November 29, 2012

Mayor and Members of Council:

I am pleased to present the 2011 Annual Report of the Auditor General of the City of Ottawa. The 2011 Audit Plan consisted of 11 new audits in addition to conducting a follow-up of six previously completed audits from 2008 and 2009. 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 audit recommendations.

The seventh annual report on the Fraud and Waste Hotline is also presented here as well as the Audit Plan for 2013 that was approved by Council on October 10, 2012.

The by-law governing the office requires that the Auditor General present a report at least once per year. This will occur in November of each year.

Respectfully,

Alain Lalonde, FCGA, CIA
Auditor General
Staff of the Office of the Auditor General

2011

Suzanne Bertrand
Ray Kostuch
Alain Lalonde
Shoshana Moss
Dan Presse
Louise Proulx
Lise Renaud
Laura Roe
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1 Overview of Activities in 2011

The 2011 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) in 2008 and 2009. Six separate follow-up audits were completed during 2011, representing 90 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 2011 Annual Report are the results of these six follow-ups. The results of follow-up audits are now presented yearly to Council as part of each Annual Report.

In addition to the follow-up audits, a number of new audits were also completed in 2011 as a result of the Annual Work Plan, Council requests and/or Fraud and Waste Hotline reports. These include:

1. OC Transpo Scheduling Process for Bus Operators;
2. OC Transpo Communication of Cancelled Bus Trips;
3. Management of Vacant Positions;
4. Corporate Communications Function;
5. Procurement Practices – General;
6. Procurement Practices - Springhill Landfill Site Contract;
7. Procurement Practices - Hedging Activities;
8. Performance Measurement;
9. Occupational Health and Safety;
10. Human Resources Master Plan; and,
11. Budgeting for Growth Funding.

We were informed on September 22, 2012 that management is unable to issue a Management Response at this time for the Source Separated Organics Contract audit. However, management further advised the OAG that once the arbitration process has concluded, management will respond. Therefore, the audit of Procurement Practices - Source Separated Organics Contract is not included herein and will be presented at a future date.
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 seventh annual report on the Hotline. It includes overall statistics on the types and frequencies of reports to the Hotline as well as summaries of reports selected by the Mayor and Chair of the Audit Sub-Committee as directed by Council on April 13, 2011.

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 on April 13, 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; and,
6. The by-law governing the office requires that the Auditor General present a report at least once per year. This will occur in November of each year.

1.3 2011 Budget

Council has decided to change the method in which the OAG budget is determined. Since its inception in 2004, this budget has been set at a fixed percentage of the total operating budget of the City. Beginning in 2012, the annual budget for the Office of the Auditor General shall be in accordance with the budget strategy for the Term of Council.

1.4 Quality Assurance Review of the Office of the Auditor General (OAG)

It has become a common practice for organizations to periodically conduct an independent quality assurance review (QAR) of its audit function. In keeping with the Council direction of November 24, 2010, an external QAR of the OAG has now been completed. Although the results of this review were presented to the Audit Sub-Committee on May 24, 2012 and approved by Council on June 13, 2012, they relate directly to 2011 activities within the OAG and as such are included in this report.
In response to the review, I am pleased to note that the QAR confirms the City’s OAG has operated in full conformance with all aspects of the framework established by Council in creating the Office of the Auditor General in 2004. I agree with all recommendations contained in the QAR and as such have implemented the following:

- The adoption of a set of modified Institute of Internal Auditor (IIA) standards, to be referred to as the City of Ottawa OAG Audit Standards.
- For internal quality assurance purposes, the rationale for any changes to draft audit reports will be more fully documented in the future.
- As confirmed in discussions with the Chair and Vice Chair of the Audit Sub-Committee, the current practice of reporting on all audit objectives established by the Audit Plan for each project will continue in the future.
- A formalized quality assurance program, including periodic internal file reviews, is now in place to ensure conformance to the proposed OAG auditing standards. A second external QAR is scheduled within five years of this report.
- Based on the results of the consideration of this report by the Audit Sub-Committee, the Finance and Economic Development Committee and Council, the OAG will proceed with any required further amendments to the By-law governing the operation of the OAG. Appendix D contains the By-law.

All future annual work plans will now be approved by the Audit Sub-Committee, Finance and Economic Development Committee and Council. Furthermore, any changes to the approved work plan, including adding projects is subject to the approval of the committees and Council. The complete report on the OAG’s response to the QAR can be found at:

as well as at,

## 2 ITEMS FOR SPECIAL CONSIDERATION

The 2008 Annual Report included a discussion of delegation to management without proper oversight. At that time it was observed that the City had moved to a model of delegated/decentralized authority for many areas of responsibility. Individual managers are responsible for areas such as HR processes, financial management, inventory management, etc. Under this model, there is little oversight or intervention from corporate units and in many cases managers do not have the tools, information or expertise to be able to carry out these duties effectively. In 2008, we had concerns that this approach would extend into direct operational areas and in 2011 we have seen this emerge.
The Audit of the Corporate Communications Function, the Audit of the Management of Vacant Positions and the Audit of Occupational Health and Safety demonstrate this and the inherent risks associated with this approach. In our view, it is now even clearer that there has been an erosion of corporate responsibility to ensure proper lines of accountability are maintained resulting in a high risk of non-compliance to policy, inconsistencies, inefficiencies and lack of proper control.

3 SUMMARY AND ASSESSMENT OF OVERALL PROGRESS MADE TO-DATE ON 2008 AND 2009 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 2011 work plan was twofold; conduct both new audits and follow-up of 2008 and 2009 audits. The follow-up audits completed in 2011 included:

1. Follow-up to the 2009 Audit of Five Specific Staffing Processes;
2. Follow-up to the 2009 Audit of the Bridge Maintenance Process for a Specific Bridge;
3. Follow-up to the 2009 Audit of Payroll;
4. Follow-up to the 2009 Audit of Eight Specific Building Code Services Files;
5. Follow-up to the 2009 Audit of Specific House Drawings; and,
6. Follow-up to the 2008 Audit of Grants and Contributions.

In light of Council’s decision not to renew the lease for the NNEP, the 2009 audit was not followed-up.
The table below summarizes our assessment of the level of completion of each recommendation for follow-ups completed in 2011.

<table>
<thead>
<tr>
<th>Action</th>
<th>Percent complete</th>
<th>Number of Recommendations</th>
<th>% of Total Recommendations</th>
<th>Cumulative % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little to no action</td>
<td>0 – 24</td>
<td>9</td>
<td>10%</td>
<td>&lt; 50% complete: % of total recommendations</td>
</tr>
<tr>
<td>Action initiated</td>
<td>25 – 49</td>
<td>1</td>
<td>1%</td>
<td>%</td>
</tr>
<tr>
<td>Partially complete</td>
<td>50 – 74</td>
<td>8</td>
<td>9%</td>
<td>75 - 100% complete: % of total recommendations</td>
</tr>
<tr>
<td>Substantially complete</td>
<td>75 – 99</td>
<td>9</td>
<td>10%</td>
<td>%</td>
</tr>
<tr>
<td>Complete</td>
<td>100</td>
<td>63</td>
<td>70%</td>
<td>%</td>
</tr>
<tr>
<td>Total (for follow-ups completed to-date)</td>
<td></td>
<td>90</td>
<td>100%</td>
<td>%</td>
</tr>
</tbody>
</table>

As was the case in 2010, 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 previous Annual Reports, 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 their 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.

<table>
<thead>
<tr>
<th>A. Solid Progress</th>
<th>1. Follow-up to the 2008 Audit of Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Follow-up to the 2009 Audit of Specific House Drawings</td>
</tr>
<tr>
<td></td>
<td>3. Follow-up to the 2009 Audit of the Bridge Maintenance Process for a Specific Bridge</td>
</tr>
<tr>
<td></td>
<td>4. Follow-up to the 2009 Audit of Payroll</td>
</tr>
<tr>
<td></td>
<td>5. Follow-up to the 2009 Audit of Eight Specific Building Code Services Files</td>
</tr>
</tbody>
</table>

| B. Little or No Progress | No audits |

| C. Gradual Progress | 1. Follow-up to the 2009 Audit of Five Specific Staffing Processes |

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.

The 2012 Annual Report will include follow-ups of audits, namely:

1. Use of City Vehicles and Mileage Claims;
2. Selected Grant Recipients – Signed Agreements and Audit Clauses;
3. Nepean Sailing Club Agreement;
4. Sugarbush (Action Vanier) Agreements;
5. Revenue Branch;
6. Staffing Process in the Children’s Services Branch;
7. City’s Management of a Loan Agreement;
8. City’s Role regarding a Canada Day Event;
9. Internet and Email Usage Policies and Procedures;
10. Mackenzie King Bridge Rehabilitation;
11. Compressed Work Week Agreements;
12. West End Flooding and the Development Review Processes within the Carp Watershed;
13. Ottawa Municipal Campground (recommendations directed at Finance Department only);
14. Procurement Process for the SmartBus Next Stop Announcement System;
15. Pine View Municipal Golf Course; and,
4 EXECUTIVE SUMMARIES – FOLLOW-UP AUDITS
This section contains the executive summaries for each of the follow-up audits completed in 2011.
4.1 Follow-up to the 2009 Audit of Five Specific Staffing Processes

EXECUTIVE SUMMARY

Introduction
The Follow-up to the 2009 Audit of Five Specific Staffing Processes was included in the Auditor General’s Audit Plan.

The key findings of the original 2009 audit included:

The process used to staff certain positions was inappropriate. The audit revealed the following:

Of four cases within the Revenue Branch;

- All four involved family ties,
- Two did not meet the basic requirements of the position, and
- All four were hired.

An appropriate staffing process was followed in the case within Public Works.

The audit concludes that:

- Accepting candidates who do not meet the basic requirements results in employees being paid for education and experience they do not possess. As stated in other audits, this practice indicates that these positions are over classified.
- The combination of familial ties and the lowering of minimum requirements lead to real or perceived conflicts of interest and favouritism in hiring practices.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>7b, 12</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>1, 2, 3, 4, 11</td>
<td>5</td>
<td>39%</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>8, 10</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>5, 6, 7a, 9</td>
<td>4</td>
<td>31%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>13</td>
<td>100%</td>
</tr>
</tbody>
</table>
2. The table below outlines management’s assessment of the level of completion of each recommendation as of November 2011. These assessments have not been audited.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>7b, 12</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>3</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>1, 2, 4, 5, 6, 7a, 8, 9, 10, 11</td>
<td>10</td>
<td>77%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>13</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Overall Management Response**

With regard to “Accepting candidates who do not meet the basic requirements results in employees being paid for education and experience they do not possess. As stated in other audits, this practice indicates that these positions are over classified. The combination of familial ties and the lowering of minimum requirements lead to real or perceived conflicts of interest and favouritism in hiring practices.”:

The City does not accept candidates who do not meet basic requirements for positions. HR conducts initial screening of candidates against posted requirements and the application of the City’s equivalency guidelines, as required. In specific instances, particularly for jobs with technical requirements and where the application of an equivalency is required, the hiring manager is involved to make this assessment. In these cases, candidates who are deemed to have equivalent education and experience are considered to have met the minimum requirements of the position. Accordingly, the positions are not over classified.

Likewise, the City has not lowered minimum requirements by virtue of applying equivalencies. The City needs the best-qualified candidates for the job which is why it is important to apply equivalencies. As the Auditor notes in the follow-up comment to Recommendation 1 above, the education and experience equivalency guidelines are designed to provide opportunities to candidates who possess alternative combinations of education and job-related experience that are deemed to be equivalent to the minimum job requirements.

**Conclusion**

In many cases, management has explained that there are new controls built into the hiring process. This can be seen in the improvements made to some documents such as the Code of Conduct, the Consensus Scoring and Selection Decision Summary and the Declaring Conflict of Interest in Hiring Finance Procedure. However, there is neither the requirement nor the general practice of providing evidence of controls in terms of a sign off, or other documentation. As such, in some
cases, it is difficult to demonstrate that the control is in place, and is operating effectively. We found in some cases where management disagreed with the recommendations that they did take some action that addressed the intention of the recommendations.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
4.2 Follow-up to the 2009 Audit of the Bridge Maintenance Process for a Specific Bridge

EXECUTIVE SUMMARY

Introduction
The Follow-up to the 2009 Audit of the Bridge Maintenance Process for a Specific Bridge was included in the Auditor General’s Audit Plan.

The key findings of the original 2009 audit included:

- The City spent more than $97,000 in 2007 to correct deficiencies in the design and construction of the Conley Bridge.
- The design and construction of the 2004 deck replacement of the structure had several deficiencies that were directly responsible for the failure of the deck in 2005. The City should consider action against the design consultant and the contractor involved to recover the costs of these repairs.
- The same engineering firm that performed the original design was engaged by the City to correct their deficiencies.

Summary of the Level of Completion
The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011. Management’s response was in agreement with that assessment.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>3</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>1, 2, 4</td>
<td>3</td>
<td>75%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
</tbody>
</table>

Conclusion
The City addressed the recommendations of the audit and has essentially completed their implementation.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
4.3 Follow-up to the 2009 Audit of Payroll

EXECUTIVE SUMMARY

Introduction
The Follow-up to the 2009 Audit of Payroll was included in the Auditor General’s Audit Plan.

The key findings of the original 2009 audit included:

- Errors made to pension contributions by the City’s Payroll Division total $2.6 million.
- In addition to the pension errors, the audit examined a sample of 100 pays and found 56 errors. The audit also found that one employee was employed in two separate City jobs.
- The errors identified were as follows:
  - 34 documentation errors including unauthorized timesheets;
  - 15 interpretation errors resulting in $2.6 million owing to OMERS; and,
  - 7 calculation errors.
- Other audit findings concluded:
  - The Payroll Division should take responsibility for both centralized and decentralized pay processes;
  - The City should limit access to human resources records in compliance with privacy legislation; and,
  - The Payroll Division should implement greater automation and information systems controls.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>1, 6, 7a, 7c, 10, 13, 17b</td>
<td>7</td>
<td>19%</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>2, 19</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>21a, 21b, 22</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21c, 21d, 23, 24, 25, 26, 27, 28</td>
<td>24</td>
<td>67%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>36</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>
2. The table below outlines management’s assessment of the level of completion of each recommendation as of November 2011 in response to the OAG’s assessment. These assessments have not been audited.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>1, 6, 7a, 7c, 10, 13, 17b</td>
<td>7</td>
<td>19%</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>19</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>22</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>2, 3, 4, 5a, 5b, 7b, 8, 9, 11, 12a,12b,14, 15, 16, 17a, 18, 20, 21a, 21b, 21c, 21d, 23, 24, 25, 26, 27, 28</td>
<td>27</td>
<td>75%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>36</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Conclusion**

Management has been very proactive in addressing the audit recommendations. Approximately 75% of the recommendations have been fully or substantially implemented.

Even for those recommendations that have not been substantially implemented, in most cases, management has work plans in place and has started implementing their plans. One example is where management has started to complete detailed risk assessments of decentralized payroll processes.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
4.4 Follow-up to the 2009 Audit of Eight Specific Building Code Services Files

EXECUTIVE SUMMARY

Introduction
The Follow-up to the 2009 Audit of Eight Specific Building Code Services Files was included in the Auditor General’s Audit Plan.

The key findings of the original 2009 audit included:

- The City conducted more than a thousand building inspections from 2006 to 2008 using unqualified students rather than qualified inspectors. A review of correspondence and interviews with Building Services management confirmed that they were all aware that the practice, in essence, is illegal.

- Approvals were granted even though the inspector was not able to review the area being inspected.

- Charges for re-inspections to some builders were waived while for other builders they were not.

- In addition, the Internet and email usage of one manager was found to be largely personal and in many cases inappropriate.

Summary of the Level of Completion
The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011. Management’s response was in agreement with that assessment.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>1</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22</td>
<td>21</td>
<td>95%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>22</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Conclusion
Building Code Services has made a very serious effort to address the recommendations of the audit. We also found that in many cases where management originally disagreed with the original audit recommendations, they had taken some action to address the general intention of the recommendations.
Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
4.5 Follow-up to the 2009 Audit of Specific House Drawings

EXECUTIVE SUMMARY

Introduction
The Follow-up to the 2009 Audit of Specific House Drawings was included in the Auditor General’s Audit Plan.

The key findings of the original 2009 audit included:

- City staff were diligent in their review to address concerns regarding a particular builder.
- House models built in Kingston resulted in disciplinary hearings by the Association of Professional Engineers of Ontario in October 2007. One of these models was to be built in Ottawa. Although City staff were not aware of this at the time, they identified similar issues with the drawings and requested revisions.
- The audit found that revised drawings submitted by this builder had dealt with the Professional Engineers of Ontario’s concerns.

Summary of the Level of Completion
The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011. Management’s response was in agreement with that assessment.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>% COMPLETE</th>
<th>RECOMMENDATIONS</th>
<th>NUMBER OF RECOMMENDATIONS</th>
<th>PERCENTAGE OF TOTAL RECOMMENDATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>1, 2</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
</tbody>
</table>

Conclusion
Building Code Services (BCS) has satisfactorily addressed both recommendations made in the original audit. In our opinion, BCS has been diligent in ensuring that the recommendations are acted upon.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
4.6 Follow-up to the 2008 Audit of Grants and Contributions

EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2008 Audit of Grants and Contributions was included in the Auditor General’s 2011 Audit Plan at the request of the Audit Sub-Committee.

The key findings of the original 2008 Audit of Grants and Contributions included:

- As was the case during a 2003 audit, there is still no overall policy framework governing the establishment and management of grants and funding programs to external organizations at the City.

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

- The lack of clear corporate direction on funding programs creates the risk of inequitable treatment of applicants for funding. No clear direction and guidance are provided to departments in establishing and monitoring these programs, impeding their ability to measure performance, and ensuring that value for money is received from these programs.

- The audit also identifies opportunities for further improvement in the areas of pre-screening for eligibility, conflict of interest, determination of the allocation amount, and management oversight and follow-up.

Summary of the Level of Completion

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

<table>
<thead>
<tr>
<th>Category</th>
<th>% Complete</th>
<th>Recommendations</th>
<th>Number of Recommendations</th>
<th>Percentage of Total Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little or No Action</td>
<td>0 – 24</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Action Initiated</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Partially Complete</td>
<td>50 – 74</td>
<td>8</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>Substantially Complete</td>
<td>75 – 99</td>
<td>6, 12, 13</td>
<td>3</td>
<td>23%</td>
</tr>
<tr>
<td>Complete</td>
<td>100</td>
<td>1, 2, 3, 4, 5, 7, 9, 10, 11</td>
<td>9</td>
<td>69%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>13</td>
<td>100%</td>
</tr>
</tbody>
</table>
2. The table below outlines management’s assessment of the level of completion of each recommendation as of February 2012 in response to the OAG’s assessment. These assessments have not been audited.

<table>
<thead>
<tr>
<th>Category</th>
<th>% Complete</th>
<th>Recommendations</th>
<th>Number of Recommendations</th>
<th>Percentage of Total Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>LITTLE OR NO ACTION</td>
<td>0 – 24</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ACTION INITIATED</td>
<td>25 – 49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PARTIALLY COMPLETE</td>
<td>50 – 74</td>
<td>8</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>SUBSTANTIALLY COMPLETE</td>
<td>75 – 99</td>
<td>6, 12</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>COMPLETE</td>
<td>100</td>
<td>1, 2, 3, 4, 5, 7, 9, 10, 11, 13</td>
<td>10</td>
<td>77%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>13</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

**Overall Management Response**

Management will forward the section entitled “Additional Areas for Management’s Attention” to the Grants and Contributions Co-ordination and Oversight Committee for consideration.

With regard to the OAG’s concern of inconsistency between what is reported on the agency’s reserve/surplus/deficit situation on the annual submission form and that of the agency’s financial statements, it must be noted that there frequently exists a lag time between the final audited financial statements and the presentation of the completed annual submission form. As a point in time reference, amounts of surplus/deficits do fluctuate depending on that agency’s year end date. All allocation decisions consider the reserve/surplus/deficit situation of the agency. Community Funding staff follow the parameters set by policy whereby at the discretion of the City, an agency may be required to submit a surplus/reserve spending plan where it exceeds six months operating expenses.

With respect to the OAG’s comments regarding outdoor rink purchase of service (POS) agreements in the follow-up findings for recommendations 1, 5 and 12, it should be noted that these agreements relate to the specific provision of a service. The City does not require the right to audit the service provider’s finances however, POS agreements have checks and balances in place to ensure that deliverables are met before payment is released.

**Conclusion**

Management has made good overall effort in fully or substantially implementing approximately 92% of the recommendations. Effective January 1, 2011, a new Corporate Policy on Grants and Contributions has now been implemented providing the framework to address key findings identified in the original audits.
Given that Management relies on a self-assessment of compliance of the overall program to the policy, we believe oversight and monitoring should include a more in-depth periodic validation of the self-assessment.

**Additional Areas for Management’s Attention**

Through the audit work performed we also noted a few items that were beyond the scope of the original audit recommendations that require Management’s attention.

We observed that reserve funds and surpluses were not always considered on funding submission summaries or checklists, were not always completely and accurately reported on funding submissions and did not always agree with amounts reported on financial statements. For the funding submissions reviewed, it was not always clear what portion including the budget pressures, was being funded. Our work on this follow-up reinforces the need for a review process for all long-standing funding agreements to ensure that funds are awarded and used in accordance with Council priorities, particularly where there are continued surpluses.

There were also project funding applications and report forms which direct that only the portion of grants directed toward the project be reflected and that do not require minutes of Board meetings. These result in the risk that all associated revenues and expenses are not reflected with the application.

Finally, we noted that across departments there were policies, procedures and forms that were inconsistent such as the number of required signatures on minutes and the disclosure of activities and involvements with the potential to create actual or perceived conflicts of interest.

These additional areas will be presented to Council as part of the 2011 Annual Report.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5 EXECUTIVE SUMMARIES – 2011 AUDITS

In addition to the follow-up audits described in Section 4, several other audits were also completed in 2011. The following presents the executive summaries for each of these audits. As per protocol, the AG is required to report on any report recommendation where management and the OAG disagree. For 2011 there are two disagreements. A list of these can be found in Appendix A.
5.1 Audit of the OC Transpo Scheduling Process for Bus Operators

EXECUTIVE SUMMARY

Introduction
The Audit of the OC Transpo Scheduling Process for Bus Operators was originally included in the 2010 audit work plan received by Council on June 23, 2010. Based on Legal/Labour Relations advice, the audit was not tabled with our office’s 2010 annual report. On December 20, 2011, based on Legal/Labour Relations advice, our office agreed to follow the direction of the Mayor and the Chair of the Audit-Sub-Committee and defer tabling of this audit until after OC Transpo completed their contract negotiations.

Background
OC Transpo is one of the City of Ottawa’s largest, complex and labour-intensive business units. The 2010 OC Transpo gross operating expenditure budget was $367 million. The “Operations” budget line of the 2010 budget - which includes all bus operator costs - was $142 million. OC Transpo delivers transit and para-transit services across an expansive catchment area of more than 442 square kilometres. The OC Transpo system delivers approximately 90 million passenger trips annually, the fleet includes more than 1,000 active service buses, and the bus service features 250+ bus routes with approximately 6,400 stops. OC Transpo services are primarily delivered by approximately 3,000 mostly unionized employees. The logistics, labour relations, and financial management challenges associated with planning and scheduling the work of OC Transpo bus operations/operators within this complex and dynamic transit system are significant.

The City-wide 2008 transit strike generated significant negative outcomes for Ottawa residents and businesses in terms of service interruption, traffic congestion and lost/deferred commercial activity/revenues. While acknowledging these negative strike outcomes, the City’s collective bargaining approach was motivated in part by an opportunity to secure financial and operational flexibility/control following the strike. Public expectations developed during the strike, and subsequent arbitration process, around a significant cost savings dividend viewed as compensation for public hardship. This financial dividend was supposed to flow from an enhancement of management’s enhanced control and improved flexibility over bus operator scheduling.

To better understand what the City won through Arbitration, the Figure ES-1 below illustrates the before-and-after scheduling conditions, anticipated efficiency and anticipated outcome.
### Figure ES-1: What Was Won and the Anticipated Benefits

<table>
<thead>
<tr>
<th></th>
<th>Pre-strike</th>
<th>What was Won: Post-Arbitration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who has control of the day?</td>
<td>Bus Operators: Bus operators manually choose the runs that make up their shifts, so that some bus operators can maximize their pay but minimize the actual hours they work</td>
<td>Management: Using computer software, various bus runs are assembled into shifts, which enables management to minimize the hours of unpaid work by bus operators</td>
</tr>
<tr>
<td>What is the anticipated system efficiency?</td>
<td>Inefficient: A sizable portion of work is not getting done for the hours being paid by OC Transpo</td>
<td>Efficient: Paid work is optimized to the needs of the system</td>
</tr>
<tr>
<td>What is the anticipated long-term outcome?</td>
<td>Increasing costs: On-going increases in total salary costs due to inefficiencies</td>
<td>Cost management: A cost savings of approximately $3 million</td>
</tr>
</tbody>
</table>

Figure ES-2 provides a diagram of the pre-strike and post-strike scheduling practices.
Audit of the OC Transpo Scheduling Process for Bus Operators

Figure ES-2: Pre-Strike and Post-Strike Scheduling Practices

The planning and execution of the 2010 Audit of Bus Operator Scheduling has focussed on the actual opportunity for management – emphasizing results to-date – to secure a post-strike cost savings dividend, and also generate bus operator scheduling process improvements.

Audit Scope
The audit plan focussed on the following:
1. Assess the current degree of progress, and future probability, of management securing the forecasted/approved bus operator scheduling cost savings. These forecasted cost savings revolve around restructured work scheduling rules for bus operators, new improved scheduling processes implemented by
management, and management’s accountability driven implementation of a “change management” critical path for measurable operational efficiency results improvement;

2. Evaluate scheduling control implementation and work rules – examining the execution of the scheduling core process critical path before and after the arbitration settlement. Evaluate the probability of go-forward process improvement in subsequent scheduling cycles;

3. Review OC Transpo cost management due diligence efforts – focusing on how scheduling cost savings have been forecasted, and evaluate the go-forward critical path for implementing ongoing systemic cost management/savings;

4. Determine the extent of management’s exercise of rights as obtained from the Arbitrator’s decision;

5. Execute an evidence-based assessment of OC Transpo scheduling performance results from an operational perspective – a metrics driven “Ottawa versus Ottawa” time series analysis. This evidence based analysis will utilize key OC Transpo performance indicators, and address system performance on a quarterly basis before-and-after the post-strike arbitration settlement; and,

The audit’s objectives are best understood once they are organized into the following three chronological themes used throughout this report:

1. Assessment of management’s collective bargaining and arbitration process cost saving’s modeling, risk based savings expectations, and quality of communication/analytical support to Council;

2. Determine management’s exercise of rights, systemic scheduling design and process execution issues impacting cost management and operational efficiency; and,

3. Assess current and go-forward cost management expectations and the critical path for achieving forecasted savings.

Summary of Key Findings

Audit Objective Theme: Past Critical Path

There are a series of inter-related activities that shape the critical path historic timeline set out for cost management. These activities include:

1. Federal regulatory changes impacting the number of hours that drivers are allowed to work;

2. The milestones related to the arbitration of the strike including on-going negotiations post-arbitration grievances;
3. The quarterly changes to OC Transpo’s bus schedules including the period to plan and book drivers to the schedules;
4. The process of signing-up drivers to the scheduled routes;
5. The upcoming negotiations and pending expiry of the current Collective Agreement; and,
6. Future implementation of new booking software.

