Ottawa

Office of the Auditor General

Annual Report

Tabled at Audit Committee - March 12, 2015

March 12, 2015

Mayor and Members of Council:

I am pleased to present the Annual Report of the Auditor General of the City of Ottawa.

This report includes an overview of the activities of the Office, six audit reports and two reviews of matters reported to the Fraud and Waste Hotline.

Respectfully,

Ken Hughes
Auditor General

Ottawa

Staff of the Office of the Auditor General

Suzanne Bertrand
Sonia Brennan
Alina Chimet
Ken Hughes
Ray Kostuch
Louise Proulx
Lise Renaud
Margaret Sue

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Overview of Activities

In January 2014, we began working on completing audits and follow-up audits that had been previously approved by Council as part of the 2013 Audit Work Plan for the Office. We also completed the development of the 2014 Audit Work Plan for the Office which was approved by Council in March 2014. That Audit Work Plan focused on conducting both new projects and follow-up audits.

In preparation for the development of future audit work plans, our Office prepared a comprehensive risk analysis. This included an assessment of the City's programs and services against selection criteria and risks. At a future Audit Committee meeting, we will provide a listing of future potential audit areas.

We performed significant work to update and complete the Audit of Procurement Practices related to the Source Separated Organics Contract. You will recall that on the advice of the City Clerk and Solicitor, this audit was to be presented once any related arbitration and/or litigation were concluded. The related arbitration was completed in 2014 and I was able to table this audit in July 2014.

Six new audits and two reviews of matters reported to the Fraud and Waste Hotline were also completed this year. These include:

- Audit of Ethics
- Audit of IT Governance
- Audit of Management of the Environmental Legislated Approval Process
- Audit of OC Transpo Lost and Found Contract
- Audit of OC Transpo Process for Cancelled Bus Trips
- Audit of Specific Contracts in Fleet Services Branch
- Review of City Funding to the Ottawa School of Speech and Drama
- Review of the City's Acquisition of Lands for Soccer Fields

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 and management responses are approved they become direction from Council. As such, progress in implementing these recommendations has been viewed as fulfilling Council's direction.

As audits are developed, depending on the nature of the findings, it may be more suitable from an organizational perspective to issue some related audit elements in separate reports. Other less significant issues may also be addressed through the issuance of management letters provided directly to management. In 2014, we issued four management letters.

Based on the advice of the City Clerk and Solicitor, the following audit and follow-up audits will be presented once any related arbitration and/or litigation are concluded:

- 2011 Audit of the Procurement Process – Springhill Landfill

- Follow-up to the 2010 Audit of the West End Flooding Event and the Development Review Processes within the Carp River Watershed

- Follow-up to the 2010 Audit of the MacKenzie Bridge Resurfacing

Fraud and Waste Hotline

The City's Fraud and Waste Hotline is an anonymous and confidential vehicle for City staff and the general public to report suspected fraud or waste. Our Office continues to be responsible for the administration of the City's Fraud and Waste Hotline which is available for employees as part of the City's Policy on Fraud and Other Similar Irregularities. Our Office will review issues raised through the Hotline, however Council approval would be sought prior to conducting any specific audits that might arise from these reports.

Our Office is currently conducting a review of the Hotline to determine if any operational enhancements are feasible.

Our Office has found that managers have either not been reporting fraud and waste issues through the Fraud and Waste Hotline or not reporting them on a timely basis as required by the Policy. The Auditor General has discussed this matter with the City Manager and management has indicated that they are taking steps to ensure that the Policy is followed. In 2015, our Office will improve the communication of the Hotline by increasing opportunities to engage City staff.

We will be issuing a full report of the Hotline's activity at a future Audit Committee meeting.

Tabling Protocol

In December 2014, Council approved the 2014-2018 Council Governance Review report. That report resulted in revisions to the tabling protocol for the Office of the Auditor General (OAG). Previously the Auditor General reported to the Audit Sub-Committee and then through the Finance and Economic Development Committee to Council. The Governance Review changed the reporting structure. The Auditor General reports directly to Audit Committee, a standing Committee of Council, rather than a Sub-Committee. This was intended to provide an opportunity for a more complete and focused discussion with respect to the audit function. This was also to provide an improved oversight mechanism and greater transparency at the City.

The Office will report annually on all audit reports completed during the course of the year. This would generally be done in the fall, unless it is an election year, in which case the report would be deferred until after the new Council has completed budget deliberations for the year. As 2014 was an election year and the 2015 Budget has now been adopted, we are now presenting this report.

In addition to presenting audit reports annually, we will also present a report on the activity of the Fraud and Waste Hotline. This will generally be done mid-year.

Our Office also conducts follow-up audits on previously completed audits. These follow-up audits present an evaluation of management's progress in implementing previous audit recommendations. Follow-up audits will be presented as they are completed, generally once or twice a year. This will allow the Audit Committee to focus discussion on this significant activity.

The by-law governing the OAG can be found in Appendix A.

Budget

Beginning in 2012, the annual budget for the Office of the Auditor General is in accordance with the budget strategy for the Term of Council. Table 1 below compares the 2014 audit budgets of major Canadian municipalities.

It should be noted that there are some differences in the functions undertaken by the various audit organizations in the table. These include:

- The City of Ottawa Auditor General's Office is responsible for the administration of the City's Fraud and Waste Hotline. Not all the audit organizations in the table operate, and therefore incur, the costs associated with administering a Fraud and Waste Hotline.

- Although the City of Toronto Auditor General does not conduct the attest audit, the related external audit fees are included within their Office's operating budget. The City of Toronto also has a separate Internal Audit Division which reports to the City Manager and this is not reflected in the table below.

