate to the funding.

The right of inspection under this paragraph includes the right to perform a full or partial audit.

2. Arts Service Agreements:

7. Audit Requirements

a) the Arts Service Provider shall keep and make available proper books of account and records of the financial management of the funds provided under this Agreement, in accordance with generally accepted business and accounting practices

b) the Arts Service Provider shall make its books, accounts and records available at all reasonable times for inspection and audit by representatives of the City to ensure compliance with the terms and conditions of this Agreement

c) audit requirements shall survive for three years beyond the termination of this Agreement

d) the Arts Service Provider shall provide annual audited financial statements

3. Heritage Program (Project and Historical Societies)

9. Accounting

The Recipient shall keep and maintain records, invoices and other documents relating to the funding in a manner consistent with generally accepted accounting principles and clerical practices, and shall maintain such records for a period of three years from receipt of funding.

The Recipient authorizes the City, its agents and the City Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient which relate to the funding allocation.

The right of inspection under this paragraph includes the right to perform a full or partial audit.

4. Museum Service Agreements:

Audit Requirements

- (a) For the purposes of this agreement, the Recipient shall keep and make available proper books of account and records of the financial management of any Funding Contribution which may be received pursuant to this agreement, in accordance with generally accepted business and accounting practices;*
- (b) The Recipient shall make its books, accounts and records available at all reasonable times for inspection and audit by representatives of the City to ensure compliance with the terms and conditions of this agreement;*
- (c) Audit requirements shall survive for four years beyond the termination of this agreement;*
- (d) The Recipient shall provide annual audited financial statements;*
- (e) The Recipient shall make available program and governance information for audit purposes; and,*
- (f) The Recipient authorizes the City, its agents and the City Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient which relate to the Funding Contribution and the terms and conditions of this agreement.*

5. Heritage Service Organizations Service Agreements:

Audit Requirements

- a) For the purposes of this Service Agreement, the Recipient shall keep and make available proper books of account and records of the financial management of any City funding which may be received pursuant to this Service Agreement, in accordance with generally accepted business and accounting practices;*
- b) Audit requirements shall survive for four years beyond the termination of this Service Agreement;*
- c) The Recipient shall provide annual audited financial statements;*
- d) The Recipient shall make available program and governance information for audit purposes; and,*
- e) The Recipient authorizes the City, its agents and the City Auditor General at all reasonable times to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient which relate to the funding contribution and the terms and conditions of this Service Agreement.*

Recommendation 1

That the City standardize the audit clause in grant agreement documents using the conditions set out in the Community Funding Contribution Agreement. Where the requirement for audited financial statements does not apply, this condition should be removed.

Management Response

Management agrees with the recommendation.

The Community Funding Contribution Agreement will be used as a template to standardize the audit clause in grant agreement documents, subject to review and approval by Legal Services and the Grants and Contributions Coordination and Oversight Committee.

Once finalised and approved, this clause will be incorporated in all new agreements being drafted and in existing agreements as they come up for renewal, in Q4 2011.

Conclusion

With the exception of one file, all those reviewed during the audit contained a signed agreement between the City and the recipient organization. All agreements also contain an audit clause; however, there are various versions of this clause currently in use. Regardless of the dollar amounts involved, in our view, it is important that the City have the right to undertake an audit of any grant recipient to ensure that the purpose for which funding has been provided has been achieved. The City should standardize the audit clause to ensure consistency across all these agreements.

ACKNOWLEDGEMENT

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

5.3 Audit of the Nepean Sailing Club Agreement

Introduction

The Audit of the Nepean Sailing Club was included in the 2010 Audit Plan of the Office of the Auditor General, first presented to Council in June 2010 as part of the 2009 Annual Report.

Background

The Nepean Sailing Club (NSC) is located at 3259 Carling Avenue (Dick Bell Park) in former Nepean. Founded in 1979, NSC offers mooring, lessons, support and sailing facilities for persons with a disability, and the use of a “club house” to members and the general public. Although NSC formerly enjoyed financial support from the former City of Nepean, it no longer receives funding from the City of Ottawa. Nonetheless, it has both a loan and lease agreements with the City of Ottawa.

Audit Scope, Objectives and Criteria

The Nepean Sailing Club is considered at arm’s length and only receives partial funding, lease property or in-kind services. As such, the scope of the audit was limited to a review of the agreement.

The objectives/criteria included:

- Does the City currently have an up-to-date and signed agreement or contract with the NSC; and,
- Are the City and the NSC in compliance with the terms and conditions in this agreement?

In addition, the audit included a review of the loan provided to NSC to upgrade its dock.

Approach

The audit approach included interviews with the Commodore of the Nepean Sailing Club as well as documents review.

Detailed Findings, Observations and Recommendations

Loan:

The lease agreement was signed in June 2002 by the former NSC Commodore, and the Mayor and Deputy City Clerk of the City of Ottawa. The loan, to assist NSC in improving its dock facilities, was in the amount of \$1,450,000. Per the agreement, NSC has been remitting \$100,000 (principle and interest) yearly. From 2010 on, interest on the loan repayment is estimated at 3.5%.

Lease Agreements:

In total, the City has two lease agreements with NSC and one sub-lease agreement:

- Lease for the building (renewed 12 May 2010);
- Lease for Dick Bell Park (renewed 12 May 2010); and,
- Sub-lease for the harbour (lease not signed off by the Ministry of Fisheries and Oceans as at 18 February 2011 as they had some issues related to maintenance).

On May 12, 2010, the following committee recommendation carried at City Council:

That Council approve the Lease between the Nepean Sailing Club and the City of Ottawa for the property municipally known as 3259 Carling Avenue for a term of fourteen (14) years and six (6) months commencing on 1 January 2009 and ending 30 June 2023.

Relevant excerpt of the report ACS2010-CMR-REP-0005 follows:

“The NSC is currently paying an annual rent of \$63,424 plus GST. The City and the NSC have a separate Loan Agreement (for repayment of funds to the City in relation to the dock infrastructure). The term of the Loan Agreement expires in 2023. The new lease will extend the term to 30 June 2023 so that the end date of the lease is consistent with the end date of the Loan Agreement.

The new lease is for a term of fourteen (14) years and six (6) months, to be computed retroactively from 1 January 2009 to 30 June 2023. The annual net rental amounts are as follows:

2009 - \$85,000.00 plus GST;

2010 - \$110,000.00 plus GST/HST as applicable;

2011 - \$130,000.00 plus HST;

2012 - \$130,000.00 with annual CPI increase plus HST;

2013-2023 – annual CPI increase to previous year’s rent plus HST.

The original agreement did not address NSC’s request for use of the adjacent grounds. As a result, it was necessary to create a new License of Occupation to recognize NSC’s use of approximately six acres of land used for boat storage and a youth sailing building. The License is for one (\$1) dollar recognizing the Municipal Capital Facility status in place on the property.

To fulfill the last element of the NSC’s original request, the former City of Nepean entered into a Lease Agreement with the Crown for the use of the water lot. The City has assigned the current rights under the agreement with the Crown to NSC in order to occupy the water lot for mooring purposes. Rent for the water lot rights is set at 20% of gross revenue generated by the use of the Club.”

While the lease agreements were being renewed, NSC correctly continued to pay \$63,426 plus GST or HST (\$5,286/month + taxes). Updating of the customer account was not undertaken until the end of 2010 and required an inordinate number of line items due to the change in rents dating back to January 2009.

Annual net rental amounts are as follows:

	2009	2010	2011	2012	2013-2023
Principle year net of tax	\$85,000	\$110,000	\$130,000	\$130,000.00 with annual CPI increase plus HST.	Annual CPI increase to previous year’s rent plus HST.
Principle monthly net of tax	\$7,083.33	\$9,166.67	\$10,833.33		
Taxes (GST: Jan-Jun 2010)	GST (5%)	GST/HST	HST (13%)		
Taxes (HST: Jul-Dec-2010)		\$458.33			
Taxes for the month	\$354.17	\$1,191.67	\$1,408.33		
Jan to June 2010 incl. Tax		\$9,625.00			
July to December 2010 incl. Tax		\$10,358.33			
Total with taxes for the year	\$7,437.50		\$12,241.67		
	\$89,250.42	\$119,900.04	\$146,900.04		

Updating of the rent condition was set incorrectly in SAP/RE (Real Estate module) as a March 01 increase rather than a January 01 increase each year. Therefore, January and February billings were at the previous year’s rate. An invoice was issued outside of the Real Estate module contract to capture the January and February 2009, 2010 and 2011 rent increases. Management has informed us that the contract date in SAP has now been corrected to state January 01 as opposed to March 01.

Recommendation 1

That the City ensure the accuracy of start and end dates of lease agreement when set up in SAP.

Management Response

Management agrees with this recommendation.

In this particular case, staff was required to extend end dates in order to continue billing, as the result of an overholding tenant who had remained in the rental premises after the tenancy had expired.

A summer student was hired to update the SAP/Real Estate (RE) module to capture accurate end-date information. This is now a distinct reporting option in addition to the billing end-date.

Staff have created and implemented the use of the Agreement Summary sheet, which includes all details of lease agreements, including start and end dates. It is attached to the lease file and provided to the Administrator of leasing for entry into SAP.

Recommendation 2

That the City simplify the transactions used to update the rent in SAP.

Management Response

Management agrees with this recommendation.

When a contract is being extended and updated in SAP/RE to include new rental data, a manual invoice is now created outside of the RE module. This has been implemented to alleviate numerous follow-up postings to the customer account. Memos are attached to the contract regarding any transaction occurring outside the RE module.

Recommendation 3

That the City expedite the charging of the new rent amount and clean-up of the account after an agreement is approved by City Council.

Management Response

Management agrees with this recommendation.

As per current practices, all supporting documentation (insurance, approved report, fully executed agreement, and Agreement Summary sheet) is required for the SAP Administrator to attach and document on the contract. Delays may occur from Council concurrence of the report to the execution of the agreement.

Conclusion

The City of Ottawa has two signed lease agreements, one sub-lease agreement (Ministry of Fisheries and Oceans) and one loan agreement with the Nepean Sailing Club. NSC is in compliance with the terms and conditions of these.

While the lease agreements were being renewed, NSC correctly continued to pay \$63,426 plus GST or HST (\$5,286/month + taxes). However, updating of the customer account was not undertaken until the end of 2010 and required an

inordinate number of line items which complicated the relatively simple transaction.

Acknowledgement

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

5.4 Audit of the Sugarbush (Action Vanier) Agreements

Introduction

The Audit of the Sugarbush (Action Vanier) Agreements was included in the 2010 Audit Plan of the Office of the Auditor General, first presented to Council in June 2010 as part of the 2009 Annual Report.

Background

In June 1998, the former City of Vanier signed an agreement with Action Vanier relating to the use of Richelieu Park forest (300 Pères Blancs). Specifically, the agreement permitted the association to re-build a sugarbush where, between 1938 and 1978, the old Pères Blancs Missionnaires d’Afrique’s sugarbush once stood. The Vanier Sugarbush was rebuilt in 1999. No rent is received for the use of the land.

The City also provides Action Vanier with annual renewable community funding for the association to hold a maple syrup festival – SugarFest or Festival des sucres.

Audit Scope, Objectives and Criteria

The Vanier Sugarbush is considered at arm’s length and only receives partial funding, lease property or in-kind services. As such, the scope of the audit was limited to a review of the agreement.

The objectives/criteria included:

- Does the City currently have an up-to-date and signed agreement or contract with the Vanier Sugarbush; and,
- Are the City and the Sugarbush in compliance with the terms and conditions in this agreement?

In addition, the audit included a review of the SugarFest grant provided to Action Vanier to hold the yearly festival.

Summary of Key Findings

Key findings arising from this audit include:

- The current Land Utilization Agreement the City has with Action Vanier for its use of Richelieu Park was entered into in June 1998 by the former City of Vanier and has not been renewed.

The funding submission request files for 2010 and 2011 had been verified by a funding consultant, dated and signed as: *Total Package Complete* but the 2010 file was found to be missing two documents (the approved Treasurer’s report and a listing of subsidized activities and their impact on the community); and, in the 2011 file, five documents were missing (Annual

General Meeting minutes, Annual Report, the approved Treasurer's report and a listing of subsidized activities and their impact on the community and the audited financial statement). Funding in 2010 and the first instalment of 2011 funding were nonetheless paid to Action Vanier.

Action Vanier's 2011 Funding Submission Request (FSR) contained several calculation errors not reflecting a forecasted surplus of \$21,752.

In addition to the \$21,752 surplus, the 2011 funding consultant noted on the 2011 Funding Submission File Summary sheet under Audited Financial Statements that the group: "has significant surplus but not reflected in submission"; and again under Budget Pressures: "Has surplus!".

- The most recent version of the Community Funding General Policy states:

Non-Profit organizations are required to operate without surplus or deficit.

The policy goes on to state:

At the City's discretion, an organization may be required to submit a surplus-spending plan (staff will consult with Financial Services in cases where a surplus exceeds 6 months' operating expenses). The City will meet with the organization to discuss and follow up on the plan for the surplus.

Consideration should be given to including further clarification regarding the conditions under which funding could or would be altered where continued surpluses exist.

- Since amalgamation, no comprehensive review of "grandfathered" funding agreements has been undertaken to ensure funds are still required and that they continue to meet Council's funding priorities. Such a review would be beneficial in confirming that this is still the case.

Recommendations and Management Responses

Recommendation 1

That, as planned, Urban Division of the Community Programs Branch in liaison with Legal Services and Real Estate Partnership and Development Office (REPDO) expedite the review, update and renewal of the land utilization agreement between Action Vanier Inc. and the City of Ottawa.

Management Response

Management agrees with this recommendation.

The Urban Division of the Community Programs branch, in liaison with Legal Services and the Real Estate Partnership and Development Office (REPDO), will expedite the review, update and renewal of the land utilization agreement between Action Vanier Inc. and the City of Ottawa by the end of Q2 2012.

Recommendation 2

That Legal Services investigate the existence of any other similar land utilization agreements signed by former municipalities with a view to review, update and renew outdated agreements.

Management Response

Management agrees with this recommendation.

The Community Programs branch will identify all operative but outdated agreements and establish a work plan, with criteria/principles, for the review and renewal of all agreements involving access to City-owned/leased land to support the delivery of parks and recreation services.

This will be done as part of the development of the Community Support and Partnership Framework planned for Q2 2012. REPDO will be consulted in this process.

Recommendation 3

That, notwithstanding the split of Community Funding and Recreation Funding and the matrix reporting relationship on some files, the City ensure that all documents are received and put in a central file prior to funding being issued.

Management Response

Management agrees with this recommendation.

All relevant documents related to funding are received and maintained in a central file. They are physically located with the person responsible for managing the file.

A comprehensive review of the Sugarbush file was rendered more difficult because of the matrix reporting relationship between Community Funding and Recreation Funding at the time the fieldwork for this audit was underway.

The reorganization is now complete, and the central file for the Sugarbush is housed at the 101 Centrepointe Drive location with the staff person who manages the file.

Recommendation 4

That Customer Relations, Business Integration and Funding Branch of the Parks, Recreation and Cultural Services Department review all grants/purchase of service and ensure criteria for grant renewals are fully met.

Management Response

Management agrees with this recommendation.

The funding consultant now uses a revised checklist, which is broken into two parts: mandatory and optional documents. The mandatory items must be

received in order to obtain funding. As examples, a mandatory document would be a completed funding submission and an optional document would be a report detailing an agency's performance indicators.

In some cases it is appropriate for management to use discretion when renewing grants even if all criteria have not been met. As an example, if an organization is not able to hold its Annual General Meeting prior to the funding submission deadline, they will not be able to submit the required documentation with their submission. Management has the discretion in such cases to approve the funding request to avoid creating unwarranted difficulties for the recipient or for the end users/clients who benefit from the partner's program/services. In exercising this discretion, management takes into account such factors as the agency's prior compliance with mandatory requirements, whether the funding submission is substantially complete, and/or, the organization's commitment to an action plan to fulfil mandatory requirements.

A process has been established where the consultant must seek management's approval to release funds whenever mandatory criteria will not be met prior to approval. A policy and procedure review, which will be completed by Q3 2011, will include the new process.

Recommendation 5

That Customer Relations, Business Integration and Funding Branch of the Parks, Recreation and Cultural Services Department review its agreement to ensure consistency between the French and English and between the agreement and Funding Submission File Summary.

Management Response

Management agrees with this recommendation.

A review has been completed and necessary revisions to ensure consistency in the Sugarbush file will be made when the agreement is renewed in Q1 2012, prior to their next event.

Recommendation 6

That the City undertake a review of "grandfathered" funding agreements to ensure funds are still required and that they continue to meet Council's funding priorities.

Management Response

Management agrees with this recommendation.

The review of the Community Funding Framework Policy planned for Q4 2011 and the Community Support and Partnership Framework planned for Q2 2012, will each contain a work plan for the review of "grandfathered" funding agreements within each program.

Recommendation 7

That Customer Relations, Business Integration and Funding Branch ensure the accuracy of amounts contained in the Funding Submission Request.

Management Response

Management agrees with this recommendation.

A new two-step process has been implemented to ensure accuracy of amounts contained in the Funding Submission Request. As a first step, data will be input into the system and verified for accuracy and completeness by an administrative clerk. The second step will be a review of the information by the funding consultant.

In addition to the above, the Community Programs branch is exploring the use of an automated business solution (already being considered by Community and Social Services) to provide additional checks to ensure accuracy of amounts. Costs are being confirmed and the ongoing costs (i.e., licensing fees, upgrades) will be submitted and considered as a part of the 2012 budget.

Recommendation 8

That the City ensure the Funding Submission Request specifies how any increase in subsidy will be utilized before granting the increase.

Management Response

Management agrees with this recommendation.

The Funding Submission Request document currently requests this information, however, in the instance referenced in the audit report no details were provided by the funding recipient. In the next round of the funding submission process, the Funding Submission Request will require recipients to specify how any increase in subsidy will be utilized before a submission will be considered complete. This is expected to be done by Q2 2012.

Recommendation 9

That the City consider providing further policy clarification regarding the conditions under which funding could or would be altered where continued surpluses exist.

Management Response

Management agrees with this recommendation.

The Community Funding Framework Policy (planned for Q4 2011) and the Community Support and Partnership Framework (planned for Q2 2012) will provide further policy clarification regarding the conditions under which funding could or would be altered where continued surpluses exist.

OAG Update

In May 2011, after the audit had been completed, we were informed that the Recreation Funding Unit had been realigned and would now report through the Community Programs Branch. As such, Management from the Community Programs Branch provided management responses to certain recommendations directed at Customer Relations, Business Integration and Funding Branch.