Key observations taken from the critical path include the following:
1. The post-strike arbitration process has been long and drawn out with a January 2010 milestone but has not been concluded;
2. Latitude for management to secure bus operator scheduling related cost savings has been quite narrow - given the uncertainties of implementing decisive “control of the scheduling day” measures in an uncertain environment of arbitration related appeals;
3. Only four scheduling cycles are executed annually, with the summer cycle always characterized by unique diminished ridership and resourcing requirements. Rationalizing the scheduling process is therefore a multi-year undertaking;
4. The August 2010 Memorandum of Agreement (MoA) negotiated with the Union Executive represented a strategic acknowledgement by management that the content of the Keller arbitration reduced the probability of securing the scheduling cost savings once thought to be achievable during the strike; and,
5. Based on our review of management’s communication to Council, it is our opinion that it was adequate and professional.

**Audit Objective Theme: The Existing Situation Facing OC Transpo Today**

**Eroding Scheduling System Efficiency**
We found on-going systemic inefficiencies associated with the bus operator scheduling process at OC Transpo. There has been escalating ratios of “Paid Hours to Total Vehicle Hours” and “Paid Hours to Revenue Vehicle Hours” from 2000 to 2009. The 2010 post-strike arbitration award will not reverse this eroding productivity trend.

**Labour Intensive Approach for the Booking of Drivers to Routes**
The booking of drivers to routes remains a highly labour intensive process which requires that all drivers go to the OC Transpo Booking Office four times a year to select the shifts and manually strike off their selections from a paper board, as shown on Figure ES-3 and Figure ES-4. Considering the scale and complexity of OC Transpo, there is a need to modernize this system.
Courval’s Peer Review Conclusions
We corroborated Courval Scheduling’s municipal Peer Review findings with other transit systems to ensure overall validity. Courval’s Peer Review documented that OC Transpo was the only transit system in the sample allowing operators to combine pieces of work to create their scheduled day. Based on this research, there are no examples of a North American transit system which has delegated the ability to “control the day” to its unionized employees.

Keller Arbitration Panel Impacts and Financial Modeling
We are of the opinion that the 2009 Arbitration Panel may have went beyond the federal legislation governing collective bargaining by awarding i) a maximum of

---

1 Courval Scheduling is a Montreal-based firm specializing in the application of the Hastus work-scheduling software package for municipal transit clients. On behalf of OC Transpo, it undertook the design and development of work assignment scenarios.
three runs within a 12-hours spread, ii) an increase of the guarantee pay time from 6 to 7.5 hours and iii) that all rules should apply to all bus operators equally. Neither OC Transpo management nor the union was supportive of this award. OC Transpo management accepted the Award, but as already noted the Union has grieved its implementation.

We have conducted a summary of spreads and guarantees. A 12-hour spread is common and so it may appear that a 12-hour spread is appropriate, but when the demands of the transit system are considered – the transit rush hours start earlier and end later in Toronto and Ottawa than they do in Calgary, Edmonton, Winnipeg or Mississauga – this confirms our opinion that the 12-hour spread limitation imposed by the Keller arbitration award needs to be rectified.

Courval Scheduling was instructed by OC Transpo to subject the 2009 Arbitrator’s Award to extensive financial modeling. The financial modelling strongly suggests that the work rules imposed by the Award materially impact OC Transpo cost of service, operational efficiency and effectiveness. The net result trends negatively, such that previously forecast cost savings of $3.1 to $4.5 million would not be realized. In support of this observation, our comparison of fall 2008, 2009, and 2010 bus operator sign-ups show no material improvement of efficiency and productivity. Nor does the modeled data imply any go-forward probability of future process improvement to secure the previously modelled savings.

**Modeling of August 2010 Tentative Agreement with Union Executive**

Management and the Union Executive did undertake the negotiations in good faith, and arrived at a tentative revision to the Collective Agreement dated August 20, 2010. This revision agreement entailed the following pertinent aspects:

- Raise the arbitrator’s imposed daily guarantee from 7.5 to 8 hours; and,
- Raise the arbitrator’s imposed 12-hour spread to 12.5 hours.

Courval Scheduling was asked to project/model these newly negotiated rules by use of the Hastus scheduling software. We reviewed these Courval projections, and concluded that the August 2010 agreement would have resulted in more efficient work days for the drivers and cost savings for the City – but at the expense of increased guaranteed pay costs. This tentative agreement was rejected by the union membership comprising bus operators and mechanics. The proposal by management’s position and strategic negotiation stance also implied that the original $3.1 to 4.5 million cost savings forecast developed during the strike, was no longer a primary objective of post-arbitration negotiations.

We received and reviewed all of the pertinent scheduling and financial impact projections prepared by Courval Scheduling, and find them to be in keeping with established industry practice.

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2 The fall schedule for OC Transpo is from September to December.
The tentative negotiated changes to the collective agreement from August 20, 2010, which were turned down by the union membership would have improved OC Transpo’s ability to achieve operational efficiency. However the proposal would have failed to generate cost savings, since it increases the amount and cost of the daily guarantee. We acknowledge that OC Transpo management must manage the transit system within the constraints of the Arbitrator’s Award, as opposed to the savings expectations that preceded the Award.

The impact/risk to OC Transpo is that any future required cost savings under the current 12-hour spread maximum and 7.5-hour guarantee must be found elsewhere than bus operator scheduling.

The most significant work-piece ridership and scheduling load on the OC Transpo system occurs roughly between 6:00 a.m. and 6:30 p.m. - representing a 12.5-hour spread. The Arbitrator’s Award for a 12-hour spread - in very simplistic terms - means that the shift of on-duty operators that started work for the morning rush hour cannot remain on the job to service the approximately 600 runs between 6:00 p.m. and 6:30 p.m. during the late afternoon rush hour. In order for OC Transpo to manage the flow of daily service demand while also minimizing the amount of paid guarantee, the Hastus software’s algorithms divides up the scheduled workday much differently than was the case during pre-strike conditions. The arbitrator-imposed shorter spread results in significant system scheduling inefficiency.

To those outside the industry, it may seem unusual/non-intuitive that sophisticated computer software such as Hastus would not be able to rationalize the schedule to create a more efficient system than the one currently in place. However, based on our research and discussions with other transit systems, the documented scheduling inefficiencies are in fact expected.

Audit Objective Theme: Go-Forward Strategies

Review of Go-Forward Financial Modeling (Hastus Simulations)

In terms of potential new work rules, management has recently made an attempt to negotiate an increase of the spread to 12.5 hours, and increase the guarantee to 8.0 hours. In this scenario, management would retain control of the day, but modify scheduled pieces of the workday to improve the work environment of its senior, intermediate and junior bus operators. This attempt to modify go-forward work rules was expressed in the Memorandum dated August 20, 2010 with the Union Executive, but was not accepted by the union membership comprising operators and mechanics.

New work rules are not being considered currently because management has limited ability to implement any changes at this time. The current Collective Agreement expired on March 31, 2011. As of April 2011, formal negotiations have not yet commenced.
This audit should not prejudice management’s ability to bargain both strategically and in good faith. However, a strategic decision does need to be made soon as to whether the scheduling and booking issues should be managed internally or externally to the bargaining of the collective agreement. If the strategy is to manage scheduling within the collective bargaining process, then scheduling matters are exposed to all of the wider negotiated trade-offs across issues within the collective bargaining process. If scheduling is to be dealt with externally, management risks inconsistent application of scheduling provisions due to the actions of the union membership.

We reviewed the Hastus modelling assumptions and the anticipated outputs from the Hastus Software, and find them to be acceptable. Specifically, in terms of the current situation, and the August 2010 go-forward proposal, we note that:

- The Arbitrator’s Award using the 7.5-hour guarantee / 12-hour spread modelled by Hastus provides the expected result of fewer guaranteed hours, more ‘broken up’ pieces of work, and no improved future propensity for cost management, as compared to the pre-strike situation;

- The August 2010 go-forward proposal using the 8.0-hour guarantee / 12.5 hour spread modelled using Hastus provides the expected result of more guaranteed hours, fewer ‘broken-up’ pieces of work, and is cost neutral, as compared to the current post-Arbitration working situation. There is no improved future propensity for cost management, as compared to the pre-strike situation; and,

- The August 2010 go-forward proposal would have provided an improvement of drivers’ work conditions, since drivers generally look to optimizing “straights” and minimizing splits - particularly multiple splits. Morale and operational culture improvement could well have resulted from adoption – and could still do so if adopted on a go-forward basis.

**Go Forward Cost Savings Opportunities**

There are three issues/activities that have the potential for future cost savings to be achieved, namely:

1. Upcoming Round of Collective Bargaining Negotiations;
2. Improvement of Morale and Reduction in Absenteeism; and,
3. Future Implementation of New Booking Software.

**Collective Bargaining Negotiations**

OC Transpo management has three basic alternatives in the approach to negotiations:
1. Attempt to negotiate its last pre-strike position (6 hour guarantee, maximum spread\(^3\));

2. Attempt to negotiate its August 2010 Memorandum of Agreement position (8 hour guarantee, 12.5 hour spread); or,

3. Attempt to negotiate an entirely new position of an unknown guarantee and spread - within the limits of the prevailing legislation.

It may be prudent and appropriate for management to attempt to negotiate back to its August 2010 Memorandum of Agreement position, since this package of scheduling changes was unanimously accepted by the Union Executive and provides better pieces of work for the drivers than those currently being offered. This scenario may be achievable due to the improved quality of life being offered for a small increase in the guarantee from 7.5 hours to 8 hours. It is also prudent, since it is reflective of the Union Nominee’s comments in the Keller Award of October 9, 2009, which states, “…the daily guarantee will need to be moved to the more normative 8 hours.”

**Cost Savings via Reduced Absenteeism**

The probability of improving unionized employee morale and reducing absenteeism can be assessed by considering past versus current levels of absenteeism as a proxy indicator of morale.

Since the proxy for morale in previous years was higher (i.e., absenteeism was lower) than it is currently, management should aim to improve morale and lower the incidence of absenteeism to at least pre-strike averages. Fewer bus operators are required for the spare board when there is lower absenteeism, which translates into cost savings.

The estimated cost savings if absenteeism levels are improved to 2008 levels could be approximately $1.1 million per year.

**Cost Savings via Internet Based Scheduling Sign-up Software**

Management has deemed it appropriate to investigate the investment into new booking software. This software would allow drivers the opportunity to request their blocks of work through an Internet-based portal, so drivers could complete the sign-up process without having to be on-site. This technology based booking process re-engineering opportunity should improve the efficiency of the driver sign-up process and shorten the sign-up turn-around period to less than the current six weeks.

This software is not in widespread use throughout the municipal transit industry, and the probability of management making the investment in this software is being determined through its current discussions with software providers to the transit

\(^3\) The spread has been constrained to 14 hours due to a change in federal regulations.
industry, such as Hastus and Trapeze. Potential timing of this technology driven re-engineering opportunity is unclear.

Management indicates that a new Internet based booking software solution may also lead to some operational cost savings. The cost savings emanate from creating efficiencies in two elements of the sign-up process:

1. Reducing the number of clerks involved in the driver sign-up process; and,
2. Reducing the relief runs when on-duty drivers have to be called in to complete their booking based on their seniority.

Based on quarterly cost estimates provided by management, we estimate that the annual cost savings could be approximately $350,000 per year; however, it should be recognized that this cost saving could be offset by the expense of the new software, and the true benefit to the system is a more efficient booking process.

**Recommendations and Management Responses**

**Recommendation 1**
That the upcoming collective bargaining process be considered by management as a strategic opportunity to reduce/remove the financial and operational deficiencies associated with the work scheduling model.

**Management Response**
Management agrees with this recommendation.

Management will continue to plan the most efficient operation within scheduling/booking rules it now has at its disposal within the constraints of the final Keller decision of July 22, 2011. Future negotiations may provide opportunities should both parties wish to explore additional efficiencies. As a result of route optimization and the introduction of double-decker buses, our service curve and workforce needs are changing. Options to reduce the cost per hour of service will be incorporated based on service demands of the future.

**Recommendation 2**
That management utilize the Hastus scheduling software package for evaluating all proposals put forward during collective bargaining, including a background cost impact template and a “control of day” work design impact template.

**Management Response**
Management agrees with this recommendation.

OC Transpo has been utilizing Hastus scheduling software for the purpose of evaluating scheduling-related proposals dating back to the 2008 collective bargaining process. This process includes a comparative cost template for different bargaining scenarios. Using Hastus software, bus runs are assembled
into shifts to optimize paid work to the needs of the system while minimizing unpaid work.

Management will continue to leverage Hastus to improve our efficiency, taking full advantage of booking rule changes as a result of the on-going arbitration process, thereby maximizing management control of the day. This will be implemented during the next collective bargaining process.

**Recommendation 3**
That management apply due diligence to the construction of scheduled workdays that optimize driver hour efficiencies and minimize costs. Annual performance reports to the new Transit Commission should be required to demonstrate the impact of existing scheduling processes and rules on key transit system performance metrics – such as the ratio of Paid Operator Hours to Total Service Hours.

**Management Response**
Management agrees with this recommendation.

Management will examine which metrics can be extracted that would capture the effect of implemented changes in scheduling processes and rules on system performance. Selected performance measures will be incorporated into annual performance reports starting in 2011. Implementation will be complete by June 2012.

**Recommendation 4**
That management proactively monitor bus operators’ selection of scheduled work, and implement ongoing “quality control reviews” by non-union staff to ensure compliance and overall scheduling efficiency.

**Management Response**
Management agrees with this recommendation.

Management currently monitors operator selection of work, and has been doing so since July 2009. Following the booking process, non-unionized staff review work selection and make adjustments as required in order to maximize system efficiency.

Management will continue to analyze, study and adjust booking to booking to maximize efficiency and ensure management control of the day. The next implementation of this will take place for the fall 2011 booking, as we incorporate the changes resulting from the route optimization process.
**Recommendation 5**

That management ensure new non-unionized hires in the scheduling group are recruited with a view of optimum analytical, computer modeling and mathematical skills, given recent and imminent staff retirements within the scheduling group at OC Transpo.

**Management Response**

Management agrees with this recommendation, and it has been implemented.

In April 2011, Transit Services hired one non-unionized staff member in the scheduling group that possesses the necessary skills and qualifications, including analytical, computer modeling and mathematical skills. Management will continue to recruit qualified staff to perform these functions.

**Recommendation 6**

That management investigate the degree to which its current six-week scheduling period is longer than the period for comparator transit systems. Management should explore and execute business process re-engineering opportunities, within the limits of the Collective Agreement, to shorten the scheduling period from the six current weeks to a benchmarked industry standard period of time.

**Management Response**

Management agrees with this recommendation.

Management is currently exploring electronic booking options in an effort to reduce booking time. The implementation of an electronic booking system is planned as part of the approved Technology Roadmap by Council, but is contingent upon the implementation of other elements of IT infrastructure. Management will strive to work on the process in 2012 and once more information is available, will establish a firm timeline for completion.

**Recommendation 7**

That management explore the efficiency, cost, and union relations implications of potentially assigning drivers to distinct districts or garages for fixed periods of time. Work assignments should be limited to routes and work within the assigned district.

**Management Response**

Management agrees with this recommendation.

Research will be undertaken to compare operating costs, service reliability, and the characteristics of work times for operators under the current model and under a model that would group service into different districts of the city.
Management notes that as the current model is geared to minimizing operating cost and the number of staff and buses required, any additional constraints introduced into the optimization process would likely increase resource requirements. In that case, a comparison would be made between any identified benefits in improved service reliability or improved quality of work against any identified increased costs or other drawbacks. If a conclusion is reached that increased costs were justified to achieve other valuable benefits, then a recommendation would be made to the Commission in a future business plan and budget.

This review will be complete by Q4 2012.

**Recommendation 8**
That management investigate automated alternatives to the existing manual booking board process.

**Management Response**
Management agrees with this recommendation.

Management is currently exploring electronic booking options. The implementation of an electronic booking system is dependent on budget and Information Technology Services availability. Management would like to have an electronic booking system in place in 2012. Once more information is available, management will establish a firm timeline for completion of this initiative.

**Recommendation 9**
That management undertake performance metric based monitoring of OC Transpo’s improved scheduling quarterly for two years (i.e., eight scheduling cycles) following the completion of the collective bargaining process.

**Management Response**
Management agrees with this recommendation.

Management analyze and monitor all data associated with each cycle of booking regardless of the status of the outstanding arbitration, and have been doing so on an on-going basis. However, within the context of the recommendation, a two-year cycle of performance metric based monitoring will commence with the next booking (fall 2011), to be completed by the summer of 2012 (Q2 2012 – 8 booking cycles). Impacts of the arbitration process, route optimization and collective bargaining will be assessed, as applicable, as part of this review.

**Conclusion**
The Audit of the OC Transpo Scheduling Process for Bus Operators has documented the following performance issues/observations regarding the 2008
transit strike, the subsequent arbitration process, and the hampering of OC Transpo to secure targeted cost savings and process improvement opportunities:

- Management entered into the collective bargaining process preceding the strike with a set of operational objectives focussed on “controlling the day” from a scheduling perspective. The scheduling principle of “controlling the day” was seen to be an industry-standard management model, as well as a vehicle to secure operational savings in the range of $3.1 million to $4.5 million depending on the source and time of the estimate.

- A public perception developed during the strike that on-going scheduling cost savings would act as compensation for residential and non-residential taxpayers who endured strike-driven service interruptions and business losses. Management’s operational objectives, and the public perception regarding available cost savings, persevered through the period of the strike and into the arbitration settlement period.

- The Keller arbitration award after the strike did not create the expected “control of the day” operational model envisioned by management; however, the reduction of the day “spread” from 13 hours as allowed by federal regulations to 12 hours has negatively impacted the system. The resulting impact is sub-optimal work piece design and systemic inability to generate the targeted savings. Management has received “control” of a scheduling day that hinders its ability to optimize the system and we have diligently reviewed and confirmed the dilution of the cost savings opportunity.

- In the case of the Keller arbitration award, the impact for management and Ottawa property taxpayers has been significant. A less operationally efficient, more expensive and somewhat inflexible new scheduling model has been imposed on OC Transpo management. Control of the day granted to management has not been able to offset the arbitration-imposed constraints on that scheduling day.

- The impact of the arbitration is a systemically inefficient scheduling model that nullified management’s cost savings opportunities envisioned during collective bargaining negotiations and the strike. It is critical from a public accountability perspective that these arbitration-imposed circumstances are independently acknowledged to Council and taxpayers via this audit. This independent acknowledgement is critical - in order to avoid an inaccurate perception that management “owes” the public overdue/achievable cost savings. Management is systemically constrained from delivering achievable scheduling-based cost savings at this time, and the go-forward likelihood of doing so is unclear.
• In the medium-term future, meaningful scheduling process improvement and technology based re-engineering are precursors for any successful effort by OC Transpo to secure significant cost saving targets. OC Transpo bus operator scheduling changes only four times per year. Each schedule change is preceded by a three to four week period for management to design the schedule, and a six-week period to book drivers to the routes. Once management has determined that it will enact a potential process improvement change, it can only implement the change at the next available quarterly cycle when it begins the process of designing the schedule. All things being equal, the earliest that management can realize any cost savings is three quarters from when the original decision to initiate a process refinement or “work piece” modification is made. Therefore the lag time to secure scheduling cost savings in the future will likely be substantial.

• Delay in implementing arbitration granted “control of the day” rights has created a problem concerning implementation. The arbitration process has not been concluded so meaningful bus operator scheduling process “re-engineering” designed to secure cost savings has not yet been designed or undertaken by management, due to unavoidable system design constraints imposed by the arbitration award substance and appeals process.

• The tentative negotiated changes to the collective agreement from August 20, 2010, which were turned down by the union membership would have improved OC Transpo’s ability to achieve operational efficiency. However it would have failed generate cost savings, since it increases the amount and cost of the daily guarantee. We acknowledge that OC Transpo management must manage the system within the constraints of the Arbitrator’s Award, as opposed to the cost savings expectations that preceded the Award.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.2 Audit of OC Transpo Communication of Cancelled Bus Trips

EXECUTIVE SUMMARY

Introduction
This audit work was requested in discussions at a meeting of the Audit Sub-Committee on January 24, 2011. This audit was conducted in conjunction with the Audit of the Scheduling Process for Bus Operators.

Background
OC Transpo is one of the City of Ottawa’s largest and most complex business units. The OC Transpo fleet has over 1,000 buses and three trains that serve nearly 370,000 daily riders. The quality of OC Transpo’s communications to its ridership makes an impression and influences public perception of the system’s efficiency and effectiveness.

A significant customer service challenge for OC Transpo is the rationale and communication process for re-assigning in-service buses when required (i.e., mechanical failures, operator no-shows, etc.). OC Transpo passengers may experience personal inconvenience/delay when a vehicle is removed from its route to fill a higher priority bus trip on another route. Passenger complaints to OC Transpo and City Councillors have raised questions about the bus reassignment communication process.

Audit Scope
In terms of scope, the audit plan focused on the following:

1. Determine the processes and practices related to in-service bus reassignment; and,

2. An assessment of OC Transpo’s communication of cancelled bus trips.

The assessment was undertaken in November 2011 over five days.

Summary of Key Findings
Management has a process in place for the reassignment of buses and the communication of cancelled trips. We have observed and confirmed with management that this process is not entirely automated and relies on human initiation and human interaction at key steps before the ridership is notified of a trip cancellation. We believe that these trip cancellations and cancellation process are common and considered acceptable in the transit industry for systems of OC Transpo’s size and complexity.
The audit team recorded a total of 55 trip cancellations over five days during the monitoring period. This is a low number of cancellations relative to the over 40,000 passenger trips that OC Transpo delivered across the city in this same period.

Of these 55 trip cancellations:

- Communication was consistent in 7 instances.
- Communication was inconsistent in 40 instances.
- Due to timing of certain notifications, we were not able to confirm the consistency of communication for 8 trip cancellations and these findings are deemed inconclusive.
- Trip cancellations are consistently posted on the website and mobile website, but we did not consistently receive a text alert or e-mail.
- E-mail and text alerts are always consistent with each other. If a text alert was received, then an e-mail alert was also received for all trip cancellations. The same applies if a text alert is not received -- an e-mail is not received as well.
- The 560-1000 phone and 560560 text message methods are generally up to date and provide accurate information when we requested information from these services.

Other observations by the audit team include:

- A notable percentage (23% or 13 of the 55 trips) of trip cancellation notifications were received quite late which made it difficult to phone or text message a stop to verify the real time schedule with the schedule on the website. As noted earlier, 8 of these 13 cancellations were received so late that we could not verify their consistency through Teleride or text message.
- In three instances, the online schedule did not match the 560-1000 phone and 560560 text message real time schedules (which are expected due to the different qualities of data used by the systems).
- There were some notable delays when the notifications were posted on the website. For example, on Thursday, November 10, 2011, the Route 1 South Keys trip was cancelled at 7:53 a.m. on the mobile website (the trip started at 7:52 a.m. and ended at 8:08 a.m.). The notification was not posted on the website until 8:08 a.m.

Following the results of our observations, further investigation was conducted.

After creating two accounts on OC Transpo’s website, we subscribed to receive notifications for all of the routes. Once this subscription was complete, OC Transpo’s website provided a simple confirmation, “Alert notification preferences saved.”

As a result of the e-mail/text alert discrepancies, we examined the two accounts which had been created and found that although we had initially subscribed to receive alerts for all 141 possible bus routes, only 126 routes had actually been
registered for alerts and the system had not registered us for the other 15 routes. We subsequently determined that the e-mail/text alert discrepancies we observed for routes 30, 41, 101 and 105 were because our initial registration of these routes to the accounts were not saved by the server.

Considering that we had created two accounts that were subscribed to 126 routes, we decided to test this apparent subscription issue using only a few routes. We created a third, new account on the OC Transpo website and attempted to subscribe only to routes 30, 41, 101, and 105. After receiving the confirmation message, we returned to the account settings and were able to confirm that routes 30, 41, 101, and 105 had not been registered to the account by the server.

The audit team raised the registration issue with OC Transpo Management during the course of the audit. Management indicated that adjustments were made to the registration system and the problem has been fixed.

**Recommendations and Management Responses**

**Recommendation 1**
Management should take immediate steps to ensure that the e-mail/text alert registration issue has been corrected and investigate/resolve the source of other discrepancies.

**Management Response**
Management agrees with this recommendation.

After the audit, all routes within the registration system were tested to ensure proper registration. The issue identified in the audit was corrected in Q4 2011.

**Recommendation 2**
Management should start immediately to regularly monitor and conduct comprehensive testing to confirm that the notifications are consistent and accurate across all of its communications tools.

**Management Response**
Management agrees with this recommendation.

As part of the Customer Service Platform, an independent firm will be secured through an RFP process to regularly test the different platforms and report and correct any discrepancies. It is anticipated that this will be implemented by the end of Q2 2013. This timeline is dependent on the implementation of the new Customer Service Platform and approval of funding for this initiative. A request for funding will be included in the 2013 Transit Services budget.
Recommendation 3
Management should conduct a cost-benefit analysis and implement upgrades to the computer system(s) to automate the process step of cancelled bus trip notification (on the website, mobile website, e-mail alerts, text message alerts, travel planner, and Teleride) once the Operations Centre has made the decision to cancel a bus trip.

Management Response
Management agrees with this recommendation.

Management agrees with this recommendation. After the audit, an upgrade to the aggregator software was completed and since then the 560560 SMS service has been very stable in providing next trip information. This was completed in Q3 2011. Management recognizes that automation is required to achieve efficiency and consistency across all platforms. The current IVR 560-1000 system is reaching the end of its lifecycle and will be replaced with a system that will rely on the real-time bus position database and the travel planner database, making it consistent with all existing systems. This is scheduled to be completed by the end of Q1 2013.

Conclusion
The Audit of OC Transpo Communication of Cancelled Bus Trips has documented the following:

- Management has a rationale and process in place for the reassignment of buses, which is acceptable;
- Management has a process for the communication of cancelled bus trips and follows through on this process, which is acceptable; and,
- There was an issue with the computer system for notification of cancelled bus trips that may provide the reason for ridership complaints that OC Transpo’s communication of cancelled bus trips is not consistent.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.3 Audit of the Management of Vacant Positions

EXECUTIVE SUMMARY

Introduction
The Audit of the Management of Vacant Positions at the City of Ottawa was included in the 2011 Audit Plan of the Office of the Auditor General (OAG), approved by City Council on April 13, 2011.

Background
Compensation is the single largest piece of the City’s operating budget. In 2010, the City’s actual compensation expenditure (salaries, wages and benefits excluding overtime) was $1.2 billion. During budget deliberation, Council adopted $1.3 billion for 2011. This represents 49% of the City’s planned 2011 net expenditures. Council has expressed concerns regarding the management of vacant positions on numerous occasions in the past.

The City of Ottawa manages positions in terms of full time equivalents or “FTEs”. An FTE position is equivalent to one person working full time for one year. Two or more part time positions may be combined to total one FTE. “It represents the number of staffing hours approved by Council for that department to deliver its programs & services. One FTE represents 1,820 hours (52 weeks x 35 hours). This does not equate to the number of staff employed by the department as part-time staff work less than 1,820 hours in a year.”¹

Excluding Ottawa Police Services and Ottawa Public Library, Ottawa City Council adopted budgeted full time equivalents totalling 12,781² for 2011. This represents an increase of 343 FTEs over 2010.

Positions created outside the annual budget process, are deemed to be unbudgeted; at the City, these are commonly referred to as “temporary”. Unbudgeted positions are funded using vacancies of budgeted positions, as well as from capital budgets and external one-time funding from other levels of government. Based on the analysis done at the time of the audit, as at June 30, 2011, the City had an additional 1,065 unbudgeted FTE positions of which 684 were filled. Although we did examine the interrelationship between vacancies and unbudgeted positions, the audit did not include a review of all unbudgeted positions and the rationale for creating them. Appendix A presents the full list of all unbudgeted positions in the four operational areas selected for this audit.