- Based on current Quebec legislation the operating budget of a municipal Auditor General is, at a minimum, a set percentage (.11% to .17%) of the gross municipal operating budget. In addition, Quebec municipal Auditors General conduct the attest audit.

- The City of Ottawa Auditor General's Office budget, as a percentage of the municipal operating budget is 0.06%. Notwithstanding differences between audit functions, compared to other major Canadian cities, the City of Ottawa AG's Office budget is below the group average of 0.10% and median of 0.09%.

Ottawa

Table 1: Comparison of 2014 Municipal Audit Budgets across Canada

Municipality or Regional Municipality	Land area (km2)	Population 2014	2014 Municipal Gross Operating Budget ($000s)	2014 Audit Gross Operating Budget ($000s)	Audit Budget as a % of the Municipal Operating Budget	2014 FTEs
Toronto	630.21	2,800,000	11,000,000	4,600	0.04%	28.5
Ottawa	**2,790.22**	**943,300**	**2,900,000**	**1,711**	**0.06%**	**8**
Vancouver	114.97	603,500	1,177,500	724	0.06%	5
Calgary	825.29	1,195,196	3,728,000	2,312	0.06%	14
Greater Sudbury	3,227.38	160,300	502,000	367	0.07%	2
Halifax	5,490.28	408,700	844,900	864	0.10%	10
Edmonton	684.37	877,900	2,076,000	2,234	0.11%	14
Montreal	365.13	1,900,000	5,000,000	6,000	0.12%	34
Winnipeg	464.08	708,400	969,300	1,500	0.15%	7

Notes:

- FTEs: Full-time equivalents

- Toronto includes external audit fees related to the attest audit

- Ottawa and Halifax populations are from 2013

- Vancouver population is from 2011 Census

- Greater Sudbury: FTE count is 0 but 3,654 part-time hours (2 dedicated temporary staff)

- Montreal's Gross Operating Budget: Office budget set at 0.11% of municipal budget (legislated); includes additional audit fees of $600,000 related to the attest audit

Executive Summaries of each Audit

The following section presents executive summaries for each of the following audits. As per protocol, the AG is required to report on any audit recommendation where management and the OAG disagree. For this reporting period, there were no disagreements.

- Audit of Ethics

- Audit of IT Governance

- Audit of Management of the Environmental Legislated Approval Process

- Audit of OC Transpo Lost and Found Contract

- Audit of OC Transpo Process for Cancelled Bus Trips

- Audit of Specific Contracts in Fleet Services Branch

Acknowledgement

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

Audit of Ethics

Introduction

The Audit of Ethics was included in the 2013 Audit Work Plan of the Office of the Auditor General (OAG), approved by City Council in October 2012. This work is aligned with the City of Ottawa's Audit Standard 2110.A1, which states, **"The audit activity must evaluate the design, implementation, and effectiveness of the City's ethics-related objectives, programs, and activities."**

Background

Municipalities are vulnerable to situations that threaten their perceived transparency, fairness, and accountability to the public. For example, decisions related to hiring, contracting, planning, and procurement are often scrutinized by the public based on the threat they pose to a municipality's ability to maintain high ethical standards. Since such business practices are essential to a municipality's ability to serve its citizens, municipalities must establish, communicate, reinforce, and monitor ethical standards in an effective and efficient manner.

Ethics Management Frameworks

An Ethics Management Framework (EMFW), also commonly known as an Ethics Program, refers to an organization's set of policies, activities, and other governance structures that contribute to building and maintaining an ethical culture. Generally, an EMFW assists in mitigating ethical risks by: identifying appropriate behaviours; communicating expectations to employees; and enforcing those expectations. An EMFW is comprised of a set of elements that establish core attributes such as policies and guidelines, leadership, recourse mechanisms, communications, and learning. Organizations will implement specific components to address these attributes. Examples of these components may include a customized code of conduct, the delegation of a chief ethics officer, and an anonymous incident reporting system.[1] An EMFW should also be tailored to the organization's unique needs and objectives, and must be routinely monitored to ensure it remains effective.

The City's Ethics Management Framework

The components within an EMFW are typically established and updated at various times as a municipality, or any organization, evolves and matures in its approach to promoting an ethical culture.

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[1] Examples derived from "*Evaluating Ethics Related Programmes and Activities"* as published by the Institute of Internal Auditors, June 2012

The diagram below (Exhibit 1) provides a visualization of the OAG's representation of a mature EMFW and includes examples of policies, tools, and activities identified within the City of Ottawa's current EMFW. The diagram highlights that effectively managing ethics requires a dynamic and coordinated process whereby the strength of the overall framework is dependent on the robustness of individual components. Appendix A in the detailed audit report describes the seven elements of a mature ethics framework as well as some of the key components present at the City of Ottawa.