Conclusion

This audit has revealed a lack of compliance with the Community Funding Agreement, specifically with the association providing the required documentation. The 2011 Submission Request for Funding was also found to contain several errors and omissions which were not questioned by Customer Relations, Business Integration and Funding Branch. In addition, the need to review, update and renew the land utilization agreement between Action Vanier and the City of Ottawa was highlighted. A new agreement should be entered into as promptly as possible.

The current Community Funding General Policy states that *“Non-Profit organizations are required to operate without surplus or deficit”*.

In our view, further clarification regarding the conditions under which funding could or would be altered where continued surpluses exist would be beneficial.

Finally, a review of “grandfathered” funding agreements would be helpful to ensure funds are still required and that they continue to meet Council’s funding priorities.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by City management as well as Action Vanier.

5.5 Audit of the Revenue Branch

EXECUTIVE SUMMARY

Introduction

The Audit of the Revenue Branch was initially planned for 2010, but as a result of a City Council motion passed August 28, 2008, the audit was added to the audit plan for 2009, and is being reported as part of the 2010 annual report.

Background

The Revenue Branch of the City of Ottawa has approximately 158 full-time equivalents (FTE) representing approximately 30% of the Finance Services Department as structured in 2010. The Revenue Branch provides billing, customer service and collection services for most City services including taxation, utilities and user fees. For some departments that do their own billing and collect their own revenues as they pertain to their programs, the Revenue Branch only provides services on an as needed basis (such as collections and customer service). The Revenue Branch also supports all aspects of the property assessment process including liaison with the Municipal Property Assessment Corporation (MPAC), calculating capping provisions for designated property classes and payments in lieu of taxes and related tax adjustments. As a result of realignment in 2009, Cash Operations was assigned to the Revenue Branch in order to consolidate revenues, payments and collections.

The Revenue Branch manages an account base consisting of approximately 290,000 property tax accounts with a 2009 tax levy of \$1.13 billion and 200,000 water and sewer accounts with annual revenues near \$200 million. The Customer Service and Collection Unit within the Branch performs customer service and collections activities on property tax and water accounts as well as other amounts owing to the City. There are approximately 243,000 accounts being managed by the collections unit including amounts owing for provincial offences, parking fines, overpayment recoveries and general departmental program fees.

Audit Objectives

The audit was undertaken in order to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa. The audit was intended to assess the adequacy of management systems, controls and practices including those intended to control and safeguard assets.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and has ensured controls are in place. The degree to which systems

were integrated and were aligned with Branch goals and priorities were also explored.

In addition, critical business processes were assessed to identify opportunities for improvement and efficiencies.

The audit criteria for this audit included:

1. To evaluate the degree to which the Revenue Branch complies with legislation regarding municipal revenues.
2. To evaluate the effectiveness of the current internal control framework with respect to revenues.
3. To assess the extent to which the City has maximized its revenues.
4. To assess the extent to which the City has maximized its property assessment for tax purposes.
5. To assess the extent to which the City safeguards assets.
6. To assess the degree to which revenue systems/policies/procedures and processes are aligned with strategic goals and support efficient, effective service delivery.

Audit Scope

The period covered in this audit was 2009 with some elements from 2010 and 2011 as identified in the report.

The scope of this audit focused on revenue management within the Revenue Branch and compliance with legislative authorities and policies as well as financial management and controls. This involved audit evidence gathered within the Revenue Branch, Financial Support Units (FSU), Client Service Centres (CSC), Planning and Growth Management, Parking and By-Law Operations, Provincial Offences and Information Technology Services (ITS). Some evidence of practices utilized by other municipalities was also gathered for comparison purposes.

Summary of Key Findings

1. The Branch had not completed the flowcharting of all business processes. As part of this audit, the Office of the Auditor General (OAG) using documentation prepared by the Branch, including some flowcharts, conducted a detailed review of 20 critical business processes, including documenting and flowcharting these processes, and looking for opportunities for improvement and efficiencies. During the course of the audit the Branch completed the flowcharting that Management considered the most important of their business processes.
2. Revenue Branch staff use many systems to bill and collect the City's revenue as there are specialized requirements such as for calculation purposes and privacy

purposes. This includes stand-alone spreadsheets such as for Payment in Lieu of Taxes (PILT), tax rebates and related interest and assessment adjustments and client inquiry tracking. This has resulted in the need for additional staff time for data entry and review and reconciliations between sub-systems and SAP, the City's financial system. For the long term, the City should continue to pursue automation opportunities within the Revenue Branch especially regarding offering additional services to the public.

3. Property tax billing processes are adequate and the property tax ratio and rate setting process meet legislative requirements.
4. Although the tax adjustment processes within the Revenue Branch are managed through manual processes, we found that staff are thorough with respect to the process.
5. Management had already recognized that the current PILT spreadsheet cannot be relied upon as a long-term solution for PILT and sought an automated solution. The PILT database project was estimated to cost \$100,000 and was identified in the 2008 budget. Administrative savings were not specified. Management indicated that they expect to realize some staff efficiencies when the database solution is operational, and that they plan to redeploy these resources to other PILT activities such as the protection of current levels of PILT revenue and the possibility of additional PILT revenue. As of March 2011, the projected completion date is May 2011. The City should realize operating efficiencies from the implementation of the PILT database.
6. The Branch approved a business case to automate "Client Inquiry Tracking - Revenue" in early 2009. The business case had an estimated one-time cost of \$20,000 which would be offset by savings within an estimated one year payback period. The business case identified a number of business problems with the current use of spreadsheet for tracking. The project was placed on hold by ITS in late 2009. Management indicated they have pursued off the shelf external providers; however, they found the costs to be extremely high (i.e., \$50,000 annual licensing fee for 70 users). The City should pursue opportunities for potential automation.
7. As at the end of 2009, there was approximately \$2 million in outstanding credits on water accounts representing monies that are owing to customers, primarily due to cases where estimated water usage has exceeded actual readings. Management has indicated that these variances are normal for any utility using estimated billings when fluctuations in consumption vary due to factors including weather, equipment changes and variance in the number of occupants. Management indicated that the new system using a radio frequency system to collect consumption data will reduce the number of estimated bills and substantially address credit balances on accounts. In addition, Management

expects operational efficiencies which will result in on-going annual savings of \$1 million.

8. User fee calculations are based on planned costs and volumes and we found that there was no recent comparison of these planned amounts to actual costs and volumes in order to validate that the fees charged were justified. During the course of this audit in April 2011, Management started this process and did some work compiling actual costs and volumes for 2009. This work should be considered in setting future user fees. In addition, Council should be provided with the details of the costing used to justify the user fees.
9. Some user fee calculations include costs that in our opinion are not attributable to the service being provided. For example, in our opinion, the MPAC licensing fee should not be included as a cost element for water related user fees.
10. The Revenue Branch undertook a comparison study of its user fees against those of other municipalities. However, results of this study were not included in reports to Council and could be included for comparative purposes. We noted that in November 2009 the City of Toronto provided a detailed report to their Committee and Council with comparative information from other municipalities for approval of new and increased user fees for property tax, utility and parking ticket accounts.
11. Revenue Branch service fees (user fees) have increased each year from 2006 to 2010. The 2011 Budget proposed no fee changes as the costs of service were reduced within the Revenue Branch in 2010.
12. Management approved an initiative in 2008 for an automated solution for Property Change of Ownership by law firms. The business case showed one-time costs of \$99,000 and annual costs of \$12,000 with anticipated efficiencies in the form of redeployable savings of \$89,000 per year as well as improved client service. The business problem identified that the manual updating of the tax system has caused unnecessary time and effort to be spent on processing forms. This project was cancelled by ITS in 2011. Management has indicated that it is too early for this project to be included in other Corporate projects. Management should consider proceeding with this project.
13. The Revenue Branch staff do not currently have discretion to adjust penalties, interest charges or other service fees. For example, there is no discretion to adjust penalties on late payments when the ratepayer claims payment was delayed due to death or illness. Penalties are only adjusted when the City is at fault or when an envelope post-mark shows that the payment was mailed before the due date. The Branch supports this approach as it provides for equal treatment to all ratepayers.

14. The charitable rebate process is not in compliance with legislative requirements with respect to payment timeframes, interest on late payments and recalculations based upon assessment changes.
15. For the charitable rebate program, the Branch has made reductions to charity rebate application decisions based upon criteria that have not been included in City policy. The specific details are also not provided to Council or the charity.
16. As identified by the City's External Auditor's in 2010, the potential outstanding liability related to property tax appeals is not recorded in the financial statements. As at December 31, 2009, Management had estimated the potential liability to be \$6.7 million.
17. Vacancy Rebate Authority Levels for payments of final vacancy rebates are not appropriately documented in writing as required by the Delegated Authority by-law.
18. Management has established several processes in order to meet the requirements of vacancy rebates. These processes result in additional time for manual processing and additional reviews.
19. In 2006 and 2007 vacancy rebates in excess of \$527,000 were paid to an organization that was not the owner of the property as recorded on the tax system. In 2009, as a result of an unrelated management review, Revenue Branch staff identified that the applicant was not the owner, but rather was a tenant and retroactively denied the rebates. The matter became the subject of an Assessment Review Board (ARB) hearing to determine the extent of eligibility and the ARB upheld the original Branch decision.
20. We found that payments for recreation programs were captured in CLASS system daily, but the monies accepted and processed by Client Service Centres for CLASS payments were only being deposited weekly. This matter was raised with Management during the audit and the processes were subsequently changed to daily deposits in November 2010. Management has indicated that they, as well as the Parks and Recreation Department, were aware of the issue and had identified it prior to the commencement of the audit. Management has indicated that the deposit amounts are relatively immaterial.
21. The overnight client tax payment file from the cash register system at the CSC requires the file to be uploaded by staff daily into the tax system.

Recommendations and Management Responses

Recommendation 1

That the City complete the documentation of the remaining processes and update processes as they change over time.

Management Response

Management agrees with this recommendation.

Of 19 of the most important processes, all were completely flowcharted by November 2010. Of the 49 important processes, 8 were completely flowcharted by January 2011. The remaining 41 processes will be completed by the end of Q2 2013.

Recommendation 2

That the City continue to regularly monitor the cost of sending reminder notices for tax accounts and ensure they are not sent below the cost thresholds.

Management Response

Management agrees with this recommendation.

This remains current practice.

Recommendation 3

That the City realize the operating efficiencies with the implementation of the automated meter reading system.

Management Response

Management agrees with this recommendation.

The project and migration to the new system will be completed along with the realization of related operating efficiencies by the end of Q4 2013.

Recommendation 4

That the City provide more information to Council about user fees including the:

- a) Method of calculation showing related direct and indirect cost elements considered;
- b) Comparison of the actual volumes and costs to the budgeted volumes and costs; and,
- c) Comparison to other user fees in other municipalities in order to supplement the City's own costing data and reinforce the appropriateness of the fee.

Management Response

Management agrees with this recommendation.

This information will be provided to Council by the end of Q4 2012.

Recommendation 5

That the City consider reviving the Property Change of Ownership project and developing the business case to consider other automation opportunities to realize annual operational efficiencies and improve client service.

Management Response

Management agrees with this recommendation.

The Branch will review further automation opportunities as a participant in the Service Ottawa Project. This review will be completed by the end of Q4 2013.

Recommendation 6

That the Revenue Branch publish a simple set of client service standards that can be shared with the public.

Management Response

Management agrees with this recommendation.

The Branch already publishes some client service standards. The Branch will determine the most effective method of publishing the remaining client service standards by the end of Q1 2012. The remaining client service standards will be published by the end of Q3 2012.

Recommendation 7

That Management pursue opportunities to automate the client inquiry tracking system based on alternative automation systems.

Management Response

Management agrees with this recommendation.

The City has pursued opportunities to automate the inquiry tracking system. The automation and software to capture this client activity is similar in scope to the Client Services Management system being implemented through the Service Ottawa initiative. The first phase of the Service Ottawa Client Services Management system is scheduled for Q3 2011. The Branch is scheduled for the second phase. The timing of the release of the second phase will not be determined until after phase one is complete.

Recommendation 8

That the City review the Delegated Authority with respect to discretion for waiving fees.

Management Response

Management agrees with this recommendation.

The Delegated Authority is reviewed by the City regularly. By the end of Q4 2012, the Branch will examine each of the fees with respect to seeking discretion for staff for the waiving of fees.

Recommendation 9

That the City realize operating efficiencies from the implementation of the PILT database.

Management Response

Management agrees with this recommendation.

The project and migration to the new system will be completed along with the realization of related operating efficiencies by the end of Q4 2012.

Recommendation 10

That the City:

- a) Include the criterion for processing charity rebate applications and adjustments to calculations in City policy and disclose the policy to Council;
- b) Provide calculation details for charity rebates to the charity; and,
- c) Make available, to Council, a schedule of prior year charity rebates.

Management Response

a) Management agrees with this recommendation. The policy has already been updated. The policy will be shared with Council by the end of Q2 2012.

b) Management agrees with this recommendation. Calculation details will be provided to charities by the end of Q4 2012.

c) Management agrees with this recommendation. A schedule of prior year charity rebates will be on deposit with the Deputy Treasurer, Revenue by the end of Q4 2012.

Recommendation 11

That the City update the charitable rebate process (policies, procedures and practises) to ensure that rebates are paid within legislative timeframes.

Management Response

Management agrees with this recommendation.

The Branch has already implemented this recommendation.

Recommendation 12

That the City update the charitable rebate process (policies, procedures and practises) to include the requirement to pay interest as required by subsection 361(9) of the *Municipal Act*.

Management Response

Management agrees with this recommendation.

The Branch has already implemented this recommendation and has updated the policies and procedures.

Recommendation 13

That the City consider updating the charitable rebate process (policies, procedures and practises) to include the requirement to recalculate charity rebates upon assessment changes and to recover funds owed to the City and remit funds owed to charities in accordance with the *Municipal Act*.

Management Response

Management agrees with this recommendation.

The Branch will review the implications of changes to the charitable rebate process (policies, procedures and practises) to include the requirement to recalculate charity rebates upon assessment changes and to recover funds owed to the City and remit funds owed to charities by the end of Q4 2012.

Recommendation 14

That each year the City review the need to establish an allowance for write-offs of the property tax appeals within the financial accounting system as also recommended by the external auditors.

Management Response

Management agrees with this recommendation.

This is already current practice. In the year-end financial process, Branch staff review outstanding appeals in light of past experience to determine with certainty a pattern of predictable write-offs. Given the common practice by large property owners of annually appealing their assessments, the outcome of multi-year open appeals is difficult to determine.

Recommendation 15

That the City ensure that references relating to authority levels for vacancy rebates are appropriately documented in the vacancy rebate process (policies, procedures, practises) as well as in supporting documentation.

Management Response

Management agrees with this recommendation.

The Branch will complete the review of the policies, procedures, practises and supporting documentation for the vacancy rebate process to ensure the consistent use of terminology by the end of Q4 2011.

Recommendation 16

That the City consider options to automate the vacancy rebate process.

Management Response

Management agrees with this recommendation.

This remains current practice. The Branch will review automation options for the balance of the vacancy rebate process by Q4 2012.

Recommendation 17

That the City update the vacancy rebate process (policies, procedures, practises) to incorporate Management's changes regarding interest calculations.

Management Response

Management agrees with this recommendation.

The procedure "Handling Interest Payment and Penalty Reversal Calculations" was updated in July 2010.

Recommendation 18

That the City ensure that CLASS deposits at the Client Service Centres are made on a daily basis and that the credit card terminal is closed daily in accordance with the *Cash Handling Policy* and *Cash Handling Procedures*.

Management Response

Management agrees with this recommendation.

This practice was implemented in November 2010.

Recommendation 19

That the City ensure deposits over the maximum daily allowable amount are dealt with in accordance with the *Cash Handling Policy* and *Cash Handling Procedures*.

Management Response

Management agrees with this recommendation.

This remains current practice. The Cash Handling Procedures provide guidelines on actions to be taken when amounts on hand exceed certain thresholds, but do not actually preclude keeping any amount on site. Any decision regarding scheduling would take into account the cost of an additional pickup as well as the logistics of the City's contract with its cash courier service provider and the hours of operation of the site in question. The closer the amount on hand to the guideline, the less likely a recommendation to change the pickup schedule

Recommendation 20

That the City clarify responsibilities for monitoring compliance under the *Cash Handling Policy* and *Cash Handling Procedures*.

Management Response

Management agrees with this recommendation.

The City will clarify responsibilities for monitoring compliance under the Cash Handling Policy and Cash Handling Procedures by the end of Q4 2012.

Recommendation 21

That the City implement an automated process where the overnight client tax payment file from the cash register system at the CSC is automatically loaded into the tax system for processing.

Management Response

Management agrees with this recommendation.

The Branch will implement an automated process where the overnight client tax payment file from the cash register system at the CSC is automatically loaded into the tax system for processing by the end of Q4 2012.

Recommendation 22

That the City, for a longer-term solution, continue to pursue automation opportunities within the Revenue Branch especially regarding offering additional services to the public.

Management Response

Management agrees with this recommendation.

The Branch has actively pursued automation opportunities of additional services to the public.

Conclusion

The Revenue Branch provides a wide range of services to many types of clients. Although much of the work under the Branch's responsibility is impacted by extensive and regularly changing legislative requirements, the provision of these services and establishment of processes are Management's responsibility. We found that the Branch had documented but not completed the flowcharting of their business processes.

In order to meet the objectives of this audit, which was to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa including the adequacy of management systems, controls and practices, the OAG conducted a detailed review of 20 critical business processes.

The objectives of this audit included exploring the degree to which systems were integrated and were aligned with Branch goals and priorities. In order to meet Branch goals and priorities, the Revenue Branch uses many systems including stand-alone spreadsheets which results in the need for additional staff time for data

entry and review and for reconciliations between sub-systems and SAP, the City's financial system.

We also assessed processes to identify opportunities for improvement and efficiencies. There are some systems projects underway, such as for meter reading and PILT, for which Management has identified operational efficiencies. Although the Branch generally operates accurately, the Branch should continue to pursue opportunities for automation including offering additional automated services to the public.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and has ensured controls are in place. We found the Revenue Branch generally meets legislative requirements, with the minor exception of property tax rebates, where Management indicated they plan to implement changes on a go-forward basis.

We found that the Corporate property tax system is effective and efficient in processing basic transactions such as producing tax bills and capturing receipts. We found all of the property tax bills tested to be accurate. In general, during the course of the audit, we found that Management was proactive in addressing many of the issues we identified in this report.

Acknowledgement

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

5.6 Audit a Staffing Process in the Children's Services Branch

INTRODUCTION

This audit was added to the 2010 Audit Plan presented to Council.

BACKGROUND

The audit reviewed a staffing process within the Children's Services Branch of the Department of Community and Social Services.

DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

This case involves the selection of an external candidate to fill a position on a temporary basis. Approximately seven months later, the position was posted as a full-time position and the person in the temporary position won the competition.

Management indicates that the hiring manager made the temporary appointment to allow the Branch time to review the impact of the recent organizational alignment and anticipated changes from the Province in the field of child care. When the Branch made the decision to hire on a permanent basis, they posted the competition.

The position was created subsequent to a major reorganization of functions which took place within the Children's Services Branch in May of 2009. The Program Manager decided in July 2009 that there was a need to create a permanent full-time budgeted position within the unit that was bilingual and required specialized education, as well as demonstrated experience in the management of multiple child care centres; to provide the requisite program development; training and support to the City's network of Child Care Centres. Approval to proceed was obtained by the Program Manager's immediate supervisor, as well as by the General Manager (GM), Community and Social Services Department in accordance with the City's procedures.

In an email dated July 26, 2009 the Program Manager writes to the Labour Relations Consultant (LRC) to inform them that they are in the process of filling the position on a temporary basis and "jumping to Article 25.02 (b) because there are no internal employees with the qualifications required for this new position...and that (they) are filling the position on a temporary basis to allow the Branch time to review impact of the recent organizational alignment and of anticipated changes from the Province in the field of Child Care".

After providing the LRC with the information relevant to the position, the Program Manager, in the last paragraph, asks a question with respect to the duration of the temporary appointment. They wanted confirmation as to whether they could appoint an external candidate under the stated circumstances for a period of up to

24 months, and if they needed CIPP approval, or if there was anything else they needed to do in this situation.

The LRC forwarded the Program Manager's e-mail to the Human Resources Consultant (HRC) as this is a question related to staffing, which is handled by the HRC. The next e-mail, referred to below, and dated July 29th, is from the HRC to their Program Manager asking for some advice.

Article 25.01 of the collective agreement between the Civic Institute of Professional Personnel (CIPP) and the City of Ottawa stipulates that the Employer must first conduct an internal competition and attempt to fill vacancies from within the bargaining unit. If after completing an internal competition, no candidate has been selected, the Employer may then advertise externally. Article 25.02 allows the Employer in exceptional circumstances to advertise a vacancy externally concurrently or prior to the completion of the internal competition. However, Article 25.03 (a) stipulates that the posting of temporary vacancies is only required if the temporary vacancy is anticipated to last for more than twelve months. Article 25.03 (b) states that all unposted temporary vacancies will be offered to qualified employees, who at the time the vacancy occurs, report to the Manager (Level 4) where the vacancy occurs. The operational Program Manager concluded that no one in their area was qualified and they could proceed with the consideration of external candidates.

On July 29, 2009 in an email from the HRC to their HR Program Manager noted that, "We need to run an internal competition to confirm whether or not we have anyone with those qualifications; in accordance to Article 25, under special circumstances, an external competition could be posted but no external candidates will be reviewed without reviewing the internal first".

It further states: "Before I jump with an answer to Pgm Mgrs questions, I'd like to get your advice to see if I'm missing anything. I will let (them) know that we need to [r]un an internal competition to confirm whether or not we have anyone with those qualifications...per above." The last line of the e-mail is, "Also, I will ask (them) to obtain approval to post external and will let (them) know that CIPP needs to be notified of this. Am I missing anything? What's your view?"

The operational Program Manager responded to the HRC off-line advising the HRC that she had misinterpreted the request. The request was to fill on a temporary basis and as such the collective agreement allows this option provided that the manager does not have any qualified candidates within the bargaining unit who can be appointed on an acting basis.

In our opinion, there is no evidence from the file or from the interviews conducted with key stakeholders in this case to indicate that an internal competition was conducted in keeping with the provisions of Article 25 of the collective agreement and the direction issued in the e-mail dated July 29th. The position was not posted externally and there is no evidence to support the fact that any internal candidates

were seriously considered. In fact, during the interview with the operational Program Manager, they simply stated that they knew everyone working for the City in this area of expertise and that to their knowledge and that of close colleagues no one else internally was bilingual and possessed the in-depth experience of having managed multi-care centres.

Operational management indicates that the temporary position was not required to be posted internally and the permanent position was appropriately posted. Management indicated that it is reasonable for the Program Manager to know staff working for the City within their area, and that external candidate was a pre-amalgamation employee working in the field of work.

In our opinion, the language of the collective agreement states the need to advertise externally bargaining unit opportunities once no candidate has been selected internally. While it does not clearly stipulated that a competitive process must be extended to the filling of temporary positions an inference can be drawn. The issue is one of transparency and fair access to City employment opportunities be they permanent or temporary appointments.

The question to be asked is whether or not the process followed was fair and in keeping with HR policies and broader interests of the City. Is it fair for someone to have preferred access to temporary positions within the City based on the Managers' discretion without the rigour of some form of a transparent and competitive process?

The Program Manager indicated that they knew of the external candidate but only from a distance as any other informed practitioner in the field of work would. The referral of the external candidate had come from a colleague who manages similar outside services. The colleague knew the external candidate and had referred the person as an extremely knowledgeable and experienced candidate for the position. Nobody else in the external community at large was considered for the position.

On August 4, 2009 the Manager, who at the time was the superior of the operational Program Manager, sent an e-mail which stated "It looks like everything is lining up for you to proceed with offering the position to the external candidate on a temporary basis".

The Manager's e-mail goes on to say that they had "the General Manager's concurrence with starting salary and to ensure that HR makes arrangements to have the candidate language tested." It further states that "when the time comes to complete the Request for Personnel Action (RPA), you will need to indicate that the salary offer was reviewed with the General Manager and that the GM concurs." Management indicates that this shows that the appropriate approvals were lining up and that the hiring manager was in compliance with the HR process.

In our opinion, this doesn't indicate or validate that the hiring manager was in compliance with the HR process.

On August 5, 2009 the operational Program Manager emailed HR to advise them that they could contact the external candidate for the language test and provided coordinates. There are no further responses or interventions by Human Resources (HR) with respect to the need to advertise the vacancy externally or to complete an internal competition.

HR indicates that the advice was provided, the manager wanted to appoint, the decision was escalated and approved by the GM. The collective agreement provides that option.

On August 17, 2009 the external candidate received an offer of temporary employment with a start date of September 8, 2009 and an end date on or prior to September 7, 2010.

In March 2010, a competition poster for a full-time permanent position was posted in accordance with the provisions of the CIPP collective agreement. A total of nine internal candidates applied for the position. Out of the nine candidates only the external candidate was considered to be a CIPP bargaining member by virtue of temporary employment status. All others were CUPE employees and therefore not retained for consideration in keeping with the provisions of the CIPP collective agreement which essentially stipulates that employees of that bargaining unit who are qualified have first priority of appointment over anyone else from a different bargaining unit. As a result, only the external candidate (now a temporary employee) was interviewed for the position.

The Selection Committee was comprised of the hiring Program Manager, a colleague (a non-City employee) who had referred the temporary employee in the first place, and the Human Resources representative who had previously said in an email that the temporary appointment needed to be posted.

At the conclusion of the competition it was determined that the external candidate met all the requirements of the position. A review of the candidate's qualifications does in fact support the fact that the candidate possesses all the requisite experience, knowledge and certifications to perform the duties and responsibilities of the position as stipulated on the job poster. There is a completed Interview Rating Guide on the competition file documenting the answers to questions as well as the results.

Accordingly, in keeping with the provisions of the CIPP collective agreement the candidate was appointed to the full-time position effective May 7, 2010, being the only qualified candidate within the bargaining unit.

A review of career resumes submitted by some of the internal candidates shows, in our opinion, that they would have merited more consideration than they received had it not been for their disqualification based on bargaining unit parameters.

Recommendation 1

That the City ensure greater transparency, fairness and impartiality in the hiring process by encouraging the posting of all such temporary opportunities both internally and externally on its intranet site and/or other community job search sites to ensure it attracts the very best candidates by objective means. In this case the temporary position was not posted internally or externally.

Management Response

Management agrees with the recommendation.

When a temporary vacancy exists, current normal practice is for HR to recommend to the hiring manager to post the position to ensure fairness and transparency. However, posting all temporary opportunities is not always appropriate or practical. The normal posting and selection process takes a minimum of eight weeks to post, screen, conduct interviews, conduct reference checks, validate credentials and allow for notice periods. The Collective Agreements and Terms and Conditions of Employment currently in place provide for the filling of positions on a short-term basis without competition. This provides flexibility to respond quickly to immediate business requirements.

Individuals selected for temporary opportunities without competition are required to meet all stipulated qualifications for the job, prior to appointment.

CONCLUSION

In this case a temporary position was not posted internally and an external person, known to the hiring manager, was appointed without competition into the temporary position. The position was subsequently changed to a permanent position and a competition held in which nine applications were received. The person holding the temporary position, now considered to be a CIPP bargaining unit member, was the only candidate considered and was therefore successful in winning the competition for the permanent position. The other eight candidates were all CUPE employees and not considered, in keeping with provisions of the CIPP collective agreement.

In our opinion, the temporary position should have been posted internally first to allow existing City staff an opportunity to compete for the position. The fact that eight other internal staff applied for the permanent position demonstrates that internal staff would have been interested in the temporary position. If, after the internal competition, there were no qualified staff to fill the temporary position, then a full external competition should have been held. In our opinion, internally posting the temporary position would have been a more open, transparent and competitive process for the City and for existing City staff.

Acknowledgement

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

5.7 Audit of the City's Management of a Loan Agreement

EXECUTIVE SUMMARY

Introduction

The Audit of the City's Management of a Loan Agreement was included in the 2010 Audit Plan of the Office of the Auditor General (OAG), first presented to City Council in the 2009 Annual Report. The audit started in November 2010 and the first draft report was presented to management in February 2011.

Background

At the October 25, 2006 City Council meeting, *Rules of Procedure* had been suspended to consider and approve City Council motion number 67/12. The City Council motion referred to the June 14, 2006 date where City Council approved the concept and location of the Ottawa Firefighters Memorial to be installed on the grounds of City Hall at 110 Laurier.

City Council motion 67/12 stated that, "Whereas Ottawa Firefighters Community Foundation Inc. (OFFCF) wishes to complete the project in late spring/early summer of 2007. In order to commence construction, that City Council approve an interest-free loan of up to \$550,000 to the Ottawa Firefighters Community Foundation Inc, a non-profit organization with the following conditions: That the loan be paid back over four years; and, Demonstration of a viable business/fund-raising plan."

Audit Objectives and Scope

The objectives of this audit are to confirm the conditions for the approval of a loan, as specified in the motion from City Council, were met.

The objective was not to question or review the City Council decision but to ensure that City staff role was appropriate in the management of the loan.

Summary of Key Findings

- Despite the City's collections efforts, loan payments throughout the four year period were consistently past due including an outstanding balance of \$225,000 or 41% of the total \$550,000 loan. This was not repaid within four years, by the December 31, 2010 due date, in default of the City Council-approved loan conditions. The amount remained outstanding as of May 13, 2011;
- Lack of notation on the documents to evidence that a review of a viable business/fund-raising plan had been undertaken;
- Lack of an agreement (or agreements), prior to the release of loan funds, with sufficient terms and conditions to protect the City's interests;

- Lack of a standard audit clause to ensure that costs were reasonable and that funds were used for the intended purpose; and,
- During the course of the audit, management has indicated that at the request of the OFFCF for an extension to the repayment terms, management did take action by tabling a report to Finance and Economic Development Committee and City Council in March 2011 which included extending the terms of the loan repayment and resulted in City Council amending the motion to extend repayment by seven years.

Recommendations and Management Responses

Recommendation 1

That the City ensures that prior to loaning funds that they have a structured process and evidence of a thorough review to demonstrate a viable business/fund-raising plan.

Management Response

Management agrees with this recommendation.

In the case of this loan, Finance staff did review the fundraising plan submitted and determined it was reasonable but did not make any notations on the plan. Unfortunately, the economic downturn in 2008 made the plan unachievable.

Reviews that are performed prior to the decision of Council, to provide either a loan or guarantee, will be noted in the Financial comment section of the Council report. Management notes that not all such requests will require a business plan or fundraising plan but that, in those cases, there should be other information available evidencing financial strength or security to support the transaction. The process will include Finance requesting financial statements and business plans and Finance staff documenting their review in the file.

Recommendation 2

That the various departments at the City ensure that prior to advancing loan funds, that agreements are in place, including standard clauses, where and when applicable, pertaining to reporting requirements, audit, insurance, liability and licenses and permits.

Management Response

Management agrees with this recommendation.

Overall, this file has seen significant activity over the last four months as the Ottawa Firefighters Community Foundation requested an extension of the repayment terms and maintenance requirements. A report was presented to the Finance and Economic Development Committee on March 1, 2011 and to City Council on March 10, 2011 that has changed the loan terms and maintenance

requirements significantly. The loan is no longer in default due to the changes approved by City Council and the maintenance financial requirements have been modified. As a result of Council direction, Finance staff, in conjunction with the City Clerk and Solicitor department, have drafted a new repayment agreement to incorporate Council direction and approval of the extended payment terms and the maintenance payment. Both the Foundation and the City have executed the agreement.

The repayment agreement includes a revised repayment schedule, a repayment schedule provision, events of default and the City's remedies in the event of default, an enforcement provision, as well as an audit provision that permits the Finance department to inspect and audit the Foundation's books of account and records upon request. This is a standard repayment agreement that has been developed and approved by the City Clerk and Solicitor department. No further action is required.

Provisions with respect to insurance, licenses and permits are not applicable to a standard repayment agreement and are, therefore, not included. These issues would be addressed independently by the Real Estate Partnerships and Development Office (REPDO) and the Special Operations branch. REPDO ensures that licenses are properly executed with relevant clauses pertaining to liability insurance in place and monitored. Special Operations ensures that the permit process is consistent with the plans and that other items are adhered to including WSIB requirements. Special Operations coordinates with the Building Branch to complete inspections as per permits (plans) and monitors progress of the project. Ongoing awareness of the responsibilities contained within the agreement and their compliance would be monitored by the client group.

Recommendation 3

That the City reviews the reasonableness of the planned and actual costs.

Management Response

Management agrees with this recommendation.

The Special Operations branch will consult with the Design and Construction branch on the plans and budget to ensure reasonable construction costs and lifecycle budget if the Fire Fighters Group decides to continue with Phase Two or Three of the Monument.

Recommendation 4

That the City ensures proper establishment of the trust fund by the OFFCF for on-going maintenance and operations expenses relating to the monument, otherwise it could create a budget pressure.

Management Response

Management agrees with this recommendation.

Overall, this file has seen significant activity over the last four months as the Ottawa Firefighters Community Foundation requested an extension of the repayment terms and maintenance requirements. A report was presented to the Finance and Economic Development Committee on March 1, 2011 and to City Council on March 10, 2011 that has changed the loan terms and maintenance requirements significantly. The loan is no longer in default due to the changes approved by City Council and the maintenance financial requirements have been modified. As a result of Council direction, Finance staff, in conjunction with the City Clerk and Solicitor department, have drafted a new repayment agreement to incorporate Council direction and approval of the extended payment terms and the maintenance payment. Both the Foundation and the City have executed the agreement. Public Works is addressing the changes to the maintenance agreement. A maintenance agreement will be in place by the end of Q3 2011.

Conclusion

As at December 31, 2010, \$225,000 out of the \$550,000 interest-free loan provided to the Ottawa Fire Fighters Community Foundation (OFFCF) for the Fire Fighter Memorial was past due in violation of the condition that the interest-free loan be repaid over four years. The amount remained outstanding as at May 13, 2011.

The second condition for the interest-free loan was the demonstration of a viable business/fund-raising plan. While this document was provided to the City Treasurer and she stated that staff reviewed it, there was no notation on the documents at the City to evidence that this plan was reviewed to determine its viability and that issues were identified and addressed.

During the course of the audit, management has indicated that at the request of the OFFCF for an extension to the repayment terms, they did take action by presenting a report to Finance and Economic Development Committee and City Council in March 2011 to extend the terms of the loan repayment and revise the trust fund requirements for maintenance and operations. This resulted in Committee and City Council amending the motion to extend repayment by seven years and reduce the amount and timing of the trust fund.

Although the loan is no longer considered to be in default due to the changes put in place at Committee and City Council, as approximately 41% of the loan remains outstanding, the City should look at the reasonableness of the planned and actual costs to ensure that funds were incurred for their intended purpose.

Acknowledgement

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

5.8 Audit of the City's Role regarding a Canada Day Event

EXECUTIVE SUMMARY

Introduction

This audit was added to the 2010 Audit Plan.

Background

Parks and Facilities By-law¹

The Canada Day Event held at Andrew Haydon Park would be considered a major event lasting several days with the potential for large crowds with attendance estimated by the event organizer to be 50,000. As the event is held in a City park, the Parks and Facilities By-law stipulates requirements for the event organizer such as to obtain a park permit, to maintain liability insurance coverage, to comply at all times with all other applicable municipal, provincial and federal laws, and to follow incident reporting procedures.

The Parks and Facilities By-law specifies that the By-law shall be enforced by the Chief of Police or by the By-law Officers of the City. The Parks and Facilities By-law also includes a clause that if a person who contravenes any of the provisions of the By-law is found guilty and convicted of an offence then they would be liable to a fine as provided for in the Provincial Offences Act (POA). Where the City has incurred costs due to the person's actions, in addition to penalties, the person would also be liable for all damages.

Within the POA under general provisions there is a limitation where no proceeding shall be commenced after the expiration of any prescribed limitation period or where not prescribed, six months after the date the offence was alleged to have been committed.

The Parks and Facilities By-law states that park permits may also be revoked by the Director, Parks, Recreation and Cultural Services (PRC) if in their opinion the permit holder fails to comply with the requirements of the permit or the By-law.

City Staff Roles

With respect to the Canada Day Event at Andrew Haydon Park, there were several areas at the City involved with this event. Four of the main areas have been detailed below:

1. The **City-Wide Allocations Section** within the Arenas and Outdoor Rinks Unit of the Complexes, Fitness and Aqua Venues Branch of PRC are responsible for

¹ Refer to Appendix A (See the complete audit report) for Referenced Sections from Parks and Facilities By-law 2004-276.

bookings of City parks and facilities. Allocations Group management explained the application for a park permit entitled, "Request for Use of City of Ottawa Parks" is the document used to develop a tentative contract and for major events would be taken to the Events Central Office. During the event, staff from this area would attend on-site when advised of an issue.