¹ 2005 Operating and Capital Budget - Budget Overview, pg. xviii. Refer to Table 3 for other types of FTEs.
² 2011 Operating and Capital Budget: Tax supported adopted 08-03-11; Rate supported adopted 13-04-11.
In March 2010, Council passed Motion 82/27 which stated:

WHEREAS the City of Ottawa Organizational Chart is produced from the HR databases (SAP-HR) and is refreshed on a daily basis, meaning the chart is always up-to-date as a result of the Request for Personnel Action (RPA) and Organizational and Positional Change Approval (OPCA) process; and

WHEREAS the City Managers have a wide array of SAP-HR reporting available to them, specifically, the Position Incumbent Report, which provides information on the status of positions (whether they are permanent, temporary, casual, vacant, filled on a temporary or acting basis), as well as identifies the owners and holders, their union affiliation and pay grade; and

WHEREAS Full Time Equivalents (FTE) are used for budgetary purposes to quantify the number of FTE positions approved by Council and one FTE may equal the following hours per year: 1,820 (35 hours/week), 1,950 (37.5 hours/week), 2,080 (40 hours/week) or 2184 (42 hours/week), depending on the collective agreement associated with the work. The FTE count is used to quantify annualized hours for positions to provide for a standard, universally accepted means of comparability and is the accepted basis for comparison with other organizations and municipalities; and

WHEREAS positions are created from FTEs based on operational requirements to deliver services. Positions are categorized as full-time, part-time, salary, wage, casual and student and are based on the type of staff required to the work; and

WHEREAS temporary positions are established to meet short-term operational needs, and they are funded from multiple sources, including one-time funding, capital projects, federal or provincial funding, or gapping from vacant positions; and

WHEREAS a true vacancy is defined as a position not having an owner and not filled by anyone placed temporarily or acting in the position and no staffing action against them. This excludes seasonal and summer student positions and a position shown as open until a permanent staffing action is completed within SAP and varies from one position to another. Information on how long a position is vacant can be generated from SAP and is reviewed quarterly by management. Options and strategies for positions that lay vacant for extended periods of time are reviewed by the departments on a regular basis in order to meet service delivery requirements; and

WHEREAS acting or temporary assignments are governed by the various Collective Agreements and the lengths of term vary from six to eighteen months;
THEREFORE BE IT RESOLVED that if a position in the City remains open (vacant) for a period of two years from the date that it last had an Owner that the position be declared as surplus to the Corporation’s needs and that the budget allocation and FTE(s) associated with the position be removed from the corresponding departmental budget; and

BE IT FURTHER RESOLVED that should there be a substantive reason that the position remain open that a staff report be brought before the appropriate Standing Committee for their consideration with a reason why the position is still needed and with a plan that will ensure that the position is filled.

Scope and Objectives

The audit scope focused on vacant and unoccupied budgeted positions within City departments, excluding Ottawa Public library and Ottawa Police Service. The distinction between “vacant” and “unoccupied” positions is central to the current approach to managing FTEs at the City and will be fully discussed as part of the audit observations.

Four specific areas were selected for more detailed analysis. These areas included the Paramedic Service, Building Code Services, Parks, Recreation and Cultural Services and Drinking Water Services.

Key audit objectives were to:

Audit Objective 1: Assess if the City of Ottawa has a framework to deal with vacant positions.

Audit Objective 2: Assess the extent of vacant positions, the citywide vacancy rate, and the reasons positions are vacant.

Audit Objective 3: Assess the impact of vacant positions on the City’s operations.

The data captured within SAP can be reported in various ways depending on the report used. For the Audit of the Management of Vacant Positions, our objective was to capture all vacancies regardless of the restrictions and limitations imposed by Motion 82/27. In our view, and as is stated in the report, these limitations have the effect of ignoring important vacancy and FTE management scenarios which Council should be aware of. To that end, the conscious decision was made to extract the data using the SAP FTE Summary Report (zrxhr240_sum).

In keeping with this objective, we reviewed all positions (including seasonal, summer student, part-time, unoccupied, etc.) to identify any positions vacant for greater than 24 months. We maintain that any position, regardless of the restrictions imposed by Motion 82/27, where no staffing action has occurred in the previous two years, should be reviewed by management and reported to Council for a decision on the necessity of retaining them.
Management is of the opinion that the restrictions imposed by Motion 82/27 must be taken into consideration when auditing vacant positions, in particular, the exclusion of seasonal/summer students or other part-time positions within the organization, as the Motion was intended to recognize the reality of ongoing daily operations.

**Summary of Key Findings**

1. Using the definition of a “true” vacancy as described in Motion 82/27, the audit identified 24 positions equivalent to 21 FTEs that, as of June 30, 2011, have been vacant for greater than 24 months. Based on an average annual salary (including benefits) of $85,400\(^3\), this represents a potential savings of $1.8 million.

2. Management has not complied with the requirements of Motion 82/27 as these positions have not been either deleted or reported to the appropriate standing committee for consideration of the rationale for retaining them.

3. Our objective for this audit was to identify all vacancies regardless of the restrictions and limitations imposed by Motion 82/27. In our view, these limitations have the effect of ignoring important vacancy and FTE management scenarios which Council should be aware of.

4. “Unoccupied” positions is the term we have used for those that are not filled but are the substantive positions of City employees currently placed elsewhere. Under the definition of a “true” vacancy, as outlined in Motion 82/27, these positions would never be considered vacant regardless of the length of time they have been unoccupied.

5. The audit identified 239 positions, equivalent to 123 FTEs, that had been vacant or unoccupied greater than 24 months. The cost of these positions is approximately $10.5 million. However, this should not be considered a potential savings as many of these positions are currently funding other positions which may be required for legitimate operational needs.

6. It can be interpreted that the creation of unbudgeted positions complies with the Organizational Unit and Position Management Delegated Authority Policy. However, it is unclear if all Council members are in agreement with this practice. The Clerk’s Office indicated that Council approval was not required for this policy.

7. The audit identified that, as at June 30, 2011, there were 1,065 unbudgeted FTEs, of which 684 were filled. No distinctions were made for seasonal or summer student positions in arriving at these totals. The cost of the filled unbudgeted positions is approximately $58.4 million.

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\(^3\) The approved 2010 budget included a total Salaries, Wages and Benefits budget of $1.26 billion (page xxi) and 14,759 total FTEs (page 1) which yields an average annual salary level of $85,400.
8. These unbudgeted positions are created by management outside of the annual budget process and are commonly referred to as “temporary”. As such, none of these positions has been approved by Council. Unbudgeted positions are funded using the budgets associated with unoccupied or vacant positions, as well as from capital budgets and external one-time funding from other levels of government.

9. Management is seeking flexibility in how their departments/branches meet their responsibilities and objectives by creating unbudgeted positions. However, this approach has the result that Council is unaware of the true level of staffing at the City as the staffing levels and compensation figures contained in budget submissions do not represent an accurate depiction of current operations.

**Recommendations and Management Responses**

**Overall Management Response**

Management acknowledges the benefits of this audit and has undertaken steps to enhance reporting with the objective of further augmenting transparency. To this end, commencing with the 2013 Budget process, temporary positions will be included in the annual FTE Analysis Report. The information is based on a point in time and captures the number of temporary FTEs by department and funding source. It should be noted that employee headcount continues to be reported in the FTE Analysis Report, which includes employees occupying temporary positions as well as budgeted positions. As such, Council would be aware of the level of staffing at the City.

**Recommendation 1**

That the City ensure all positions which have been vacant (as defined by Motion 82/27) for greater than 24 months be reported to Council as required by Motion 82/27.

**Management Response**

Management agrees with this recommendation.

Management has implemented a process to ensure that any positions, as defined by Motion 82/27, which have been vacant for greater than 24 months and continue to be required, are reported to Council. Staff will report back to Council on a quarterly basis with updates on positions vacant greater than 24 months.

As of June 30, 2012, only two FTEs fall under the category of having been vacant for greater than 24 months, both of which Council has approved. These positions were reported to, and received by, the Environment Committee (January 31, 2012) and City Council (February 22, 2012) via report ACS2012-ICS-ESD-0002.
 Accordingly, there are no further potential savings associated with these positions.

**Recommendation 2**
That any seasonal/summer or other part-time positions which are vacant for greater than 24 months be reported to Council.

**Management Response**
Management disagrees with this recommendation.

Management is of the opinion that the restrictions imposed by Motion 82/27 must be taken into consideration when reporting on vacant positions. The exclusion of seasonal/summer students or other part-time positions within the organization was intended to recognize the reality of ongoing daily operations. A number of seasonal positions, due to their nature, are often vacant for extended periods of time.

Furthermore, management believes the definition of “vacant” for these types of positions needs to recognize that a position may not have a holder and thus will appear to be vacant but may have hours charged against it.

Operational managers must retain the delegated authority to manage their compensation envelope and maintain the flexibility to utilize seasonal and other part-time positions in order to deliver approved programs. Taking away this flexibility may result in service interruptions and/or reductions while having to go through an approval process that will be time-consuming for Council and staff. The City’s Organizational Unit and Position Management Delegated Authority Policy provide the necessary delegated authority to allow managers to run their operation and respond to changing needs within their budget envelope.

Options and strategies for positions that are vacant for extended periods of time are reviewed by the departments on a regular basis in order to meet service delivery requirements. The City will ensure that seasonal and summer student positions are included in management’s quarterly vacancy review.

**Recommendation 3**
That Parks, Recreation and Cultural Services realign its job and position numbers and the associated budgets to appropriately reflect operational activities.

**Management Response**
Management agrees with this recommendation.

Parks, Recreation and Cultural Services (PRCS), to the extent possible, maintains its job, position numbers and associated budgets aligned to appropriately reflect
operational activities. An established relationship exists between budget, compensation payment, employee management and program planning.

PRCS currently budgets for part-time compensation based on planned program participation levels. Adjustments are made as required, however, the services, activities, programs and events are not static. Therefore, management has the delegated authority to manage within funding envelopes and is not restricted on a position by position basis. This flexibility and authority is required to allow the department to be responsive to client needs. Programming adjustments are made on a continual basis to ensure that programs and services respond to the public’s demand in a timely manner and that facilities are programmed to optimize their use in a cost efficient and effective way.

No further action is required.

**Recommendation 4**

**That the City seek Council approval for any unbudgeted temporary position that has been in place for greater than 24 months.**

**Management Response**

Management disagrees with this recommendation.

Unbudgeted temporary positions are funded from a variety of sources, such as federal programs, provincial programs, capital projects, revenue and gapping. It is necessary for operational managers to retain the delegated authority to maintain the flexibility to create temporary unbudgeted positions as required to respond to emergency situations, conduct special projects and manage peak workload periods. These positions are only active as long as the appropriate funding source is available to fund the temporary position.

Council is aware of programs/projects that are funded through provincial or federal governments, capital and revenue through the City’s budgeting and reporting processes.

To provide further transparency, commencing with the 2013 Budget process, the City will also report the number of all temporary FTEs regardless of their duration, including the funding source of all filled temporary positions. This will be provided in the annual FTE Analysis Report, which is a supplemental document to the Draft Operating Budget.

**Recommendation 5**

**That all positions, regardless of type, that have remained unoccupied for greater than 24 months be considered vacant and reported to Council.**
**Management Response**
Management agrees with this recommendation.

As indicated in the management response to Recommendation 1, staff will report back to Council on a quarterly basis with updates on positions vacant greater than 24 months.

The 123 FTEs identified as being either vacant or unoccupied for greater than 24 months are outside of the scope of the Council-approved motion or, in other cases, are waiting for their substantive owner to return. As a result, the $10.5 million identified in the audit report should not be considered as a potential savings.

**Recommendation 6**
That the City seek confirmation from Council that it is in agreement with management’s authority to create unbudgeted positions under the terms of the Organizational Unit and Position Management Delegated Authority Policy or whether doing so creates a position outside existing corporate compensation budget and/or total FTE count and as such requires Council approval under the Policy.

**Management Response**
Management agrees with this recommendation.

As outlined in Recommendation 4, unbudgeted temporary positions are funded from a variety of sources, such as federal programs, provincial programs, capital projects, revenue and gapping. The City works within its Council approved budget envelope to fund these positions. It is necessary for operational managers to retain the delegated authority to maintain the flexibility to create temporary unbudgeted positions as required to respond to emergency situations, conduct special projects and manage peak workload periods. These positions are only active as long as the appropriate funding source is available to fund the temporary position, and are assigned expiration dates.

Commencing with the 2013 Budget process, the City will also report temporary FTEs in the annual FTE Analysis Report which is a supplemental document to the Draft Operating Budget.

**Recommendation 7**
That the City review the practice of applying the vacancy allowance provision to front line positions where staffing is mandatory.
Management Response

Management agrees with this recommendation.

This practice has already been addressed by calculating the 3% vacancy provision at a portfolio level. The Deputy City Managers have authority to realign their portfolio vacancy allocation to individual departments or branches to meet financial and operational requirements. No further action is required.

Potential Savings

In our view, savings will result from the elimination of long term vacant FTE positions. As presented in Table 1, and using the definition of a true vacancy as described in Motion 82/27, 24 positions, equivalent to 21 FTEs vacant greater than 24 months, were identified. Under the provisions of the Motion, these positions could be deleted and the funding for them removed from departmental budgets. Based on an average annual salary (including benefits) of $85,400\(^4\), this represents a potential savings of $1.8 million.

However, the audit identified 123 FTEs that have been either vacant or unoccupied for greater than 24 months. The cost of these positions is approximately $10.5 million. However, this should not be considered a potential savings as many of these positions are currently funding other positions which may be required for legitimate operational needs.

As compensation is the single largest piece of the City’s operating budget, greater control over budgeting for FTE positions and rationalizing unbudgeted positions is required.

Conclusion

Under the terms of Motion 82/27 and using its definition of a “true” vacancy, the audit identified 24 positions, equivalent to 21 FTEs that have been vacant for greater than 24 months as of June 30, 2011. At the time of this audit, these positions had not yet been declared as surplus to the Corporation’s needs so that the budget allocation and FTE(s) associated with the position could be removed from the corresponding departmental budget. Nor had these positions been brought before the appropriate Standing Committee for their consideration; of any substantive reason that the positions remain open. As such, at the time of the audit, management had not yet complied with Council’s direction.

The definition of a “true” vacancy ignores unoccupied positions; those positions which are not filled but are the substantive position of an existing employee currently placed elsewhere. Unoccupied positions are never considered vacant regardless of the length of time they have not been filled. The audit identified 239

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\(^4\) The approved 2010 budget included a total Salaries, Wages and Benefits budget of $1.26 billion (page xxi) and 14,759 total FTEs (page 1) which yields an average annual salary level of $85,400.
positions that have been vacant and unoccupied for greater than 24 months, equivalent to 123 FTEs. Any position that has remained unoccupied for greater than 24 months should be considered vacant and reported to Council.

In seeking flexibility in how their departments/branches meet their responsibilities and objectives, management has adopted the practice of using the budgets associated with long-term vacant and unoccupied positions (under the provisions of the Organizational Unit and Position Management Delegated Authority Policy) to create and fund unbudgeted FTE positions. This has the effect of creating positions that have not been approved by Council. Council is therefore unaware of the true level of staffing at the City as the staffing levels contained in budget submissions do not represent the actual amount of FTEs. The audit identified 684 unbudgeted FTEs representing approximately $58.4 million. In our opinion, Council approval should be obtained for any unbudgeted temporary position that has been in place for greater than 24 months.

Finally, it can be interpreted that the creation of unbudgeted positions complies with the Organizational Unit and Position Management Delegated Authority Policy. Since the effect of this Policy is to allow the creation of unbudgeted and unapproved positions, it should be confirmed that Council is in agreement with this practice or whether doing so has the effect of creating a position outside existing corporate compensation budget and/or total FTE count and as such requires Council approval under the Policy.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.4 Audit of the Corporate Communications Function

EXECUTIVE SUMMARY

Introduction
The Audit of Corporate Communications (CC) was included in the 2011 Audit Plan of the Office of the Auditor General, approved by Council on April 13, 2011.

Background
The focus of this audit is the Corporate Communications function of the City of Ottawa which operates under the direction of the Chief, Corporate Communications. This function has existed in its current form since December 2009, when it was realigned to focus on excellence in strategic and tactical communications, issues management and improving the City’s electronic presence on various platforms.

As per the 2012 Budget documentation, the overall mandate of the Corporate Communications Department is “To ensure communications efforts are aligned with the City’s priorities and plans while providing strategic communications advice and support to the programs, services and initiatives of the corporation”.

The scope of the audit focused primarily on the Corporate Communications function in place during 2010, which encompasses an organization of approximately 51 full time equivalents (FTEs), organized as follows:

<table>
<thead>
<tr>
<th>Organization Unit</th>
<th>Focus</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief’s Office – Management and Coordination</td>
<td>• Function leadership and management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>• Communications strategic support and coordination</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Advertising support coordination</td>
<td></td>
</tr>
<tr>
<td>Chief’s Office - Issues Management and Advanced Legislative Agenda Support</td>
<td>• Communications strategy and plan development</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>• Strategic advice related to the Advanced Legislative Agenda</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Issues management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Crisis communications support</td>
<td></td>
</tr>
<tr>
<td>Client Relations</td>
<td>• Support of the City and City departments and program areas in:</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>○ External communication strategy development and execution;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>○ Internal communication strategy development and execution;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>○ Visual identity management; and,</td>
<td></td>
</tr>
</tbody>
</table>
In addition to these resources, various City departments also have a number of FTEs reporting internally that have communications-related duties. During the audit, Management identified an additional 11 FTEs that are 100% dedicated to communications and another 9 which have 5-90% of their duties related to communications (Appendix A, of the full report, lists each of these FTEs and their location).

Presented below are the budgeted and actual expenditures for Corporate Communications for 2009-2011:

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation (000’s)</th>
<th>Operating (000’s)</th>
<th>Allocations1 (000’s)</th>
<th>Total (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 Actual</td>
<td>$3,967</td>
<td>626</td>
<td>(697)</td>
<td>$3,896</td>
</tr>
<tr>
<td>2009 Budget</td>
<td>$4,046</td>
<td>592</td>
<td>(684)</td>
<td>$3,954</td>
</tr>
<tr>
<td>2010 Actual</td>
<td>$3,868</td>
<td>391</td>
<td>(416)</td>
<td>$3,843</td>
</tr>
<tr>
<td>2010 Budget</td>
<td>$3,890</td>
<td>328</td>
<td>(978)</td>
<td>$3,240</td>
</tr>
<tr>
<td>2011 Budget</td>
<td>$4,112</td>
<td>356</td>
<td>(63)</td>
<td>$4,405</td>
</tr>
</tbody>
</table>

**Audit Objectives and Scope**

As per the Audit Plan, the objectives of the audit were to:

1. Determine if the Corporate Communications function has appropriate management practices in place to ensure alignment between functional priorities and activities and the City’s plans and strategic directions, and ensure compliance with applicable laws, legislation, regulations, and internal policies and procedures;

2. Assess the appropriateness of the Corporate Communications financial management framework; and,

3. Examine management practices, controls, and monitoring and reporting systems across the Corporate Communications function to assess the economy, efficiency and effectiveness of current operations.

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1 Allocations include any chargebacks as well as other requirements such as efficiency targets.
The scope of the audit included an examination of the extent to which the Corporate Communications function of the City of Ottawa is aligned to the strategic direction and plans of the City and complies with applicable internal and external requirements (e.g., legislation, regulations, policies and procedures). The audit also included an assessment of the management framework (including financial management) and operations of the Corporate Communications function in delivering communication services to its various stakeholders. The audit focused on Corporate Communications function activities undertaken and expenditures incurred during the 2010 and 2011 fiscal years.

**Summary of Key Findings**

**Corporate Communications Mandate and Strategic Direction**

The Audit identifies the need that Corporate Communications clearly articulate both its mandate in delivering services to the City, and the authority of the Chief and Corporate Communications vis-à-vis its clients (e.g., departments, Council, etc.).

The result of this lack of clarity and definition of authority has meant that stakeholders are less aware and may have less confidence in the capacity of CC to advise on, develop and manage effective public and internal communication strategies and initiatives to meet their program needs and objectives. Largely because of this lack of confidence and satisfaction with CC services, many departments/programs and Councillors have put in place their own communications resources to undertake communications activities outside the purview of Corporate Communications. During the audit, Management identified 11 such FTEs that are 100% dedicated to communications activities and another 9 which have 5-90% of their duties related to communications (Appendix A, of the full report, lists each of these FTEs and their location).

While it is common practice within most large municipalities to have some level of internal communications resources, in our opinion, the Corporate Communications function should have the necessary authority to coordinate efforts in order to ensure consistency and avoid duplication and working at cross-purposes. Without this, the development and provision of coherent, effective and economical communications to support City strategic and operational goals is compromised.

CC management is in the process of developing a Strategic Communications Framework and Communications Policy for the City of Ottawa that defines the City’s overall policy on internal and external communications and identifies accountability and responsibility for its various elements. This is similar to communications policies identified in existence at other levels of government (e.g., Canada and Alberta).
Corporate Communications Governance

Frequent reorganizations and changes in the position of Chief, Corporate Communications (four times in 2011 alone) have meant a lack of consistent direction both strategically for the City and functionally within CC itself. At amalgamation in 2001, communications resources for the City were centralized in a single Corporate Communications unit on the basis that consolidation of communications resources would be a more productive model.

The audit found that there is an uneven approach to how communications services are provided to individual clients. Furthermore, we found that there are a number of areas where the client service role of Corporate Communications has either not been clearly articulated or understood by clients. These areas include:

- Corporate Communications support of City Councillors;
- The role of Client Relations project managers; and,
- The role of Corporate Communications strategists.

This lack of clarity in roles is further evidenced by client department observations expressing confusion as to whether Corporate Communications is a strategic advisor or an administrative support function. In an effort to clarify the roles and responsibilities of the Corporate Communications Department in serving its varied client base, the Department has recently commenced development of a Strategic Framework and supporting business model, in order to articulate and differentiate each of the roles and responsibilities of the key functions of Corporate Communications. This document also includes a revised mandate to emphasize and articulate the strategic advisory role of Corporate Communications in serving its clients.

Operational Planning and Monitoring Processes

In serving its broad and diverse client base, including the Mayor, Councillors, Committees, City departments and programs, the Corporate Communications Department is engaged in responding to high volumes of service requests, both planned and unplanned, across its functional business lines. We noted that Corporate Communications does not yet employ consistent operational planning and monitoring processes in serving its clients.

We also noted that Corporate Communications lacks a prioritization framework to support and communicate resource allocation decisions.

In the absence of a consistent and disciplined approach to planning, organizing and monitoring work activities and workloads, it is difficult to assess whether Corporate Communications and client Departments are meeting objectives established for communication activities (e.g., results expectations, resource estimates, etc.).
The City of Ottawa is subject to a number of laws, by-laws, regulations and internal policies and priorities which departments/programs, including Corporate Communications must respect. Based on our audit, we found that there is no guidance in the City of Ottawa on how these requirements are to be integrated into communications planning and implementation. We also note that the Chief, Corporate Communications has no stated authority to monitor compliance to these requirements among clients (e.g., departments and programs).

**Financial Management Considerations**

The Corporate Communications budgeting process is focused on expenditures incurred within the Department (e.g., compensation costs for Corporate Communications staff) as Corporate Communications is not responsible for budgeting or monitoring communications expenditures incurred within client organizations (e.g., departments). The exception to this statement is advertising expenditures incurred by Corporate Communications clients. These costs are monitored by Corporate Communications.

Corporate Communications’ knowledge of the costs of client communication activities would provide Corporate Communications with greater insight into planned client communication approaches. As confirmed with Corporate Communications representatives, access to this information would enable Corporate Communications to undertake more informed critical analysis in their provision of advice (i.e., is there a more cost effective approach that can be taken to achieving communication program objectives?).

Corporate Communications currently employs a chargeback system to recover a portion of costs for only two of its many service lines: advertising purchases and media monitoring services. This chargeback mechanism was implemented as a budgetary means of partially recovering associated service delivery costs. The chargeback system, however, has not been appropriately rationalized, nor documented, as part of any comprehensive approach or policy to establish which Corporate Communications services should be cost recovered.

**Source Separated Organics Communications Strategy**

The issues identified with the Source Separated Organics Communications Strategy can be summarized as follows:

- the target audience(s) were not properly identified;
- the most effective methods for reaching this target audience(s) were not adequately assessed and pursued;
- the strategic messaging to these target audience(s) was not developed; and,
- the communications initiatives utilized were never evaluated to determine which were effective and which were not to guide future efforts.
The Corporate Communications group was essentially not involved in the Source Separated Organics initiative. In our view, this experience demonstrates the implications of the broader issues raised in this audit of the need to clearly identify the mandate, role and authority of CC in the future.

**Recommendations and Management Responses**

**Recommendation 1**
That the City clearly define the intended overall mandate and role of the Corporate Communications function versus communications responsibilities of each department.

**Management Response**
Management agrees with the recommendation.

In the summer of 2011, the newly hired Chief of Corporate Communications began efforts to clearly define the mandate and role of Corporate Communications. Through consultation and guidance from Council, Executive Committee and Senior Management Committee, two key documents were drafted: ‘Delivering Corporate Communications at the City of Ottawa: A Strategic Framework’ and a Communications Policy for the City of Ottawa. These documents have laid the groundwork to manage communications in a systematic and organized manner.

The draft Communications Policy and Strategic Communications Framework documents were distributed to senior management and their teams in Q1 2012. Both documents will be finalized and redistributed to senior management by Q2 2012.

**Recommendation 2**
That Corporate Communications conduct active consultations with Council and senior managers in the City, to ensure the Strategic Communications Framework and the Communications Policy currently under development meet their needs.

**Management Response**
Management agrees with the recommendation.

Senior Management Committee and Executive Committee were extensively consulted on the Strategic Communications Framework and Communications Policy in Q1 and Q2 2012, respectively. Both documents will be finalized and redistributed to senior management by the end of Q2 2012. These documents will also form part of the Corporate Communications briefing material, which is made available for internal consultation and is updated as required. To ensure that Council is informed as to the content of the framework and policy,
Corporate Communications will distribute the documents to members of Council.

**Recommendation 3**
That once the Strategic Communications Framework and the Communications Policy have been promulgated, these documents should be part of regular orientation for all managers, including new hires.

**Management Response**
Management agrees with the recommendation.

Corporate Communications will conduct orientation sessions with managers by Q3 2012 and will ensure that Corporate Communications staff is available to brief managers as required. Corporate Communications will work with Human Resources to ensure that these documents are included in the corporate orientation program for new management hires by Q4 2012.

**Recommendation 4**
That as part of Strategic Framework development, Corporate Communications clearly articulate the governance model, including roles and responsibilities, and the communications support delivery structure (including level and type of required resources) for serving its varied client base, and to meet the City’s overall communication requirements.

**Management Response**
Management agrees with the recommendation.

The Strategic Framework articulates governance within the department, roles and responsibilities for each resource as well as workflows and functional organizational charts. This document will be finalized and distributed to Senior Management by Q2 2012.

**Recommendation 5**
That, upon clarification of the Corporate Communications governance model, Corporate Communications update its functional job descriptions and communicate this information to affected staff.

**Management Response**
Management agrees with the recommendation.

All Corporate Communications job descriptions will be updated to reflect the roles and responsibilities outlined in the approved Strategic Framework and will be communicated to affected staff by Q4 2012.
**Recommendation 6**
That Corporate Communications develop and implement a common set of tools to support consistent and reliable prioritization and planning of Corporate Communications workflows.

**Management Response**
Management agrees with the recommendation.

Corporate Communications is developing a Program Support Integration Model and an intake process to support the annual planning process, which will focus on aligning communication activities with priorities and capacity by Q3 2012.