Exhibit 1 – OAG's Representation of an Ethics Management Framework
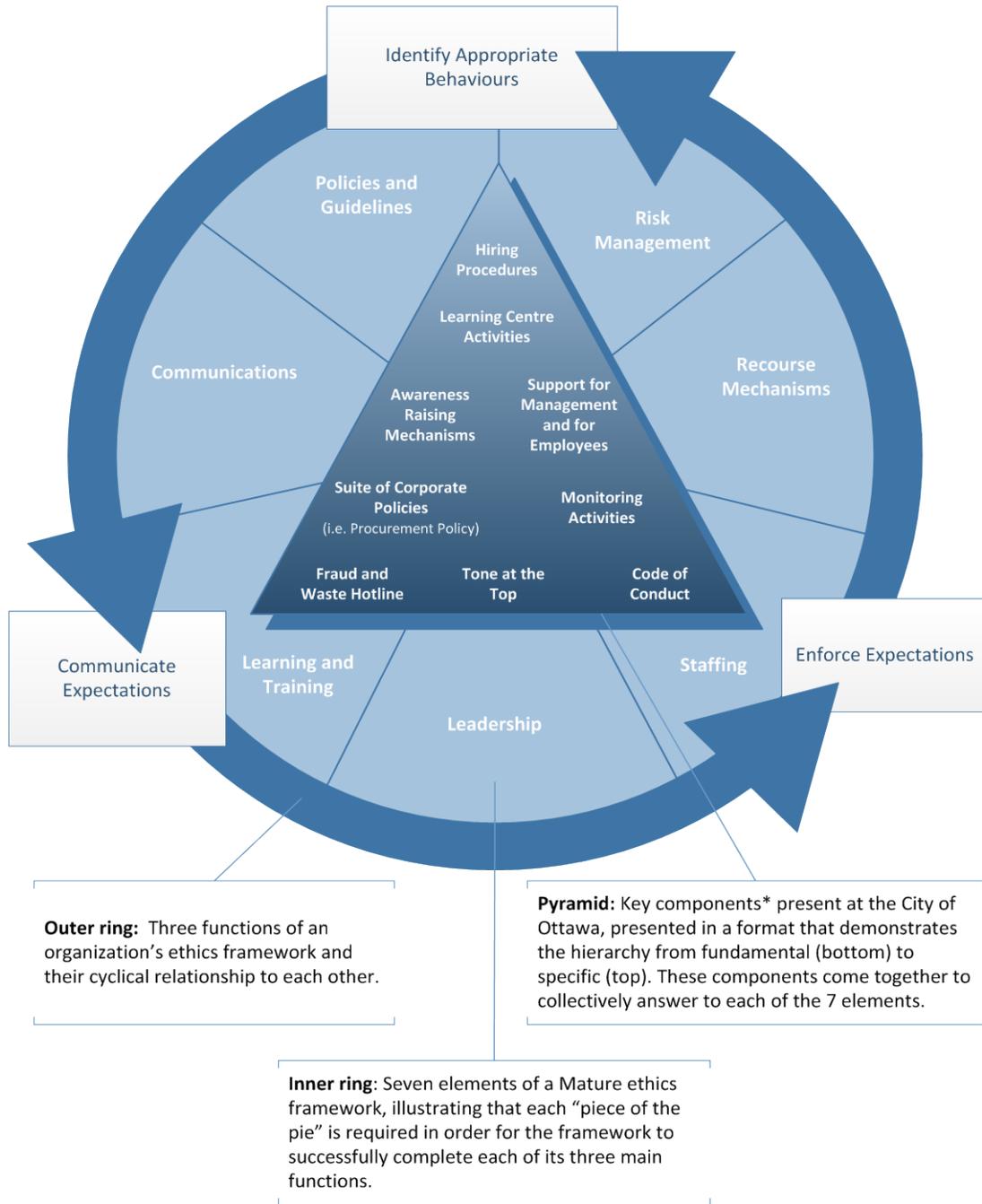
As articulated in Exhibit 1, the City has implemented a variety of components which comprise its EMFW. Two components are the Employee Code of Conduct and the Fraud and Waste Hotline. A brief synopsis of these is provided below.

Employee Code of Conduct

In 2008, the Litigation and Labour Relations Branch conducted a comprehensive review of the previous Employee Code of Conduct ("Code of Conduct"). The Code of Conduct was then revised to be more "values-based," with greater focus on expected behaviours of staff when faced with ethical dilemmas. It also serves to emphasize the importance of disclosing potential conflicts of interest or other ethical dilemmas to direct supervisors as a means of proactively managing ethical risks.

The Code of Conduct is intended to set out and communicate the expected behaviours of City staff. It also makes reference to several corporate policies that provide more information about specific expectations and responsibilities. These policies are listed in sub-section *2.3.1 Employee Code of Conduct and Related Policies* of the full report*.*

The Fraud and Waste Hotline

On November 1, 2005, the City launched a Fraud and Waste Hotline ("the Hotline") to provide an anonymous mechanism for City staff to report suspected fraud, waste, or other inappropriate incidents. The Hotline is accessible by phone or Internet. Hotline reports are initially received by an independent third party and are then provided to the OAG who may conduct an investigation, when appropriate, based on the nature of the alleged violation. Cases are then generally forwarded to the City Manager's Office for review and response. Cases are also provided to the Mayor's Office as well as the Audit Sub-Committee Chair for information. In May 2009, the Hotline was made available to the public.

The Hotline provides staff and members of the public with an opportunity to anonymously report alleged inappropriate activities that they have witnessed. It may mitigate ethical risks by discouraging potential wrongdoers, and identifying ethical violations when they occur.

Audit Objectives, Scope and Approach

The audit had three objectives:

- Assess the **design** of the City's current Ethics Management Framework;
- Assess the **implementation** of the City's current Ethics Management Framework; and,
- Assess the **effectiveness** of the City's current Ethics Management Framework.

The scope of this audit included an overall assessment of the City's EMFW which included an examination of the following components:

- Employee Code of Conduct and related policies;
- Relevant staffing and human resources processes; and,
- Communications, training, and recourse processes.

The following areas were excluded from the scope of this audit:

- Members of City Council;
- Election-Related Resources Policy;
- Agencies, Boards, or Commissions; and,
- Integrity Commissioner and the Lobbyist Registry.

The audit approach was based on an Audit Practice Guide titled "*Evaluating Ethics-Related Programs and Activities".[2]* Information was gathered through several methods including interviews with select departmental heads and managers, an all-staff survey, a review of key documents, and employee file testing.