2. The **Event Central Unit** within Cultural and Heritage Services Branch of PRC explained that they contact the event organizer asking that they complete a Special Events application providing additional information. The event organizer completes the Special Events application to include all the detailed activities planned for the event. The Special Events application is a City template which includes the City requirements such as permits (e.g., fireworks, vendor) and licenses (e.g., liquor). Event Central reviews the application and takes the lead in coordinating the event via a Special Events Advisory Team (SEAT) meeting. The meeting would normally include the event organizer, and representatives from various City departments and other organizations, as they deem appropriate (e.g., Event Central Unit, Allocations Group, Councillor's Office, By-law and Regulatory Services, Paramedic Services, Parks, Buildings and Grounds Operations and Maintenance, Fire Services, Police Service, Community Association, etc.). The Special Events application would be reviewed and discussed with the event organizer in attendance at the SEAT meeting held prior to the event. Event Central indicated they usually also hold a post-mortem meeting after the event. A special event circulation notice, special event attendance meeting record, and meeting minutes would be taken. During the event, if staff from this area were contacted regarding an issue they would advise/direct the Allocations Section staff of non-compliance to the permit.
3. The **By-law and Regulatory Services staff** would be on the circulation list for the Special Events application and therefore would be aware of the planned event activities. They would have attended the SEAT meetings for this event to address issues such as parking, noise exemption, food vendor and business licenses and by-law special events City wide. During the event they may receive calls relating to these issues and would attend on site, as required.
4. The **Parks, Buildings and Grounds Operations and Maintenance staff** would be on the circulation list for the Special Events application and therefore would be aware of the planned event activities and would have attended the SEAT meetings for this event. The rental contract /permit would include additional charges for staff overtime for the duration of the event. During the event, staff would be on-site for the hours covered on the permit.

In-kind Services

Event Central Management has indicated that for events the City provides in-kind services such as for staff time (e.g., Parks operations and barricades). They

indicated that based on Finance advice for the City that City-Wide Allocations charges any extra staffing fees and currently only charge the event organizer for hours outside of regular operational hours.

Contractual Agreement Names

For this 2010 Canada Day Event, the PRC Request for Use of City of Ottawa Parks form (application for parks permit) requested the name of the group/club/association which was recorded as "Canada Day Arts Festival Inc." and the name of the primary contact which was recorded as an individual's name for the Canada Day Event from June 30 to July 4, 2010. The Ottawa Rental Contract² was in the name of the individual on the first line followed by Italian Canadian Community Centre on the second line. The contract was signed by the individual whose name and contact information was typed on the agreement under the signature line with Italian Canadian Community Centre handwritten above the signature. The Ottawa Rental Contract was supposed to be based on the information on the Request for Use of City of Ottawa Parks form which it was not. The 2010 Application for Special Events was in the name of the Italian Canadian Community Centre with the individual's name as the primary contact. The 2010 funding application was in the name of Canada Day Arts Festival with the individual's name as primary contact. Management indicated that as there were two organization names acknowledged on the Request for Use of City of Ottawa Parks and the Event Central application forms, the contract remained in the historical organization name as was listed on the Event Central application form and the insurance papers. The event organizer acknowledges the organization name "Italian Canadian Community Centre" by printing it above his signature on the rental contract.

The information on the application forms and contracts has not been consistent and has not been issued only in the name of the organization responsible for the event.

Audit Scope and Objectives

The Audit Scope focussed on the City's role regarding a 2010 Canada Day Event and some activities within the 2009 Canada Day Event held at Andrew Haydon Park. The 2010 Event covered the dates from June 30 to July 4, 2010 from 7 a.m. to 11 p.m. The 2009 Event covered the dates from June 26 to July 1, 2009 from 7 a.m. to 11 p.m. These dates and times exclude setup and teardown.

The Audit Objective was to evaluate the City's role in ensuring that the event complied with the park permit and City by-laws and included the following:

- 2010 Canada Day Event Helicopter Rides
- 2010 Canada Day Event Parking Variance

² Park permit

- 2010 Canada Day Event Non-compliant Electrical Hook-up
- 2009 Canada Day Event Diesel Spill
- 2010 Canada Day Event Funding
- 2010 Canada Day Event Park Permit Application Process

Summary of Key Findings

2010 Canada Day Event Helicopter Rides

1. The event organizer permitted the helicopter company to provide helicopter rides at the 2010 event without the permission of the City and Transport Canada.
2. The helicopter rides were only stopped by the Portfolio Manager of the Allocations Section at the City on July 2 when they were made aware by the Manager, Event Central. However, City staff (including 311, By-law and Regulatory Services and Parks, Buildings and Grounds Operations and Maintenance staff) were made aware around midnight June 30.
3. It was originally the opinion of the By-law licensing officer on July 1, 2010 and subsequently the Chief, By-law and Regulatory Services on July 7, 2010 that there was no action that By-law Services could have taken and that the Parks and Facilities By-law did not cover helicopters. They had noted however that the event organizer was in violation of the permit issued to him by Parks, Recreation and Cultural Services. Subsequently, August 27, 2010, when the Office of the Auditor General (OAG) followed up as part of this audit, By-law and Regulatory Services indicated that this issue would be enforceable as this activity was outside of the terms and conditions of the park permit in violation of the Parks and Facilities By-law. They indicated that they were still within the six month window and that they would certainly work with the permit issuer to ascertain if there was sufficient evidence to issue charges. August 27, 2010 Parks, Recreation and Cultural Services had indicated that Legal Services had provided legal advice that this occurrence would be enforceable through section 7(1) (b) of the Parks and Facilities By-law. However, By-law and Regulatory Services did not proceed with charges.
4. The Parks and Facilities By-law provides for the use of City parks and facilities and includes clauses to recover damages and/or charge for contravention of any provisions of the By-law. The Parks and Facilities By-law also includes a clause that if a person who contravenes any of the provisions of the by-law is found guilty and convicted of an offence, then they would be liable to a fine as provided for in the Provincial Offences Act (POA). Within the POA under general provisions there is a limitation where no proceeding shall be commenced after the expiration of any prescribed limitation period or where not prescribed, six months after the date the offence was alleged to have been

committed. The OAG followed up again November 9, 2010 to determine if there were going to be charges made within the six month window. Since this incident occurred June 30, 2010 charges would need to be made by December 30, 2010. The Chief, By-law and Regulatory Services subsequently consulted with Parks, Recreation and Cultural Services (PRC) to determine if they were in agreement with the organizer being charged and they responded that in their opinion a violation charge related to the use of helicopters at Andrew Haydon Park is not required at this time (November 12, 2010).

5. As noted in point 1, the event organizer never advised the City about the onsite helicopter, this resulted in a lack of confirmation of licenses and permits relating to the pilot, helicopter and helicopter company, a lack of a certificate of proof of liability insurance for this activity for the period of the event with the City as named insured, and a lack of confirmation of other government legislation.
6. As of November 16, 2010 Transport Canada has confirmed that no permission was granted to either the helicopter company or the event organizer to have helicopter rides at Andrew Haydon Park nor did the helicopter company apply for an authority.
7. Transport Canada Enforcement has indicated as of November 16, 2010 that they are conducting an investigation into this matter for possible violations to the Canadian Aviation Regulations.

2010 Canada Day Event Parking Variance

Since 2008, the City put in place a variance with specific conditions to allow the event organizer to charge a fee for parking. Although, the City intended to stop this practice for 2010, the practice was continued as it was considered that the event organizer was advised too late to revoke the variance in advance of the event.

2010 Canada Day Event Non-compliant Electrical Hook-up for the Vendor Trailers

1. An inspector from the Electrical Safety Authority (ESA)³ was at the park on June 30, 2010 and was going to shut down the event due to non-compliant electrical hook-ups for the trailers. The City electrician had to intervene to address the non-compliant electrical hook-up. This created additional costs for the City which were not reimbursed as at November 3, 2010.
2. The ESA advised the City that the organizer was going to be charged through them for his actions on that day and when requested by PRC subsequently indicated that they have a written report but are not willing to share with PRC due to confidentiality. OAG has subsequently requested the report.

³ Independent authority established by Provincial legislation responsible for conducting inspections and enforcing the Ontario Electrical Safety Code.

2009 Canada Day Event Diesel Spill

1. At the 2009 event, a diesel spill occurred by the ride operator's trailer which was parked near a pond. The matter was reported to the Ministry of the Environment (MOE) July 6, 2009 and remedial work was performed by the City in consultation with MOE.
2. The City submitted a claim for remediation costs to the insurer for the ride operator in the amount of \$57,000 and not to the event organizer. As of September 27, 2010, the amount has not been paid. The rental contract for use of the park is with the event organizer and not the ride operator and covers the dates of the event which runs from June 26, 2009 to July 1, 2009. The City should have considered actions against the event organizer.
3. The 2009 Certificate of Insurance for the event organizer includes the City as the certificate holder but does not include the complete dates for the event. After the spill, the event organizer provided the City with the 2009 Certificate of Insurance for the ride operator which does not include the City as the named insured and does not cover the complete dates for the event.
4. The post-mortem for the 2009 event was actually held at same time as the Special Events Advisory Team (SEAT) meeting for the 2010 event which was not held until April 16, 2010. Email correspondence shows that there was an October 2009 meeting scheduled that was cancelled as the event organizers were unavailable. Management has indicated that any event occurrence related to risk/liability is investigated immediately and prior to the post-mortem meeting. The extended timeframe for addressing this and other matters with the event organizer puts at risk the City's ability to potentially recover damages and enforce charges in accordance with City by-laws as all the appropriate parties may not have been named in the claim and the proper insurance may not have been in place.

2010 Canada Day Event Funding for Fairs and Festivals

1. The 2010 funding application from the event organizer for Fairs and Festivals Funding contained some areas of weaknesses which the Funding Supervisor noted resulted in a lower amount of funds being awarded.
2. The event organizer did not meet the clause in the terms and conditions to acknowledge funding from the City. The Funding Supervisor was not aware the condition was not being met until we informed them during the course of the audit. Management indicated that consideration is given to not awarding future funding where terms and conditions are not being met. Issues are discussed and resolved with the organization prior to making a final decision on an organization's ineligibility.

2010 Canada Day Event Park Permit Application Process

1. The Ottawa Rental Contract (park permit) was issued jointly in the name of an individual and the Italian Canadian Community Centre even though the application was in the name of Canada Day Arts Festival Inc.
2. The rate charged was the non-profit rate even though the Allocations Group did not obtain proof to confirm that the parties renting are all non-profit. Management has indicated that as this is the same individual who has been running this event through the Italian Canadian Community Centre for the past six years, there was no reason to verify if the party had changed status to for-profit. However, the OAG believes this should be confirmed annually as the status may change.
3. The event hours on the Ottawa Rental Contract shown as 7:00 a.m. to 11:00 p.m. differed from the organizer application and liquor license which showed an end time to 12:00 a.m. The later end time could result in additional City staff charges.
4. The number of participants identified by the event organizer ranges from 200 noted on the application, to 50,000 in the SEAT meeting minutes for the 2010 post-mortem, to 20,000 on the rental contract, to 200 on the liquor license, to 1,001+ on the Special Event application, to 4,000 on Canada Day and 200 on other days on the SEAT pre-event meeting minutes.
5. The application for a park permit entitled, "Request for Use of City of Ottawa Parks" which was explained by Allocations Group management as the document used to develop a tentative contract which is taken to the SEAT meeting. The application does not include sections to complete to identify if the organization is not-for-profit which would impact the price or that a SEAT meeting or Special Events application would be required.
6. The events file did not contain all required confirmations of documentation and lacked confirmation and proof that all required permits were in place (e.g., Ottawa Fire Services permit for fireworks, vendor permits). The Allocations Group did not have these permits. Management indicated that the Allocations Group, responsible for the park permit, only had the permits that are pertinent to them for issuing the use of the park, which included the liquor licence and insurance. The Program Manager, Event Central indicated that these permits would be located in the files of the various service areas and that Event Central staff would have called to confirm that these permits existed prior to the event. OAG requested copies of these permits which had not been provided to the OAG until January 27 and 28, 2011 as the Program Manager indicated they were under the impression that Ottawa Fire Services and By-Law and Regulatory Services were providing them. With respect to the 2010 food vendor permits, there were three vendor permits provided for food vendors which differed from

the one food vendor listed on the "Application for Special Events". Therefore, there continues to be a lack of confirmation that all proper permits were in place.

Recommendations and Management Responses

Recommendation 1

That the City consider not renting the park to this event organizer based on past experiences.

Management Response

Management agrees with this recommendation.

The department has considered the issue by consulting with the Ward Councillor, members of SEAT (Special Events Advisory Team) and other stakeholders and determined that the positive community impact of this event outweighs the negative issues associated with it. Management will attach appropriate conditions to future rentals and ensure suitable monitoring and enforcement to make sure that identified non-compliant activities do not reoccur with this event organizer.

Recommendation 2

That the City consider charging the event organizer with failing to comply with the terms and conditions of their park permit in violation of the Parks and Facilities By-law and that the event organizer be held accountable for any subsequent charges in violation of other policies or legislation. In the case of the helicopter, there was legal advice that this occurrence was enforceable through the Parks and Facilities By-law.

Management Response

Management agrees with this recommendation.

Legal action has been considered. By-law and Regulatory Services consulted with Special Events and the General Manager of Parks, Recreation and Culture. It was determined that charges, in this instance, were not warranted since:

- the organizer discontinued the helicopter service immediately upon being contacted by the City
- the organizer met with SEAT and members of the Community Association to acknowledge his non-compliance with the Terms and Conditions
- the City and the Community Association had contacted Transport Canada to report the violation.

Recommendation 3

That upon receipt of by-law requests for service, that the City investigate compliance with City by-laws on a timely basis (including the Parks and Facilities By-law) and other legislative requirements and enforces City by-laws.

Management Response

Management agrees with this recommendation.

The audit states: *"In our opinion, upon receipt of by-law requests for service, the City's By-law and Regulatory Services needs to take a lead role in ensuring that compliance with the City's by-laws and other legislative requirements are appropriately investigated and enforced in a timely manner."* The By-law and Regulatory Service Branch's enforcement protocol is reactive enforcement and the deployment model is staffed accordingly.

The goal of By-law and Regulatory Services is to gain voluntary compliance through education as this is a more cost-effective, timely and amicable process vs. enforcement action, which can take months to achieve, all for the same outcome which is compliance.

Recommendation 4

That the City ensure that agreements include an audit clause to allow the City access to monitor the event organizer's records in order to confirm that money collected is used for the intended purpose.

Management Response

Management agrees with this recommendation.

Event Central will be seeking Council's approval on a Special Events By-law in Q4 2011, to streamline the business process and event requirements for special events. The draft by-law, to be considered by Council later this year, will have an audit clause requirement that will allow the City access to monitor records for events that have conditions attached to their permits (e.g., parking), even if they don't receive any City funding for it.

Recommendation 5

That the City review the full costs incurred related to special events, such as this Canada Day Event, and establishes a policy to clearly define the costs that will be recovered for special events.

Management Response

Management agrees with this recommendation.

Currently Event Central does track in-kind corporate costs for events that are processed through Event Central; however, more consistency is required in terms of how each department tracks their in-kind costs.

The draft Special Events By-law will allow for a supporting policy to be developed in 2012 to satisfy this recommendation.

Recommendation 6

That the City review the City's spill reporting process to ensure that it includes complete and accurate documentation to clearly identify the complainant.

Management Response

Management agrees with this recommendation.

The Spills reporting procedure at 311 has been reviewed and amended where an agent is now required to identify if the caller is a City employee or not and to note such for the record, in addition to asking for and recording name, address and contact information.

Recommendation 7

That the City recover the costs related to the 2009 diesel spill.

Management Response

Management agrees with this recommendation.

The Parks, Recreation and Cultural Services department worked with the Claims Unit to put the owner of the vehicle on notice of claim shortly after the City was aware of damage to the park. Staff has been corresponding with the insurance representatives for the vehicle that is suspected to have caused the fuel spill. On March 3, 2011, the insurer for the vehicle owner denied the City's claim on behalf of the insured. Legal Services will be reviewing this claim and, if appropriate, will initiate a lawsuit against the parties who appear to be responsible.

Recommendation 8

That the City ensure that liability issues are appropriately managed and mitigated and that damages to City parks and facilities are recovered on a timely basis. As indicated in this audit, this would relate to helicopter rides, the diesel spill, and the non-compliant electrical hook-up.

Management Response

Management agrees with this recommendation.

The City will manage and mitigate liabilities as it relates to events and festivals by seeking Council approval on the draft Special Events By-law in Q4 2011.

Further, all future permits to this organizer will include additional stringent Terms and Conditions that he will be required to meet. Also additional visits by City staff will be made to ensure enhanced on-site monitoring.

Staff will continue to work to recover costs to the extent it provides value to the City. Of note, the reimbursement of costs associated with the diesel spill was denied on March 3, 2011. Legal Services will review and take any appropriate legal action. The cost related to non-complaint electrical hook-up involved minimal overtime by the City electrician. The administrative cost for recovering the overtime amount was more than the amount itself and did not justify the recovery.

Recommendation 9

That the City ensure that post-mortems are pre-established on a timely basis within one month of the event especially for major events.

Management Response

Management agrees with this recommendation.

For events where serious incidents have occurred as well as for routine events and festivals that take place during non-event season (September-April), post-mortems will be done within one month of the event. However, for routine events and festivals held during event season (May-August), post-mortems will be scheduled starting September when resources with the event history are available to participate.

Recommendation 10

That the City streamline the business process for permits for events in City parks and facilities to ensure documentation for requirements are met in advance of the event and that staff, especially grounds and enforcement staff, are familiar with the requirements and scope and limitations of the event.

Management Response

Management agrees with this recommendation.

The Special Events By-law targeted to be before Council in Q4 2011 will streamline the business process for permits for events. The business process will address documentation requirements, the timing of them, and a step to ensure staff is familiar with the requirements, scope and limitations of the event.

Conclusion

The organizer of the 2010 Event did not comply with the terms and conditions of the park rental contract (park permit) and the City's by-laws with respect to permitting a helicopter company to provide rides. The rides were not stopped until July 2, 2010 even though City staff were aware around midnight June 30. There was also an incident relating to non-compliant electrical hook-ups that is being addressed by the Electrical Safety Authority and a diesel spill in 2009 where the City's clean-up costs have not yet been recovered. The City needs to ensure that it

performs its role to monitor compliance with the terms and conditions of the park rental contract, City by-laws and other legislative requirements and subsequent enforcement with consequences for non-compliance.

The City also needs to ensure that safety and liability issues are appropriately managed and mitigated and that damages to City parks and facilities are recovered on a timely basis.

Acknowledgement

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

5.9 Audit of Internet and Email Usage Policies and Procedures

INTRODUCTION

During the course of the 2010 Follow-up to the 2005 Audit of Internet Usage and Controls, it was determined that a separate audit report on Internet and email usage policies and procedures would be issued.