**Recommendation 7**
That Corporate Communications develop a performance measurement framework that incorporates qualitative and quantitative performance indicators to measure if desired results are achieved and defined objectives met.

**Management Response**
Management agrees with the recommendation.

A performance management framework, aligned to the Corporate Planning Framework will be developed by Q4 2012. The framework will feature an ability to measure the effectiveness of the communications business lines and report results to the appropriate department or committee. The indicators will be aligned to corporate priorities and will enable risk areas to be identified and mitigated.

**Recommendation 8**
That the various stakeholder feedback monitoring mechanisms be centrally coordinated to avoid overlaps and duplication.

**Management Response**
Management agrees with the recommendation.

Corporate Communications will prepare an annual consultation plan to reflect the major stakeholder feedback activities in conjunction with the annual planning process. This will be used to reduce duplication and integrate initiatives to the extent possible and will be made available to Executive Committee by Q1 2013.

**Recommendation 9**
That, as part of the development of the City’s Communications Policy, the roles and responsibilities of Corporate Communications and City managers in regard to implementation and compliance be clearly defined.
Management Response
Management agrees with the recommendation.

The Communications Policy outlines that all City staff are responsible for adhering to the parameters of the policy and for ensuring all communications efforts of the City of Ottawa conform to its requirements. It also articulates the monitoring responsibility and the results of contravention. The recommendation will be considered implemented with the approval of the Communications Policy in 2012.

Recommendation 10
That the City review and monitor its use of various designs for communications vehicles to ensure the Visual Identity Guidelines are followed wherever possible.

Management Response
Management agrees with the recommendation.

Corporate Communications will update the Visual Identity Guidelines and will communicate them to key stakeholders by Q4 2012. Corporate Communications will also review communications products to ensure that the Visual Identity Program standards and other policy requirements are followed as part of the monitoring of the Communications Policy. Ongoing monitoring of the policy will begin in Q4 2012.

Recommendation 11
That, as part of the development of the City’s Communications Policy, Corporate Communications include guidelines on the use of social media.

Management Response
Management agrees with the recommendation.

The official use of social media will be governed under the Communications Policy to be finalized in Q2 2012. Supporting guidelines will be created for the official use of social media (Twitter) by Q3 2012.

Recommendation 12
That the City implement a communications budget development process that is closely aligned to, and informed by its operational resource planning process, including all communications resources reporting within departments.
Management Response

Management agrees with the recommendation.

As part of the current Service Level Agreement process, departments forecast their annual workplans in advance of the development of the budget. As indicated in the management response for Recommendation 6, Corporate Communications will be implementing a Program Support Integration Model in Q3 2012, to strengthen this process and align communications activities with priorities identified during the annual planning process.

Recommendation 13

That, as part of enhanced strategic and operational planning processes employed with clients, Corporate Communications request access to and be provided with departmental communication budgets and expenditure information.

Management Response

Management agrees with the recommendation.

Corporate Communications will work with the Finance department to obtain departmental communication budgets and expenditure information for the 2013 fiscal year to inform strategic and operational planning, by Q1 2013.

Recommendation 14

That Corporate Communications evaluate its two existing cost recovery mechanisms in order to ensure their continued relevance and value within the Strategic Framework currently under development.

Management Response

Management agrees with the recommendation.

The two cost recovery mechanisms were examined in Q1 2012, and as a result, the advertising surcharge was eliminated. The media monitoring cost recovery will be further examined upon renewal of the service in Q1 2013.

Recommendation 15

That City communications plans/strategies, especially those aimed at changing public behaviour, be based on a thorough analysis of the environment within which the communications initiative will be launched.

Management Response

Management agrees with the recommendation.

The requirement to incorporate an analysis of the environment into communications efforts is included in the Communications Policy. The policy will be finalized and distributed in Q2 2012.
Supporting Environmental Analysis Guidelines will be developed to reflect the need for public opinion research and media monitoring to be tracked throughout the implementation of a communications plan and readjustments to be made if required. This guideline will be complete by Q4 2012. The Communications Planning Template will also be updated to incorporate the requirement by Q4 2012. This will include a scan of past and ongoing media coverage around an issue.

**Recommendation 16**
That City communications plans have no more than three objectives, all of which “should be as precise and measurable as possible in order to ensure measurement and increase mutual accountability” (as described in the City’s Communications Planning Template).

**Management Response**
Management agrees with the recommendation.

The Communications Planning Template will be updated to reflect the requirement for no more than three objectives in communications plans. The updated template will be made available on the City’s Intranet by Q4 2012.

**Recommendation 17**
That, when all citizens are affected by a City initiative, the City break out target audiences which might need tailored communications attention (e.g., new Canadians, rural residents, seniors, women, etc.).

**Management Response**
Management agrees with the recommendation.

The requirement to identify and delineate strategies, tools and messages for communicating with target audiences is included in the new Communications Policy. The policy will be finalized and distributed in Q2 2012.

**Recommendation 18**
That all financial and human resources be identified to carry out benchmarking and performance measurement activities included in any communications plan.

**Management Response**
Management agrees with the recommendation.

The requirement to set out operational needs and resource allocations, and the requirement to measure the effectiveness of communications programs and campaigns is included in the new Communications Policy. The policy will be finalized and distributed in Q2 2012.
The Communications Planning Template will also be updated to reflect the requirement by Q4 2012.

**Recommendation 19**
That core messages be simple and consistent for all target audiences; that they should be tested before being made public and that adjustments to address the interests of particular audiences be added as needed.

**Management Response**
Management agrees with the recommendation.

The Communications Planning Template will be updated by Q4 2012 to reflect the requirement for core messages to be simple and consistent and will include detailed criteria for testing messages.

The Environmental Analysis Guideline will be created by Q4 2012, which will reflect the need for public opinion research to be tracked throughout the implementation of a communications plan.

**Recommendation 20**
That the human and financial resources be identified for any online tactics before the plan is approved.

**Management Response**
Management agrees with the recommendation.

The requirement to set out operational needs and resource allocations is included in the new Communications Policy. The policy will be finalized and distributed in Q2 2012.

The Social Media Guidelines also address the requirement for identifying human and financial resources as part of any social media/web 2.0 initiative. The Social Media Guidelines will be complete by Q3 2012.

As part of the annual planning process, resource identification will be a cornerstone. Service level agreements will be created with departments based on the identified resource requirements of planned projects.

**Recommendation 21**
That a sound media analysis be developed for incorporation into communications plans and updated on a continuing basis so that messaging and media strategies can be adjusted as needed.

**Management Response**
Management agrees with the recommendation.
The requirement for environmental analysis including media monitoring is included in the new Communications Policy. The policy will be finalized and distributed in Q2 2012.

An RFP will be issued in Q4 2012 to select a media monitoring firm to provide monitoring and analysis. The features for the new media monitoring service will be subject to financial availability of funds requested as part of 2013 budget and are dependent on approval.

**Recommendation 22**

That, in the case of a major communications plan, advertising be focus group tested before launch and evaluated periodically to ensure it continues to meet operational goals.

**Management Response**

Management agrees with the recommendation.

Guidelines to support the effective roll-out of communications plans, including how to create, implement and measure their effectiveness in accordance with leading practices, including focus group testing and other research methods, will be created by Q1 2013.

**Potential Savings**

At the time of the audit, Corporate Communications had 51 FTEs and a total budget of $4.4 million. In addition, management identified another 11 FTEs within various departments whose duties are 100% dedicated to communications and another 9 whose duties are 5-90% communications related. The prorated salary cost of these FTEs is $1.05 million. Management has indicated that the 11 FTEs do not duplicate the efforts or overlap the services of Corporate Communications. These FTEs are responsible for activities that are outside of Corporate Communications’ mandate. Examples of activities include creating internal departmental communications and liaising with departmental content experts in the preliminary development of communication products.

Until the City clarifies the overall mandate, role and responsibilities for CC, it is difficult to determine the true level of resources required to deliver communications support and services. However, based on the level of communications resources scattered throughout the City, it is reasonable to assume that there is the potential for savings in streamlining the current structure.

**Conclusion**

Since amalgamation in 2001, the City’s Corporate Communications function has undergone numerous changes in leadership, structure and mandate. As a result, management and Council have developed a lack of confidence and satisfaction with the services provided. The Corporate Communications Department is currently in
a state of transition as its new leadership is in the process of developing a Strategic Framework and Communications Policy. Significant management attention and effort remain to ensure that this strategic foundation is completed in a timely manner, communicated broadly and endorsed by City managers and other impacted stakeholders.

In addition to the strategic perspective, management attention and project resources will be required to ensure the development and consistent implementation of enhanced management processes and tools (e.g., enhanced performance measurement framework, operational workplans linked to resource allocations linked to financial budgets, etc.) to ensure effective and efficient planning, deployment and monitoring of Corporate Communications resources.

Currently, the City has a number of communications resources that report internally within various departments. This is common practice within most large municipalities. However, in our opinion, the Corporate Communications function should have the necessary authority to coordinate efforts in order to ensure consistency and avoid duplication and working at cross-purposes.

It is important to note that during the course of the audit, CC management was in the process of developing a Strategic Communications Framework and Communications Policy for the City of Ottawa that defines the City’s overall policy on internal and external communications and identifies accountability and responsibility for its various elements. This is similar to the communications policies that exist at other levels of government (e.g., Canada and Alberta). We are supportive of this initiative and understand that by the time this report is presented to Council the Framework and Policy will be in place. As such, progress toward addressing many of the issues raised in the audit should be well underway by that time.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.5 Audit of Procurement Practices - General

EXECUTIVE SUMMARY

Introduction
The Audit of Procurement Practices - General was included as part of the Auditor General’s 2011 Audit Plan approved by Council on April 13, 2011.

Background
The Audit of Procurement Practices - General deals with the review of specific procurement areas of interest at the City of Ottawa. They are:

- Strategic procurement practices with sub-categories of co-operative purchasing programs;
- Snow haulage;
- Vehicle standards;
- IT notebooks and desktops; and,
- Strategic purchasing and sustainable purchasing practices.

The City is desirous of continually improving its procurement methods and practices with a view to improving service and reducing costs where possible.

Audit Scope and Objectives
As per the Audit Plan, it was identified that the focus of the audit will be on the areas of highest risks and where the most value can be gained.

The scope of the audit encompasses the sub-sets of the strategic procurement activities, namely:

- Co-operative purchasing programs;
- Snow removal haulage;
- Fleet vehicle standards;
- IT hardware procurement;
- Strategic purchasing; and,
- Sustainable purchasing practices.

The audit included a review of the governance, the risk management and the control processes in place for the strategic planning, prioritizing and management of the development of new procurement documents, processes and practices. Particular attention was given to the controls surrounding the elements of contracting under review, established to oversee the definition of the requirements, and the procurement planning strategy as well as the oversight surrounding the
identification, tracking, monitoring, and reporting on the associated cost savings (value-for-money) of the strategic procurement initiatives.

Summary of Key Findings

Co-operative Purchasing

Co-operative purchasing is not the initiative it once was prior to the City’s amalgamation in 2001 as the larger players were consolidated in the City. Since then, Purchasing has not been pursuing co-operative procurement actively. Previously there were approximately 35 to 40 items bought co-operatively but now the list is down to about to six. The City does however take advantage of several other federal, provincial and police related procurement instruments.

There may be an opportunity to achieve some savings through participation in co-operative procurement with other local members of the Broader Public Service (BPS). Marginal investments in this area may help reduce costs and contribute to the City’s long term sustainability agenda. While there may be some limited additional work for Supply Branch initially, this could be offset by having BPS partners accept a greater role in the co-operative purchasing initiatives.

Snow Removal Haulage: Dump Trucks

Historically, the City has entered into annual negotiated price agreements achieved through an established process with the Greater Ottawa Truckers Association (GOTA) for snow removal and miscellaneous haulage. However, the true market rates have never been competitively established and the City is not benefiting from market forces.

Discussion with another large municipality with similar snowfall indicated that the average price of the bids received for 20 and 25m³ trucks was $72.82 per hour for the 2011/12 season. In comparison, the City of Ottawa has a negotiated price of $87.90 per hour for the same category of trucks.

The City has an opportunity to achieve significant savings, in the range of 17% or $680,000, in hourly rates for snow removal and other haulage requirements against its annual $4,000,000 estimated budget.

Vehicle Standards

The City’s Fleet Management Transformation Project which began in September 2010 with the objective to “Save approximately $3.94 million per year across the three fleet functions…..”. “Potential benefits include a 3% reduction in parts costs, savings associated with inventory carry costs, along with 30% reduction in stores labour.” Management has confirmed that they are on track to achieve the above-noted stores / inventory labour related savings. We have not audited the overall progress to achieve these savings but may do so as part of our 2013 audit work plan.
One of the initiatives aimed at reducing the cost of the fleet was the single Light Vehicle Tender procurement process. The evaluation considered anticipated residual values to assess the total cost of ownership. The rationale for acquiring a higher level vehicle was that the expected proceeds of the disposal exceeded the initial price differential in comparison to the entry level vehicles.

Our analysis of the Manufacturer’s Suggested Retail Price (MSRP), and resultant residual “Black Book” values for entry level and mid-level vehicles, similarly equipped, did not identify any savings. This means that there are potential savings available in the range of $4,000 per vehicle (pick-up truck) at the time of purchase and there are approximately 40 such vehicles acquired annually, representing annual savings of $160,000. These savings could be augmented by minimizing the option packages to include only necessary items.

**IT – Notebooks and Desktops**

The City currently has a complex computing environment with over 100 lines of business, 340 physical locations, 700 applications to run and approximately 12,000 computers to support in a large number of sites. Approximately 1,750 units are replaced in a typical year.

The City has established, through a competitive process of their own, a Standing Offer Agreement for their desktop and laptop computers. Published pricing from PWGSC and Carleton University is comparable to costs paid by the City. Big Box Store prices with comparable features and warranty are higher than the prices offered to the City.

The City’s competitive processes for the acquisition of laptops and desktops was conducted with due regard to operational requirements and cost avoidance. Prices are consistent with other major public sector entities.

For telecommunications services contracts, independent consultants with specialized knowledge of the telecom industry and tariff regulations imposed by the CRTC are utilized to verify that contractual prices reflect current market rates. At the time the audit was substantially completed, there was no similar practice implemented to verify the currency of prices paid for laptops and/or desktops.

**Strategic Purchasing (Clothing and Uniforms)**

The City of Ottawa’s Supply Branch has created the Strategic Sourcing Group within the Branch to analyse current supply chain operations. Corporate Uniform Stores (CUS) operation was selected for a review of its operations, policies and procedures.

Supply Branch initiating the Corporate Uniform Stores Project is a good first step in the review of opportunities to identify possible savings. At this time Supply Branch has not quantified savings but has stated that two full time staff will be eliminated. The project was approved for implementation in the Fall of 2011.
The Strategic Sourcing Group has started work on its next initiative: “E-procurement”. This will result in enhanced electronic document creation, maintenance and storage, work flow, on-line bidding, e-approvals, enhanced reporting and spend analysis, and supplier performance measurement. There may be efficiencies from this project which could result in a reduction of permanent FTEs in Supply Branch.

**Sustainable Purchasing**

The City’s long term planning considerations include the importance of Sustainability. Until as recently as February 2012, the City had a Department of Community Sustainability to help realize Ottawa’s potential as a model, sustainable, capital city by providing leadership, expertise and support for integrated long-term planning and decision-making across the four dimensions of sustainability: Economic, Cultural, Social and Environmental.

In our opinion, participation in the Canadian Municipal Collaboration for Sustainable Purchasing initiative is a logical step that dovetails with the overall corporate approach to sustainability. An independent firm has assessed progress against targets set by the Canadian Municipal Collaboration for Sustainable Purchasing and indicated that overall the City is progressing well in implementing the 10 best practice program elements.

**Recommendations and Management Responses**

**Recommendation 1**

That the City enter into communication with the “Broader Public Service”, and specifically the Ottawa Community Housing Corporation, in the Capital area to determine what opportunities are available for additional co-operative purchasing and associated potential savings.

**Management Response**

Management agrees with this recommendation.

Supply Branch communicates regularly with other Canadian municipalities, universities, colleges, school boards, hospitals, the Provincial government and the Federal government.

In addition, on June 22, 2012, a six-month pilot project Memorandum of Understanding was executed between the City and Ottawa Community Housing Corporation (OCH) under which Supply Branch will assist OCH plan, organize and initiate procurements for the acquisition of goods, services and construction on behalf of OCH.

This recommendation has been fully implemented. No further action is required.
**Recommendation 2**
That Supply Branch initiate a competitive tender process to establish a list of suppliers to provide snow removal and general haulage services.

**Management Response**
Management agrees with this recommendation.

The practice of direct negotiations with the Greater Ottawa Truckers Association (GOTA) was carried over from the former City of Ottawa, and has continued since amalgamation. The decision to continue with this practice was based on an assessment of more than just price alone, and included an assessment of supply chain risk, and the need to ensure that vehicles are available in sufficient numbers to remove snow in heavy snowfalls. A competitive procurement process for snow removal and general haulage will need to appropriately mitigate these risks.

Supply will initiate a competitive procurement process for snow removal and general haulage for the 2013-14 winter season. Management expects this recommendation to be fully implemented by end of Q3 2013.

**Recommendation 3**
That the City conduct a study on purchasing entry level vehicles with only the base work-related options.

**Management Response**
Management agrees with this recommendation.

Fleet Services lifecycle management principles and industry experience leads management to believe this issue merits closer scrutiny. As a result, Fleet will complete a review of standard client needs, such as air conditioning and towing capacity, versus standard trim packages to determine the feasibility of moving to base work-related options. This review will be complete by mid Q4 2012 and Fleet will report back to Committee and Council on the results and the implications for this recommendation.

**Recommendation 4**
That the City conduct a study on the trade in allowance when acquiring vehicles to determine the most economical vehicle.

**Management Response**
Management agrees with this recommendation.

Fleet Services lifecycle management principles and industry experience leads management to believe this issue merits closer scrutiny. As a result, Fleet will complete an analysis of auction results over the past year involving like City vehicles for both base and higher trim models, comparing the black book
forecasts against the actual value received at auction. This review will be complete by mid Q4 2012 and Fleet will report back to Committee and Council on the results and the implications for this recommendation.

**Recommendation 5**
That the Fleet Services Branch ensure that they realize and document all of the savings achieved through the Fleet Management Transformation Project.

**Management Response**
Management agrees with this recommendation.

Fleet Services will ensure the Fleet Transformation savings are realized and tracked within the Public Works Balanced Scorecard by Q2 2013.

**Recommendation 6**
That the City develop a means to review and revise prices for laptops and/or desktops during the contractual period as items approach end-of-life and value diminishes.

**Management Response**
Management agrees with this recommendation.

Current practice provides a means to review and revise prices for laptops and desktops during the contractual period of the standing offer. Meetings are held with the supplier before bulk purchases are made (2,000 to 3,000 units) in order to review and negotiate unit pricing as well as technical specifications. In support of these negotiations, Supply Branch consults other governmental published standing offer agreements (e.g., PWGSC) and the system’s OEM (original equipment manufacturer) published public sector price lists to ensure consistency with the standing offer rates. Following these negotiations, unit pricing is revised to reflect the current market rate, which ensures the best possible pricing for the City of Ottawa.

This recommendation has been fully implemented. No further action is required.

**Recommendation 7**
That Supply Branch seek approval for a more pro-active approach, and the functional authority to permit them to identify and dictate where it is beneficial to standardize clothing items and save money.

**Management Response**
Management agrees with this recommendation.

A Consolidated Clothing Committee was established in November 2011 to define the requirements of their respective stakeholder groups in the development of uniform and service level specifications. The Consolidated Clothing Committee
is led by Supply Branch and representation includes Fire Services, By-law and Regulatory Services, Ottawa Paramedic Services, Transit Services, Environmental Services, Parks, Building & Grounds Operations & Maintenance Branch, Fleet Services and Health and Safety.

In addition, as a result of a 2011 investigation into alternative uniform supply chain models, Supply Branch has initiated a Request for Proposal for an externally managed uniform solution; services to include the successful vendor identifying opportunities to standardize clothing items and cost savings.

The functional authority would retain control over the technical specifications, while Supply Branch/the successful vendor would pro-actively bring recommendations on design, fabric and standardization to the committee for consideration when savings opportunities are identified.

This recommendation has been fully implemented. No further action is required.

**Recommendation 8**

That Supply Branch develop a plan to continue to identify additional areas where inventory reductions and other savings can be gained and provide quarterly updates on progress against savings forecast.

**Management Response**

Management agrees with this recommendation.

Supply Branch pro-actively brings recommendations to client departments on opportunities to achieve inventory reductions and/or other savings; however, in accordance with Article 5, Responsibilities and Authorities of the Purchasing By-law, Directors/General Managers are responsible for achieving and reporting on the specific objectives and outcomes of the procurement project, including progress against savings forecast in their financial quarterly reports.

This recommendation has been fully implemented. No further action is required.

**Conclusion**

The City has several major initiatives underway to review operations for possible savings; Fleet Management and the Strategic Sourcing Group which will undoubtedly accrue savings over the long term. There are good practices related to IT procurement in place.

We believe that the City’s Fleet Management Transformation Project is a worthy idea with a well-documented process to monitor progress. One concern relates to the noted exception of the purchase of mid-level pick-ups and the use of the residual value in acquisition cost calculations. This would also assist the City in avoiding any perception issues of extravagant options in their fleet standards.
Additional savings will likely be gained through implementing a competitive process for the acquisition of haulage and snow removal requirements.

The City’s competitive process for the acquisition of laptops and desktops was conducted with due regard to operational requirements and prices are consistent with other major public sector entities.

The City’s participation in the Canadian Municipal Collaboration for Sustainable Purchasing initiative is a logical step that dovetails with the overall corporate approach to sustainability. The opportunities for the City to achieve some savings through participation with 14 other municipalities to share lessons learned and best practices is difficult to gauge but hard to deny. We believe the membership fee of $4,000, and limited staff time, are appropriate investments for contributing to the City’s long term sustainability agenda.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.6 Audit of Procurement Practices - Springhill Landfill Site
Contract (In-camera)

Pursuant to legal advice received from the City Clerk and Solicitor, the report is presented in-camera.
5.7 Audit of Procurement Practices - Hedging Activities

EXECUTIVE SUMMARY

Introduction
The Audit of Procurement Practices was included as part of the Auditor General’s 2011 Audit Plan approved by Council on April 13, 2011. During the course of the Audit of Procurement Practices, a member of Council requested we review hedging activities undertaken at the City of Ottawa. This section was severed from the Audit of Procurement Practices for presentation on its own for clarity.

Background
This Audit deals with the hedging activities directly linked with procurement activities undertaken by the City.

A hedge\(^1\) is defined as “making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.”

The City is actively involved in hedging activities for two commodities: diesel and natural gas.

Management has indicated that hedging the future price of diesel fuel is undertaken with the use of financial agreements (swaps). Long-term supply contracts are entered into for the supply of natural gas at fixed prices but there are no financial agreements entered into to fix prices. There are no financial hedges for the supply of natural gas.

The City has a Corporate Policy for Commodity Price Hedging: By-law 2008-426, which was enacted on November 26, 2008 by Council.

Ontario Regulation 653/05 provides the authority and regulations governing commodity hedging for municipalities. This is not a broad or detailed set of requirements. However, it does state that the treasurer of the municipality shall prepare and present to the municipal council once in that fiscal year, or more frequently if the council so desires, a detailed report on all of those agreements. It also calls for ongoing monitoring of hedging related agreements.

Management’s interpretation of the Regulation 653/05 is that it relates to the use of financial agreements (swaps, options, etc.) for the purpose of hedging the price of a commodity. Furthermore, management understands that the role of the Treasurer, as described in this Regulation, pertains to the use of financial agreements only.

\(^1\) Investopedia. Term is similarly defined in other sources.
Consistent with Management’s interpretation of Regulation 653/05, the City’s Corporate Policy for Commodity Price Hedging (By-law 2008-426) was developed to govern the use of financial agreements in the context of the use of financial instruments. The policy includes the following key definitions: Commodity Price Hedging Agreement is a financial instrument to fix the cost and/or manage the financial risk associated with the purchase of a commodity. Financial Agreement means a commodity price hedging agreement including swaps and call option contracts. In short, Management does not believe that the “forward looking” activities, with respect to natural gas contracts are financial hedging activities, and therefore, in their opinion, the Regulation does not apply. We believe, however, that the “forward looking” activities are in essence, and in intent, hedging activities as they have the objective to obtain both budget certainty and to minimize the adverse commodity’s market price fluctuation. In our opinion, the future contracts for natural gas are hedging activities.

**Audit Scope**

The scope of the audit encompassed hedging practices directly linked with procurement activities related to natural gas and diesel fuel undertaken by the City.

**Summary of Key Findings**

The primary objective for the commodity price hedging activity is to reduce the financial risk by providing price stability and protection against the effects of adverse market conditions.

**Diesel Fuel**

The diesel fuel purchased by the City is largely used by its public transportation fleet (such as OC Transpo buses) and its municipal fleet. The volume of diesel utilized by the City is approximately 48 to 50 million litres annually.

There is currently annual reporting to Council for diesel hedging activities. However, the City does not compare performance benchmarking against market rates in order to establish if the hedging efforts have resulted in lower prices. We reviewed the effectiveness of the hedge transactions entered into during 2009 and 2010 and observed that while 2009 resulted in an overall ineffective position of $267,000, the results of 2010 hedges were effective in the magnitude of approximately $5 million.

**Natural Gas**

The City participates in a cooperative purchasing arrangement with 17 participating entities: Ottawa Carleton Energy Purchasing Group (OCEPG). The objective of the OCEPG is to strategically procure natural gas on the open market to achieve savings for its members. OCEPG includes school boards but not hospitals. Natural gas expenditures, in 2011, were approximately $14.5 million for the cooperative as a
whole, of which the City accounts for approximately $4.4 million, or 30%, of the consumption.

The OCEPG has entered into several forward contracts at unit prices of 14.63 to 31.40 cents per m³. Over the next several years, the City’s committed portion is between $3.46 million in 2013 and $0.42 million in 2017. The current market rate, as of April 2012, is 8.2 cents per m³.

Management has indicated that while the City, through the OCEPG, has entered into long-term supply contracts of natural gas at fixed prices, there are no ‘financial agreements’ entered into to fix prices, and thus they are not considered, by definition, financial hedges for the supply of natural gas. It is our opinion that the purchase of natural gas to be delivered at a future date at a defined price meets the conceptual intent of hedging activities, and inherently provides forward buying activities which exposes the City to significant risks, and in this particular case, given the circumstances of the current market trends, has already cost the City approximately $2.1 million between June 2011 and May 2012.

Disclosure in Financial Statements

We found that the City’s Consolidated Financial Statement Notes for 2010 and 2011 did not contain a note to disclose the contractual obligations and commitments which the City had with respect to natural gas. It is our opinion that consideration, given the significance of the transactions, should be given to the Notes of the Financial Statements.

Recommendations and Management Responses

Recommendation 1

That the City evaluate whether the hedging, or forward buying, activities related to natural gas are meeting the inherent City’s objectives of managing and mitigating financial risks associated with the hedging activities.

Management Response

Management agrees with this recommendation.

The evaluation of the existing Energy Management and Investment Strategy approved in October 2008 (ACS2008-BTS-RPM-0041) will be performed in conjunction with the report to be prepared in accordance with management’s response to Recommendation 3. This evaluation will take into account the objective to obtain both budget certainty and to minimize the commodity’s adverse market price fluctuations. This recommendation will be implemented by the end of Q3 2013.
**Recommendation 2**
That the City track performance of all hedges against market rates on a regular basis and report to Council.