Summary of Key Findings

Results from the All-Staff Survey

The objective of the survey was to assist in assessing the ethical climate at the City and to provide details on the perceptions of employees towards various aspects of the City's EMFW. The Institute of Internal Auditors (IIA) recommends the use of a survey as a means to assess the ethical climate of an organization within its *Evaluating Ethics-Related Programs and Activities - Practice Guide.* The survey included 10 close-ended questions (in the form of statements) asking employees whether they agreed, disagreed, or had no opinion with respect to each statement. An 11th question asked for additional comments. In total, the survey was provided to 17,262 City of Ottawa employees, and 2,829 surveys were completed for an overall response rate of 16%.

Overall, the results of the all-staff survey were quite positive and suggested that, in general, the ethical climate at the City is quite strong. Aggregating the results across all the questions demonstrated that respondents provided a positive response to 70% of the questions. Survey results also demonstrated that the vast majority of employees are aware of (95%) and have read (84%) the Code of Conduct.

Most employees also agreed that their direct supervisors (81%) and colleagues (72%) are ethical.

However, the survey results also identified potential areas for improvement. Specifically, the results indicated that there are some unfavourable perceptions towards senior management's behaviour, some fear that staff would not be protected from reprisal after reporting an incident of non-compliance, concerns over the preferential treatment of some employees over others, some uncertainty among employees of where to go for assistance when managing an ethical dilemma, and that the practice of regularly discussing ethics issues and concerns is not widespread throughout the City.

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[2] The Institute of Internal Auditors' Practice Guide "Evaluating Ethics-Related Programs and Activities" was published June 2012 to provide guidance to auditors in evaluating the design, implementation, and effectiveness of the ethics-related objectives, programs, and activities such as required under City of Ottawa Audit Standard 2110.A1.

The survey results were analyzed and synthesized with those from interviews and testing to identify areas of strength and opportunities to the City's EMFW.

Strengths and Opportunities for Improvement

Based on the information gathered, the audit found a number of strengths and areas for improvement concerning the City's EMFW. These are presented below.

Strengths

The following are areas of strength identified through the conduct of the audit:

The Code of Conduct and its related policies effectively set out senior management's expectations of employees and provide guidance to manage prominent ethical issues such as fraud, inappropriate hiring practices, acceptance of gifts and hospitality. Based on our review of the Code of Conduct and related policies, no significant gaps were identified. Furthermore, the City Clerk and Solicitor's active involvement and actions in the design and rollout of the Code of Conduct set a strong "ethical tone," supported its credibility, and reinforced to employees the Code's importance to senior management. Interviewees stated that this active involvement contributed to a strong awareness among employees of the Code of Conduct, which, as discussed earlier, was also demonstrated through the survey results.

The City's Fraud and Waste Hotline provides employees and the public with an anonymous reporting mechanism. Based on research of leading practices including IIA's Maturity Model for Ethics Programs and practices employed in other municipalities, an anonymous reporting mechanism is a good component within a mature EMFW. As such, the Fraud and Waste Hotline demonstrates sound management practice, and reports have led to audits and investigations, as well as disciplinary actions. Furthermore, interviewees stated that employees are well aware of the Hotline and its purpose, and view it as an important component in maintaining a strong ethical culture at the City.

Opportunities for Improvement

The audit also found areas for improvement to strengthen the City's EMFW. These represent areas where City staff should prioritize their efforts to further the maturity of the City's EMFW.

Survey results suggest that some employees fear reprisal for reporting a violation. Specifically, only 56% of total survey respondents agreed that employees who report suspected improprieties are protected from reprisal. Of the respondents who provided written comments, 10% (36/358) indicated that reporting an incident would lead to negative consequences for themselves. It is important to note that these results do not distinguish between the various reporting mechanisms available to employees. Regardless, a fear of reprisal may lead to incidents going unreported.

There are several courses and training opportunities provided by the Learning Centre for employees that include ethics-related material. There is also Code of Conduct awareness training built into the Employee Orientation and the recently created mandatory courses for all newly promoted/hired supervisors and managers. However, there is no mandatory requirement for all employees to regularly take training with a focus on ethics in a Public Sector environment, or the Code of Conduct. Moreover, long-time employees are not required to take regular "refresher" training related to the Code of Conduct. This presents a risk that these employees may not fully understand management's expectations and could, over time, develop "bad habits" that are in violation of the Code of Conduct.

The City has a requirement that each policy and procedure is reviewed as necessary, but at least every three years. The department that is responsible for the policy or procedure is supposed to conduct the review. Corporate Programs and Business Services has established procedures and templates to support the review processes. This review process is intended to ensure that policies and procedures remain relevant and current. However, the audit found that not all policies referenced by the Code of Conduct have been reviewed within the last three years. At the time we wrote this report, 6 of the 17 policies referenced within the Code of Conduct were overdue for review. Another relevant policy, pertaining to Police or Criminal Record Checks, was also found to be overdue as it had not been reviewed in the last three years. This presents a risk that these policies may be inconsistent with the Code of Conduct and other related policies and procedures, and that they may have become irrelevant in their current form over time.

The City has employed several different communication methods to complement the Code of Conduct including booklets, posters, a series of Questions and Answers posted on the Intranet, workshops, "In the Loop" e-newsletter articles, as well as an annual Management Bulletin from the City Manager with a reminder to managers to review the Code of Conduct with employees during the year-end ICA discussion, and an Employee Checklist. However, the majority of ethics-related communications are conducted ad-hoc or on-demand. Furthermore, there is no overarching communications strategy that sets out the frequency of communications and messaging to employees. This presents a risk in that ethics-related messaging may become inconsistent across the City.