This audit was therefore added to the 2010 Audit Plan of the Office of the Auditor General.

AUDIT SCOPE, OBJECTIVES AND APPROACH

The objective of this audit is to evaluate the Internet and email usage policies and procedures that regulate this corporate tool.

The scope of analysis included:

- Responsible Computing Policy;
- Appendix A: Website Blocking Standard;
- Appendix B: Electronic Messaging Guidelines;
- Appendix C: Data Logging Standard;
- Records Management Policy and Records Retention and Disposition Schedule;
- Information Management/Information Technology Security Policy; and,
- City of Ottawa Information Management/Information Technology Security Standards v1.10.

All of the above documents have been analyzed and compared against the general controls contained in ISO 27002:2005 international standard and other best practice repositories such as CobiT (CobiT - DS 5) and the Val IT framework.

The contents of the Responsible Computing Policy and its appendices were compared to the controls of ISO 27002 as a baseline.

ISO 27002:2005 contains 12 domains (or clauses, as the standard defines them) that normally should be covered in any organization, all depending on the needs and selected controls that answer most to the organization's needs in terms of information security.

The 12 domains are:

1. **Risk assessment** – general requirements for risk assessment and treatment;
2. **Security policy** - management direction and commitment to information security;

3. **Organization of information security** - governance of information security at the enterprise level;
4. **Asset management** - inventory and classification of information assets;
5. **Human resources security** - security aspects for HR management;
6. **Physical and environmental security** - protection of the computer facilities;
7. **Communications and operations management** - management of technical security controls in systems and networks;
8. **Access control** - restriction of access rights to networks, systems, applications, functions and data;
9. **Information systems acquisition, development and maintenance** - building security into applications;
10. **Information security incident management** - anticipating and responding appropriately to information security breaches;
11. **Business continuity management** - protecting, maintaining and recovering business-critical processes and systems;
12. **Compliance** - ensuring conformance with information security policies, standards, laws and regulations.

The section on CobiT DS 5 “Ensure Systems Security” defines the general governance requirements for the management of information security and could be used as a governance level guide for the implementation of an information security management process. CobiT is not a standard and its use remains for consulting purposes, as a complement to ISO 27002:2005. The same applies to Val IT, it is a guide for business optimization of the IT function of organizations and will be used as a guide rather than a mandatory document.

DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

Responsible Computing Policy

Currently, the City of Ottawa Responsible Computing Policy (RCP) is up to date, with the last review having taken place on January 6, 2010. The three appendices to the RCP, (Website Blocking Standard; Electronic Messaging Guidelines; and, Data Logging Standard) focus on specific aspects of Internet and email usage and management. The RCP is a governance document and its requirements are mandatory for all information technology users of the City of Ottawa.

The RCP is in conformity with industry practices for this type of document. The level of compliance to ISO 27002:2005 may vary depending on an organization's needs, and the requirements and scope of the RCP are adequate to suit the City of Ottawa's needs. The City should however clarify what kind of non-business use of these resources it will permit.

The use of computing resources has to be specified as being for business purposes only, or for personal use purposes (as specified in point 2.3 of the RCP) only if there are no productivity impacts. As an example, we may cite restriction of the use of personal email or newsgroups to only lunchtime or outside of working hours.

Currently, "incidental" use is permitted, but this is open to wide interpretation. All City of Ottawa users are required to comply with the RCP and the IM/IT Department has control of the information technology resources that the City offers to its employees.

The Responsible Computing Policy is the main document that guides the use of information technology resources at the City of Ottawa. Other documents, such as the IM/IT Security Policy and Security Standards, are more specific to certain aspects, such as adherence to security controls and their application by IT staff, and the technology solutions that are used by the City in general.

Generally, the City of Ottawa Internet and email usage policies, which are within the scope of this analysis, are in conformity with ISO 27002:2005 specifications and controls.

At the present time, the use of a risk assessment methodology is mentioned in the Responsible Computing Policy, IM/IT Security and the Security Standards. Risk assessment methodologies are: OCTAVE, MEHARI, ISO 27005, etc. We accepted that the City developed its own practice and the City should ensure that any change, implementation, development and new process is analysed for the security risks it may pose to the whole infrastructure and to the existing processes, as well as to the information processed by the City's information resources.

The ITS Department utilizes a modified Royal Canadian Mounted Police (RCMP) risk assessment process to evaluate all technology projects. This high-level risk assessment process provides for the ability to highlight those projects that may be of a higher risk, which in turn allows the Department to focus resources to mitigate the associated risks. In 2010, the ITS Department conducted five of these high level assessments.

Records Management Policy and Record Retention and Disposition Schedule

The Records Management Policy (RMP) was updated on April 6, 2010. It is based on CAN/CGSB 72.34-2005 "Electronic Documents as Documentary Evidence" and complies with City regulations and by-laws, and the Municipal Freedom of

Information and Protection of Privacy Act (MFIPPA). The Record Retention and Disposition Schedule is an internal document that defines retention terms for corporate records.

Presently, the email system is not an official business records repository according to Records Management Policy, (p. 12, "Policy Requirements" section) and as such, email correspondence is deleted periodically. In general, records of email traffic are only maintained for a three month period. In some cases, emails that have been deleted cannot be restored, even within this three month period. Email traffic logs are retained for 12 months; email content within an individual's mailbox is retained for three months.

Email traffic logs, according to the evidence provided by the City, do not contain any email body or content record whatsoever. As mentioned further, only the email messages (as an equivalent of paper mail) can be considered records. These records have to be archived applying the same security controls as the regular mail.

As the traffic logs cannot be considered email records, the retention period stays at three months. Another aspect is deleted email. It should be moved to the deleted email folder and not permanently deleted. These requirements arise from the City's obligations as a juridical entity that respects the Municipal Freedom of Information and Protection of Privacy Act (as noted in the Records Management Policy) and Records Retention and Disposition By-law.

Only separate email messages could be considered official records according to the conditions specified in the Records Management Policy.

Email traffic logs cannot be considered full records. As stated previously, emails (separate email messages) only can be considered as records. According to the Records Retention and Disposition Schedule the general files of the majority of the subject contents (Column 2) have a retention period of three years and an absolute majority has a retention period of at least 1 year. This means, in our understanding, that the business related email correspondence, according to RCP and RCP Appendix B 'Electronic messaging guidelines' has to comply with the Records Retention and Disposition By-law.

A review of the retention schedule is recommended in order to ensure a longer time span for the retention of the City's email correspondence. The implications of a shorter retention period are multiple; the most evident being the deletion of activity evidence and documents that might have been transmitted by email. Considering that legal, financial, accounting and other types of documents might be transmitted by email, the Records Retention and Disposition Schedule could apply, and those specified retention periods would have to be respected. Where legal, financial, accounting and other types of documents are transmitted by email, the Records Retention and Disposition Schedule does apply. In order to preserve an activity trail of email correspondence, a retention period of three to five years is recommended,

in conformity with the Records Retention and Disposition Schedule for written correspondence. An email archiving tool might be considered in order to facilitate records management.

This illustrates that the email may and in many cases is used for sending all kinds of sensitive information that falls under one or more categories of the Records Retention and Disposition Schedule. Thus, in order to ensure the application of the said Schedule and By-law that enables it, the emails have to be preserved as corporate correspondence, even deleted email. By doing this, the IT/IM Department will comply with City's own By-law.

There is no commonly accepted standard or law that indicates a specific term for email retention, however given the difficulty of filtering official and unofficial email, it is a common industry practice to preserve whole email correspondence in order to ensure appropriate corporate records management. If the IT/IM Department is able to propose a way to filter business and non-business email with a comfortable level of assurance, then it could be discussed internally and proposed to senior management for approval and eventually accepted into production.

Recommendation 1

That the City review the existing three month retention period for emails, including deleted emails, to ensure it is sufficient. Both legal and IT requirements should be considered.

Management Response

Management agrees with this recommendation.

Management will review the existing three month retention period for emails considering both legal and IT requirements, and will provide a report on this subject to the IT Sub-Committee by the end of Q4 2011.

Information Management/Information Technology Security Policy

The Information Management/Information Technology Security Policy is a document produced to ensure the protection of information transmitted over the City network. It is intended for those users that are responsible for the provision and administration of information technology services. General users are not subject to the IT/IM Security Policy as it covers risk management safeguards and defines elements of information security that are to be ensured for data on the City's network.

The current RCP notion for IT assets covers hardware equipment only. Recognizing software as an IT asset will ensure that it is managed and protected in the same way as hardware.

Currently, some information transmitted on corporate handheld and mobile devices does not go through the City network system. (PIN to PIN and SMS messages are not logged on the corporate network as per the Responsible Computing Policy.) If corporate records are sent PIN to PIN, there may be no record of this data on the City network. Corporate records should not therefore be communicated PIN to PIN. All emails and documents transmitted on laptops, tough books, and smart phones go through the City's email network. Voice calls made through corporate handheld and mobile devices have key transaction artefacts logged such as the number and time.

For those using handhelds and mobile devices, email correspondence leaves the corporate network (the telephone provider is not part of the City network). This means that it is not under the full control of the IT/IM Department. Thus, a specific section or policy intended for those who carry corporate handhelds may need to be put in place. By doing this, the City ensures that handheld and smartphone users are aware that those devices hold sensitive information and due care and due diligence should apply.

Also, the increased use of mobile devices creates unique security risks, including the risk of unauthorized access to data. There is also greater risk that information of a private nature may be accessed by unauthorized persons.

The most obvious example of a unique security risk is the loss of an unlocked handheld. This does not mean that the IT/IM Department creates the risk, but that the enacting of a policy requiring the handhelds to be locked in all times could be necessary.

Management indicates that the Responsible Computing Policy and the City of Ottawa's Code of Conduct govern the use of these mobile devices. Handheld and mobile devices are configured in the same manner as City laptops. This configuration includes: encryption of data at rest and in transmission, password protection of the device, lock down to prohibit the installation of unauthorized software, and remote wiping for lost/stolen devices.

The use of staff's own personal mobile devices while in the workplace is also an emerging issue. We recommend that management proactively deal with the growing use of staff's own personal mobile devices while at work by establishing and enforcing an appropriate policy.

Recommendation 2

That the City formalize and include in the Responsible Computing Policy an extended notion of IT assets to include software.

Management Response

Management agrees with this recommendation.

The Responsible Computing Policy will be updated to include the addition of software as a City of Ottawa information technology asset by the end of Q3 2011.

City of Ottawa Information Management/Information Technology Security Standards v1.10

The City of Ottawa Information Management/Information Technology Security Standards v1.10 is intended to clarify aspects of the IM/IT Security Policy, and to detail and complete the policy specifications.

Requirements and statements contained within the documents that were reviewed are of no use if not reinforced and user compliance monitored. The purpose of policies is to protect the City's IT network as a vital service, and to educate the users in order to optimize the use of equipment and services over the network. In order to ensure that policies are adhered to, users should be notified any time there are monitoring and control tools filtering and analyzing the use of the City's resources. Ideally, permanent monitoring should be in place, and management should decide the consequences resulting from policy violation.

This relates to the fact that as per discussions held with management, it was stated that filtering and protection equipment is used mainly in reaction to incidents and violations. In order to ensure the application of security controls and best practices, permanent monitoring is an obvious option that will permit the identification of behaviour or incident patterns in a timely manner.

It should be mentioned that Internet and email monitoring tools are currently used for incident monitoring and not for operational usage monitoring. Operational monitoring of user activity would provide a better understanding of Internet and email usage on the City network, but that will necessitate a change of view on monitoring. The City could decide on this change of principle and act accordingly to implement it.

Operational usage monitoring is strongly related to permanent monitoring and means allowing resources for overseeing user activity on a permanent basis, not only in case of incidents. The 'operational usage monitoring' will permit a better security position for the City and will ensure security controls contained in the RCP and its appendices, standards and procedures are applied and respected in all times.

Currently, the IM/IT Security standards have not been updated or reviewed since November 3, 2008. The IM/IT Security Policy has not been updated since January 25, 2007. Security standards, as stated in Section 3.3, are to be developed as the City's IT environment and network change. In order to document these changes, and offer a security view on the technologies and processes, the standards need to be updated on a regular basis.

The Security Policy should be reviewed at least on a yearly basis, and should take into account the development and evolution of the IT function. If no changes are needed, a review and re-approval process should take place and the policy should be re-issued to the user community as a reminder of the City's efforts in that regard.

Improved monitoring and control tools usage would mean a regular analysis of user activity in order to ensure compliance to the RCP and other security policy documents at the City. No specific action and end state can be proposed here because it would mean a more thorough evaluation. Otherwise, tools that perform monitoring and control exist at the City (e.g., Websense, Promodag) and others may be implemented depending on management's decisions to improve the City's security position. Optimised use of existing tools, their update, operational monitoring (as stated earlier) may be considered before changing the existing architecture.

During the course of the audit in December 2010, ITS put in place an intrusion prevention and security information and event management service. ITS has contracted a Canadian based managed security service provider that provides 24/7 monitoring of our web-facing services (Ottawa.ca, etc.) and other critical components of the network. During the course of the audit, we had indicated to ITS that monitoring and control tools usage over the City's network should be improved. In our opinion, this new contract helps to address this issue.

Recommendation 3

That the City keep Security Standards up to date and review the policies at least on a yearly basis.

Management Response

Management agrees with this recommendation.

A review of the Security Standards will be incorporated into the ITS Department annual operational plans, and an initial review will be undertaken by the end of Q2 2012.

CONCLUSION

Generally, corporate email and Internet policies are in accordance with industry practices, however some areas require attention. Specifically, the retention period of corporate emails needs to be reviewed. Also, the use of handheld and mobile devices needs to be addressed to ensure that this information is captured in the corporate records system.

ACKNOWLEDGEMENT

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

5.10 Determination of Sampling Requirements for Audits of Payroll Accuracy

EXECUTIVE SUMMARY

Background

The Determination of Sampling Requirements for Audits of Payroll Accuracy was added to the Auditor General's 2010 Audit Plan.

Introduction

The purpose of this report is to provide a sample design framework to support the City in conducting periodic audits of payroll accuracy.

Approach

A number of elements are required to determine the size of the sample that will lead to reliable results. Some of these elements are known while others are estimated. The key elements required to calculate the sample size are listed below. A detailed description is included in the full report.

1. ***Population (N)***: This represents the unit of analysis. The number is generally known.
2. ***Confidence Level (CI)***: Determines how sure one can be that the sample selected is a true representation of the population. Two figures are commonly used; 95% and 99%.
3. ***Margin of Error (MoE)***: It is the plus-or-minus figure usually reported to indicate that results fall within a certain range. This can be specified in advance or generated based on a given sample size.
4. ***Percentage (p)***: This represents the percentage of sample that picks a particular answer. It is an estimated value.
5. ***Sample Size (n)***: This represents the number of records to select.

Based on these inputs a mathematical formula is used to calculate the required sample size. Alternatively, a sample size can be specified and the formula will calculate the margin of error.

Once the sample size is determined, the next stage involves the actual selection of the records to be audited.

Recommendation and Management Response

Recommendation 1:

That the City Treasurer conduct, every three years, an audit of payroll accuracy. As noted in the report, the sample size should be 200 records and a systematic sampling selection approach should be used.

Management Response:

Management agrees with this recommendation.

The first audit will be completed by the end of Q4 2012.

Conclusion

Sample size was determined by taking into consideration several factors as described in this report. We feel that a sample of 200 “direct deposit” records would be sufficient to draw valid conclusions on the accuracy of payroll calculations. A sample of 200 will have a margin of error of plus or minus 4.2 percentage points at a 95% confidence level.

We recommend a systematic sampling selection approach that will yield a sample that is proportional to the percentage “direct deposit” records by employee subgroups as defined by the SAP Payroll system.

Once the audit has been completed a review of the results will be necessary to confirm the representativeness of the sample, apply weighting factors if necessary and re-validate the margin of error based on the actual result of the audit.

Acknowledgement

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

5.11 Audit of Compressed Work Week Agreements

EXECUTIVE SUMMARY

Introduction

This audit was part of the 2010 Audit Plan.

Background

In December 2003, the Senior Management Team approved the *Alternative Work Arrangement Policy (AWA)* under the Delegated Authority of the Chief Corporate Services Officer. The stated purpose of the *AWA Policy* is “to enable work life balance for City employees while maintaining a commitment to cost effectiveness and excellence in service delivery”.

The policy lists the responsibilities for employees, for managers, for the Employee Services Branch¹ and for Legal Services² including the ability for the employee or management to cancel the arrangement.

The policy requirements state that,

- “success of an arrangement lies in it being mutually beneficial for the organization and the employee”,
- “AWA are not appropriate for all positions nor are they to be considered a right of employment”,
- “AWA will not result in additional cost to the City.”

The policy also states that, “neither the policy nor any formalized agreements shall supersede or contradict the terms and conditions of a collective agreement or terms and conditions of employment... where silent..., this policy will take precedence.”

Alternative work arrangements referenced in the policy and collective agreements include compressed working hours, flexible working hours, reduced work week, job sharing and telework. The *Compressed Work Week* procedures which appear in Appendix A define a compressed work week as working longer days for part of the week in exchange for shorter days or a day off each week or pay period.

Audit Scope and Objective

The Audit Scope focussed on specific compressed work week (CWW) agreements from Employment and Financial Assistance (EFA) Social Services Centre South for 2009. The Audit Objective included reviewing agreements to determine if they complied with the *Alternative Work Arrangement Policy* and *Compressed*

¹ As stated in *Alternative Work Arrangement Policy*.

² As stated in *Alternative Work Arrangement Policy*.

Work Week procedures. After we reviewed this specific area, we expanded the scope of the audit work to look at the Human Resources process relating to handling these types of agreements on a corporate-wide basis.

Summary of Key Findings

During the course of the audit, we have found the following:

1. For 2009, within Employment and Financial Assistance Social Services Centre South, Management identified that approximately 25% of staff worked a compressed work week. This would not include the staff that worked flexible working hours or that worked and were paid for a reduced work week. Management indicated the overall percentage was consistent with all three other EFAC sites which were each at approximately 60% capacity for alternative work arrangement approvals.
2. Compressed work week agreements dated to September 2009 were not compliant with the *Alternative Work Arrangement Policy* and *Compressed Work Week* procedures requirements for the Social Services Centre South. Non-compliance included missing or expired agreements, missing employee or management approval signatures, and cases where the agreement did not specify the cover-off partner. There were also agreements where the hours of work started before 7:30 a.m. or finished after 5:00 p.m. when there was no supervisor scheduled to be on site which would result in a lack of monitoring.
3. The Social Services Centre South Management Team indicated that they temporarily suspended Compressed Work Weeks as an alternative work arrangement during July and August 2009, reinforced alternative work arrangement policies, developed monitoring mechanisms and requested submissions for new requests or extensions effective September 2009 as all the prior work arrangements had expired. As at December 2010, in addition, they have also indicated that one staff member has now been assigned to manage/track the Alternative Work Arrangements for the site including keeping the tracking spreadsheet up to date and ensuring AWA agreements are properly completed and signed off.
4. The staff work hours tool spreadsheet used to manage alternative work arrangements for agreements to September 2009 showed information which differed from the agreements such as the name of the cover-off partner, the hours of work and the scheduled day off. The spreadsheet also contained formula errors.
5. There were also differences between the staff identified on the staff work hours tool for the Social Services Centre South and the staff on the SAP³ Position Incumbent report for EFA Centre South Unit.