**Management Response**
Management agrees with this recommendation.

Management believes that annual reporting would be sufficient given that a hedging program, by its nature, must take a longer-term view. Reporting annually provides an opportunity to compare purchases and market rates year-over-year. This provides a clearer context and allows for easy comparisons as opposed to using smaller snapshots within a year which may give misleading views of seasonal variation.

The reporting will be included with the annual purchasing report – Purchasing Year In Review. The 2012 report will be brought forward to Committee and Council in Q2 2013.

**Recommendation 3**
That the City, through a new and comprehensive exercise, identify all risks associated with the hedging strategy and request authority from Council to continue.

**Management Response**
Management agrees with this recommendation.

Management will prepare a report for Council consideration by the end of Q3 2013. This will be the five-year anniversary of Council’s receipt of the Energy Management Strategy (October 2008) regarding electricity and natural gas, and the Corporate Policy for Commodity Price Hedging (By-law 2008-426 - November 2008).

**Recommendation 4**
That, if the City continue to hedge, the City should review the methodology and practices used to govern these activities, particularly as they relate to natural gas.

**Management Response**
Management agrees with this recommendation.

The review of the purchasing practices with respect to natural gas will assess whether a process can be put into place that addresses significant price movements in the price of the commodity.

This recommendation will be implemented by the end of Q3 2013.
**Recommendation 5**
That the Finance Department take a more active oversight role in the activities related to long-term natural gas contracts.

**Management Response**
Management agrees with this recommendation and will begin implementation in Q1 2013.

**Recommendation 6**
That the City consider, in conjunction with the external auditor, on a go forward basis, that the City’s Consolidated Financial Statements Notes reflect the City’s commitments relating to future natural gas contracts and record the disclosure regarding diesel fuel hedging.

**Management Response**
Management agrees with this recommendation and will consider this for the Financial Statement for the year ending December 31, 2012.

**Areas of Potential Savings**
One area that could lead to savings is to discontinue the hedging activities related to natural gas; to prevent further losses of approximately $2 million annually.

**Overall Management Comment:**
Management has requested that the following comment from Public Works be included in this audit.

**Public Works:**
- Public Works Management disagrees with the statement that we can prevent losses of approximately $2 million annually by discontinuing hedging activities related to natural gas. The City has purchased future natural gas contracts through 2017. Those contracts will have to be fulfilled and any premium over market values will have to be paid.
- Since the report was drafted in July, the NYMEX market price for natural gas has risen by 35%. This significantly reduces our expected premium over market conditions. It also demonstrates how fluid the market can be.
- As stated in the body of the report, changes in technology have resulted in an inexpensive method of retrieving large amounts of natural gas. The resulting glut of natural gas on the market has contributed a 65% reduction in commodity prices. The price drop in natural gas has never been observed in the 100 year history of the industry. Future gas contracts will be based to a large extent on what the expected price of gas will be at that time. Figure 2 demonstrates that recent purchase of future gas contracts better reflect current market prices of natural gas. Prior to 2009 as demonstrated in figure
4, the City typically paid less than the market rates with our natural gas contracts saving almost $1,500,000 between 2006 and 2008 over Enbridge prices. The City should not be distracted from its course because of a one-time event that is unlikely to be repeated.

- If long term prices go up more than expected the City will end up paying less than market rates. If long term prices drop or go up less than predicted the City will pay a premium over market rates. Management believes the chances of prices going up significantly more than expected is much higher than the rates ending up significantly lower than predicted. In the long-term, management feels that the risk of paying significantly more than market rate for future natural gas contracts is low.

**Conclusion**

We believe that the City is currently meeting its objective of obtaining budget certainty for natural gas and diesel fuel, but in our opinion is not successful in addressing significant price movements.

Management has indicated that it does not believe that the forward buying activities of natural gas are defined as hedging transactions. However, we believe the current $2.1 million loss experienced to date, combined with an upcoming estimated annual loss of $2 million resulting from contractual agreements entered into between 2012 and 2017 highlight the need to reinvestigate the City’s objective with regards to procuring natural gas, or other commodities, well into the future.

**Acknowledgment**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.8 Audit of Performance Measurement

EXECUTIVE SUMMARY

Introduction
The Audit of Performance Measurement was included in the 2011 Audit Plan of the Office of the Auditor General, first approved by Council on April 13, 2011.

Background
Implementation of various measurement frameworks at the City, since 2001, has been largely incomplete and progress has been uneven across City business units in utilizing key performance indicators. The City’s Strategic Branch Review (SBR) initiative is a case in point. In 2008, Council approved the Strategic Branch Review concept and at the end of 2008, seven branches had completed a Strategic Branch Review. In 2009, the Audit, Budget and Finance Committee recommended that Strategic Branch Review be incorporated in the development of the departmental service excellence plans. In May 2011, Council adopted the Corporate Planning Framework (Ref. No. ACS2011-COS-ODP-0007) which replaces the existing Performance Management and Reporting Framework, the Integrated Planning Framework and the Strategic Branch Review Process.

Key performance indicators have been reported to Council on a quarterly and annual basis over the past decade using various frameworks, including the Ontario Municipal Benchmarking Initiative (OMBI). Performance indicators have also been introduced as a component of the annual budget package supporting Council decision-making. However, the degree to which Council relies on performance indicator data in making budget decisions is unclear.

The City is currently rolling out a new Balanced Scorecard performance measurement framework. Eighteen departmental strategic plans will be prepared to link the term of Council strategic priorities with operational activities across the City. The departmental strategic plans will each contain a Balanced Scorecard, with measures and targets that will be used to measure and report results.

The audit has assessed the appropriateness of the new City Balanced Scorecard approach and provides recommendations to help Management fine-tune the key performance indicators used in Balanced Scorecard. Finally, the audit also provides a cost/benefit perspective on whether the City should continue to participate in the OMBI.

Audit Objectives and Scope
The scope of the audit encompassed a review of selected Key Performance Indicators (KPI) currently in use across several City programs including Drinking Water, Public Works, Solid Waste, Recreation, Social Housing, Fire Services,
Wastewater and Information Technology. The scope did not include an exhaustive review of every KPI but rather, given the City’s decision to adopt the Balanced Scorecard framework, it was focused on providing advice and recommendations for the move to this model.

Objective 1 - Performance measures and time series data reported to Council, Management and external stakeholders are **accurate** and **properly valued**.

Objective 2 - The City’s Balanced Scorecard corporate performance measurement framework **appropriately aligns** Council led strategic planning, departmental operational planning, budget decision support and results reporting requirements.

Objective 3 - Performance measures and time series data reported to Council, Management and external stakeholders are **complete**.

Objective 4 - Key performance indicators (derived from a representative cross-section of City services and support functions) are **appropriate and relevant from a design perspective** - in terms of operational planning and target setting, budget decision support, and results based accountability reporting.

Objective 5 - The City understands the cost/benefit relationship associated with performance measurement framework and indicator design, implementation and ongoing tracking/reporting. The benefits accruing in terms of service delivery results/accountability improvement have been demonstrated outweigh the ongoing direct and opportunity costs of measurement.

Objective 6 - The City’s involvement in OMBI features relevant and appropriate key performance indicators, clear and compelling performance data stories, and a return on investment characterized by the adoption of evidence-supported best practices in service delivery supplied by OMBI peers.

**Summary of Key Findings**

1. The high level of data re-entry and manipulation currently required in the areas audited creates risks for accuracy when calculating key performance indicators. Enhanced automation and effective implementation of the new Business Intelligence tool are needed to mitigate these risks.

2. For the operating cost per ML of treated drinking water measure, the difference between the OMBI value (106,799 ML) and the value identified during the audit (106,523 ML) is 0.26%. Given this is less than a 1% difference, we believe this difference to be negligible.

3. The measure of response rate to 3-1-1 calls for traffic signal failure as reported in the Service Excellence Scorecard was found to be accurate.

4. The Operating cost per km – other vehicles (light and heavy) as reported in the Quarterly Performance Report to Council was found to be accurate.
5. The City’s approach to the Balanced Scorecard is organizational-structure based rather than program/service based. As such, there is the risk that the Balanced Scorecards will not measure performance at the service or program level. Management has indicated that Departments are currently developing their strategic plans and Balanced Scorecards to support the achievement of the term of Council strategic priorities, objectives and initiatives. These plans will also include critical operational priorities that relate to services delivered by branches, and thus, performance measures will be incorporated into the departmental strategic plans and scorecards. For the Balanced Scorecard model to be effective, it is important that they are linked to departmental plans and operational priorities as well as Council priorities.

6. The focus of Balanced Scorecards in each of the areas audited should be as follows:

a) The National Solid Waste Benchmarking Initiative for Solid Waste;

b) The Special Performance Report prepared for the audit for Parks, Recreation and Culture;

c) The Social Housing Corporation performance measurement database and the Asset Management toolkit and forecasting for Housing;

d) The Monthly Dashboard, the Annual Report and the Commission on Fire Accreditation International (CFAI) self-accreditation initiative for Fire Services;

e) The National Water and Wastewater Benchmarking Initiative for Water and Wastewater; and,


7. The Ontario Municipal Benchmarking Initiative (OMBI) has not delivered the continuous improvement benefits referenced in its original mandate/mission. Best practice opportunities are not emerging from the complexities of OMBI accounting. Redeploying City staff effort and resources associated with OMBI towards more promising benchmarking and performance measurement projects should be pursued.

**Recommendations and Management Responses**

**Recommendation 1**

That the City maintain an audit trail including source documents, and calculations that demonstrate how the performance measures were calculated, and from where the data was gathered.
Management Response
Management agrees with the recommendation.

Since the time of this audit, the performance measurement exercise within Drinking Water Services (DWS) was modified to improve the audit trail as recommended. All DWS files will now be provided to Finance. No further action is required.

Recommendation 2
That the City consider how the new Business Intelligence (BI) tool can help improve efficiency in this process, and should the BI tool be utilized further, ensure the tool is communicated and applied to other performance reporting process where appropriate.

Management Response
Management agrees with the recommendation.

There is currently no budget allocation for investment in additional Business Intelligence tools for the corporation. Corporate Business Services will conduct a cost-benefit analysis to determine the feasibility of extending the current Business Intelligence tool for broader use across the corporation and will provide recommendations to the City Manager by the end of Q2 2012. If and when an additional investment is made in Business Intelligence tools, the appropriate information will be communicated to the relevant management and staff across the corporation.

Recommendation 3
That, where feasible, the City automate repetitive processes (the balanced scorecards prepared by Public Works are an example of the use of automation in extracting and manipulating data in Excel).

Management Response
Management agrees with the recommendation.

Corporate Business Services is currently designing a new data-gathering and reporting process to report on Term of Council Priorities. This work will be completed by the end of Q4 2012 and will, where feasible, automate repetitive processes. The extent of automation also depends on business intelligence investment decisions as outlined in the management response to Recommendation 2. If additional investment in Business Intelligence tools is not feasible, Corporate Business Services will explore other options by the end of Q4 2012.
Recommendation 4
That Public Works continue developing and using the Service Excellence Scorecards, ensuring the measures reported provide value to Management, targets are set and compared to actual, and that where feasible, the Scorecards are standardized in their format.

Management Response
Management agrees with the recommendation.

In conjunction with the roll-out of the Corporate Planning Framework departmentally, Scorecards will be enhanced and standardized in their format to ensure they provide value to management. This will be completed by Q4 2012.

Recommendation 5
That the City look to the automation incorporated in the Scorecards as an example for improvements in other branches.

Management Response
Management agrees with the recommendation.

The City is in the process of developing corporate and departmental Balanced Scorecards to report on its strategic priorities. Corporate Business Services will investigate the Scorecards currently in use at Public Works by the end of Q3 2012 and will identify automation that could be applied to other branches. The extent of Scorecard automation depends on business intelligence investment decisions as outlined in the management responses to Recommendations 2 and 3.

Recommendation 6
That Fleet Services make better use of the automated control by programming reasonable thresholds within the M5 system that will flag potentially inaccurate mileage.

Management Response
Management agrees with the recommendation.

The Maintenance Group has recently completed an annual review process of the thresholds. There are applicable advanced capabilities within the M5 system that address this recommendation and, as part of continuous improvement initiatives, staff training will be put in place by Q1 2013 to ensure these capabilities are utilized.

Recommendation 7
That Fleet Services incorporate automation in performance measurement reporting where feasible.
Management Response
Management agrees with the recommendation.

An intradepartmental team has been developed, consisting of staff from the Fleet Services branch and the Business Services branch to incorporate automation in performance measurement reporting where feasible. This will be completed by the end of Q4 2012.

Recommendation 8
That Fleet Services participate in the Service Excellence Scorecards initiative within Public Works.

Management Response
Management agrees with the recommendation.

An intradepartmental team, consisting of staff from the Fleet Services branch and the Business Services branch, is working to further develop the monthly Service Excellence Scorecards to include monthly reports for Fleet Services.

The Fleet Services Management Team is championing the development of Strategy Maps and the Balanced Scorecards emphasizing the culture of Service Excellence and accountability within the branch and in keeping with departmental and corporate initiatives.

The development of monthly Service Excellence Scorecards for Fleet Services will be completed by Q4 2012.

Recommendation 9
That Fleet Services, prior to correcting the erroneous mileage, verify the reason for the error and the actual mileage.

Management Response
Management agrees with the recommendation.

A comprehensive review of the reasons for erroneous mileage was undertaken by Fleet Services that revealed the main cause to be incorrect codes in the Fleet Management System (see Recommendation 6) and human error (either entering the vehicle specification information or staff fuelling vehicles).

As noted in the management response to Recommendation 6, steps will be taken to optimize the thresholds in Fleet’s Management Information System. In addition, in late 2011 Fleet Services launched a communications campaign to inform clients of the importance of accurate meter readings and to remind supervisors of their responsibilities for ensuring compliance. As part of this campaign to improve mileage reporting, posters were developed and will be affixed to all City fuelling stations across the City by Q3 2012. Finally, the City is updating the fuel system software that will allow for more interactive exchange
with staff fuelling vehicles, which will greatly increase the accuracy of mileage being manually inputted.

**Recommendation 10**
That the City examine the possible benefits of the Business Intelligence tool to all potential users, and build in the necessary functionality to assist in performance measurement reporting wherever it is cost beneficial.

**Management Response**
Management agrees with the recommendation.

As per the management response to Recommendation 2, there is currently no budget allocation for investment in additional Business Intelligence tools for the corporation. Corporate Business Services will conduct a cost-benefit analysis to determine the feasibility of extending the current Business Intelligence tool for broader use across the corporation and will provide recommendations to the City Manager by the end of Q2 2012. If and when an additional investment is made in Business Intelligence tools, the appropriate information will be communicated to the relevant management and staff across the corporation.

**Recommendation 11**
That, in developing the Balanced Scorecards, the City ensure they are aligned with departmental strategic plans and critical operational priorities as well as term of Council priorities.

**Management Response**
Management agrees with the recommendation.

Departments are currently developing their strategic plans and Balanced Scorecards to support the achievement of the term of Council strategic priorities, objectives and initiatives. Their plans will also include critical operational priorities that relate to services delivered by branches, and thus, performance measures will be incorporated into the departmental strategic plans and scorecards. This recommendation will be implemented by Q4 2013.

**Recommendation 12**
That, in the development of the Balanced Scorecard, Solid Waste Management incorporate the scope and indicators from the National Solid Waste Benchmarking Initiative along with current quarterly reporting and contractor management indicators.

**Management Response**
Management agrees with the recommendation.
The Environmental Services department will review the quarterly reporting measures to determine the costs, benefits and select key performance indicators that, where feasible, will be incorporated into the departmental Balanced Scorecard by Q4 2012.

The National Solid Waste Benchmarking Initiative’s solid waste indicators are currently being developed and once completed will be evaluated for incorporation into the departmental Balanced Scorecard by Q4 2013.

**Recommendation 13**
That, in the development of the Balanced Scorecard; Parks, Recreation and Cultural Services Management incorporate selected key performance indicators featured in the Special Performance Report prepared for the audit, including the portfolio of performance indicators focussed on program utilization and facility rental utilization.

**Management Response**
Management agrees with the recommendation.

The Parks, Recreation and Cultural Services department will undertake a cost-benefit analysis of selected key performance indicators as featured in the Special Performance Report prepared for the audit. Those with a positive cost-benefit analysis will be incorporated into the development of the departmental Balanced Scorecard by the end of Q4 2012.

**Recommendation 14**
That, in the development of the Balanced Scorecard, Social Housing Management incorporate selected performance measures from:

a) the scope/indicators present in the Social Housing Corporation performance measurement database;

b) the Asset Management toolkit and forecasting data;

c) existing provider reporting tools;

d) the continuous improvement implementation program associated with the Framework for Social Housing Standards; and,

e) the proposed Lifecycle Based Capital Investment Rating/Score.

**Management Response**
Management agrees with the recommendation.

The development of an operational Social Housing Management Balanced Scorecard will include selected key indicators from the five areas noted in the recommendation, grouped as follows: The Housing Services Corporation performance indicators for Service Managers, listed as item a); the framework of the existing Housing Provider reporting tools, including the Social Housing Standards, listed as items b) and e); and the Asset Management Tool once the
tool is fully implemented, the necessary reports developed and the data is available, listed as items c) and d).

This recommendation will be implemented by the end of Q4 2013.

**Recommendation 15**

That, in the development of the Balanced Scorecard, Fire Services Management incorporate selected performance measures from:

a) the scope/indicators present in the Monthly Dashboard;
b) the Annual Report;
c) the CFAI self-accreditation initiative; and,
d) the proposed new Performance Indicators:
   - 90th percentile response times for fire, rescue and CTAS 1-2 medical calls;
   - total operating cost (including vehicle and capital depreciation/reserve charge) per in-service vehicle hour; and,
   - % medical calls featuring a delivered medical intervention by firefighters.

**Management Response**

Management agrees with the recommendation.

Fire Services is presently measuring and reporting on the majority of items identified in the recommendation.

The Commission on Fire Accreditation International (CFAI) process currently underway will identify new performance indicators, while validating that the current performance indicators are captured and reported on using industry best practices. Ottawa Fire Services is committed to building a Balanced Scorecard based on its existing performance framework, the addition of performance measures that are identified through the accreditation process, and that where feasible align with the key performance measures identified in the Emergency and Protective Services departmental Scorecard. This recommendation will be implemented by Q4 2013.

Of note, the new guide under the Ontario Fire Marshall’s Office has eliminated the “Ten in Ten minutes” response. The guide in place at the time of the audit fieldwork was replaced in late 2011 with the Official Guide Matching Resources, Deployment and Risk.

**Recommendation 16**

That, in the development of the Balanced Scorecard, Water Supply and Distribution Management incorporate the key performance indicators to the National Water and Wastewater Benchmarking Initiative as well as performance measures that are strategically aligned to public health outcomes rather than a narrower set of environmental outcomes.
Management Response
Management agrees with the recommendation.

The Environmental Services department will review the National Water and Wastewater Benchmarking Initiative to determine the costs and benefits of using its water supply and distribution management related performance indicators. Those with a positive cost-benefit analysis will be incorporated into the development of the departmental Balanced Scorecard by the end of Q4 2012. In the development of the departmental Scorecard, the Environmental Services department will also consider performance measures that are aligned to public health outcomes. This will be completed by the end of Q4 2012.

Recommendation 17
That, in the development of the Balanced Scorecard, Wastewater Collection and Treatment Management incorporate key performance indicators of the National Water and Wastewater Benchmarking Initiative.

Management Response
Management agrees with the recommendation.

The Environmental Services department will review the National Water and Wastewater Benchmarking Initiative to determine the costs and benefits of using its wastewater collection and treatment management related performance indicators. Those with a positive cost-benefit analysis will be incorporated into the development of the departmental Balanced Scorecard by the end of Q4 2012.

Recommendation 18
That, in the development of the Balanced Scorecard, IT Management incorporate the selected functional areas present in the Gartner benchmarking and performance measurement process.

Management Response
Management agrees with the recommendation.

Information Technology Services will incorporate select Gartner functional areas into the departmental Balanced Scorecard by the end of Q4 2012.

Recommendation 19
That, in all cases where it is to be implemented, the Balanced Scorecards include indicators by performance quadrant and quantitative performance targets (annual and beyond) to inform budget and operational decision-making.
Management Response
Management agrees with the recommendation.

The City is in the process of developing corporate and departmental Balanced Scorecards within the Corporate Planning Framework to report on its strategic priorities. Corporate Business Services will ensure that by the end of Q2 2012 the corporate Scorecard will include indicators by performance quadrant and quantitative performance targets. All subsequent departmental Scorecards will follow the same approach.

Recommendation 20
That, as the Balanced Scorecard model is implemented, the City monitor the efficacy and cost-benefit of continued participation in OMBI to determine if withdrawal from the initiative is warranted.

Management Response
Management agrees with the recommendation.

The City will assess its involvement in the OMBI program in the context of the Balanced Scorecard implementation to determine the efficacy and cost-benefit of our continued participation. The determination as to whether withdrawal is warranted will be completed by the end of Q4 2013.

Recommendation 21
That the City monitor the cost-benefit of the Balanced Scorecard model and any other performance measurement approaches in use to ensure associated resources remain necessary.

Management Response
Management agrees with the recommendation.

Management agrees to assess the cost-benefit of future performance measurement approaches. However, management will not conduct a cost-benefit assessment on the current Balanced Scorecard model being implemented. The City has already made the decision through Council to proceed with the Balanced Scorecard model so it would not be practical or cost efficient to conduct a cost-benefit analysis. Going forward, Corporate Business Services will conduct a cost-benefit analysis on any future decision with respect to new performance measurement approaches.

Potential Savings
Over the past decade, the City has devoted significant resources, particularly human resources, to various performance measurement initiatives. Unfortunately, there is little evidence to suggest that these measures have been used to inform budget and operational decision-making. As such, the cost-benefit of these
activities has been questionable. It will be important for Management to monitor the usefulness of the new Balanced Scorecard program to prevent this from occurring again. In our view, if these activities are not generating the anticipated benefits, there is the potential for savings by discontinuing them.

**Conclusion**

The risks associated with the technical accuracy when calculating key performance indicators stem largely from the high level of data re-entry and manipulation currently required in the areas audited. Enhanced automation and effective implementation of the new Business Intelligence tool are needed to mitigate these risks.

Council and Management are evolving towards a strategic planning/management model that aligns Council priorities, 84 strategic initiatives, 18 departmental strategic plans to link the term of Council strategic priorities with operational activities, and a new corporate Balanced Scorecard.

This model is appropriate and well designed from a traditional organization structure based management perspective. However, an expanded rollout for the corporate Balanced Scorecard initiative is required based on the 25-30 core services delivered by the City and consumed by taxpayers. These core service Scorecards will provide a critical value-for-money accountability link to the City budget process.

The audit of key performance indicators across a representative sample of City services demonstrates an opportunity for improvement in utilizing performance indicators for management purposes extending beyond traditional reporting. Performance indicators derived operational target-setting is limited across the sampled City business units. The existing performance indicators are diverse in terms of design and relevance, with many being unsuitable for inclusion in new Balanced Scorecards. If properly implemented, the new core service Scorecards recommended should address this shortcoming.

Finally, there is a compelling case for redeploying City staff effort and resources associated with OMBI towards more promising benchmarking and performance measurement projects. OMBI is not delivering the benefits and opportunities referenced in its original mandate/mission.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by Management and City staff/analysts.
5.9 Audit of Occupational Health and Safety

EXECUTIVE SUMMARY

Introduction
The Audit of Occupational Health and Safety was included as part of the Auditor General’s 2011 Audit Plan, approved by Council on April 13, 2011.

Background
The City of Ottawa has a diverse workforce consisting of approximately 14,700 full-time equivalent employees. The City has over 100 lines of business and a wide variety of occupations, some of which are exposed to varied hazards. Many of the occupations are physically demanding, require travel, and involve work at multiple worksite locations. This diversity in the nature of work performed by City workers adds considerable complexity to the management of the Occupational Health and Safety (OHS) program.

The City of Ottawa must adhere to both provincial OHS legislations (Occupational Health and Safety Act, 1990 and Workplace Safety and Insurance Act, 1997), and federal legislation (Canada Labour Code Part II (CLC Part II) and associated regulations). Transit services are subject to federal legislation as the service operates across provincial lines, while the remainder of the City’s operations fall under provincial regulations. These provincial and federal legislative frameworks prescribe hundreds of specific requirements relating to program development and implementation, administrative practices, roles and responsibilities, conditions of workplaces and equipment, safety practices and methods, hazard controls, monitoring and evaluation among other things. In addition, Section 217.1 of the Criminal Code of Canada establishes that “everyone who undertakes, or has the authority, to direct how another person does work or performs a task is under a legal duty to take reasonable steps to prevent bodily harm to that person, or any other person, arising from that work or task.”

Proactive management and due diligence are the best legal defences when workplace injuries occur; however, if proven guilty of negligence, punishment can include financial penalties for organizations and financial penalties and jail time for their representatives (including directors, partners, employees, members, agents or contractors of the organization).

In 2006, the Canadian Standards Association (CSA) released Canada’s first consensus-based workplace health and safety management standard which promotes a management control framework approach to governing OHS. This new Canadian standard, titled CSA Z1000-06 Occupational Health and Safety Management (CSA Z1000) was developed to reduce or prevent injuries, illnesses and fatalities in the workplace by providing organizations with a model for
developing and implementing an occupational health and safety management control framework. When implemented in its entirety, such a framework should reduce or prevent occupational injuries, illnesses, and fatalities.

The City’s OHS advisory function is consolidated into one “centre of expertise” under a shared-services model. The OHS Branch provides services to all departments of the City and the Ottawa Public Library in the areas of Occupational Safety, Occupational Health, Workers’ Compensation administration, Employee Assistance Program services, Sick Leave and LTD administration, facilitation of Return to Work/Accommodation and Attendance Management Program administration.

While the OHS advisory function is centralized within the OHS Branch, management and implementation of the OHS program is largely decentralized and delegated to branches. This is in keeping with the OHS Policy, which makes department heads responsible for managing their own OHS programs while drawing upon the OHS Branch for support as needed.

**Cost of Workplace Injuries and Illnesses**

In 2010, the City’s OHS Branch reported that the City had 1,067 workplace injuries/illnesses claims resulting in 6,660 days of lost-time. OHS Branch also reported that WSIB claims resulting from workplace injuries or illnesses totalled $11.5 million. These costs relate to injury and illness claims from both 2010 and active claims from previous years. The City only tracks direct WSIB costs such as salaries for lost time, pensions and awards (permanent disability awards), medical costs, WSIB administration costs, and other WSIB costs paid in the year. Indirect costs, such as overtime, retraining, lost revenue and lost productivity are not tracked, but OHS estimates these to be 4 times the direct costs.

Management was unable to provide a full breakdown of the $11.5 million WSIB costs, yet advised that the number includes salaries of injured/ill workers, medical expenses, WSIB administration costs, pensions, Future Economic Loss awards, and Non-Economic Loss awards, and other awards including survivor benefits. As we were not provided with a complete breakdown of these costs we have made our best estimate of an approximate breakdown, including WSIB administration costs.

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1 Source: City of Ottawa 2008 Occupational Injury/Illness Performance Report
Figure 1: OAG Approximate Breakdown of WSIB Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries for Lost-Time</td>
<td>$2.6 million</td>
</tr>
<tr>
<td>Medical Treatment</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>Post-Amalgamation Pensions and Awards</td>
<td>$3.7 million</td>
</tr>
<tr>
<td>Pre-Amalgamation Pensions and Awards</td>
<td>$3.3 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11.5 million</strong></td>
</tr>
</tbody>
</table>

**Audit Objectives and Scope**

**Objective 1**: To assess whether management of the City’s OHS program is effective and efficient.

**Objective 2**: To assess whether hazard assessment, OHS program design, training, and performance reporting and measurement are adequate and effective within the Long-Term Care and Solid Waste branches.