As set out in the Performance Development Program Guidelines, all full-time employees are expected to complete a performance evaluation called an Individual Contribution Agreement (ICA) on an annual basis. The most recent ICA templates include a component on the employee's adherence to the Code of Conduct. We reviewed a random sample of 100 full-time employee files to determine the extent that ICAs are being completed and that staff are being assessed on their adherence with the Code of Conduct. Completed ICAs provide evidence that supervisors and managers are having annual discussions with employees about the Code of Conduct or other ethical matters. Employee file testing results demonstrated that 51% of employees had not completed an annual ICA, and 33% of those who did complete them had not used the most up-to-date templates. As such, only a fraction of full time employees are being assessed annually on their adherence to the Code

of Conduct, and some direct supervisors and managers are not consistently using the performance evaluation process as a means of reminding employees of the importance of adhering to the Code of Conduct.

The City conducts an all-staff Employee Engagement Survey every two years, and several questions touch on specific ethical issues. However, these questions do not assess the ethical climate of the City at a holistic level. As such, the City has limited knowledge available to assess the ethical climate and overall effectiveness of its EMFW on an ongoing basis.

Several groups within the City have taken on responsibilities associated with the EMFW. Interviewees stated that it is generally understood that the City Clerk and Solicitor as well as the Litigation and Labour Relations Branch have taken the lead on the Code of Conduct and initiatives related to ethics. However, the City's overall EMFW and responsibilities for ethics management have not been formally defined and documented. This may lead to confusion in managing responsibilities and expectations associated with ethics management.

Recommendations and Management Responses

Recommendation 1

That the City reviews its existing incident reporting mechanisms and related investigation procedures to identify opportunities to ensure employees are appropriately protected from reprisal.

Management Response

Management agrees with this recommendation.

Management, in consultation with the Office of the Auditor General, will review the Fraud and Waste Hotline process, as well as other incident reporting mechanisms at the departmental level by Q4 2014 to ensure staff are appropriately protected from reprisal. This will involve developing and/or updating communication materials (e.g. Management Bulletin, In The Loop article, Code of Conduct Questions and Answers) that emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Recommendation 2

That the City reviews communications with employees promoting the City's commitment to supporting protection of employees who report incidents of alleged violations of the Code of Conduct and associated corporate policies and procedures.

Management Response

Management agrees with this recommendation.

Management will ensure communication materials (e.g. Management Bulletin, *In The Loop* article, Code of Conduct Questions and Answers) emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation by Q4 2014. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Recommendation 3

That the City develops, regularly reviews and revises training materials related to the Employee Code of Conduct and other ethical matters, and that this training is regularly delivered to all staff.

Management Response

Management agrees with this recommendation. Human Resources, in conjunction with the Litigation and Labour Relations Branch, will develop a Code of Conduct eLearning module by Q4 2014. The module will be delivered regularly to all staff.

The City currently offers several courses with ethics-related material in its content, including the New Employee Orientation program for newly hired employees. In addition, in 2013 the City introduced mandatory training sessions for newly promoted/hired supervisors and managers: 'New Manager Orientation' and 'New Supervisor Transition'. The sessions are delivered by the City's executives and managers and both include a section on the Code of Conduct.

Also, Senior Management Committee has approved additional mandatory training for newly promoted/hired supervisors and managers. The curriculums include 'Supervising/Managing in a Unionized Environment' and 'Leading a Diverse Workforce' which is the supervisor/manager version of 'Respectful Workplace Training'. These mandatory curriculums will come into effect June 1, 2014.

All training courses and programs are subject to periodic review. In future reviews, Human Resources, in conjunction with the Litigation and Labour Relations Branch, will seek to incorporate a component of the Code of Conduct in every training session/manual that the City offers where feasible.

Recommendation 4

That the City ensures that all corporate policies and procedures referenced by the Code of Conduct are regularly reviewed and revised as necessary, but at least every three years to ensure that these remain current, relevant, and align with the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City's existing Corporate Administrative Policy Framework requires that all corporate administrative policies and procedures, including the Code of Conduct, be reviewed every three years unless there is a requirement for more frequent review due to legislative or operational requirements. The Corporate Programs and Business Services Department does and will continue to coordinate the policy review cycle; assist policy owners by consulting on quality, appropriateness and consistency of policies, and report to the Executive Committee on the annual policy review status.

Three policies (Discipline; Hiring and Employment of Family Members; Petty Cash Funds and Change Floats) noted as overdue for review have been revised since the time of the audit and the remaining three are in the review and consultation stages. They are expected to be updated by Q4 2014. The Police or Criminal Record Check Policy is currently being revised and is also expected to be updated by Q4 2014.

Recommendation 5

That the City develops a coordinated and standardized communications strategy that sets out the messaging, mechanisms and frequency of communications related to the Employee Code of Conduct and other ethical matters for all City employees.

Management Response

Management agrees with this recommendation.

Standardized messaging on ethics-related matters will be developed by Labour Relations in consultation with Corporate Communications to ensure consistency across the various communication channels (e.g. Management Bulletins, *In The Loop* Employee Newsletter, Ozone resources). This communications strategy, which will be developed by Q4 2014, will be reviewed annually.

Recommendation 6

That the City ensures that all full-time employees annually complete Individual Contribution Agreements using the most recent templates that include a section referencing their adherence to the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City requires all full-time employees to complete an Individual Contribution Agreement (ICA) on an annual basis with the exception of Transit Operators who are on an 18-month cycle. At the end of each year the City Manager issues a Management Bulletin reminding managers and supervisors of the requirement to complete ICAs for all applicable employees.