³ City of Ottawa's Human Resource, Payroll and Financial Accounting and Reporting System

6. The *Alternative Work Arrangement Policy* and *Compressed Work Week* procedures were approved in December 2003 and have not been revised since that time. For example, the Responsibilities Section lists areas that have been reorganized since the policy was approved. There are also practices that are inconsistent with responsibilities identified in the policy. Human Resources indicated that changes are required to the policy which is targeted for review in Q2 2011.
7. Although Human Resources (HR) receives the individual Compressed Work Week agreements, they are not recorded in SAP as there is no impact on pay. This result in HR being unable to determine the overall number of individuals on compressed work weeks and the amount of time spent by Management and staff involved in tracking, controlling, and monitoring alternative work arrangements.
8. Under the current practise, Human Resources has indicated that this is an arrangement between the employee and their manager and is the manager's responsibility to ensure that the terms of the compressed work week are being honoured.

Recommendations and Management Responses

Recommendation 1

That the City ensure that if they are going to permit alternative work agreements that they are properly managed, including ensuring that alternative work agreements and monitoring tools are complete, accurate and compliant with City policies.

Management Response

Management agrees with this recommendation.

As noted in Management's Response to Recommendation 2, the Alternative Work Arrangement policy and Compressed Work Week procedures will be updated to provide a defined process and system tracking to enable monitoring and controls by the end of Q1 2012.

Recommendation 2

That the City update the *Alternative Work Arrangement Policy*, procedures and practises including ensuring that responsibilities are appropriately assigned to account for, control and monitor alternative work arrangements.

Management Response

Management agrees with this recommendation.

The Alternative Work Arrangement policy and Compressed Work Week procedures will be updated and responsibilities will be clarified by the end of Q1 2012.

Recommendation 3

That the City develop the business case, to consider using the City's human resources, payroll and financial accounting and reporting system to ensure that alternative work agreements are accounted for and properly controlled and monitored in accordance with the updated *Alternative Work Arrangement Policy*.

Management Response

Management agrees with this recommendation.

Once the Alternative Work Arrangement policy and Compressed Work Week procedures are updated Human Resources will assess the feasibility and analyze the cost/benefit of developing an SAP reconfiguration for a new Employee Transaction for Compressed Work Week. This review will be conducted in Q1 2012.

Conclusion

During the course of the audit, we found there were compressed work arrangements to September 2009 that were not compliant with the *Alternative Work Arrangement Policy* and *Compressed Work Week* procedures requirements for the Social Services Centre South. We also found that the staff work hours tool spreadsheet used to manage agreements contained information that did not match the agreements and also did not match the staff listed in SAP for this work unit.

Management indicated that they temporarily suspended CWW as an alternative work arrangement during July and August 2009, reinforced alternative work arrangement policies, developed monitoring mechanisms and requested submissions for new requests or extensions effective September 2009 as all the prior work arrangements had expired. As at December 2010, they have also indicated that one staff member has now been assigned to manage/track the Alternative Work Arrangements for the site including keeping the tracking spreadsheet up to date and ensuring AWA agreements are properly completed and signed off.

We also reviewed the Human Resources process and found the responsibilities in the *Alternative Work Arrangement Policy* and in practise were inconsistent. HR Management indicated that they plan to update the policy in Q2 2011. We also found that although HR receives the agreements, that these are not tracked in the City's human resources, payroll, and financial accounting and reporting system in order to account for, control and monitor them and the amount of time spent by Management and staff performing these functions.

The Office of the Auditor General recommends that the City ensure that if they are going to permit alternative work arrangements that they are properly managed. This would include ensuring that alternative work agreements and monitoring tools are complete and accurate and compliant with City policies.

Acknowledgement

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

5.12 Audit of the City's Operating Relationship with the Ottawa Centre for Research and Innovation (OCRI)

EXECUTIVE SUMMARY

Introduction

In the fall of 2010, the City's Fraud and Waste Hotline received a report recommending a value-for-money audit regarding the funding provided by the City of Ottawa to the Ottawa Centre for Research and Innovation (OCRI). In response to this requirement, the Office of the Auditor General (OAG) launched a preliminary assessment of the City's relationship with OCRI.

Background

The City of Ottawa provides annual core and project funding to OCRI, an economic development corporation with the goal of fostering the advancement of the region's globally competitive knowledge-based institutions and industries. The City has a significant relationship with OCRI: In 2010, OCRI represented approximately 60% of the total Economic Development Branch budget and the City funds represent approximately 25% of OCRI's budget. The City's Economic Development Branch oversees the most significant portion of the City's relationship with OCRI and provided funding of \$2,267,000 in 2010. In addition, OCRI receives an annual grant (\$75,000) from the Customer Relations, Business Integration and Funding Branch for the School Breakfast Program – although this program is being transferred from OCRI to the Ottawa-Carleton Learning Foundation in 2011. Public Health also provides OCRI with a \$250,000 grant for a school-based substance abuse program.

Our preliminary assessment was conducted through document review and interviews within the City of Ottawa. We grouped our findings against three expected norms: strategic business alignment, agreements and payments, and monitoring results. As we gained insight into the City's relationship with OCRI, we also developed recommendations to address areas for improvement.

Preliminary Assessment Objective and Scope

The purpose of the assignment was to conduct a preliminary assessment of the agreement and relationship with OCRI. We conducted the preliminary survey in accordance with the professional practices framework of the Institute of Internal Auditors. However, it should be noted that the assignment is not an audit. Rather, it is an independent assessment of the relationship with OCRI.

The scope of the assessment involved a review of the agreements between the City and OCRI and the associated financial reporting from 2007 through 2010.

Summary of Key Findings

Our assessment found that the current OCRI work aligns with the City's economic development strategy since OCRI's focus on knowledge-based industries is in line with the City's goal to leverage existing strengths in knowledge-based talent, businesses, and organizations. We also found that there were formal agreements for both core funding and projects that defined OCRI activities and reporting requirements. We found preliminary evidence to indicate that the proportion of OCRI's administrative services allocated to the City funded projects appears high and has increased significantly. In 2010, of the \$2.6 million the City provided to OCRI, \$680,000 was allocated to OCRI's administrative costs. We also note that the City has recognized the need to improve the monitoring of results that these activities are having on the achievement of objectives.

Recommendations and Management Responses

Recommendation 1

That the City work with OCRI to understand and review the administrative charges to confirm that they are reasonable prior to renegotiation of the 2011 core funding renewal. This review will allow the City to ensure that City funds are directed to key activities and that reasonable administrative charges are allocated to the City.

Management Response

Management agrees with the recommendation.

As part of the 2011 funding agreement negotiations, it is the full intent of staff to identify and agree on appropriate administrative costs related to each economic development program that OCRI undertakes for the City of Ottawa. This exercise will ensure that City funds are directed to key economic development program activities and that reasonable administrative charges are allocated to the City.

The 2011 funding agreement negotiations should be complete by Q3 2011.

Recommendation 2

That the City use the economic development scorecard (currently being developed) to assess the results of the OCRI activities to determine their value. This will allow the City to make better resource allocation decisions centred on the outcomes associated with their investments.

Management Response

Management agrees with the recommendation.

The Economic Development Branch intends to proactively monitor OCRI's performance in three ways.

Firstly, each contract signed between the Economic Development Branch and OCRI (whether for core funding or funding related to a specific project) will include a detailed list of milestones (either monthly, quarterly or annually) and deliverables to ensure maximum accountability. Payment schedules will be tied to such milestones. On a quarterly basis, OCRI will meet with staff to review the results achieved in addition to providing a written summary of their activities.

Secondly, a broad base of performance metrics will be implemented in an economic development dashboard that will monitor the economic health and trends of the City of Ottawa. This dashboard will also allow the City of Ottawa to determine if investments in OCRI are being reflected in these metrics. It is important to note that broad city-based metrics are not just driven by OCRI but are affected by a range of factors that can be national and international in nature. Careful consideration will be given to isolate those performance metrics over which OCRI has influence.

Thirdly, the Economic Development Branch will negotiate with OCRI to obtain observer status at the OCRI board. This will provide an observer seat at the board level, where the manager of the Economic Development Branch will have an opportunity to observe OCRI's overall activities, as well as gain feedback from other board members on OCRI's performance.

Management anticipate that the first new contract cycle with the schedule and milestones will be completed by Q3 2011 and then continue on an on-going basis. The economic development dashboard will be complete by Q3 2011, and negotiations with regard to observer status should be complete by Q4 2011.

Conclusion

While, given the nature of the assessment, we do not conclude on whether the City has received value for money with respect to its relationship with OCRI, we are not recommending a full value for money audit at this time. Based on the results and conclusions, we believe that a comprehensive value for money audit would not lead to significantly different findings.

Acknowledgement

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

5.13 Audit of the Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System

EXECUTIVE SUMMARY

Introduction

The audit was conducted as a result of a Council Motion approved on November 16/17, 2009, wherein the Auditor General was directed to audit the procurement process regarding the SmartBus Next Stop Announcement System and the SmartCard System to ensure that staff complied with all of the City's rules and By-laws with respect to the same.

Motion No. 78/6

"Be it resolved that the Auditor General be directed to audit the procurement process regarding the SmartBus Next Stop Announcement System and the SmartCard System, to ensure that staff complied with all of the City's rules and by-laws with respect to the same."

Background

In 1998, KPMG/IBI Group was commissioned to conduct the OC Transpo Comprehensive Review, which assisted the City in establishing the foundation of the SmartBus vision. The report identified smart operating systems which later become known as the SmartBus. These features were singled out as an effective and efficient means of increasing the fleet reliability and increasing overall customer confidence.

The SmartCard was simultaneously introduced as a project Transit would need to consider in conjunction with the SmartBus. SmartCard is, in brief, a means for riders to pay transit fares using a single, contactless, smartcard for convenience (e.g., rapid boarding, electronic purse, electronic period passes, etc). A similar system has been in existence in Gatineau since 1998.

The Next Stop Announcement System is an integral and planned component of the SmartBus vision.

Transit began spending funds in 2003 on Phase I of the SmartBus project for the development of functionality and software for key features of SmartBus including vehicle location, computer-aided dispatch, schedule adherence, transfer printer and control, and text messaging from control centre to operators of the fleet. Other SmartBus features such as real time arrival information and vehicle system maintenance were part of the 10 year plan for implementing the SmartBus. Bell was the SmartBus supplier of choice as a result of a 2003 competitive RFP process.

Phase II of the SmartBus project was subsequently initiated in 2005 and resulted in the purchase and installation of required Phase I SmartBus equipment on approximately 1030 of 1050 buses.

The Capital Budget for NSAS was approved at \$6.72 million in 2008 and Transit subsequently initiated a request for qualification for the purchase of an "off-the-shelf" system as they knew there was proven technology available in the market. Also in 2008, Transit begins to raise the profile of the SmartCard as there is a one-solution approach being fostered by the province based on the Toronto Transit Commission / Greater Toronto Area initiatives for an across the Province capability. The PRESTO label applies to the province-wide SmartCard approach.

The NSAS procurement process began with the approval of the \$6.72 million funding authority obtained through the submission of the 2008 Capital Budget. The City proceeded with the development of a two-stage procurement process for a Next Stop Announcement System (NSAS). The Request for Qualifications (RFQ), stage one of the two-stage process, aimed to serve as a technical pre-qualification of the systems presented for the City's consideration. Proponents that qualified under this stage of the procurement process were invited to submit a proposal under the Request for Proposal (RFP) stage, the second of the two-stage process. In June 2008, the NSAS RFQ was posted. An evaluation of the proponents was conducted in the fall of 2008 and two proponents successfully qualified to move to the request for proposal stage. In January 2009, the RFP was issued to the two qualified proponents. The RFP closed in March 2009, and subsequently, the submissions were evaluated. One bidder was successful and proceeded to the due diligence stage. The results of the procurement process were presented to the Transit Committee on September 16, 2009. A motion was drafted for Council to approve the award of a \$17 million contract to the successful bidder. The motion was elevated to next scheduled Council meeting, which was held on October 28, 2009.

Audit Objectives and Scope

As result of Motion 78-6 approved by Council at its meeting of November 16/17, 2009, the Office of the Auditor General was mandated to review specific contracting initiatives in order to determine:

1. Whether the procurement process regarding the SmartBus Next Stop Announcement System and the SmartCard System complied with all of the City's rules and by-laws with respect to the same.
2. The extent to which the SmartCard initiative was linked to the Next Stop Announcement System.
3. That information and briefings provided to Council throughout the contracting process were timely, complete and comprehensive in the discussions of options available to Council.

Summary of Key Findings

1. In 2008, Council approved funding authority of \$6.72 million for the implementation of NSAS via the capital budget. The amount was estimated / benchmarked using information from the in-house developed TTC project. In hindsight, it appears, as per City staff, that the cost determination omitted the internal cost of developing the software to run the platform and its labour costs to perform the installation of the hardware on the vehicles.
4. It appears that there was little communication with Council on the procurement of NSAS in the 24 months prior to the September 16, 2009 Transit Committee meeting. An historical look at the communication provided to Council and its sub-committees reveals that information is provided in such a way that it would be challenging for Council to obtain a holistic appreciation of the facts and the extent and direction of the SmartBus project, as well as its cost to the taxpayer.
5. The scenario to proceed when finally brought to Council was highly confusing with numerous issues in play: Higher than estimated bids being submitted, the introduction of optional features to advance introduction of SmartBus features, the potential sources of funding to cover the additional costs of acquisition, ongoing costs to maintain the platform for existing SmartBus features and the parallel tracking / implementation of SmartCard initiative, all with no apparent or pre-existing overarching strategy for Council to refer to for overall progress in implementation of SmartBus features.
6. Purchasing By-law No. 50 of 2000 governs how the City shall purchase goods and services. It allows Supply Management great latitude in decision-making when conducting business activities associated with procurement. However, there are several controls built into the By-law such as prescribed procedures to be followed to make a contract award or to make a recommendation of a contract award to Council. It further gives discretion to Supply Management to submit a contract award to Council where it is a matter of procurement procedure and / or in the opinion of Supply Management, it is in the best interest of the City to do so.
7. Regarding the actual managing of the procurement itself, a comprehensive legal review found no fault with the process, with the exception of the inclusion of the "options" aspect. As the options were not fully described, this element of the RFP did not appear to promote a level playing field for competition. Both bidders were not asked to price the same items.
8. As early as the fall of 2008, through the Request for Qualification evaluation stage, Supply Management and Transit staff are made aware that in a best case scenario there is a likely 30% over budget contract coming. This would have been an opportunity to advise Committee and Council that there was a strong chance that the \$6.72 million budget would not be sufficient to meet the market-based estimate required to undertake the project.

9. Effective July 6, 2009 Supply Management and Transit staff were informed, at the conclusion of the Request for Proposal stage, that the minimum contract value will be roughly twice the estimated amount for the core NSAS requested. This would have been another opportunity to advise Committee and Council that there was a market-based price that doubled the \$6.72 million budget for NSAS.
10. In the conduct of the RFQ and RFP procurement process, the City utilized a clause in which it reserved the right to terminate the process at any time for convenience. The clause is simply worded and could give anyone not involved in the intricacies of contract and tendering law the impression that the City could exercise this exit strategy without financial impact. However, as the legal opinion offered to the City has made clear, the exercise of the clause cannot be made without cause.

On July 6, 2009, the sole qualified bidder was notified that they were the successful proponent in the RFP. Negotiations to obtain the best and final offer were then entered into. The proponent submitted their Best and Final Offer (BAFO) on July 15 2009. In our opinion, in accordance with the By-law, Supply Management should have gone to Council for authority to proceed when it became apparent that they no longer had a fully funded requisition for the acquisition of the NSAS.

Recommendations and Management Responses

Recommendation 1

That Supply Management, in compliance with the By-law, come to Council for authority to proceed when they have an unfunded requisition.

Management Response

Management agrees with the recommendation.

This reflects current practice.

The SmartBus program is comprised of many separate, yet interrelated, projects. Although under the larger SmartBus umbrella, budget approval was sought on a project-by-project basis. Article 9(1)(c) of the Purchasing By-law states that Council approval is required “where the cost amount proposed for acceptance is higher than the Council approved branch estimates and the necessary adjustments cannot be made.”

In the case of the SmartBus program, the General Manager, Transit Services had identified funding that could be transferred from other approved SmartBus projects to the NSAS. These programs had been previously approved by Council through the Capital Budget process. Report ACS2009-ICS-TRA-0011 was seeking approval to use these previously approved funds for the NSAS project.

Management believes that no further action is required.

Recommendation 2

That the City develop guidance for procurement staff for the application of paragraphs 6 (1) and (3) and paragraph 9 (1) (c) of the By-law, for determining under what circumstances and at what stages of the contracting process information should be presented to Council.

Management Response

Management agrees with the recommendation.

Management believes that pricing at the RFQ stage is unreliable and is generally vague or overstated and that, consequently, there is not sufficient pricing information to go to Council. Training has been provided to procurement staff and guidelines are being developed to aid them in the application of these paragraphs of the Purchasing By-law. Guidelines will be developed by the end of Q3 2010.

With regard to the NSAS project, funding was not considered a significant issue at the time as Transit had identified other funding that could be transferred into the NSAS budget resulting in no necessary increase in funding for the project. The report was initially tabled with the sub-committee of Council to obtain budget approval to reallocate funds. Once this approval was obtained, staff could award the contract under delegated authority in accordance with the Purchasing By-law.

Moreover, it was clearly defined in the RFP process for Evaluation and Selection that identification of the selected proponent did not constitute contract award. The RFP made clear that approval was required by “the appropriate approving authority at the City” prior to executing a contract with the “approved successful proponent” [emphasis added].

The audit appears to confuse the well-established legal/procurement principals of Contract A, being the terms and conditions of the tendering process (with its corresponding duties and liabilities on the parties involved in the process), and Contract B, being the actual contract awarded by the owner to the successful bidder for the delivery of the required goods/services.

Recommendation 3

That the City modify the Purchasing By-law, or develop other policy, to make clear that unidentified or inadequately described optional elements not be included in the Request for Proposal.