The scope of the audit included selected OHS program management controls at the City level and within two branches; Long-Term Care Branch and Solid Waste Branch. More specifically, two workplaces from Long-Term Care Branch (Peter D. Clark and Carleton Lodge) and two workplaces from Solid Waste Branch (Waste Processing and Disposal Unit, and Collections Unit) were examined. The audit focused on the proactive management of OHS. The audit did not include an assessment of whether worker practices and workplaces conformed to OHS legislative and policy requirements because a point-in-time assessment could not provide reasonable assurance of past or future conformance.

**Summary of Key Findings**

Our audit found that management of the City’s OHS program needs improvement to meet legislative and policy requirements. More specifically, we found that:

- As the City does not separately track the components of its WSIB costs (e.g., salaries for lost time, pensions, awards, WSIB administration costs, etc.), management lacks information to monitor and assess OHS program performance. Since introducing its Return to Work program in 2008, we found that the City’s average lost time per injury/illness claim has dropped from 11.34 days in 2007 to 6.24 in 2010. The City does not track savings from this program, but we estimate it has resulted in annual savings of

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2 Calculated by multiplying total injury/illness days of 6,660 by the City’s average daily employee salary and benefit costs ($328.35) and corresponding WSIB administrative costs ($54.92). See Appendix B of the full report for detail on source of salary and benefit costs and WSIB administration costs.

3 Estimated as 16.69% of total costs, based on 2010 WSIB industry averages (source: 2010 WSIB Annual Report). The City does not track these costs separately.

4 Estimated based on costs remaining after all other costs were considered.

5 Source: City of Ottawa 2010 Occupational Injury/Illness Performance Report
approximately $1,192,000 (see Appendix C of the full report for these calculations). This estimate does not include other potential savings from indirect costs (e.g. overtime, retraining, lost revenue and lost productivity).

- The recent development of a Draft OHS Framework is an important initiative. The framework is modeled after CSA Z1000 and supports the City’s OHS Policy, but may take several years to fully implement. It is likely to place additional administrative and resource burdens on departments and branches, but OHS Branch has not yet conducted an assessment of this impact or developed a plan to guide its implementation.

- Interviews with managers and staff in OHS Branch and line branches clearly indicated that senior management has consistently invested resources in the OHS program whenever requested.

- We found that, while OHS Branch provides annual reporting to senior management on injury/illness statistics and OHS related costs, the information is inadequate to support senior management in directing and overseeing the OHS program. Reporting on OHS to Executive Committee is ad-hoc, as OHS is not a standing agenda item.

- OHS Branch has not implemented a formal city-wide process to identify and assess hazards. Each branch maintains its own process for identifying workplace hazards, and the adequacy and comprehensiveness of these approaches varies significantly. Neither of the branches we examined had conducted comprehensive and formal hazard assessments, although some elements were in place.

- There is little formal objective setting or OHS planning at either the City or department/branch levels. OHS Policy requires that Executive Committee establish and communicate annual corporate OHS objectives and that department heads establish complementary departmental OHS objectives. Support to Executive Committee to ensure this process is followed is inadequate.

- OHS plans were not developed at either of the branches examined, as OHS issues were generally addressed on an ad-hoc basis.

- As comprehensive hazard assessments have not been completed at either the City or branch level, we were unable to determine if sufficient preventive and protective measures were in place to adequately mitigate existing hazards. However, we noted that many OHS programs and procedures at the corporate and branch levels required review and updating to ensure their continued appropriateness and effectiveness. There was also a lack of coordination and monitoring to ensure that branch-level OHS procedures were aligned with corporate OHS programs.
• The comprehensiveness and formality of training programs varied significantly between the two branches examined. The Long-Term Care Branch training program is well-documented and comprehensive, while the Solid Waste Branch training program is largely informal and undocumented. Job-specific hazard assessments are required for both branches to ensure that training programs are adequate to address all workplace hazards.

• The Solid Waste Branch employs temporary workers on a daily basis for its waste collection operations and does not provide these workers with job-related health and safety training. Rather, the City relies on an agency which provides general labourers to ensure that workers are properly trained before commencing duties with the City. Given the extent of hazards faced by these temporary workers, we do not believe that the City should rely exclusively on agency training. Ontario’s Occupational Health and Safety Act (OHSA) makes the City accountable for ensuring that all workers, regardless of whether they are full-time employees or temporary contractors, are provided with information, instruction and supervision to protect their health and safety (OHSA s. 25(2)(a)). In addition to being a contravention of the OHSA, the City’s practice exposes temporary workers to undue health and safety risks and could lead to significant fines. As an example, one of the City of Ottawa’s waste collection contractors, BFI Canada, was recently fined $150,000 after a temporary worker from a labour supply agency was injured while collecting recyclable material. A Ministry of Labour investigation found that the temporary worker had not been provided adequate training on safe work procedures by BFI Canada and found the company guilty of failing to provide information, instruction and supervision to the worker with respect to safe operating procedures for mobile waste collection.

• The Return to Work Program is inconsistently applied, depending on the WSIB Consultant and supervisor involved in the case, and several opportunities exist to minimize process delays and reduce lost-time. Program documentation does not clearly articulate roles and responsibilities for all parties and does not provide a clear step-by-step process that includes specific timelines for the completion of each step. Monitoring of the program is minimal, and there is little reporting to senior management on program effectiveness and efficiency.

• Modified duty positions are generally identified on a case by case basis after an employee has been deemed capable of returning to work with modified duties. A city-wide listing of positions suitable for modified work is not maintained, making it difficult to identify opportunities to place employees in positions outside of their existing work unit.

• Monitoring of the OHS program is inadequate to assess its effectiveness or identify root causes of injuries and illnesses. OHS Branch currently reports to
senior management on OHS through an annual Occupational Injury/Illness Performance Report that tracks some indicators of occupational health but does not assess the effectiveness of the OHS program or its compliance with legislation. Further, no targets have been established for these measures to drive program improvement.

- Within the two branches included in the scope of our audit, OHS monitoring activities are not comprehensive and are also inadequate to assess program effectiveness. Branch managers require greater support and oversight from OHS Branch to guide their OHS monitoring activities.

- The City does not conduct comprehensive reviews of the OHS program at planned intervals. OHS Branch has recognized the need to conduct such reviews and has included the requirement in its Draft OHS Framework.

**Areas of Potential Savings**

By introducing improvements to address the recommendations identified in our report, we believe the City could achieve significant reductions in workplace injuries and illnesses. In so doing, we estimate that the City could achieve reductions in its WSIB costs of up to $721,000 per year (see full report for more detail and Appendix B (of the full report) for estimates). This does not factor in other related savings that we could not quantify, including non-economic loss awards, overtime costs for replacement workers, training costs for replacement workers, and lost productivity.

**Recommendations and Management Responses**

**Recommendation 1**

That the City track WSIB component costs separately to permit more meaningful analysis, and support better monitoring and assessment of OHS program performance.

**Management Response**

Management agrees with the recommendation.

Employee Health, Safety and Wellness will assess alternate approaches to WSIB account management and administration that will allow capture and monitoring of claim costs and assessment of OHS program performance, beginning Q3 2012 with completion by Q2 2013.

It should be noted that current WSIB account statements do not segregate individual claim costs as administration and physician fees are billed as a percentage of claim costs based on rates as defined annually by WSIB. These physician and administration fees are charged as a single cost on a monthly basis.
Costs associated with pre-amalgamation entities will be segregated from current WSIB costs to better reflect the City’s current OHS program performance.

**Recommendation 2**
That the City assess the impact of providing a top-up to 100% of regular earnings for employees who are off work on long-term WSIB claims to determine if this benefit provides a disincentive for prompt return to work.

**Management Response**
Management agrees with the recommendation.

The top-up benefit was negotiated through collective agreements and paid to members of most employee groups from first day of a WSIB lost time claim. The correlation between WSIB long-term claims and disincentive for prompt return to work is subject to medical opinions as verified by WSIB and may result in an employee remaining off work.

It should also be noted that the WSIB maximum insurable insurance ceiling in 2010 was $77,600.00, which is adjusted annually to reflect the average earnings in Ontario as reflected by Statistics Canada and the provisions under the Workplace Safety and Insurance Act. The rationale for salary top-up to regular earnings is to mitigate the financial disadvantage of employees injured at work. Consideration in future collective bargaining could include a review of this benefit.

Human Resources will assess the impact of top-up to 100% of regular earnings to determine if this benefit provides a disincentive for prompt return to work, beginning Q3 2012 with completion by Q2 2013.

**Recommendation 3**
That a multi-year plan to guide implementation of the Draft OHS Framework be developed and presented to senior management at the same time the Framework is presented for approval.

**Management Response**
Management agrees with the recommendation.

Human Resources will develop a multi-year OHS Framework Implementation Plan to accompany the OHS Framework for Senior Management Committee (SMC) approval, beginning Q3 2012 with completion by Q2 2013.

**Recommendation 4**
That OHS reporting be provided to Executive Management Committee and OHS matters become a regular agenda item.

**Management Response**
Management agrees with the recommendation based on the following:
Management will report OHS matters to Senior Management Committee (SMC) as this committee is comprised of department heads representing all City departments. These representatives have authority and responsibility to lead program implementation and address impacts. Issues of significance are escalated to Executive Management Committee for consideration and decision along with an annual executive summary OHS dashboard to reflect OHS Management System performance. OHS matters and reports will be added to the SMC meeting agenda at least semi-annually, as submitted by the Director of HR, with implementation of a 2011 OHS performance report complete by Q4 2012.

**Recommendation 5**

That the City establish clear objectives and performance targets for OHS and ensure that managers and staff at all levels are aware of the importance of achieving them.

**Management Response**

Management agrees with the recommendation.

Human Resources will recommend OHS objectives and performance targets for approval by Senior Management Committee. Defined OHS objectives and performance targets will be communicated throughout the City. Objectives will be accurately defined including appropriate and achievable performance measures and outcome targets. Implementation will begin Q4 2012 and will be complete by Q4 2013.

**Recommendation 6**

That the City develop and implement a comprehensive program for conducting hazard identification and risk assessments, ensuring that branches understand what is required and providing assistance to managers as needed. As full implementation of such a program could take several years, the City should ensure that its highest risk workplaces and occupations are addressed first.

**Management Response**

Management agrees with the recommendation.

Human Resources will establish a corporate OHS Hazard Identification and Risk Assessment Program utilizing a systematic approach to include mitigation and prevention strategies.

The City recently established an Enhanced Risk Management Framework, which considers health and safety hazard identification, assessment and risk management. This will be considered for integration into the OHS Hazard Identification and Risk Assessment Program.

The implementation plan will ensure prioritization of higher risk operations as determined by review and analysis of existing data, including MOL compliance
orders, workplace safety inspections and accident trends. Objectives, targets, performance measures, procedures and programs are dependent on the outcomes identified in Recommendations 4, 8, 10, 11, 12, 22 and 25 of these assessments. Development of the Hazard Identification and Risk Assessment Program will be conducted in phases, including: a review of current hazard and risk data (Q4 2012), program and tool development (Q1 2013), communication, training and pilot assessment (Q2 2013) and implementation including support (Q3 2013) beginning with the two branches identified in this audit for pilot of this Program. The implementation will also include engagement of JHSC’s and subject matter expertise where required, beginning Q4 2012 with completion by Q2 2015.

**Recommendation 7**
That the City’s senior executives develop city-wide OHS objectives.

**Management Response**
Management agrees with the recommendation.

Senior Management Committee, through the Director of HR, will develop and approve city-wide OHS objectives for implementation, beginning Q4 2012 with completion by Q4 2013, as identified in the management response to Recommendation 5.

**Recommendation 8**
That the City should ensure that departments and branches set OHS objectives that are aligned to City-level objectives, and set priorities to address their most significant risks and occupational hazards. The City should provide OHS expertise and support to departments and branches throughout this process to ensure appropriate objectives and plans are developed.

**Management Response**
Management agrees with the recommendation.

Human Resources will develop processes and tools to support departments and branches in establishing OHS objectives and priorities that will address significant occupational hazards and risks in alignment with City-level objectives. This initiative is dependent on the deliverables identified in the management responses to Recommendations 6 and 12, which will be implemented beginning Q4 2012 and Q2 2013, respectively. This initiative will be extended to the two high risk branches identified by this audit, followed by rollout to other departments in order of risk priority, beginning Q1 2013 with completion by Q4 2014.
**Recommendation 9**
That the City ensure that all JHSC meet at least once every three months and conduct workplace inspections once every month to ensure compliance with the Ontario Health and Safety Act regulations.

**Management Response**
Management agrees with the recommendation.

Human Resources will establish a process to monitor Joint Health and Safety Committees to ensure they meet at least every three months and conduct workplace safety inspections at least monthly to ensure compliance with the Ontario Occupational Health and Safety Act. Implementation will begin Q3 2012 and will be complete by Q1 2013.

**Recommendation 10**
That the City develop a strategy to prioritize the development and maintenance of corporate OHS policies and procedures and ensure they are updated in a timely manner. Prioritization should be linked to both risk and need.

**Management Response**
Management agrees with the recommendation.

Human Resources will review and update where required, the current process to prioritize OHS policy and procedure development and maintenance, ensuring it considers organizational and operational risk as well as regulatory obligations. Implementation will begin Q3 2012 and will be complete by Q2 2013.

**Recommendation 11**
That once comprehensive hazard assessments have been completed at the branch level, OHS procedures should be developed for hazards not adequately covered by existing procedures. Where a corporate-level OHS program or procedure exists but are insufficient for the branch, supplemental procedures should be developed.

**Management Response**
Management agrees with the recommendation.

Human Resources will develop a process that requires review and assessment of the effectiveness of control plans to mitigate identified hazards and associated risks. Control plans may include administrative controls not limited to the development or enhancement of existing programs or procedures, and if required and none exist, new or supplemental programs or procedures will be developed. This initiative is dependent on the the deliverables identified in the management responses to Recommendations 6 and 12, which will be
implemented beginning Q4 2012 and Q2 2013, respectively. Implementation of this recommendation will begin Q1 2013 and will be complete by Q2 2015.

**Recommendation 12**
That the City provide support to departments and branches in developing preventive and protective measures to address significant risks identified during hazard assessments.

**Management Response**
Management agrees with the recommendation.

Employee Health, Safety and Wellness, along with other subject matter experts across the City, will support departments and branches in identifying preventive and protective measures to mitigate risks associated with significant hazards for identification in the control plans. This initiative is dependent on the OHS Hazard Identification and Risk Assessment Program identified in the management response to Recommendation 6 that will begin Q4 2012. This initiative will begin implementation in Q2 2013 and will be complete by Q2 2015.

**Recommendation 13**
That the City develop and implement a centralized monitoring system to track and identify when OHS programs and procedures must be reviewed.

**Management Response**
Management agrees with the recommendation.

Human Resources will implement a monitoring system to track review dates for OHS programs and procedures, beginning in Q4 2012 with completion by Q2 2013.

**Recommendation 14**
That OHS training needs assessments be completed in a timely manner for all workers to determine individual workplace and job-specific OHS training needs.

**Management Response**
Management agrees with the recommendation.

Human Resources will develop a Training Needs Assessment Program for all workers by job category and workplace, to be implemented across the City, beginning with the two branches identified in this audit for pilot, beginning Q4 2012 with completion by Q4 2013.
Recommendation 15
That the City should ensure that departments and branches work with OHS Branch to develop required training programs, ensuring that training is standardized and, where possible, harmonized and consistently delivered across the City.

Management Response
Management agrees with the recommendation.

Employee Health, Safety and Wellness will develop a process to standardize training programs and harmonization where practicable with consistent delivery methods across the City. Implementation will begin Q3 2012 and will be complete by Q3 2013.

Recommendation 16
That completed training be tracked at the department or branch level for each worker and periodically verified by OHS Branch.

Management Response
Management agrees with the recommendation.

Human Resources will expand implementation of the training and events module in SAP to include tracking of OHS training by employee. Training reports will be captured by department and periodically verified by the OHS Branch. Implementation will begin Q3 2012 and will be complete by Q4 2013.

Recommendation 17
That the City review and update the Return to Work Program to clarify roles and responsibilities, outline clear procedures for all parties, and ensure that employees receive an information package at the time of injury that includes: a description of the employee’s obligations in the return to work process; a clear expectation of immediately returning page 3 of Form 8 to the employer; a letter to the health care practitioner explaining the City’s commitment to assisting the employee’s return to work; and where appropriate, an offer of modified work.

Management Response
Management agrees with the recommendation.

Human Resources will update the Return to Work Program to ensure that managers, supervisors and workers are knowledgeable of roles, responsibilities and procedures. Work on this program will include the review and implementation of an information package administered at time of occupation injury or illness, which communicates the City’s commitment to assisting the employee’s early and safe return to work, including modified work duty
assignments as appropriate. Implementation will begin Q3 2012 and will be complete by Q2 2013.

**Recommendation 18**
That the City should regularly monitor the Return to Work program to assess its effectiveness and identify opportunities for improvement. Performance indicators and targets should be established to support the continuous improvement of the program.

**Management Response**
Management agrees with the recommendation.

Human Resources will define performance indicators and targets and monitor Return to Work Program performance, at least annually, to identify opportunities for improvement. Implementation will begin Q3 2012 and will be complete by Q2 2013.

**Recommendation 19**
That the City should create an inventory of modified duty positions and match employee capabilities to available work to provide timely and effective return to work.

**Management Response**
Management agrees with the recommendation.

An inventory of modified duty positions was developed and finalized in July 2011 in response to an OAG recommendation in the 2008 Audit of Sick Leave Management. Human Resources will review and update the current inventory of modified duty positions along with associated information, including job demands analysis and job descriptions, where required. This review and update of the inventory of modified duty positions for matching of employee capabilities and timely return to work will begin Q3 2012 and will be complete by Q2 2013.

**Recommendation 20**
That modified duty work assignments not be limited to the employee’s current department or branch. Opportunities for temporarily transferring the employee to another department or branch should be considered whenever possible.

**Management Response**
Management agrees with the recommendation.

Human Resources will develop a modified work process that will require suitable modified duty work assignments to be offered in the injured/ill employee’s substantive position first. In situations where this is not possible,
modified duty work assignments will consider positions inside the injured/ill employee’s unit, branch and department. Where this is not successful, other departments will be searched for suitable opportunities respecting the employee’s right to accommodations and union collective agreements as dictated by legal precedence on a case-by-case basis. Implementation across all departments will begin Q3 2012 and will be complete by Q2 2013.

**Recommendation 21**
That documented return to work plans be developed for all WSIB lost-time cases, and should include signoff by the WSIB Consultant, the supervisor and the injured employee.

**Management Response**
Management agrees with the recommendation.

Human Resources will revise the return to work process, as identified in management response to Recommendation 17, to require documentation of return to work plans for all WSIB lost-time cases with evidence of sign-off by all associated parties, across all departments, beginning Q3 2012 with completion by Q2 2013.

**Recommendation 22**
That OHS performance measures and targets be established at the City, department and branch levels. Performance measures should include OHS regulatory compliance measures and targets (e.g., frequency of OHS compliance issues, average time required to close identified OHS compliance issues), OHS program implementation measures and targets (e.g., ratio of hazard assessments completed, ratio of required procedures in place), and JHSC activity measures and targets (e.g., JHSC meeting compliance, inspection compliance).

**Management Response**
Management agrees with the recommendation.

Human Resources, in consultation with City departments and branches, will establish processes to ensure OHS performance measures and targets, as identified above are established, maintained and tracked by Q4 2014. This initiative is dependent on the deliverables identified in the management response to Recommendation 8 and will begin simultaneously in Q1 2013 with completion by Q4 2014.

**Recommendation 23**
That performance against OHS targets be tracked by departments and branches and reported to the OHS Branch on a quarterly basis.
Management Response
Management agrees with the recommendation.

Human Resources will collect data related to performance against defined OHS targets from departments and branches on a quarterly basis. This initiative is dependent on the deliverables identified in the management response to Recommendation 22 that will be complete by Q4 2014. This initiative will begin Q2 2014 and will be complete by Q1 2015.

Recommendation 24
That the City prepare quarterly summaries of performance against target and provide these to managers at all levels of the City to support more proactive management of OHS.

Management Response
Management agrees with the recommendation.

Human Resources will summarize performance measures against defined targets and provide information to all management level staff on a quarterly basis. This initiative is dependent on the deliverables identified in the management response to Recommendation 8 that will be complete by Q4 2014. This initiative will be complete by Q1 2015.

Recommendation 25
That the City prepare an annual City of Ottawa OHS performance report for senior management that includes these recommended measures and a qualitative assessment of the City’s performance on OHS matters and an analysis of root causes for areas of concern and recommended corrective actions.

Management Response
Management agrees with the recommendation.

Human Resources will enhance the current Annual OHS Report to Senior Management Committee to include OHS performance measures as defined by the City, a qualitative assessment, analysis of root causes for significant areas of concern and recommendations for corrective action. This initiative is dependent on the deliverables identified in the management responses to Recommendations 6, 8, 12, 22 and 23 that will be complete between Q4 2014 and Q2 2015. The initial report including available OHS performance data will be submitted to Senior Management Committee by Q3 2014 for the year 2013 with a city-wide OHS performance report submission by Q3 2015 for the year 2014.
Recommendation 26
That the City conduct comprehensive reviews of the OHS management control framework at planned intervals (at least annually) to assess its suitability, adequacy, and effectiveness, and to identify opportunities for continual improvement. These results should be reported to senior executives to permit integration with objective setting and resource allocation decisions.

Management Response
Management agrees with the recommendation.

Human Resources will review the OHS Framework implementation and ongoing performance on an annual basis and provide findings and identified opportunities for improvement in a report to Senior Management Committee. This initiative is dependent on the deliverables identified in the management response to Recommendation 3 that will be complete by Q2 2013. The initial report including this information will be submitted by Q1 2014 for the year 2013.

Conclusion
While the City of Ottawa has an OHS policy that defines high level roles and responsibilities, and a series of hazard-specific OHS programs, we found that the OHS management control framework needs improvement to meet the City’s needs and comply with legislative requirements. The OHS program is principally decentralized with limited performance reporting and measurement being made available to senior management. The OHS Branch provides some valuable advisory services to departments and branches, but it does not monitor the implementation of the OHS program across the City, nor does it explicitly address contraventions of policy or legislation. Our audit found that in Long-Term Care Branch and Solid Waste Branch, many conventional management practices are not being fully applied to the management of OHS, including needs assessment, objective setting, formalized planning to meet objectives, resource allocation in accordance with plans and strategies, systematic implementation, measurement and evaluation of performance, and overall program review. Improving these practices would strengthen the OHS program, improve the safety culture of the City, and help reduce occupational injuries, illnesses and fatalities.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.10 Audit of the Human Resources Master Plan

EXECUTIVE SUMMARY

Introduction
The Audit of the Human Resources Master Plan was included in the 2011 Audit Plan of the Office of the Auditor General, approved by Council on April 13, 2011.

Background
The City of Ottawa is a large and diversified business, and is responsible for the provision of a variety of services to the public as well as enforcement of municipal by-laws, and is committed to excellence in delivery of these services. Over the past 10 years, the City of Ottawa has undergone significant change as a result of municipal amalgamation and in its ongoing efforts to optimize service delivery to the citizens of Ottawa. In this regard, the City’s management practices, including human resources management, are also contextually evolving to meet more sophisticated policy and administrative requirements.

In support of the delivery of the City’s mandate is a large and committed workforce, dispersed across a complex organization with unique departmental business units. A key priority for the City of Ottawa is attracting and retaining a diverse skill set of the right employees to deliver these services. This priority is a key imperative for the City over the longer term with:

- The implementation of a number of large-scale strategic initiatives (e.g., “Service Ottawa”, Light Rail Transit, etc.);
- An aging workforce (e.g., approximately 12% of the total workforce, and 24% of the management group, are eligible to retire within the next 5 years); and,
- An increasing need for specialized skill sets and competencies.

As a result, Human Resources strategy and workforce planning are becoming important management and operational practices.

With this context in mind, the Audit of the Human Resources Master Plan, contemporarily referred to as workforce planning, has been undertaken to identify strengths of the City of Ottawa’s current workforce planning processes, as well as to identify areas for improvement. Human Resources Master Planning encompasses the City’s approach, processes, and enabling methods and tools to quantitatively and qualitatively plan and monitor the City of Ottawa’s current and projected human resources needs. Human Resources Master Planning is not to be confused with the City of Ottawa Corporate People Plan, which is the City’s over-arching long term human resources strategy, of which workforce planning analysis is a core component.
Audit Scope and Objectives

The scope of the Audit of the Human Resources Master Plan included an examination of current workforce planning policies and practices; an assessment of these current practices against contextual requirements; and an assessment of the link between workforce planning and the overall budget process. Four unique departments were included within the scope of the audit fieldwork: Information Technology Services, Real Estate Partnership and Development Office, Transit Services, and Emergency and Protective Services.

The following framework was used as a basis for conducting the Audit of the Human Resources Master Plan. The framework consists of core integrated elements that provide a holistic view of foundational workforce planning.

Figure 1: Program Framework

The table below provides an overview of the audit objectives associated with each of the elements within this model:

<table>
<thead>
<tr>
<th>Audit Objectives</th>
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</thead>
<tbody>
<tr>
<td>1. <strong>Program Governance and Leadership</strong> - Assess the clarity of roles and accountabilities of departmental managers and the Human Resources function in the workforce planning process, and related resource oversight and management of the process.</td>
</tr>
<tr>
<td>2. <strong>Strategic Business Needs and Context</strong> - Assess the extent of workforce planning integration/alignment with the broader organization’s strategic/business plan and priorities, including enterprise-wide talent priorities.</td>
</tr>
<tr>
<td>3. <strong>Core Workforce Planning Processes</strong> - Assess the tactical workforce planning processes:</td>
</tr>
<tr>
<td>i. Workforce analytics</td>
</tr>
<tr>
<td>ii. Resource forecasting</td>
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<tr>
<td>iii. Skill/role based forecasting for critical workforce segments</td>
</tr>
</tbody>
</table>
Audit Objectives

4. **Outcomes** - Assess the reporting on workforce data, the existence of plans to reconcile any gaps identified between the current workforce complement and future requirements and the integration of the results of the workforce planning activities to other Human Resources programs. (While this audit scope will review the linkages with respect to workforce planning, it will not include a review of the related Human Resources programs themselves.)

5. **Enabling Systems and Practices** - Assess the systems and practices that support and enable the workforce planning process. These include the Human Resources function, the Human Resources Information System (HRIS) and tools such as the Talent Scorecard, the budget and the Corporate People Plan.

Detailed audit criteria were developed and assessed in order to review each of the audit objectives.

**Summary of Key Findings**

The primary means of information gathering was through interviews with Human Resources staff and management, Corporate Planning staff, and leadership and mid-managerial input from four unique departments: Information Technology Services, Real Estate Partnership and Development Office, Transit Services, and Emergency and Protective Services. Information was supplemented by a review and analysis of documentation where available.

Based on information gathered, each of the audit criteria was assessed by the audit team and a conclusion for each related audit objective was determined. Results of the audit fieldwork include both observed strengths and areas for improvement concerning the workforce planning practices within the City of Ottawa and are summarized in the sections that follow.