The current method for tracking completion of ICAs is to conduct random file audits. The City is in the process of sourcing an automated Performance Management Solution for implementation in 2014 and anticipates that this will be completed by Q1 2015. The solution will house up-to-date ICA templates, which include a section referencing adherence to the Code of Conduct, as well as have the ability to track ICA completion status in order to follow up with managers in instances where ICAs have not been completed.

Recommendation 7

That the City develops standard questions to include in future Employee Engagement Surveys to assess the overall ethical climate of the City on an ongoing basis.

Management Response

Management agrees with the recommendation to enhance the Employee Engagement Survey to incorporate this key area of insight. Management will develop standard questions by Q3 2014 in order to assess the overall ethical climate of the City, in each future survey.

Recommendation 8

That the City formalizes the responsibilities of an Ethics function that would serve to define, lead and support the effectiveness and ongoing maturation of the City's EMFW. This function would be responsible for such items as tailoring guidance on the Code of Conduct, coordinating communications and training materials, and proactive management of City wide risks to ethics-related objectives.

Management Response

Management agrees with this recommendation.

A formalized Ethics function would most appropriately rest within the City Clerk and Solicitor Department as part of the open and accountable governance model. The responsibilities of this function could include: responding to questions relating to ethical matters; contributing to the development and implementation of ethics-related communication strategies and training programs; and informing all City employees on the tools that are available to help them perform and lead with integrity. This function would also serve as one of the main points of contact for staff to report ethical violations and, in conjunction with the Office of the Auditor General, would ensure that reported concerns are promptly and thoroughly investigated, with corrective action and discipline when appropriate.

Management will include the proposal for this function and FTE for consideration during the development of the Term of Council Strategic Priorities and Draft 2015 Operating Budget, to be recommended to Council in Q1 2015.

Areas of Potential Savings

A strong EMFW reduces incidents of non-compliance, which have direct negative economic impacts (e.g., fraud, abuse of assets) and may require costly investigations. Responding to the recommendations in this audit will assist management in strengthening the City's EMFW and in reducing costs related to incidents of non-compliance. The audit identified two areas in particular that represent further opportunities for savings.

First, mandatory, regular training on the Code of Conduct and other ethical matters will increase employees' understanding of expected behaviours, and the potential consequences of not adhering to those expectations. This should decrease the number of violations by employees which will, in turn, decrease the amount of effort required on disciplinary matters.

Secondly, the establishment of an Ethics Function would decrease confusion regarding ethics-related roles and responsibilities and would reduce the likelihood of duplicated or conflicting activities.

Conclusion

The City of Ottawa has a number of effective components that support its EMFW. Specifically, the City Clerk and Solicitor's active involvement in the design and rollout of the Code of Conduct has supported both the credibility and understanding of the Code across the City. In addition, the Fraud and Waste Hotline is a mechanism for reporting alleged violations. A number of components could also be more formally standardized, including training requirements, communications activities, and regular assessments of employees' adherence to the Code of Conduct. The City also requires the means to regularly assess the ethical climate on an ongoing basis in order to continuously improve the Framework and adjust it to meet changing needs.

Finally, responsibilities associated with many of these components reside with various groups throughout the City. The establishment of an Ethics Function to define and strengthen the City's Ethics Management Framework, including tailored guidance on the Code of Conduct, coordinated communications, and training materials will help to clarify roles and responsibilities.

Audit of IT Governance

Introduction

The Audit of IT Governance was included in the 2013 Audit Plan of the Office of the Auditor General (OAG), as approved by City Council in October 2012.

Background

The City of Ottawa's (the City's) IT Services Department (ITS) has principal responsibility for the deployment and maintenance of the IT resources used to deliver City services to people, businesses and visitors of Ottawa. ITS' net operating budget for 2013 was $52.1 Million, and it had a workforce of 352 full-time equivalents. ITS' 2013 capital budget was $11.5 Million.

Nature and Importance of IT Governance

The City's governance structure, like those of other Ontario cities, facilitates the legislative process. It consists of several different but related bodies, namely City Council, Standing Committees, Advisory Committees and arms-length Agencies, Boards and Commissions ("ABCs"), and the regulatory tools that govern those Committees, such as the Procedure By-law, the Delegation of Authority By-law and the Public Notice By-law.

The governance structure is designed to enable formal, direct community input into decision-making through citizen's Advisory Committees and Standing Committee presentations to elected representatives. It also facilitates the legislative and governmental work of the elected officials through Standing Committees and City Council meetings. Information Technology (IT) Governance is a subset of the City's overall governance structure.

IT Governance involves managing IT operations and IT projects to ensure alignment between these activities and the needs of the organization as defined in its strategic plan. This alignment means:

- Organizational management understands the potential and limitations of IT;

- The IT function understands the objectives and corresponding needs of the organization; and,

- This understanding is applied and monitored throughout the organization via an appropriate governance structure and accountability.

In addition to the implicit benefits associated with these three outcomes, research indicates that proper alignment of organizational needs and IT can result in substantial financial benefits.

There are a variety of features and attributes associated with effective IT Governance. This includes combinations of processes, controls and other mechanisms that help ensure investments in IT generate value, mitigate related risks and otherwise increase an organization's ability to achieve its goals and objectives. It also involves having a well-defined set of performance metrics that support measurement of success and help determine priorities that will improve the effectiveness and efficiency of IT operations and IT projects. While there are many widely accepted standards associated with effective IT Governance, there is no "one size fits all" when it comes to defining an optimal state for any specific organization. As such, leading organizations seek to continually improve their IT Governance such that its level of maturity best reflects and serves the organization's environment, strategies and objectives.