Management Response

Management agrees with the recommendation.

On October 30, 2009, the Manager of Supply temporarily halted the inclusion of optional value added features in bid solicitation documents until a formal review was conducted.

Following the review, the Purchasing Procedures & Policy Manual was updated to include instructions regarding the use of optional value added features in bid solicitation documents. Where optional value added features are to be included as part of a multi-stage procurement process, staff should review the appropriateness of including these features based on the information obtained in the preliminary phases of the procurement. Where their inclusion is deemed appropriate, these features should be fully described and priced as part of the financial proposal.

Management believes that no further action is required.

Recommendation 4

That the City modify its Privilege or Rights Reserved Clause to better assist both the City and potential bidders appreciate the likely consequences which may result should the procurement process be modified or cancelled.

Management Response

Management disagrees with the recommendation.

Privilege clauses, and the right to cancel a procurement, are common features in procurements. Contract authorities insert these types of clauses to give them the greatest degree of flexibility in how the procurement process, including evaluations and contract award, will be conducted.

However, like all clauses that give contract authorities flexibility in how procurements are conducted (the so-called privilege clauses); the courts have interpreted those clauses in a way that ensures that all parties are treated fairly and in a manner which ensures the integrity of the procurement process.

Similarly, with respect to cancellations, courts have looked carefully at the reasons that motivate a contract authority to cancel a procurement in order to ensure that the cancellation is not done for improper motives. That is, for a purpose that would have the effect of undermining the integrity of the competitive bidding process.

The privilege clause utilized by staff is very similar to the clause used by PWGSC (excerpted below). Management suggests that it is the application of this clause, and not the clause itself, that requires an increased understanding. Management proposes to provide increased training on the application of this clause in an effort to *“better assist both the City and potential bidders to appreciate the likely consequences which may result should the procurement process be modified or cancelled.”*

2003 (2010-01-11) Standard Instructions - Goods or Services - Competitive Requirements

Rights of Canada

Canada reserves the right to:

- (a) reject any or all bids received in response to the bid solicitation;
- (b) enter into negotiations with bidders on any or all aspects of their bids;
- (c) accept any bid in whole or in part without negotiations;
- (d) cancel the bid solicitation at any time;
- (e) reissue the bid solicitation;
- (f) if no responsive bids are received and the requirement is not substantially modified, reissue the bid solicitation by inviting only the bidders who bid to resubmit bids within a period designated by Canada; and,
- (g) negotiate with the sole responsive Bidder to ensure best value to Canada.

Recommendation 5

That the City ensure that major procurement initiatives be required to develop and follow a Briefing Strategy in order to ensure that Council is kept abreast of progress against targets and/or phases which are potentially separated by months if not years.

Management Response

Management agrees with the recommendation. However, management disagrees that Council was not provided with complete and accurate information regarding the NSAS issue.

The background section of report (ACS2009-ICS-TRA-0011), presented to Transit Committee on September 16, 2009, clearly sets out the history of the SmartBus program and how the recommended approach would address any challenges with the program. The Financial section of the report outlines the cost of what staff was recommending to purchase, and the budgets the spending was to be drawn from. Following the September 16, 2009 Transit Committee meeting, members of Council were provided with detailed information to assist in clarifying the situation. The SmartBus technology has been an ongoing discussion with Council since amalgamation. A number of opportunities have been presented by Transit Services to discuss IT technology, including a 2003 KPMG study, Capital Budget requests and three SmartCard reports.

In order to ensure senior management and Council are kept abreast of progress against targets and/or phases of major procurements, Supply Management has implemented a formal Procurement Plan Approval process whereby requirements and strategies are reviewed and approved in advance of a procurement process. This approval process is aimed at ensuring that

requirements, deliverables and timelines are well established and are not unduly restrictive, and that multi-stage procurement processes do not unnecessarily limit competition.

It is proposed that the formal procurement plan be used as a communications tool identifying the timing and proposed strategy for procuring the components comprising the initiative as a whole, and that regular updates be provided to Committee and/or Council on significant changes (technology, schedule, proponents, and costs) and their impact on the procurement plan.

Management believes that no further action is required.

Recommendation 6

That all parties involved in major procurement initiatives, with respect to their various areas of expertise, ensure that Council receives correct and timely information.

Management Response

Management agrees with the recommendation. However, management disagrees that Council was not provided with complete and accurate information regarding the NSAS issue.

The background section of report (ACS2009-ICS-TRA-0011), presented to Transit Committee on September 16, 2009, clearly sets out the history of the SmartBus program and how the recommended approach would address any challenges with the program. The Financial section of the report outlines the cost of what staff was recommending to purchase, and the budgets the spending was to be drawn from. Following the September 16, 2009 Transit Committee meeting, members of Council were provided with detailed information to assist in clarifying the situation. The SmartBus technology has been an ongoing discussion with Council since amalgamation. A number of opportunities have been presented by Transit Services to discuss IT technology, including a 2003 KPMG study, Capital Budget requests and three SmartCard reports.

Management believes that no further action is required.

Conclusion

The initial cost estimate for NSAS omitted key elements and it appears that there was little communication with Council on the procurement of NSAS in the 24 months prior to the September 16, 2009 Transit Committee meeting. It would therefore be challenging to obtain a holistic appreciation of the facts and the extent and direction of the SmartBus project.

The scenario to proceed when finally brought to Council was confusing with numerous issues in play with no apparent overarching strategy for Council to refer to for overall progress in implementation of SmartBus features.

A comprehensive legal review found no fault with the contracting process, with the exception of the inclusion of the “options” aspect. The legal opinion offered to the City also made clear that the exercise of the termination or exit clause cannot be made without cause.

In our opinion, in accordance with the By-law, Supply Management should have gone to Council for authority to proceed when it became apparent that they no longer had a fully funded requisition for the acquisition of the NSAS.

In conclusion it appears to be a situation where management within Supply Management and Transit did not fully appreciate Council's potential concern with the magnitude of cost and/or scope variance in the project given the current economic situation.

Acknowledgement

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

5.14 Audit of the Lansdowne Park Proposal (LPP) Financial Model

EXECUTIVE SUMMARY

Introduction

At its meeting of 12 November 2009 Council approved the following recommendation from the City Manager:

That a final review of the financial projections of the LPP is completed and that the Office of the Auditor General provides Council with a supplementary report on the accuracy of these forecasts as well as the reasonableness of the assumptions used...

At the same meeting Council also approved the following motion:

MOTION NO. 77/11

Moved by Councillor C. Doucet
Seconded by Councillor A. Cullen

WHEREAS dedicating taxes from development to a specific project is not a standard City practice;

AND WHEREAS this will set a precedent that subsidizes one group of retailers versus others;

THEREFORE BE IT RESOLVED that the City Manager be instructed to commission an independent study to evaluate the various consequences of dedicating property taxes to a single expenditure in the City's Budget, and the Auditor General verify the methodology.

Management did not complete the independent study referred to in Motion 77/11. As such, the Auditor General could not verify the methodology.

This report presents the results of the Audit of the Lansdowne Park Proposal Financial Model.

Background

Following Council's decision on 12 November 2009 to proceed with the LPP proposal, the Office of the Auditor General (OAG) engaged Hunden Strategic Partners (HSP), a Chicago-based firm with extensive experience in similar development projects, to assist in the audit. No Canadian-based firm could be identified that did not already have ongoing dealings with the firms connected to the Ottawa Sports and Entertainment Group (OSEG). From that point forward, the OAG and HSP have been in continual contact with the City Manager as the details of the LPP financial model were finalized. It is important to note that as recently as

7 June 2010, these details were being revised. Although the time afforded us to conduct the audit was somewhat limited, we believe it was adequate to complete a thorough review of the model. Our analysis reflects the financial model as of 9 June 2010. Any subsequent revisions have not been reviewed by the OAG.

Audit Objectives and Scope

As specified in the Council-approved recommendation, the objective of this audit was to assess the accuracy of the forecasts as well as the reasonableness of the assumptions used in the financial projections of the LPP. The audit scope was limited to an assessment of the financial information contained in the LPP proposal. The audit did not include generating independent figures, nor was it intended to provide an opinion on the development itself. As such, it does not represent an evaluation of the merits of the underlying concepts for re-development of the Lansdowne Park site as presented in the LPP proposal (e.g., a private-sector partnership, revenue neutrality, the use of property taxes, the optimal site for a stadium, etc.). The 2009 Audit of the Lansdowne Park Proposal Process, presented to Council on 12 November 2009, outlines the OAG's broader findings in this regard.

For a complete description of the scope limitations please refer to the full audit report.

Conclusion

In response to the recommendation approved by Council requesting this audit, we can confirm the accuracy of the financial forecasts. Regarding the reasonableness of the assumptions in the LPP model we have identified three areas of risk including retail vacancy rates, the proposed contribution from savings on maintenance of the existing facility and interest rates.

The structure of the project has progressed significantly since the model was developed in the fall of 2009. The assumptions have become more conservative and the likelihood of financial success has improved. Even if the project is not a commercial success, the security of the public investment is generally sound. Extraordinary events that would impact the local economy are assumed not to occur. If these do occur, the return on public investment has a much greater chance of being reduced.

As such, based on our assessment, we conclude that the financial model for the LPP can achieve its projected results. The key to doing so is that the assumptions contained in the model hold true over time. In our view, the current assumptions are reasonable and present a realistic expectation for the future. The sensitivity analysis included in the model demonstrates the potential impact of changes to these assumptions. In particular, increases to the assumed vacancy rates for the retail development can and will have a significant impact on the expected tax and

rental revenues to be generated. This in turn will of course alter the anticipated distribution of these revenues. There are no doubt risks associated with proceeding, nevertheless; in our opinion the proposed financial model is achievable.

Acknowledgement

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

6 2010 ANNUAL REPORT ON THE FRAUD AND WASTE HOTLINE

6.1 Description of the Hotline

The City's Fraud and Waste Hotline was launched on November 1, 2005 in order to facilitate the reporting of suspected fraud or waste by employees. Council also made the Hotline available to the public in May 2009. The Hotline is a confidential and anonymous service that allows any employee or member of the public to report incidents 24 hours a day, 7 days a week. The Hotline is operated independently by a third party and is accessible either by phone or the Internet.

6.2 Hotline Statistics

In 2010, 215 reports were made to the Hotline. There were 134 reports submitted by members of the public and 81 reports were submitted by employees of the City of Ottawa. Based on the number of reports received from members of the public, it would appear the public is interested in using the service.

Reports by Reporter Type		
Reporter Type	Number of Reports	Percentage
Public	134	62%
Employee	81	38%
Total	215	100%

The majority of the reports were submitted by Internet. The remaining 34% of the reports were submitted by phone.

Reports by Method of Submission		
Method of Submission	Number of Reports	Percentage
Internet	141	66%
Phone	74	34%
Total	215	100%

The Fraud and Waste Hotline has the functionality to facilitate anonymous two-way communication. This feature allows the reporter to submit additional information, track the progress of the case, respond to any follow-up questions and receive an update on the outcome of their report. In 2010, 91 reporters, representing 42% of all reports, reviewed their report after submission of the original report and the other 124 reporters did not review their report. Given that 42% of reporters used the two-way communication, this would appear to indicate that reporters are

interested in submitting additional information, tracking the progress of the report and/or reviewing the outcome of the reports.

Reporters Who Used Two-way Communication		
Reviewed Report	Number of Reports	Percentage
No	124	58%
Yes	91	42%
Total	215	100%

6.3 Summary of 2010 Hotline Reports

The table below summarizes the reports received by the Hotline to December 31, 2010 by report category since its inception in 2005.

Fraud and Waste Hotline Reports as at December 31, 2010				
Report Category¹	2005 - 2008	2009	2010	Total
Harm to People or Potential Harm to People	0	0	0	0
Health and Safety, Environment	12	6	4	22
Alcohol or Drug Use or Other Substance Abuse	8	1	2	11
Theft, Embezzlement, Fraud	90	28	16	134
Unauthorized Use or Misuse of City Property, Information, or Time	120	40	41	201
Manipulation or Falsification of Any Data	11	8	1	20
Unethical Conduct or Conflict of Interest	40	20	31	91
Violation of Laws, Regulations, Policies, Procedures	42	14	52	108
Financial Reporting and Accounting	2	2	2	6
Management/Supervisor	10	0	5	15
Suggestions for Improvement	109	14	18	141
Suggested Areas for Audit	32	20	16	68
Other	37	12	27	76
Total	513	165	215	893

During 2010, 215 reports were made to the Fraud and Waste Hotline. This represents an increase of 30% over the number of reports filed in 2009 and indicates increased interest in use of the Hotline. Management submitted five reports during 2010 in accordance with the Corporate Policy on Fraud and Other Similar Irregularities. In some cases, Hotline reports are transferred directly to management

¹ See Appendix C for the definition of each category

to be addressed, while in other instances the OAG has undertaken its own review, conducted a separate formal audit, or considered the matter as part of an ongoing planned audit. The OAG received 16 reports regarding allegations of social assistance abuse and transferred them to management to investigate. The Fraud and Waste Hotline is not intended to be used for allegations regarding social assistance as there is a dedicated social assistance fraud line at **1-800-394-STOP (7867)**.

Our Office closed 229 reports in 2010, 164 related to 2010 and 65 related to prior years. Of these, 185 were transferred directly to management to be addressed, and 44 were addressed by the OAG. We estimate that the City of Ottawa could realize savings of approximately \$147,376 and the Province potential savings of \$642,847 as a result of matters raised in the cases closed during the year. The potential savings are comprised of the following:

Potential Savings for the City:

Paramedic employee being on-call for providing IT services	\$56,168
Combination of 31 other cases	\$91,208
Total Estimated Savings for the City	\$147,376

Potential Savings for the Province:

Total Undistributed Provincial Overpayments Made to a School	\$642,847
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6.4 2010 Audits Arising from Fraud and Waste Hotline Reports – Reports provided to Council

The following six audits were undertaken by the OAG in 2010 as a result of Fraud and Waste reports. These audits represent significant City processes that we wanted to review, by way of specific examples that had been reported to the Hotline.

- Audit of a Staffing Processes in the Children’s Services Branch
- Audit of the City’s Management of a Loan Agreement
- Audit of the City’s Role regarding a Canada Day Event
- Audit of the Mackenzie King Bridge Rehabilitation
- Audit of Compressed Work Week Agreements
- Audit of the City's Operating Relationship with the Ottawa Centre for Research and Innovation (OCRI)

6.5 2010 Other Issues Arising from the Hotline - No Audit Report Provided

This section includes the summaries of examples of Hotline reports which were addressed in 2010 but which were not the subject of specific audits. Where reports are found to be substantiated, any disciplinary action taken is the responsibility of

management. The OAG is not responsible for disciplinary action. Where management has taken action, the outcomes are noted below.

6.5.1 Time and Leave

1. It was found that a paramedic employee was on-call 364 days during 2009 including during their vacation leave. It costs the City \$56,168 for the employee to be on-call in 2009. The paramedic's role was to perform IT services. The employee had 93 hours of overtime. Management agreed with paying this employee on-call and has advised that this position is scheduled to be reviewed as part of the 2011 Paramedic Branch work plan.
2. It was confirmed that a Roads & Traffic Operations & Maintenance Branch employee responsibilities was to manage only one contract. Management will be expanding the employee's role to include managing other contracted agreements and initiatives. The employee's salary is \$75,306 in 2011.

6.5.2 Vehicles and Equipment

1. An employee of Parks, Buildings and Grounds Operations and Maintenance Branch admitted to taking gasoline for personal use in borrowed City equipment. It was found that the employee was not authorized to use the City equipment and gasoline. Labour Relations has deemed the employee's action to be theft and the employee was terminated.
2. The Drinking Water Services has been paying \$800 per month to dump excavated material at a private site. The contract includes site management and the use of equipment and labour. It was found this contract was no longer required and it was terminated. We estimate the savings to be \$9,600 per year.
3. It was found that a school bus loading zone at a former school was still being plowed for five years after the school's closure. The loading zone plowing was removed from the route for one year before being reinstated later. Management confirms this was an error and has since corrected the plow route. Management has also modified the communication process with school boards. Management estimated the cost of the plowing to be \$648 over the five years.
4. It was confirmed that a generator was rented instead of using a City-owned generator. This incident occurred because the care and control of the generators was being transferred from Fleet Services Branch to the Parks, Buildings and Grounds Operations and Maintenance Branch. In the future, requests will be accommodated internally. We estimated the cost to be \$5,996 for the two months the generator was rented.

6.5.3 Conflict of Interest

1. An Asset Management Branch employee was found to be conducting a personal business on City time with City resources. Management action is pending.

6.5.4 Other Reports

1. A School was found to have not distributed \$642,847 of provincial pay equity funding that the School received from the City, based on documentation that the School prepared and submitted to the City. The School has advised the City that the documentation that the School submitted to the City is accurate. However, as the School determined that not all its staff were entitled to receive pay equity funding, the School did not distribute all of the funding received. The Province has authorized the City to recover all funding that was not distributed by the School. The City's Legal Counsel has advised that all wage subsidy and pay equity payments will be withheld from the school and applied the withheld amounts against the \$642,847 that the School must remit to the City since it was not distributed.

6.5.5 Computer Use

1. A review by IT Services of 51 random employees found two employees who, in IT's opinion, appear to have high non-business related Internet use. The two employees received letters of expectation.
2. A review by IT Services of 66 employees with higher Internet use found 7 employees who, in IT's opinion, appear to have high non-business related Internet use.
 - Two employees received written warnings;
 - One employee received a letter of expectation;
 - For one employee, the manager discussed expectations of computer use with them, one employee was advised by management to turn off "tweetdeck" in the evening, so as not to generate excess Internet traffic; and,
 - Two employees have outcomes pending.

7 2011 and 2012 AUDIT PLAN

7.1 Methodology

The methodology used to develop our audit plans includes the following key steps:

- Meetings with Councillors and Senior Managers;
- Review of budget documentation;
- Review of former audits conducted at the City;
- Review of audit plans from other municipalities;
- Input from Auditor General's staff;
- Meetings with external auditors and review of management letters; and,
- Assessment of programs and services against selection criteria and risk analysis.

Several specific selection criteria were used to identify potential projects and select the audits outlined in the plan, including:

- Program/Service has direct impact on citizens;
- Risk/Impact of service disruption on public safety, convenience, financial exposure;
- Discussions with Council, Senior Management;
- Budget size (including number of staff);
- Last time audited; and,
- Fraud and Waste Hotline reports received.