**Strengths**

Throughout the audit fieldwork, the audit team noted several examples of workforce planning strengths which are provided below (cross-referenced to the relevant audit objectives).
<table>
<thead>
<tr>
<th>Audit Objectives</th>
<th>Strengths</th>
</tr>
</thead>
</table>
| Program Governance and Municipal Finance Bureau Leadership | • Based on interview discussions, roles and responsibilities related to annual workforce planning for the Human Resources function and the departments are well understood by both parties.  
• A Client Relationship group within Human Resources includes Consultants who are assigned to be a liaison for all Human Resources-related matters to specific departments. This model provides departments with consistent and direct access to Human Resources expertise and engages Human Resources specialists as required depending on the nature of the departmental needs/requests. |
| Strategic Business Needs and Context | • The Corporate People Plan is a foundational document which provides analysis of Human Resources challenges and priorities over a time horizon aligned with the Term of Council. Broad internal and external workforce trends are identified at a “high-level” within the Corporate People Plan. |
| Core Workforce Planning Processes | • Short-term workforce planning in the context of the annual budget process is a formal and clear process for departments to identify their short-term workforce needs and to have these resource levels approved by Council.  
• The City of Ottawa identified a need for longer-term succession planning, and has developed a process and enabling tools for departments to use in the creation of formal succession plans. Based on interview discussions, implementation of this process is in its early stages and varies by department. |
| Outcomes | • Interviewees noted that department-specific initiatives have been developed to respond to mid and longer-term workforce needs (e.g., development of apprenticeship programs, encouragement of rotational assignments, etc.). Please note that this observation is based on anecdotal interview findings with a small sample of City departments. |
Audit Objectives | Strengths
--- | ---
Enabling Systems and Practices
| • Interviewees noted that Corporate Human Resources is functionally emerging as a strategic and operational business partner recognized for value added responsiveness across both transactional and strategic services.

| • The Human Resources Information System (HRIS) captures workforce information that is tracked and reported on a regular basis. For example, quarterly city-wide and department-specific Talent Scorecards are issued which include important metrics and demographic information. Based on interview discussions, Business Intelligence software is being implemented to enhance analytical sophistication, timeliness and access to this information (i.e., through Manager Self-Service).

Opportunities for Improvement
The audit team has identified areas where workforce planning practices and processes could be improved. Three overarching areas for improvement were noted, namely:

1. Building on emerging tools and practices, there is an opportunity for Corporate Human Resources to provide a more prescriptive and integrated approach, including standardized methods and processes for medium and longer-term workforce planning. Furthermore, Human Resources should lead integrated workforce planning needs analysis across all departments, and the development of a City-wide long-term workforce plan.

2. Organization-wide workforce segment data (i.e., related to critical and “non-critical” workforce segments) should be more formally identified and analyzed for value-added scenario modeling and planning purposes.

3. Value-added analysis and reporting (e.g., based on HRIS information) are required to support longer term workforce planning. More robust analytical and reporting capabilities would serve to enhance regular information provided to departments about their current and future workforce needs, targets and results.

Recommendations and Management Responses
It is recommended that the City of Ottawa initiate the following practices to enhance its integrated and longer term workforce planning efforts and value added.
**Recommendation 1**

That Corporate Human Resources provide a more prescriptive and integrated approach, including standardized methods and processes, for medium and long-term workforce planning (i.e., three and five years). Fundamentals of workforce planning include:

a) Matching strategic business requirements with long-term talent trends;

b) Analysis of external labour supply sources/demand influences; and,

c) Proactive planning that considers future skills and resources necessary to enable longer-term business plans.

**Management Response**

Management agrees with this recommendation.

Further to the response to Recommendation 2, HR will develop an integrated workforce planning approach and templates for use by departments by the end of Q1 2013 as part of the Corporate Planning and Performance Reporting Framework and fiscal planning process. The integrated approach will build on current processes being used for short-term workforce planning such as the annual budget process, the succession planning process of identifying critical positions, vacancy reports, and the utilization of the metrics on the Talent Scorecard. HR will ensure integration with the Corporate Planning Framework.

**Recommendation 2**

That the City implement mid and longer-term (i.e., three and five year) workforce planning at the departmental level, with departments taking ownership for the development of their mid and long-term workforce plans, supported by Human Resources.

**Management Response**

Management agrees with this recommendation.

The City has adopted an integrated Corporate Planning and Performance Reporting Framework to define strategic priorities for the four-year Term of Council. The Framework includes the development of a City Strategic Plan and departmental plans that coincide with the Term of Council. These plans will influence multi-year staffing needs for departments and impact overall workforce planning for the corporation. Human Resources will support the departments in developing their workforce plans starting in Q2 2013 with a target completion date of Q4 2013.
Recommendation 3
That Corporate Human Resources lead an integrated (i.e., City-wide) workforce planning needs analysis. This will feed into the development of a multi-year City-wide workforce plan that integrates anticipated workforce needs from across the organization. The plan should identify expected workforce requirements, together with plans for bridging any gaps (in the context of both growth and reduction/rationalization strategies) between the current state and anticipated future needs.

Management Response
Management agrees with this recommendation.

Working with departments, Human Resources will conduct an integrated workforce planning needs analysis as a component of the City’s integrated Corporate Planning and Performance Reporting Framework as noted in the management response for Recommendation 2. One of the outcomes of the Framework will be departmental plans that will influence multi-year staffing needs for departments that will impact overall workforce planning for the City. The departments, as the business experts, must outline the service delivery risk areas. Human Resources will utilize the departmental input for the analysis that will identify risks and appropriate mitigation plans which will be completed by the end of Q2 2014. The analysis will provide an enterprise-wide view of workforce needs and mitigation strategies.

Recommendation 4
That Corporate Human Resources ensure all departments identify critical positions. Critical positions may be those broader than leadership positions that are also considered to be high impact and/or difficult to fill. (“Critical” workforce segments are the segments that have the greatest impact on the organization. They are typically highly skilled roles [and incumbents] that provide a disproportionate degree of value to the organization and are often hard to replace.)

Management Response
Management agrees with this recommendation.

City departments are in the process of developing succession plans with support from Human Resources. A key part of this process is identifying critical positions. Departments are currently conducting the assessment and will have completed the process by Q4 2012.

Recommendation 5
That Corporate Human Resources “roll-up” the critical workforce segments identified by the departments so that the City of Ottawa has an integrated and enterprise-wide perspective on its critical workforce segments.
Management Response
Management agrees with this recommendation.

A database will be developed to capture a corporate-wide “roll up” of the critical positions identified by departments in 2012. The effort to create and maintain the database is currently being explored with the objective of completing the first roll-up by the end of Q2 2013.

Recommendation 6
That Corporate Human Resources analyze City-wide workforce segment data to gain insights and perspective on both “critical” and “non-critical” workforce segments to support value-added scenario modeling and planning. (“Non-critical” workforce segments represent the majority of the workforce complement, but compared to critical workforce segments, such roles are either easier to staff or have a lesser impact on organizational effectiveness.)

Management Response
Management agrees with this recommendation.

Currently workforce segments are considered in developing resourcing strategies and the Corporate People Plan. As noted in the response to Recommendation 5, Human Resources will have the capability to analyze “critical” and “non-critical” workforce segment data by the end of Q2 2013.

Recommendation 7
That Corporate Human Resources proactively and regularly conduct analysis of workforce planning data (both City-wide and department-specific).

Management Response
Management agrees with this recommendation.

Human Resources will continue to conduct analysis of workforce planning data on a regular basis. This is currently done with existing tools such as the vacancy reports, attrition reports, and the data provided on the Talent Scorecard(s). This will be supplemented with data once the formal workforce planning tools and process have been rolled out by the end of Q2 2013.

Recommendation 8
That Corporate Human Resources provide management-level reports with workforce planning analysis and insights to support longer term workforce planning.
Management Response
Management agrees with this recommendation.

Once the process and templates have been developed and put into operation in Q2 2013, Human Resources will develop corporate and department level reports and will work with departments to put into place mitigation strategies for critical positions.

Recommendation 9
That Corporate Human Resources define and clarify a metrics framework for workforce planning with departmental management being responsible for determining applicable targets. The City should then be in a position to have access to related workforce planning performance reports, including variance analysis for practices such as position management, vacancy management, staffing, turnover/attrition planning and productivity analysis.

Management Response
Management agrees with this recommendation.

Many of the data/reports noted are currently provided to managers on a regular basis. As part of the development of the workforce planning framework and processes, Human Resources will work with the Corporate Business Services branch to develop a metrics framework by the end of Q1 2013, with an approach for departments to develop targets to maintain consistency with the Balanced Scorecard approach being used in the Corporate Planning and Performance Reporting Framework.

Conclusion
Building on contextual needs and emerging human resources management practices, there is an opportunity for the City of Ottawa to leverage existing strengths and to:

- Provide a more prescriptive and integrated approach, including standardized methods and processes for medium and longer-term workforce planning;
- More formally identify and analyze organization-wide workforce segment data (i.e., related to critical and “non-critical” workforce segments); and,
- Provide more value-added analysis and reporting to support longer term workforce planning.

Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
5.11 Audit of Budgeting for Growth Funding

EXECUTIVE SUMMARY

Introduction
The Audit of Budgeting for Growth Funding was included in the 2011 Audit Plan of the Office of the Auditor General, approved by Council on April 13, 2011.

Background
The City of Ottawa budgeting process is guided by the Council-approved fiscal framework which provides a high-level roadmap to sustainable finances. The foundation of the fiscal framework is a set of overarching principles for responsible financial management. The framework serves as guidance and reference to the budgeting process and an accountability and communication tool for Council and residents. The 2006 Development Charge Accounts report outlines the funding principles recommended for the various service categories.

Growth funding is the additional budgetary resource requirement associated with population growth that results in increases to the City’s infrastructure/equipment/staffing base in order to maintain programs and services at current Council approved service levels. Capital project costs related to growth are captured in the capital budget, also approved by Council, identifying the projects which will be undertaken during the year and how they will be funded. Growth projects are funded in part by the Development Charges Act (DCA), which permits the City to fund the growth portion of new infrastructure required to support new development from a charge levied, in most cases, at the building permit stage. Growth projects undertaken must be identified in the City of Ottawa Development Charges Background Study Report that is prepared every five years and must be prepared pursuant to Section 10 of the DCA. The preparation of the Development Charges Background Study Report is led by the City’s Planning and Growth Management Department.

Audit Objective and Scope
The objective of this audit engagement is to assess the extent to which the budgeting approach and process supports fair and transparent allocation of growth funding.

For the budget year 2011, the total capital budget was $849,210,000, of which $327,427,000 was related to growth and is within the scope of this audit.

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The scope of the audit included the approach and processes used to budget for growth related capital projects. The audit also examined the communication procedures and processes for disseminating budgeting for growth funding information to internal and external stakeholders.

The audit included the approach and process used to plan and identify projects eligible for growth funding, including reviewing the reasonableness of the percentage of costs covered by development revenues. The scope excluded a financial evaluation of the amounts budgeted for these growth projects. The City of Ottawa Development Charges Background Study Report was consulted where necessary to support the assumptions related to the growth component of capital projects examined as part of the audit; however, the Background Study itself was not the subject of the audit.

**Summary of Key Findings**

1. The growth related capital projects identified in the Growth Management Plans are prepared by the Planning and Growth Management Department with input from the public, stakeholders, Standing Committees and approval from Council. As a result of these consultations and Council approval, these Growth Management Plans garner attention and visibility and play a key part in identifying the growth capital projects that are used in the Development Charges Background Study. However, the identification of projects in the Growth Management Plans, at the Official Plan stage, involves limited financial evaluation and does not provide an in-depth assessment of affordability as a key element in the identification of projects contained within the Transportation Master Plan and the Infrastructure Master Plan. In this phase, projects are identified on the basis of needs given population and employment projections and implications on funding sources, such as a large increase in development charges, are not considered or communicated and as a result, the Growth Management Plans, which has set public expectations on what is to be developed, may identify a list of capital projects that exceed the potential funds available to execute them.

2. In interviews with City of Ottawa staff from the Planning and Growth Management Department and through our testing of growth projects, we found the City of Ottawa compliant with all clauses of the Development Charges Act, 1997 relevant to calculating development charges that were utilized in budgeting for the growth capital projects examined.

3. The City of Ottawa Development Charges Background Study appropriately considered all required deductions as per the Development Charges Act in all the services in which it intends to apply the development charge rate. However, it was identified that the rationale to support the assumptions used to estimate these deductions are inconsistently documented. For example, the benefit to
existing development (BTE) component of road and related services is supported by traffic studies that analyze road usage by volume and capacity (V/C). The BTE component of major indoor recreation facilities provides limited data to support the justification of the estimated BTE component of facilities.

4. During the development process of the DC Background Study, extensive consultation occurred with the Planning and Environment Committee as well as key stakeholders, including developers and the public. A Development Charge External Stakeholders’ Group and a Development Charges By-law Sponsor Committee (Sponsor Committee) were also established to solicit input from stakeholders and guide the update of the DC by-law. The public, key stakeholders and Council members on the Planning and Environment Committee are all provided an opportunity to ask questions and provide input in the identification of projects and the calculation process for the development charge rate. The process used to identify growth related capital projects and estimate development charges rates is documented, consultative, and transparent.

5. As part of the annual budgeting process, departmental staff from the City Operations Portfolio and Infrastructure Services and Community Sustainability Portfolio, with the assistance of the staff in the Financial Services Unit, will prioritize the growth capital projects for the upcoming fiscal year. Departmental staff will take into consideration when the project was scheduled to begin with reference to the Development Charges Background Study, Growth Management Plans and/or Capital Programs and will also consider the funding envelope provided to them by the Financial Services Unit. Departmental staff will then make recommendations for projects to be initiated and request spending authority for Committee and Council consideration in the draft budget.

6. For the budget year 2011, the total capital budget was $849,210,000, of which 46 projects totalling $327,427,000 were categorized as growth. A full list of growth capital projects can be found in Appendix B of the full report and full list of non-growth projects can be found in Appendix C of the full report. Of the $327,427,000 budgeted cost for growth projects, approximately $81,447,000 will come from development charges funding. However, given the complexities of how development charges are collected and spent, it is not practical to assess growth related capital spending on a ward-by-ward basis. This is because residential development charges are collected on a mix of city-wide and area-specific basis for different service areas, while non-residential development charges are calculated on a uniform city-wide basis. As a result, some projects are funded from the DC city-wide accounts; while other projects are funded from the DC area-specific accounts. In 2011, approximately $72.4 million (89%) of the total $81.4 million spending from development charges will be drawn
from city-wide DC accounts, while only $9 million (11%) of development charges will be from area-specific DC accounts. Additionally, many of the growth projects listed are located in a specific ward but will provide benefits to individuals across the city. For example, the Light Rail Transit (LRT) (Tunney’s to Blair) project is the largest growth project identified in the 2011 budget with a cost of $148,991,000. Although it will be located in wards 11, 15, and 17, the LRT will certainly benefit individuals beyond those three wards. As such, an analysis of the capital spending by ward would not yield an accurate portrayal of the wards truly benefiting from the project.

7. The audit examined six growth related capital projects totalling approximately $9.9 million to ensure projects were budgeted accurately and funded by the appropriate sources. In the projects selected for examination, it was identified that the growth related projects followed a consistent identification and budgeting process. The growth capital projects examined were appropriately identified in the DC Background Study and were budgeted in accordance with the growth/non-growth ratios identified in the DC background study with minor (equal to or less than 5%) differences. For example, the 2008 Cycling Facilities Program project was identified in the 2004 Development Charges Background Study and was subject to a growth/non-growth ratio of 28/72. It was observed that at the completion of the project, project financing was consistent with the ratios identified with 28% of funding drawn from development charge accounts and the remaining 72% from the city wide capital reserve fund.

8. Significant variances existed from the original spending authority requested in the annual budget from the amount spent at the time of project closure in two instances. The Forest Valley Pumping Station project was originally budgeted for $1,000,000 in the 2003 capital budget; however, an additional spending authority of $500,000 was requested and approved by Council in the 2004 capital budget. The additional authority was required to expand capacity and meet the needs of increased target densities identified in the City’s New Official Plan. The Terry Fox Dr. (Cope to Eagleson) project also required budget adjustments. $1.7 million was originally committed to the project from the 2005 capital budget with $4.6 million of additional funding coming from subsidies and transfer of fund from other projects. However, an additional $200,000 was requested from Council in 2006 to cover additional construction costs not foreseen at the design stage and an additional $200,000 was transferred from other project accounts in 2009 to cover expropriation settlement costs.

9. Through our testing of growth projects, we observed that the controls in place were operating as intended. The DC Background Study, annual capital budgets and Closure Reports were all reviewed by the appropriate Standing Committees and approved by Council. The growth portion of the capital project was charged to the appropriate development charges account and reconciled
with the amounts in the Closure Reports presented to Standing Committees and approved by Council.

10. It was noted that the 2009 DC Background Study contained “programs” for a portion of Roads and Related Services and for Parks Development rather than specific projects. Programs are different in that they group several like projects together under one program name. For example, Roads and Related Services contains a New Traffic Control Signal Program that is made up of several smaller projects with a total estimated gross capital cost of $36,604,000 from 2010-2031 with a growth/non-growth ratio of 79/21. Programs provide departmental staff with budgeting flexibility but it also makes tracking funds to specific projects difficult since the specific growth/non-growth funding split is not identified for each project.

11. The 2009 DC Background Study did not include a specific list of parks capital projects for Committee and Council to review and approve. The audit found that a 4 and 10 year forecast for parks, listing specific parks projects, has since been established in 2010 by the Planning and Growth Management Department to identify, prioritize and allocate parks based on priority. The 4 and 10 year forecasts of parks are submitted to Financial Planning and functions as a request for future funding envelopes from which the Planning and Growth Management staff begin the budget process every year. The preparation of the 4 and 10 year forecasts of parks puts in place a more transparent prioritization process of parks allocation; however, the forecasts are not submitted to Committee or Council for approval. As part of the preparation of the DC Background Study and DC by-law, Deputy City Manager, supported by the Planning and Growth Management Department communicates regularly and submits a report to the Planning Committee that summarizes how the development charge rate is calculated. The information found in this report contains key information on how the development charges are calculated, and is presented to the Planning Committee for their review and recommendation to Council of the Development Charges Background Study and By-law. Councillors that do not sit on the Planning Committee at the time the Development Charges by-law is being passed do not have this information presented to them and as a result, may not be as knowledgeable in the area of funding for growth related capital projects. Given the importance of the development of growth capital projects to all Councillors, a report that summarizes the key assumptions and factors that influence the calculation, collection, and spending of development charges in a comprehensive manner that presents an appropriate balance of information and detail should be provided and made easily accessible to all Councillors prior to the City Treasurer’s Statement on Development Charge Reserve Fund Activity.

12. The 2009 DC Background Study provides an estimated timeline of when projects are to be executed and estimates the gross capital cost of projects. Once
the DC Background Study has been prepared, factors may arise that impact the
timing and estimated cost of a growth related capital project by the time
spending authority is requested and presented in the annual capital budget. For
example, the 2009 DC Background Study may identify a recreation facility to be
construction in 2010; however, due to delays in acquiring land or the
environmental assessment, the project may not be able to begin until after the
projected timeline of 2010. These factors and the associated financial
implications on the DC funds available and original estimated cost are not
analysed and presented to Council to provide a complete picture of how the
budgeted costs have changed over time.

Recommendations and Management Responses

Recommendation 1
That the City examine opportunities to include Finance in the development of
growth management plans in order to allow discussions on affordability and
sources of funding to occur early in the process.

Management Response
Management agrees with this recommendation.

The Development Charges Act stipulates that the City should examine the
"affordability" of the projects for which development charges are being collected.
Growth/non-growth shares are established for each project so that Council can
assess the affordability of work. Cash flow requirements are calculated so that
inflation, interest and borrowing costs are included to keep the various reserve
funds in balance.

During the next update of the Official Plan, staff will develop a financing plan to
reflect the City’s updated infrastructure master plans to ensure consistency with
the principle that growth pays its fair share of costs. It is anticipated that this
will be completed by Q4 2013.

Recommendation 2
That the City establish a standard level of detail and support for all assumptions
used in the budgeting for growth funding, and ensure that it is consistently
applied.

Management Response
Management agrees with this recommendation.

Management will provide an additional summary analysis comparing the
budgeted capital program, based on the funding principles, to various items
listed in the Development Charges Background Study. This will be provided as
part of an annual technical briefing in Q1 of each year (further detail is provided in the management response to Recommendation 5).

The current development charge funding principles are used as the underlying rationale behind when growth projects can proceed. By definition, projects that support the city’s on-going growth are required to be partially funded by development charges. The funding principles determine when a project can proceed based on when it is required in the overall development cycle and on the amount of development charges that have been collected. For example, the growth-related funding principle reflected in the City's guidelines for soft services is that the reserve fund account cannot be in either a cash or commitment deficit at the end of the term of the By-law. In general, soft-service related projects are not required until a majority of the growth is in place and therefore, sufficient growth-related funding has been collected to pay for the projects.

A funding envelope is also established as part of the budget directions report, which is used to determine the amount of non-growth related funding available in order to finance the proposed capital investments.

While the City’s funding priorities are initially established in the Background Study they are then subject to annual review during the capital budget process because future revenues are dependent on the level of development activity in the city over the five-year life of the Development Charges By-law. Appropriate adjustments to the capital forecast are made to reflect prevailing economic conditions with Council ultimately approving the eligible capital works through the annual budget approval and planning process.

The City used the foremost expert in development charges to provide staff with the expertise required to update the Background Study. This individual met with staff from each service area to review project submissions and to ensure that their calculations, including ‘benefit to existing’ (BTE), were completed correctly based on the legislative requirements.

**Recommendation 3**

That the City put in place controls to facilitate tracking of growth and non-growth portions of projects where budgeting is done on the basis of programs.

**Management Response**

Management agrees with this recommendation.

In the past, a specific listing of individual projects was not provided in the case of programs for several reasons: it is difficult to be precise in forecasting some of the costs given the uncertain nature of the way in which the work will be constructed; certain areas might be brought forward for development at any
particular time; and the nature and type of work that the City might require as a prerequisite of development may vary.

In most cases, this project listing is identified in the annual capital budget document, Long Range Financial Plan, and various feasibility studies. Therefore, City Council confirms its intention that the increase in need will be met through approval of the capital program envelope outlined in the above-referenced documents.

In order to fully meet the intent of this recommendation, management will ensure that the planned level of investment by project type be provided in the Development Charges Background Study. This will be completed by the end of Q2 2014.

**Recommendation 4**

Given the visibility of parks, that the City present the 4 and/or 10 year forecasts of parks development to Committee or Council for approval.

**Management Response**

Management agrees with this recommendation.

The 2009 Development Charges Background Study calculation of the Parks Development component of the charge did not set-out the planned investment by project type for the three area locations; however, the 2011 Development Charges by-law amendment did provide a specific listing of planned parks until 2019. Management believe this meets the intent of this recommendation.

A four-year forecast for individual Parks Development projects will be brought forward to Committee/Council for approval as part of the next capital budget process in 2013. Management notes that this is now being done on a project basis for development charge projects.

**Recommendation 5**

That the City identify opportunities to provide information on the calculation, collection, and spending of development charges to all Councillors. This should be provided in a manner that summarizes the detailed information and assumptions in the DC Background Study to address the key issue of whether growth appropriately pays for itself to the full extent provided by legislation.

**Management Response**

Management agrees with this recommendation and it has been implemented.

A technical briefing was provided to all members of Council and their staff on March 5, 2012, which summarized the current Development Charges Policy Framework. Included in the briefing session was an overview of the Development Charges Act, the various steps required in calculating the charges, internal policy
issues and the impact the legislation has on the City’s ability to fund growth-related capital projects. Copies of the 2009 Development Charge Background Study, as well as the presentation, were made available to all of the participants. An update will be provided prior to the release of the Treasurer’s Statement (the Treasurer’s Report is provided annually in April of each year).

The schedule contained in the Treasurer’s Statement provides detailed information that summarizes the yearly collection and spending for each service component for Councillors. The treatment of reserve fund balances outlined in the schedule is based on widespread municipal practice in Ontario. In addition, detailed information outlining actual project funding, outstanding commitments and yearly revenue fluctuations are available upon request from the Program Co-ordinator.

**Recommendation 6**

That the City clearly identify the factors that contribute to changes in timing and gross capital project costs between the DC Background Study and the approval for spending authority as part of the capital budgeting process.

**Management Response**

Management agrees with this recommendation.

Once a development charge is in place, there is a legislative obligation on the part of the City to spend its development charge receipts on the projects listed in the Background Study within the timelines stipulated. The capital budget process is the tool by which the City is guided in its expenditures of development charge money.

The Background Study estimates were based on current tender prices in order to establish the cost of future works and provide an accurate costing for projects included in the charge. However, actual expenditures on certain components may not reflect the most up-to-date costs resulting in projects exceeding original estimates. Since development charges are indexed annually by the construction price index, this protects the City’s liability in situations where construction costs increase more than the initial project estimate.

There may also be subsequent deviations in the timing of expenditures to more accurately reflect anticipated revenues. The financial viability of each reserve fund is based upon actual collections and projections in order to smooth out any cash imbalances in the account. Shortfalls may occur for several reasons such as: substantial overruns on project costs that were identified in the background study; new legislative requirements for works increasing project costs or altering timing; and loss of revenue due to any significant decline in growth projections.

The City will, however, accept deficit positions in some reserve funds and does use a predictable and systematic approach to prioritizing and funding
development charge works based on available revenues. It is important for the City to prioritize capital works to not only ensure the appropriate contribution from development charges but also ensure the availability of the amount benefiting existing development. This non-growth share is applied to all growth-related capital expenditures and must be funded by taxpayers.

Finally, the City is required, every five years, to conduct an update through an external consultant of the City’s population, household, infrastructure costing, and growth projections for residential and non-residential land use. These numbers are then used for forecasting in any subsequent background study, over the planning horizon, the expected cost and timing of capital requirements required to support the planned level of growth. The review and update also include assumptions regarding benefit to existing taxpayers and residential and non-residential allocations. The development charge rates are then updated based on these more accurate assumptions.

In order to enhance our current processes, if actual expenditures on a particular growth-related capital project are greater than 25% of the original estimate or if the project timing has been advanced from what is shown in the Background Study, staff will conduct an analysis of the reasons for the differences. The results of the review will be available from the Program Co-ordinator as part of the annual technical briefing for Councillors. This will be done for the next reporting process in Q1 2013.

Areas of Potential Savings
Currently, Finance has limited input in assessing affordability of the growth capital projects identified in the City’s Growth Management Plans. The involvement of Finance in a greater capacity at an earlier stage of the master planning process, along with an overall financial evaluation, will result in more informed stakeholder discussions on affordability upfront and will improve the efficiency of budgeting process for growth capital projects as a whole, resulting in potential savings in time and resources downstream.

Conclusion
The audit found that the City has in place an established process for budgeting for growth related projects, and the controls in place for the budgeting of growth funding information were operating as intended. However, the process is complex, with input from many departments within the City and is based on a number of key assumptions. While the key assumptions used to calculate development charges which fund the growth portion of capital projects are appropriate and consistent with the legislated requirements in the Development Charges Act, the documentation of rationale used to support the estimates for each of the key assumptions is inconsistent. There are opportunities to improve the summary and communication of information on the key assumptions and factors that influence
the calculation, collection, and spending of development charges to City Council and the public so that an appropriate balance of information and detail is achieved and the objective of transparency is met.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
6 2011 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 2011, 182 reports were made to the Hotline. There were 114 reports submitted by members of the public and 68 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.

<table>
<thead>
<tr>
<th>Reporter Type</th>
<th>Number of Reports</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>114</td>
<td>63%</td>
</tr>
<tr>
<td>Employee</td>
<td>68</td>
<td>37%</td>
</tr>
<tr>
<td>Total</td>
<td>182</td>
<td>100%</td>
</tr>
</tbody>
</table>

The majority of the reports were submitted by Internet. The remaining 25% of the reports were submitted by phone.