At the outset of this audit, the City was in the midst of developing and implementing a plan to transition its IT Governance to a higher level of maturity. This transition plan included a restructuring of IT functions, as well as updated accountabilities, governance bodies and related processes. These changes were designed to support and enhance the value associated with the City's IT investments and infrastructure and are described in more detail in the next section.

Changes to the City's IT Governance

Since 2012, the City has taken steps to enhance the overall maturity of its IT Governance. This transition includes a variety of elements including a restructuring of IT functions, new accountabilities, governance bodies and related processes. These changes were designed to support a general objective of increasing the value-added associated with the City's IT investments.

One of the key elements of this initiative was the development of an integrated plan which included changes to the organizational structure and an updated governance structure. The transitional Chief Information Officer (CIO) was tasked with developing this plan on behalf of IT Services (ITS) Department. The goal of this plan was to further enable ITS to stay focused on its key objectives, deliver on its strategy, and ensure effective communication both within ITS and the City as a whole.

The transitional CIO along with the Information Technology Services Department developed several guiding principles that inform the outlook and approach to the deployment of IT resources and how the Department achieves its business goals. Some of these principles are:

- Prioritize IT investments across the enterprise, based on alignment with corporate business strategies;

- Provide access to information in a secure manner and protect personal information;

- Evolve a standards-based technology architecture that is integrated with City businesses, enabling cost-effective evolution of services and

infrastructure and connectivity with City residents and business partners; and,

- Emphasize greater use of electronic information to conduct day-to-day business and reduce the City's dependency on natural resources.

Another recent (November 2012) development was the creation of a Technology Roadmap for 2013-2016, which was developed by ITS with the support of the IT Sub-Committee of the Finance and Economic Development Committee (FEDCO). This Roadmap aligns to the Term of Council Vision, which reads: "Over the next four years, the City of Ottawa will increase the public's confidence in city government and improve resident, enterprise, and visitor satisfaction with City services". The ITS Technology Roadmap outlines planned key strategic investments and building blocks that will position the City of Ottawa to respond to business needs and citizen expectations.

Finally, there were important developments concerning the CIO which occurred during the course of this audit. In July 2013, the City hired a permanent CIO. While the conduct phase of this audit was largely complete by that time, the audit team met with the new CIO to review the scope and objectives of this audit as well as to obtain feedback on audit findings. In early December 2013, while this audit was in reporting phase, the CIO position was once again vacant. As an interim measure, functional accountability for ITS was delegated to an Acting CIO, an individual who had been a Manager within ITS. This very recent development, the turnover at the CIO position, increases the risk that the overall effectiveness of the City's IT Governance will be impaired.

Audit Objectives, Scope and Approach

The overall audit objective was to provide Council with independent assurance regarding the appropriateness and completeness of the City's IT Governance. In particular, the audit was designed to examine the extent to which related organizational structures, leadership and processes are likely to effectively and appropriately support the following:

- Delivery of value;

- Identification, prioritization, monitoring, and measurement of IT resource allocations; and,

- Alignment with the City's strategies and objectives.

In order to provide this assurance, and to account for the in-transition state of IT Governance within the City, the specific audit objectives focus on the extent to which existing/proposed IT Governance structures, leadership and processes reflect relevant leading practices (e.g. COBIT, Information Technology Infrastructure Library IT Service Management Framework, ISO 20000, ISO 38500, Organization for Economic Cooperation and Development Corporate Governance,

etc.). In 2012, the Institute of Internal Auditors (the "IIA") published "Global Audit Technology Guide #17 – Auditing IT Governance" (or "GTAG 17") which brings together these various leading practices and organizes them around five thematic areas. As such, five audit objectives have been developed to align with the following five important components of effective IT governance:

1. Organization and governance structures

2. Strategic and operational planning

3. IT Organization and risk management

4. Executive leadership and support

5. Service delivery and measurement

The scope of the audit addressed each of the five components identified above as well as the consideration of savings opportunities. Given changes underway at the time of the audit, the scope included an assessment of IT Governance as it existed at the time of the audit, as well as changes that were planned for future implementation.

This audit involved a planning, conduct and reporting phase. The planning phase of the audit involved various procedures and techniques, including high level review and analysis of relevant documentation and selected interviews with City Staff and Management. The conduct phase involved two main elements: a document review and a series of structured interviews.

In accordance with City of Ottawa Audit Standards, our audit was designed to ensure that sufficient and appropriate audit procedures were conducted and evidence gathered to provide reasonable assurance of the accuracy of audit findings and conclusions. The conclusions are based on a comparison of situations, as they existed at the time of the audit against the audit criteria.

Summary of Key Findings

Organization and Governance Structures

Guidance published by the IIA states that "clear organizational structures, the operational nature of their components, how they communicate with each other, and the accountability protocols are important for the IT function to provide the required types and levels of services for the enterprise to achieve its objectives." Within this context we expected to find that either a permanent Chief Information Officer (CIO) was in place or there was a recruiting process to hire a permanent CIO. We also expected that roles and responsibilities were clearly defined and communicated, and organization leaders were empowered and held accountable for results. IT Governance should be effectively integrated into the City's overall governance structure and committees would be in place to enable alignment of the City's needs with IT services. Finally, we expected that the CIO and senior City Staff meet and discuss progress of plans on a regular basis.