7.2 2011 Plan

In April 2011, Council approved the OAG's 2011 work plan. This plan includes the following projects:

1. OC Transpo Scheduling Process for Bus Operators;
2. Vacant Positions Management;
3. Corporate Communications;
4. Procurement Practices:
 - a. Public Sector Cooperative Purchasing Programs
 - b. Bulk Purchasing
 - c. Green Bin Contract
 - d. IT Hardware
5. Performance Measurement;
6. Occupational Health and Safety;

7. Human Resources Master Plan;
8. Grants and Contribution Process;
9. Budgeting for Growth Funding; and,
10. Follow-up of completed audits including:
 - a. Five Specific Staffing Processes;
 - b. Specific Contracts at the NNEP;
 - c. Bridge Maintenance Program;
 - d. Bridge Maintenance Process for a Specific Bridge;
 - e. Payroll;
 - f. Eight Specific Building Code Services Files; and,
 - g. Specific House Drawings.

7.3 2012 Plan

The following projects are recommended to be included in the 2012 plan:

1. Treasury;
2. Corporate Credit Cards;
3. Environmental Risk Assessment;
4. Client Service Centres;
5. Ontario Works Eligibility Assessment Process;
6. Construction Supervision; and,
7. Follow-up of completed audits including:
 - a. Audit of the Use of City Vehicles and Mileage Claims;
 - b. Audit of Selected Grant Recipients – Signed Agreements and Audit Clauses;
 - c. Audit of the Nepean Sailing Club Agreement;
 - d. Audit of the Sugarbush (Action Vanier) Agreements;
 - e. Audit of the Revenue Branch;
 - f. Audit of a Staffing Process in the Children’s Services Branch;
 - g. Audit of the City’s Management of a Loan Agreement;
 - h. Audit of a the City’s Role regarding a Canada Day Event;
 - i. Audit of Internet and Email Usage Policies and Procedures;
 - j. Audit of the Mackenzie King Bridge Rehabilitation;
 - k. Determination of Sampling Requirements for Audits of Payroll Accuracy;
 - l. Audit of Compressed Work Week Agreements;
 - m. Audit of the City's Operating Relationship with the Ottawa Centre for Research and Innovation (OCRI); and,

- n. Audit of the Glen Cairn Flooding and the Development Review Processes within the Carp Watershed.

APPENDIX A: RECOMMENDATION TO BE RAISED TO THE ATTENTION OF THE AUDIT SUB-COMMITTEE

2010 Annual Report Audits	Total Recommendations	Management agrees	Management disagrees raised to Audit Sub-Committee	Recommendation Number
Audit of the Use of City Vehicles and Mileage Claims	36	36	0	
Audit of Selected Grant Recipients - Signed Agreements and Audit Clauses	1	1	0	
Audit of the Nepean Sailing Club Agreement	3	3	0	
Audit of the Sugarbush (Action Vanier) Agreements	9	9	0	
Audit of the Revenue Branch	22	22	0	
Audit of a Staffing Process - Children's Services Branch	1	1	0	
Audit of the City's Management of a Loan Agreement	4	4	0	
Audit of the City's Role Regarding a Canada Day Event	10	10	0	
Audit of Internet and Email Usage Policies and Procedures	3	3	0	
Audit of the Mackenzie King Bridge Resurfacing	11	11	0	
Determination of Sampling Requirements for Audits of Payroll Accuracy	1	1	0	
Audit of Compressed Work Week Agreements	3	3	0	
Audit of the City's Operating Relationship with the Ottawa Centre for Research and Innovation (OCRI)	2	2	0	
Audit of the Glen Cairn Flooding Event and the Development Review Processes within the Carp River Watershed	8	8	0	
Next Stop Announcement System and the SmartCard System	6	5	1	4
Audit of the Lansdowne Park Proposal (LPP) Financial Model	0	0	0	
Total 2010 Recommendations - Annual Report	120	119	1	

Audit of the Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System

Recommendation 4

That the City modify its Privilege or Rights Reserved Clause to better assist both the City and potential bidders appreciate the likely consequences which may result should the procurement process be modified or cancelled.

Management Response

Management disagrees with the recommendation.

Privilege clauses, and the right to cancel a procurement, are common features in procurements. Contract authorities insert these types of clauses to give them the greatest degree of flexibility in how the procurement process, including evaluations and contract award, will be conducted.

However, like all clauses that give contract authorities flexibility in how procurements are conducted (the so-called privilege clauses); the courts have interpreted those clauses in a way that ensures that all parties are treated fairly and in a manner which ensures the integrity of the procurement process.

Similarly, with respect to cancellations, courts have looked carefully at the reasons that motivate a contract authority to cancel a procurement in order to ensure that the cancellation is not done for improper motives. That is, for a purpose that would have the effect of undermining the integrity of the competitive bidding process.

The privilege clause utilized by staff is very similar to the clause used by PWGSC (excerpted below). Management suggests that it is the application of this clause, and not the clause itself, that requires an increased understanding. Management proposes to provide increased training on the application of this clause in an effort to *“better assist both the City and potential bidders to appreciate the likely consequences which may result should the procurement process be modified or cancelled.”*

2003 (2010-01-11) Standard Instructions - Goods or Services - Competitive Requirements

Rights of Canada

Canada reserves the right to:

- (a) reject any or all bids received in response to the bid solicitation;
- (b) enter into negotiations with bidders on any or all aspects of their bids;
- (c) accept any bid in whole or in part without negotiations;
- (d) cancel the bid solicitation at any time;
- (e) reissue the bid solicitation;

- (f) if no responsive bids are received and the requirement is not substantially modified, reissue the bid solicitation by inviting only the bidders who bid to resubmit bids within a period designated by Canada; and,
- (g) negotiate with the sole responsive Bidder to ensure best value to Canada.

APPENDIX B – POTENTIAL SAVINGS IDENTIFIED IN 2005-2009 AUDITS

YEAR	AUDIT	SAVINGS		HOW
		One time	Annual	
2005	Overtime		\$86,300	Lack of employee training at Fire Services Branch (2008 actual overtime dollars earned by the only two staff performing hose and ladder repair)
2005	Drinking Water Services		\$317,000	In 2004, 954 large meters were not changed out as scheduled, with management estimating potential lost annual revenue of \$316,537 (based on a combined 2004 water/sewer rate of \$1.58/m ³). The cost to repair these meters would be approximately \$240,000.
2005	Drinking Water Services		\$150,000	Two summer students monitor flusher hydrant use to ensure permit holders report the water taken; however a test study on one flusher hydrant was performed to help identify underreported consumption by the permit holders. It was found that approximately 50% of consumption was unreported. Although the test was conducted on only one flusher hydrant, if this is representative, the foregone revenue may amount to \$150,000 per year.
2005	Procurement Process		\$4,000,000	\$580,000 on sample of 12 contracts totalling \$5M. Projection not in the report but as discussed with management at the time of the report, \$4M could potentially be saved (\$40M x 10%) if a higher price requirement was used for engineering consultants
2005 Sub-total			\$4,467,000	
2006	Surface Operations		\$165,000	Change in shift as oppose to OT
2006	Surface Operations		\$200,000	Reduction in OT
2006	Fleet Services		\$900,000	Represents the full dollar value of vehicle misuse - potential savings would have been less
2006	Fleet Services		\$459,000	Enforcing fuelling at City fuelling stations
2006	Fleet Services		\$574,000	Medium size truck - Performance maintenance improvement
2006	Fleet Services		\$1,200,000	Estimate not in audit report. For the purpose of quantifying savings, \$6M in untendered contracts x 20%, which we believe is reasonable result in potential savings of \$1.2M
2006	OC Transpo and Para-Transpo Cash, Ticket and Pass Revenue Processes		\$470,000	Refund of Non-refundable fares
2006	Financial Control Environment		\$291,000	Foregone interest revenue from paying invoices too soon
2006	Financial Control Environment		\$1,094,000	Uncertified sick leave over allowable limits without medical



APPENDIX B – POTENTIAL SAVINGS IDENTIFIED IN 2005-2009 AUDITS

2006	Financial Control Environment		\$340,000	certificates Liability accumulated from not paying-out annual leave over the collective agreement allowances (<u>\$6.8M x 5% increase (COLA + step increases)</u>)
2006 Sub-total			\$5,693,000	
2007	Procurement Fax Machine	\$182,000		Buying fax machines rather than renting
2007	Development Review Process		\$4,300,000	Raise development fees to realize full cost recovery
2007	Ottawa Police Service Fleet		\$95,000	Improve management & control of the fuel card program
2007 Sub-total			\$4,577,000	
2008	Ottawa Paramedic Service	\$24,000,000		Based on previous budget increases and response time impacts in Ottawa and Niagara, we estimate that an additional \$5M per year over the next five years would likely be required (all other performance factors being stable) to generate the 2 minutes response time improvement associated with AMPDS and its supporting software framework.
2008 Sub-total			\$24,000,000	
2009	Incremental Cost of the Transit Strike 2008-2009	\$855,000		City paid approx. \$855k as a penalty for fuel for which it could not accept delivery during the strike
2009	Eight Specific Building Code Services Files	\$5,000		(Sample, not projected on stage's 207 lots) Charge all developers the refundable inspection fees where contractor's not ready for inspection
2009	Specific Contracts at the Nepean National Equestrian Park	\$10,000		Approx. from not charging full fee for two week event for three years (in additional to \$10,000 grant)
2009 Sub-total			\$870,000	
GRAND TOTAL		\$25,052,000	\$14,641,300	\$39,607,000

APPENDIX C - FRAUD AND WASTE HOTLINE REPORTING CATEGORIES

Harm to People or Potential Harm to People	Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination, or harassment.
Health and Safety, Environment	Items related to the safety of people and the protection of the environment in which they work and live.
Alcohol or Drug Use or Other Substance Abuse	Issues related to alcohol or drug use or other substance abuse.
Theft, Embezzlement, Fraud	Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.
Unauthorized Use or Misuse of City Property, Information, or Time	Items related to the unauthorized use or misuse of City property, equipment, materials, records, internet or harm or threat of harm to City property, equipment, materials, or internet. This would also include abuse of work time or fraudulent use of sick leave.
Manipulation or Falsification of Any Data	Changes (unauthorized or authorized) made to any data, information, records, reports, contracts, or payment documents possibly to cover mistakes or fraud, improve financial / operating / statistical results or to gain financial advantage or unfair advantage in a contract.
Unethical Conduct and Conflict of Interest	Unethical or dishonest conduct by any person at any level of the organization and any situation or action of an employee that puts them in conflict, or could be perceived as putting them in conflict, with the interests of the organization.
Violation of Laws, Regulations, Policies, Procedures	Violation of any law, rule, or policy set down by an organization, regulatory authority including securities commissions, or any level of government.
Financial Reporting and Accounting	Items related to the accuracy and completeness of financial statements and other financial reporting to the Board of Directors, Board of Governors, or other governing body, and to regulatory bodies or the public (e.g. securities regulators, tax authorities, government departments, annual public reports).
Management/Supervisor	Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.
Suggestions for Improvement	Suggestions to improve any aspect of the organization including ideas, concerns, or comments related to Municipal Services and Products, Customer Service, and any other suggestions, to aid the attainment of its objectives, or to manage its risks.
Suggested Areas for Audit	Any suggestion to audit any area of the organization.

APPENDIX D: BY-LAW NO. 2009-323

BY-LAW NO. 2009 - 323

A by-law of the City of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2005-84, as amended.

The Council of the City of Ottawa enacts as follows:

DEFINITIONS

1. In this by-law,

“Auditor General” means the Auditor General of the City of Ottawa.

ESTABLISHMENT OF THE POSITION OF AUDITOR GENERAL

2. The position of Auditor General for the City of Ottawa is hereby established for the purposes of Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, with the statutory duties and functions as set out in Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and in this by-law.

APPOINTMENT OF AUDITOR GENERAL

3. (1) City Council shall by by-law, appoint a person to the position of Auditor General for a non-renewable term of ten (10) years and specify the terms and conditions of such appointment.
- (2) The current Auditor General of the City of Ottawa is appointed as the Auditor General of the City of Ottawa until the end of his term, which is extended to December 31, 2013.
- (3) The appointment of a person to the position of Auditor General may be made, suspended or revoked only by a two-thirds majority vote of all members of City Council.
- (4) The Auditor General must be designated in Ontario as a chartered accountant, a certified general accountant, or a certified management accountant.

ACCOUNTABILITY

4. The Auditor General is independent of the City administration.
5. The Auditor General shall report to City Council, or to a Committee of Council as may be directed by City Council.

RESPONSIBILITIES

AUDITS

6. (1) The Auditor General shall be responsible for assisting City Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in municipal operations.
- (2) Despite subsection (1), the responsibilities of the Auditor General shall not include the matters described in clauses 296(1)(a) and (b) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended.
- (3) The Auditor General shall be responsible for carrying out financial (excluding attest), compliance, and performance audits of:
 - (a) all programs, activities and functions of all City departments and agencies, and of the offices of the Mayor and Members of Council;
 - (b) local boards of the City as defined in Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and as further prescribed in Schedule "A" to this by-law;
 - (c) municipally-controlled corporations as defined in the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and as further prescribed in Schedule "B" to this by-law;
 - (d) grant recipients as defined in Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and,
 - (e) any other agencies, boards, commissions and corporations as Council may from time to time create or identify.
- (4) At the request of Council or a board of directors, the Auditor General may conduct financial (excluding attest), compliance and performance audits of autonomous organizations that have an agreement with the City that contains provisions for an audit by the City.
- (5) Audits shall be conducted at such time and to the extent that the Auditor General considers appropriate, and the Auditor General shall establish such protocols and procedures that are necessary for the conduct of such audits.
- (6) The Auditor General shall not call into question or review the merits of the policies and objectives of Council.

INVESTIGATIONS OF FRAUD, MISAPPROPRIATION AND OTHER SIMILAR IRREGULARITIES

7. The Auditor General shall be responsible for the administration of the Fraud and Waste Hotline relating to any suspected acts of fraud, theft, misappropriation or other similar irregularity in accordance with the Corporate Policy on Fraud and Other Similar Irregularities as approved by City Council, and the Auditor General shall establish such protocols and procedures that are necessary for the conduct of such investigations.

DUTY TO FURNISH INFORMATION

8. In accordance with subsection 223.20(1) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, the City, the local boards referred to in Schedule "A", the municipally-controlled corporations referred to in Schedule "B", and the grant recipients shall give the Auditor General such information regarding their powers, duties, activities, organization financial transaction and methods of business as the Auditor General believes to be necessary to conduct his or her duties under this by-law.

ACCESS TO INFORMATION

9. In accordance with subsection 223.20(2) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, the Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things, or property belonging to, or used by the City, a local board referred to in Schedule "A", a municipally-controlled corporation referred to in Schedule "B", or a grant-recipient, as the case may be, that the Auditor General believes to be necessary to perform his or her duties under this by-law.

NO WAIVER OF PRIVILEGE

10. A disclosure to the Auditor General under Sections 8 or 9 does not constitute a waiver of solicitor-client privilege, litigation privilege, or settlement privilege.

ANNUAL AUDIT PLAN

11. (1) The Auditor General shall submit an annual audit plan for the next following year to City Council for information by December 31st of each year.
- (2) The Auditor General may, at his or her discretion, prepare a longer term audit plan for submission to City Council.
- (3) No deletions or amendments to the annual audit plan shall be made except by the Auditor General.

- (4) Despite subsection (3), the Auditor General may, if requested by City Council or board of directors, audit and report on additional matters.

REPORTING

12. (1) No later than December 31st of the next year following the tabling of the audit plan prescribed in subsection 11(1), the Auditor General shall provide to City Council a Notice of Tabling of the Annual Report.
- (2) The Auditor General may, as directed by Council or at his or her discretion, report on a more frequent basis to City Council or any Committee thereof.

OFFICE OF THE AUDITOR GENERAL

13. (1) The Auditor General is authorized to establish an Office of the Auditor General including a managerial hierarchy and administrative policies and procedures.
- (2) The Auditor General is authorized to appoint, promote, demote, suspend and dismiss, subject to any applicable personnel policies adopted by Council, all employees of the Office of the Auditor General.
- (3) The Auditor General is authorized to review the performance of personnel within the Office of the Auditor General subject to any personnel policies applicable to the employees of the City.
- (4) The Auditor General is authorized to retain the services of any individual or corporation for the purposes related to the operation of the Office of the Auditor General and to execute all agreements and contracts required for the provision of such services subject to the provisions of the City's Purchasing By-law.

ANNUAL BUDGET

14. (1) The annual budget of the Office of the Auditor General shall be equal to or greater than 0.08% of the annual operating budget of the City.
- (2) Requests by City Council or a board of directors pursuant to subsection 11(4) shall be subject to the provision of appropriate funding.

DUTY OF CONFIDENTIALITY

15. The Auditor General and any person acting under his or her instructions shall be subject to the duty of confidentiality provided in Section 223.22 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended.

IMMUNITY FROM TESTIMONY

16. Neither the Auditor General nor any person acting under the instructions of the Auditor General is a competent or compellable witness in a civil proceeding in connection with anything done under Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, or of this by-law.

REPEAL

17. By-law No. 2005-84 of the City of Ottawa entitled "A by-law of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa", as amended, is repealed.

ENACTED AND PASSED this 23rd day of September, 2009.



DEPUTY CITY CLERK



MAYOR



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SCHEDULE "A"

Local Boards

1. City of Ottawa Superannuation Fund
2. Cumberland Village Heritage Museum Board
3. Nepean Museum Board
4. Ottawa Municipal Campsite Authority
5. Pineview Municipal Golf Club Board of Management
6. CARP Airport Authority (formerly the West Carleton Airport Authority)
7. Crime Prevention Ottawa
8. Property Standards Committee
9. Bank Street B.I.A.
10. Barrhaven B.I.A.
11. Byward Market B.I.A.
12. Carp Village B.I.A.
13. Glebe B.I.A.
14. Heart of Orleans B.I.A.
15. Manotick B.I.A.
16. Preston Street B.I.A.
17. Downtown Rideau Improvement Area B.I.A.
18. Somerset Chinatown B.I.A.
19. Somerset Village B.I.A.
20. Sparks Street Mall Authority / Sparks Street Mall B.I.A.
21. Vanier B.I.A.
22. Wellington West B.I.A.
23. Westboro B.I.A.

SCHEDULE "B"

Municipality-Controlled Corporations

1. Hydro Ottawa Holding Inc./Société de Portefeuille d'Hydro Ottawa Inc.
2. Ottawa Community Housing Corporation/La Société de Logement
Communautaire d'Ottawa.

BY-LAW NO. 2009 - 323

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A by-law of the City of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2005-84, as amended.

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Enacted by City Council at its meeting of September 23, 2009.

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LEGAL SERVICES
VB:ec

COUNCIL AUTHORITY:
City Council November 28, 2007
CSEDC Report 17, Item 1