<table>
<thead>
<tr>
<th>Method of Submission</th>
<th>Number of Reports</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>136</td>
<td>75%</td>
</tr>
<tr>
<td>Phone</td>
<td>46</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>182</td>
<td>100%</td>
</tr>
</tbody>
</table>

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 2011, 101 reporters, representing 55% of all reports, reviewed their report after submission of the original report and the other 81 reporters did not review their report. Given that 55% 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

<table>
<thead>
<tr>
<th>Reviewed Report</th>
<th>Number of Reports</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>101</td>
<td>55%</td>
</tr>
<tr>
<td>No</td>
<td>81</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>182</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### 6.3 Summary of 2011 Hotline Reports

The table below summarizes the reports received by the Hotline to December 31, 2011 by report category since its inception in 2005.

<table>
<thead>
<tr>
<th>Fraud and Waste Hotline Reports as at December 31, 2011</th>
<th>2005 - 2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harm to People or Potential Harm to People</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Health and Safety, Environment</td>
<td>12</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>Alcohol or Drug Use or Other Substance Abuse</td>
<td>8</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Theft, Embezzlement, Fraud</td>
<td>90</td>
<td>28</td>
<td>16</td>
<td>7</td>
<td>141</td>
</tr>
<tr>
<td>Unauthorized Use or Misuse of City Property, Information, or Time</td>
<td>120</td>
<td>40</td>
<td>41</td>
<td>35</td>
<td>236</td>
</tr>
<tr>
<td>Manipulation or Falsification of Any Data</td>
<td>11</td>
<td>8</td>
<td>1</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Unethical Conduct or Conflict of Interest</td>
<td>40</td>
<td>20</td>
<td>31</td>
<td>36</td>
<td>127</td>
</tr>
<tr>
<td>Violation of Laws, Regulations, Policies, Procedures</td>
<td>42</td>
<td>14</td>
<td>52</td>
<td>11</td>
<td>119</td>
</tr>
<tr>
<td>Financial Reporting and Accounting</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Management/Supervisor</td>
<td>10</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Suggestions for Improvement</td>
<td>109</td>
<td>14</td>
<td>18</td>
<td>33</td>
<td>174</td>
</tr>
<tr>
<td>Suggested Areas for Audit</td>
<td>32</td>
<td>20</td>
<td>16</td>
<td>16</td>
<td>84</td>
</tr>
<tr>
<td>Other</td>
<td>37</td>
<td>12</td>
<td>27</td>
<td>37</td>
<td>113</td>
</tr>
<tr>
<td>Total</td>
<td>513</td>
<td>165</td>
<td>215</td>
<td>182</td>
<td>1,075</td>
</tr>
</tbody>
</table>

Management submitted one report during 2011 in accordance with the Corporate Policy on Fraud and Other Similar Irregularities. The OAG received 18 reports regarding allegations of social assistance abuse and transferred them to management to investigate. The Fraud and Waste Hotline is not intended to be

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1 See Appendix C for the definition of each category.
used for allegations regarding social assistance as there is a dedicated social assistance fraud line at 1-800-394-STOP (7867).

Our Office closed 215 reports in 2011, 155 related to 2011 and 60 related to prior years. Of these, 186 were transferred directly to management to be addressed, and 29 were addressed by the OAG.

6.4 2011 Issues Arising from the Hotline

This section includes the summaries of examples of Hotline reports which were addressed in 2011 but 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.

6.4.1 Violation of Solid Waste Tender Provisions

The report alleged that a City solid waste contractor was accepting animal waste collected by another external enterprise for a fee. The contractor was assessed a liquidated damage of $10,000 as per section C17.5 of the Curbside Residential Solid Waste Collection Tender. The contractor informed the City that they would have all their employees sign a roster indicating that they were made aware that severe penalties for handling materials from a source other than that approved by the City.

6.4.2 Misuse of City Resources

An employee of the Building Code Services Branch was also moonlighting as a real estate agent and had access to some information provided to the City for City business that is not available to the general public. Personal use of this information was not confirmed as the systems are not configured to audit individual usage. However, Labour Relations reviewed Internet and email usage of the employee which revealed some personal use of City resources for outside business. Labour Relations also confirmed that the employee had received an instructional letter regarding moonlighting in 2010. The employee received a 2-day suspension without pay for misuse of resources/time and insubordination, in light of previous instruction (re: moonlighting) and demeanour at investigation meeting. The employee was further advised that adherence to the Employee Code of Conduct is expected in future, and failing to do so would result in additional disciplinary action.

6.4.3 Theft and Misuse of City Property

In a meeting with Labour Relations following the report, an employee acknowledged:

- Taking City property;
- Resting in his van while waiting to meet contractors at various work sites;
- Once manipulating the punch clock; and,
- Occasionally leaving the work site 20 minutes early and having co-workers punch out for him.

The employee further acknowledged his wrongdoing and offered an apology for his actions. A five day suspension without pay was issued. In addition, punch clock security was improved; expectations for using the punch clock were reviewed with the work group; and, the expectation that City property is not to be taken home or used for personal use was reinforced with the group.

6.4.4 Theft of Water
An investigation into this matter was conducted and it was determined that no water account existed nor has the property been billed for water to date. A meter was installed and a water account was established and billed. As per policy, a reading from the meter was taken 15 days after installation and used to estimate past consumption. The owner was notified in writing of the amount owing of $1,912 and that if they are unable to pay the amount in full, a payment schedule can be established to settle the issue.

6.4.5 Misuse of City Resources
An employee used gift cards originally provided to the City for the purposes of promotion of a restaurant to City venue clients, for his own use. In addition, the employee accepted gifts including tickets to hockey games, invitations to a suite at Scotia Bank Place and tickets to other events, which the employee believed was an acceptable practice. A four day suspension without pay was issued. The employee was asked to familiarize himself with all corporate policies, including the Employee Code of Conduct and all other City financial handling and audit policies. The employee is now providing biweekly updates on his work plan and activity, and there have been IT checks of his computer activity since the investigation.

7 POTENTIAL SAVINGS
Council has requested that audits undertaken by the OAG include an analysis of potential savings where possible. The 2010 Annual Report included a summary of all potential savings identified by audits conducted from 2005 to 2009. This data has been updated to include 2010 and 2011 and is contained in Appendix B. It should be noted that all 2011 audit reports contain a separate section on potential savings wherever these were identified. We have identified $550,600 in potential savings in 2010 and $5,756,764 in 2011 for a total of $46,000,664 since 2005.
8 2012 AND 2013 AUDIT PLANS

8.1 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.

8.2 2012 Audit Plan
On December 14, 2011, Council approved the OAG’s 2012 work plan. This plan includes the following projects:

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) Audit of Compressed Work Week Agreements;
l) Audit of the West End Flooding and the Development Review Processes within the Carp Watershed;
m) Ottawa Municipal Campground (recommendations directed at Finance Department only);
n) Procurement Process for the SmartBus Next Stop Announcement System;
o) Pine View Municipal Golf Course; and,

8.3 2013 Audit Plan

The following projects, approved by Council on October 10, 2012, are included in the 2013 Audit Plan:

1. Fleet Services – NAPA Contract
   - Several Hotline reports have been received raising concerns regarding this contract.
   - City of Toronto has received similar complaints and is considering pursuing the matter further.
   - Audit will examine compliance to the contract terms and conditions, value-for-money and potential savings.

2. Ethics
   - Per adopted audit standard 2110.A1 – The audit activity must evaluate the design, implementation, and effectiveness of the City’s ethics-related objectives, programs, and activities.
• Audit will include an examination of all policies related to employee conduct including the disclosure of information, the Code of Conduct, Responsible Computing Policy, etc.
• Council’s members will not be included in this audit.

3. IT Governance
• Per adopted audit standard 2110.A2 – The audit activity must assess whether the information technology governance of the City supports the City’s strategies and objectives.
• Audit was identified by Councillor Tierney and will include an examination of potential savings.

4. OC Transpo Business Strategic Planning Processes
• Adequacy of management’s processes in determining business strategies.
• Audit was identified by Councillor Blais prior to the change in leadership at OC Transpo and will include an examination of potential savings.
• Will include a review of three specific planning processes, i.e., fleet, facility utilization and the planning process for cancelling bus trips (identified by Councillor Egli).

5. One audit arising from the Environmental Risk Assessment Currently Underway
• Adopted standards required the completion of a risk assessment.
• As identified in the risk assessment, an audit will be undertaken in an area viewed to be of highest risk.
• Audit will include an examination of value-for money and of potential savings.
• Recommending to proceed with an audit of Environmental Legislated Approval Processes.

6. Infrastructure Services Department
• Requested by City Council on October 10, 2012.

7. Follow-up of previous audits, including:
   a) Audit of the Management of Vacant Positions;
   b) Audit of Corporate Communications Function;
   c) Audit of Procurement Practices – General;
   d) Audit of Procurement Practices - Springhill Landfill Site Contract;
   e) Audit of Procurement Practices - Hedging Activities;
   f) Audit of Performance Measurement;
   g) Audit of Occupational Health and Safety;
h) Audit of the Human Resources Master Plan;
i) Audit of Budgeting for Growth Funding;
j) OC Transpo Scheduling Process for Bus Operators;
k) OC Transpo Communication of Cancelled Bus Trips; and,

9 AUDITOR GENERAL SUCCESSION PLAN

The term of the current Auditor General is scheduled to end on December 31, 2013. As such, there is a need to begin the process to select a new AG during 2013.

The anticipated tabling of the 2012 Annual Report is November of 2013 and therefore within the current AG’s term. Work on the 2013 plan will begin under the current AG but will not be tabled during his term.
APPENDIX A: RECOMMENDATIONS TO BE RAISED TO THE ATTENTION OF THE AUDIT SUB-COMMITTEE

<table>
<thead>
<tr>
<th>2011 Annual Report Audits</th>
<th>Total Recommendations</th>
<th>Management Agrees</th>
<th>Management Disagrees Raised to Audit Sub-Committee</th>
<th>Recommendation Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the OC Transpo Scheduling Process for Bus Operators</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of OC Transpo Communication of Cancelled Bus Trips</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of the Management of Vacant Positions</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>2, 4</td>
</tr>
<tr>
<td>Audit of the Corporate Communications Function</td>
<td>22</td>
<td>22</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Procurement Practices - General</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Procurement Practices - Springhill Landfill Site Contract</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Procurement Practices - Hedging Activities</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Performance Measurement</td>
<td>21</td>
<td>21</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Occupational Health and Safety</td>
<td>26</td>
<td>26</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of the Human Resources Master Plan</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Audit of Budgeting for Growth Funding</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total 2011 Recommendations - Annual Report</strong></td>
<td><strong>121</strong></td>
<td><strong>119</strong></td>
<td><strong>2</strong></td>
<td></td>
</tr>
</tbody>
</table>
Audit of the Management of Vacant Positions

Recommendation 2
That any seasonal/summer or other part-time positions which are vacant for greater than 24 months be reported to Council.

Management Response
Management disagrees with this recommendation.

Management is of the opinion that the restrictions imposed by Motion 82/27 must be taken into consideration when reporting on vacant positions. The exclusion of seasonal/summer students or other part-time positions within the organization was intended to recognize the reality of ongoing daily operations. A number of seasonal positions, due to their nature, are often vacant for extended periods of time.

Furthermore, management believes the definition of “vacant” for these types of positions needs to recognize that a position may not have a holder and thus will appear to be vacant but may have hours charged against it.

Operational managers must retain the delegated authority to manage their compensation envelope and maintain the flexibility to utilize seasonal and other part-time positions in order to deliver approved programs. Taking away this flexibility may result in service interruptions and/or reductions while having to go through an approval process that will be time-consuming for Council and staff. The City’s Organizational Unit and Position Management Delegated Authority Policy provide the necessary delegated authority to allow managers to run their operation and respond to changing needs within their budget envelope.

Options and strategies for positions that are vacant for extended periods of time are reviewed by the departments on a regular basis in order to meet service delivery requirements. The City will ensure that seasonal and summer student positions are included in management’s quarterly vacancy review.

Recommendation 4
That the City seek Council approval for any unbudgeted temporary position that has been in place for greater than 24 months.

Management Response
Management disagrees with this recommendation.

Unbudgeted temporary positions are funded from a variety of sources, such as federal programs, provincial programs, capital projects, revenue and gapping. It is necessary for operational managers to retain the delegated authority to maintain the flexibility to create temporary unbudgeted positions as required to
respond to emergency situations, conduct special projects and manage peak workload periods. These positions are only active as long as the appropriate funding source is available to fund the temporary position.

Council is aware of programs/projects that are funded through provincial or federal governments, capital and revenue through the City’s budgeting and reporting processes.

To provide further transparency, commencing with the 2013 Budget process, the City will also report the number of all temporary FTEs regardless of their duration, including the funding source of all filled temporary positions. This will be provided in the annual FTE Analysis Report, which is a supplemental document to the Draft Operating Budget.
### APPENDIX B: POTENTIAL SAVINGS IDENTIFIED IN 2005-2011 AUDITS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AUDIT</th>
<th>SAVINGS</th>
<th>HOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Overtime</td>
<td>$86,300</td>
<td>Lack of employee training at Fire Services Branch (2008 actual overtime dollars earned by the only two staff performing hose and ladder repair).</td>
</tr>
<tr>
<td>2005</td>
<td>Drinking Water Services</td>
<td>$317,000</td>
<td>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/m³). The cost to repair these meters would be approximately $240,000.</td>
</tr>
<tr>
<td>2005</td>
<td>Drinking Water Services</td>
<td>$150,000</td>
<td>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.</td>
</tr>
<tr>
<td>2005</td>
<td>Procurement Process</td>
<td>$4,000,000</td>
<td>$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.</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td><strong>2005 Sub-total</strong></td>
</tr>
<tr>
<td>2006</td>
<td>Surface Operations</td>
<td>$165,000</td>
<td>Change in shift as oppose to OT.</td>
</tr>
<tr>
<td>2006</td>
<td>Surface Operations</td>
<td>$200,000</td>
<td>Reduction in OT.</td>
</tr>
<tr>
<td>2006</td>
<td>Fleet Services</td>
<td>$900,000</td>
<td>Represents the full dollar value of vehicle misuse - potential savings would have been less.</td>
</tr>
<tr>
<td>2006</td>
<td>Fleet Services</td>
<td>$459,000</td>
<td>Enforcing fuelling at City fuelling stations.</td>
</tr>
<tr>
<td>2006</td>
<td>Fleet Services</td>
<td>$574,000</td>
<td>Medium size truck - Performance maintenance improvement.</td>
</tr>
</tbody>
</table>
### SAVINGS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AUDIT</th>
<th>One time</th>
<th>Annual</th>
<th>Total of One time and Annual Savings</th>
<th>HOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Fleet Services</td>
<td></td>
<td>$1,200,000</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>2006</td>
<td>OC Transpo and Para-Transpo Cash, Ticket and Pass Revenue Processes</td>
<td></td>
<td>$470,000</td>
<td></td>
<td>Refund of Non-refundable fares.</td>
</tr>
<tr>
<td>2006</td>
<td>Financial Control Environment</td>
<td></td>
<td>$291,000</td>
<td></td>
<td>Foregone interest revenue from paying invoices too soon.</td>
</tr>
<tr>
<td>2006</td>
<td>Financial Control Environment</td>
<td></td>
<td>$1,094,000</td>
<td></td>
<td>Uncertified sick leave over allowable limits with medical certificates.</td>
</tr>
<tr>
<td>2006</td>
<td>Financial Control Environment</td>
<td></td>
<td>$340,000</td>
<td></td>
<td>Liability accumulated from not paying-out annual leave over the collective agreement allowances ($6.8M x 5% increase (COLA + step increases).</td>
</tr>
<tr>
<td></td>
<td>2006 Sub-total</td>
<td></td>
<td></td>
<td>$5,693,000</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Procurement Fax Machine</td>
<td></td>
<td>$182,000</td>
<td></td>
<td>Buying fax machines rather than renting.</td>
</tr>
<tr>
<td>2007</td>
<td>Development Review Process</td>
<td></td>
<td>$4,300,000</td>
<td></td>
<td>Raise development fees to realize full cost recovery.</td>
</tr>
<tr>
<td>2007</td>
<td>Ottawa Police Service Fleet</td>
<td></td>
<td>$95,000</td>
<td></td>
<td>Improve management &amp; control of the fuel card program.</td>
</tr>
<tr>
<td></td>
<td>2007 Sub-total</td>
<td></td>
<td></td>
<td>$4,577,000</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>Ottawa Paramedic Service</td>
<td></td>
<td>$24,000,000</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>2008 Sub-total</td>
<td></td>
<td></td>
<td>$24,000,000</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>Incremental Cost of the Transit Strike 2008-2009</td>
<td></td>
<td>$855,000</td>
<td></td>
<td>City paid approx. $855k as a penalty for fuel for which it could not accept delivery during the strike.</td>
</tr>
</tbody>
</table>
### Appendix B

#### SAVINGS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AUDIT</th>
<th>One time</th>
<th>Annual</th>
<th>Total of One time and Annual Savings</th>
<th>HOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Eight Specific Building Code Services Files Files</td>
<td>$5,000</td>
<td></td>
<td></td>
<td>(Sample, not projected on stage’s 207 lots). Charge all developers the refundable inspection fees where contractor’s not ready for inspection.</td>
</tr>
<tr>
<td>2009</td>
<td>Specific Contracts at the Nepean National Equestrian Park</td>
<td>$10,000</td>
<td></td>
<td></td>
<td>Approx. from not charging full fee for two week event for three years (in additional to $10,000 grant).</td>
</tr>
<tr>
<td></td>
<td><strong>2009 Sub-total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$870,000</strong></td>
</tr>
<tr>
<td>2010</td>
<td>Use of City Vehicles and Mileage</td>
<td>$346,200</td>
<td></td>
<td></td>
<td>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. &quot;The qualitative findings of this audit suggest that additional costs savings would be found given systematic analysis and monitoring.&quot;</td>
</tr>
<tr>
<td>2010</td>
<td>City’s Role Regarding a Canada Day Event</td>
<td>$57,000</td>
<td></td>
<td></td>
<td>Diesel spill (2009) with clean-up costs of $57,000 that the City should recover.</td>
</tr>
<tr>
<td>2010</td>
<td>Fraud &amp; Waste Hotline</td>
<td>$147,400</td>
<td></td>
<td></td>
<td>Fraud and Waste cases closed during 2010 (Paramedic employee being on-call for providing IT services $56,168 and Combination of 31 other cases $91,208).</td>
</tr>
<tr>
<td></td>
<td><strong>2010 Sub-total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$550,600</strong></td>
</tr>
<tr>
<td>2011</td>
<td>Budgeting for Growth Funding</td>
<td></td>
<td></td>
<td></td>
<td>Currently, Finance has limited input in assessing affordability of the growth capital projects identified in the City’s Growth Management Plans. The involvement of Finance in a greater capacity at an earlier stage of the master planning process, along with an overall financial evaluation, will result in more informed stakeholder discussions on affordability upfront and will improve the efficiency of budgeting process for growth capital projects as a whole, resulting in potential saving in time and resources downstream.</td>
</tr>
</tbody>
</table>
## SAVINGS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AUDIT</th>
<th>One time</th>
<th>Annual</th>
<th>Total of One time and Annual Savings</th>
<th>HOW</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Corporate Communications Function</td>
<td></td>
<td></td>
<td></td>
<td>At the time of the audit, Corporate Communications had 51 FTEs and a total budget of $4.4 million. In addition, management identified another 11 positions within various departments whose duties are 100% dedicated to communications and another 10 whose duties are 5-90% communications related. The prorated salary cost of these positions is $1.05 million. Management has indicated that the 11 positions do not duplicate the efforts or overlap the services of Corporate Communications. These positions are responsible for activities that are outside of Corporate Communications’ mandate. Examples of activities include creating internal departmental communications and liaising with departmental content experts in the preliminary development of communication products. Until the City clarifies the overall mandate, role and responsibilities for CC, it is difficult to determine the true level of resources required to deliver communications support and services. However, based on the level of communications resources scattered throughout the City, it is reasonable to assume that there is the potential for savings in streamlining the current structure.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Human Resources Master Plan</td>
<td></td>
<td></td>
<td></td>
<td>No Potential Savings.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Management of Vacant Positions</td>
<td></td>
<td></td>
<td>$1,800,000</td>
<td>In our view, savings will result from the elimination of long term vacant FTE positions. As presented in Table 1, and using the definition of a true vacancy as described in Motion 82/27, approximately 21 budgeted FTE positions vacant greater than 24 months were identified. Under the provisions of the motion, these positions could be deleted and the funding for them removed from departmental budgets. Based on an average annual salary (including benefits) of $85,400, this represents a potential savings of $1.8 million.</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix B

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AUDIT</th>
<th>SAVINGS</th>
<th>HOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Scheduling Process for Bus Operators</td>
<td>One time</td>
<td>No Potential Savings.</td>
</tr>
<tr>
<td></td>
<td>Occupational Health and Safety</td>
<td>Total of One time and Annual Savings</td>
<td>By introducing improvements to address the recommendations identified in our report, we believe the City could achieve significant reductions in workplace injuries and illnesses. In so doing, we estimate that the City could achieve reductions in its WSIB costs of up to $721,000 per year (see full report for more detail and Appendix B of full report for estimates). This does not factor in other related savings that we could not quantify, including non-economic loss awards, overtime costs for replacement workers, training costs for replacement workers, and lost productivity.</td>
</tr>
<tr>
<td>2011</td>
<td>Performance Measurement</td>
<td>Potential savings not quantified</td>
<td>Over past decade, the City has devoted significant resources, particularly human resources, to various performance measurement initiatives. Unfortunately, there is little evidence to suggest that these measures have been used to inform budget and operational decision-making. As such, the cost-benefit of these activities has been questionable. It will be important for management to monitor the usefulness of the new Balanced Scorecard program to prevent this from occurring again. In our view, if these activities are not generating the anticipated benefits there is the potential for savings by discontinuing them.</td>
</tr>
<tr>
<td>2011</td>
<td>Procurement Practices</td>
<td>a) General</td>
<td>Initiating a competitive tender process for suppliers to provide dump trucks for snow removal and general haulage has the potential to save the City $640,000 annually; and, purchase of entry level vehicles without consideration of trade in allowances has the potential to save the City $160,000 annually.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) Hedging Activities</td>
<td>Savings from no longer hedging natural gas.</td>
</tr>
<tr>
<td>YEAR</td>
<td>AUDIT</td>
<td>One time</td>
<td>Annual</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>2011</td>
<td>c) Springhill Landfill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Follow-up of Specific Contracts at NNEP</td>
<td></td>
<td>$320,658</td>
</tr>
<tr>
<td>2011</td>
<td>Fraud and Waste Hotline</td>
<td></td>
<td>$15,106</td>
</tr>
<tr>
<td></td>
<td>2011 Sub-total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GRAND TOTAL</td>
<td>$25,617,706</td>
<td>$20,382,958</td>
</tr>
</tbody>
</table>
## APPENDIX C: FRAUD AND WASTE HOTLINE REPORTING CATEGORIES

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harm to People or Potential Harm to People</td>
<td>Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination, or harassment.</td>
</tr>
<tr>
<td>Health and Safety, Environment</td>
<td>Items related to the safety of people and the protection of the environment in which they work and live.</td>
</tr>
<tr>
<td>Alcohol or Drug Use or Other Substance Abuse</td>
<td>Issues related to alcohol or drug use or other substance abuse.</td>
</tr>
<tr>
<td>Theft, Embezzlement, Fraud</td>
<td>Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.</td>
</tr>
<tr>
<td>Unauthorized Use or Misuse of City Property, Information, or Time</td>
<td>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.</td>
</tr>
<tr>
<td>Manipulation or Falsification of Any Data</td>
<td>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.</td>
</tr>
<tr>
<td>Unethical Conduct and Conflict of Interest</td>
<td>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.</td>
</tr>
<tr>
<td>Violation of Laws, Regulations, Policies, Procedures</td>
<td>Violation of any law, rule, or policy set down by an organization, regulatory authority including securities commissions, or any level of government.</td>
</tr>
<tr>
<td>Financial Reporting and Accounting</td>
<td>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).</td>
</tr>
<tr>
<td>Management/Supervisor</td>
<td>Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.</td>
</tr>
<tr>
<td>Suggestions for Improvement</td>
<td>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.</td>
</tr>
<tr>
<td>Suggested Areas for Audit</td>
<td>Any suggestion to audit any area of the organization.</td>
</tr>
</tbody>
</table>
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


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

CERTIFIED A TRUE COPY

[Signature]

Reen Watanabe, Deputy City Clerk
Date: SEP 30, 2009
<table>
<thead>
<tr>
<th></th>
<th>Local Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>City of Ottawa Superannuation Fund</td>
</tr>
<tr>
<td>2.</td>
<td>Cumberland Village Heritage Museum Board</td>
</tr>
<tr>
<td>3.</td>
<td>Nepean Museum Board</td>
</tr>
<tr>
<td>4.</td>
<td>Ottawa Municipal Campsite Authority</td>
</tr>
<tr>
<td>5.</td>
<td>Pineview Municipal Golf Club Board of Management</td>
</tr>
<tr>
<td>6.</td>
<td>CARP Airport Authority (formerly the West Carleton Airport Authority)</td>
</tr>
<tr>
<td>7.</td>
<td>Crime Prevention Ottawa</td>
</tr>
<tr>
<td>8.</td>
<td>Property Standards Committee</td>
</tr>
<tr>
<td>9.</td>
<td>Bank Street B.I.A.</td>
</tr>
<tr>
<td>10.</td>
<td>Barrhaven B.I.A.</td>
</tr>
<tr>
<td>11.</td>
<td>Byward Market B.I.A.</td>
</tr>
<tr>
<td>12.</td>
<td>Carp Village B.I.A.</td>
</tr>
<tr>
<td>13.</td>
<td>Glebe B.I.A.</td>
</tr>
<tr>
<td>14.</td>
<td>Heart of Orleans B.I.A.</td>
</tr>
<tr>
<td>15.</td>
<td>Manotick B.I.A.</td>
</tr>
<tr>
<td>16.</td>
<td>Preston Street B.I.A.</td>
</tr>
<tr>
<td>17.</td>
<td>Downtown Rideau Improvement Area B.I.A.</td>
</tr>
<tr>
<td>18.</td>
<td>Somerset Chinatown B.I.A.</td>
</tr>
<tr>
<td>19.</td>
<td>Somerset Village B.I.A.</td>
</tr>
<tr>
<td>20.</td>
<td>Sparks Street Mall Authority / Sparks Street Mall B.I.A.</td>
</tr>
<tr>
<td>21.</td>
<td>Vanier B.I.A.</td>
</tr>
<tr>
<td>22.</td>
<td>Wellington West B.I.A.</td>
</tr>
<tr>
<td>23.</td>
<td>Westboro B.I.A.</td>
</tr>
</tbody>
</table>
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

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.

Enacted by City Council at its meeting of September 23, 2009.

LEGAL SERVICES
VB:ce

COUNCIL AUTHORITY:
City Council November 28, 2007
CSEDC Report 17, Item 1
BY-LAW NO. 2011 - 360

A by-law of the City of Ottawa amending By-law No. 2009-323 respecting the Auditor General of the City of Ottawa.

The Council of the City of Ottawa enacts as follows:

1. Subsection 14(1) of By-law No. 2009-323 entitled “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”, as amended, is amended by striking out the figure “0.07%” where it appears therein and by substituting the figure “0.059%” therefor.

ENACTED AND PASSED this 12th day of October, 2011.

CITY CLERK

MAYOR
BY-LAW NO. 2011-360

A by-law of the City of Ottawa amending
By-law No. 2009-323 respecting the
Auditor General of the City of Ottawa.

Enacted by City Council at its meeting
October 12, 2011.

LEGAL SERVICES
VB:htm – G04-01-STAT AG

COUNCIL AUTHORITY:
City Council – March 8, 2011
Motion 8/3