During the course of audit conduct, we found that the City meets many of the expectations described above. For example, a CIO recruiting process led to the replacement of the transitional CIO with a permanent employee in early July 2013. We verified the existence of a CIO position description that provides roles and responsibilities, and identified that the CIO sits on the City's Senior Management Committee. We also found that job descriptions within ITS, which we noted were in the process of being updated, further support the alignment of authorities and accountabilities. Accountabilities are also supported by Individual Contribution Agreements (ICAs). As a function, ITS roles and responsibilities are clearly defined and communicated through formal and informal means (e.g. through regular meetings/presentations). Results of interviews and document review indicated that communication and clarity of ITS accountabilities and roles & responsibilities have improved over time and helped ITS better serve and align with its various stakeholders.

In terms of oversight bodies related to IT, we identified committees and an overall committee structure that were largely functioning in an effective manner and in a manner that supports clear and aligned roles and responsibilities. We also found that the recent changes to the committee structure have been effectively integrated into the pre-existing City governance structures. Moreover, most committees have Terms of Reference (with the exception of the IT Governance Committee) and membership appears to be appropriate. Therefore the new IT Governance Committee structure appears well-positioned to enable, align and oversee the recently enhanced project planning processes.

Notwithstanding the positive results noted above, some issues related to this element of IT Governance were identified. For example, we identified a lack of explicit documentation regarding how ITS supports the City in achieving its broad objectives. From a bottom-up view, this was evident in the ITS Technology Roadmap which describes key strategic investments but does not articulate how specific projects will contribute to the City's objectives. From a top-down view, this was evident in the City's 2011-14 Strategic Plan which references a number of technology initiatives but does not link to specific IT services as articulated by ITS.

We also noted that, while presentations to the Corporate Information Technology Management Team (CITMT) address expected topics (i.e. related to IT service delivery), there is a risk that key items are not discussed at the CITMT as the meetings do not follow a formal agenda. In addition, the IT Governance Committee is not supported by formal Terms of Reference and therefore there is no formally approved document to describe its purpose and structure. At the time of the audit, it was not clear that the IT Governance Committee was to continue to exist or otherwise serve a formal role.

Finally, we found that the ICAs lack "measureable" objectives. Such objectives are considered good practice in serving to reinforce accountabilities of ITS personnel, including the CIO. Examples of measureable objectives include those related to successfully implementing projects on time or within budget.

Executive Leadership & Support

Strong tone at the top and executive leadership plays an important role in ensuring alignment between IT and the wider organizational objectives. This means that there is a strong vision among senior management and the executive regarding the strategic importance and potential of the IT function. There are several elements which enable strong leadership and executive support and which we expected to find over the course of our audit. Specifically, GTAG 17 identifies the following leading practices:

- Senior City Management to clearly define and communicate roles and responsibilities for the IT function with respect to the City's achievement of strategic and tactical goals;

- The roles and responsibilities of the CIO to be clearly defined and communicated within a reasonable period of time after a new CIO is selected;

- The CIO to meet with Senior City Management on a regular basis to discuss IT service delivery related to strategic and tactical plans;

- IT operations and IT projects are to be provided with adequate funding and resources to meet the City's needs; and,

- Accountability for policies and procedures to be documented and acknowledged by management and staff within a reasonable period of time after selecting a new CIO.

During the course of this audit, the City's ongoing challenges with successfully staffing the CIO position were highlighted. At the outset of this audit in early 2013, the CIO position was staffed by a transitional CIO; a consultant who had been contracted by the City to lead improvements in the City's IT Governance and to set a new corporate strategic direction for ITS. At the same time, the City had undertaken a recruiting process that ultimately resulted in the hiring of a full time CIO in July 2013. By July 2013, the conduct phase of this audit was substantially complete. Less than 6 months later, the new CIO left the position. While functional responsibility for ITS was delegated to an Acting CIO, the City began 2014 without a permanent CIO.

The extent of turnover at the CIO position has been substantial. The departure of the recently hired CIO in December 2013 meant that, since March 2004, there have been 8 individuals either in the CIO position or acting in that role, including 5 since June 2012. While recent surveys indicate that average tenures of public sector CIOs has been falling to less than 4 years , the turnover rate experienced by the City is concerning. For example, it is reasonable for a new CIO to take many months if not more than a year to fully understand an organization as complex as the City, and even longer to plan and deliver significant improvements and otherwise become fully effective in the role. Since amalgamation in 2001, the City

has only been served by a CIO with more than 2 years of experience in that role for just over half of the time.   This level of turnover impacts both the effectiveness of IT governance, but also the likelihood that improvements to IT governance made in 2012 and 2013 will be sustained. In any event, turnover at the CIO position increases the likelihood that IT-related risks are not effectively managed and, as such, Management will need to continue ensuring these risks are carefully monitored. In addition, there is an ongoing need for clear and consistent executive support of the CIO's corporate strategic objectives, particularly in light of interviews conducted during the audit which indicated the presence of IT resources outside of ITS (e.g. within OC Transpo).

While recruiting, retention and succession planning, particularly at executive levels, are not new challenges for municipalities or for the public sector generally, the CIO staffing challenge experienced in 2013 serves to emphasize the importance of strong leadership and executive support for importance and potential of the IT function. As discussed elsewhere in this report, the City has an increasing reliance on IT systems and solutions to both meet its ongoing commitments to citizens, but also to enable achievement of significant number of key strategic objectives. Without a qualified and experienced CIO, there is an increased risk that the effectiveness of IT governance within any organization as large and complex as the City of Ottawa would be considerably impaired. Further, there is an increased risk that many of the positive attributes of the new governance processes introduced under the interim CIO in early 2013 will not be sustained in the absence of an appropriately qualified and experienced CIO. In any event, the Deputy City Manager (the position to whom the CIO reports) and Council's IT Sub-Committee will need to carefully evaluate and monitor these risks as well as taking steps to identify and address the root causes underpinning the recruitment, retention and succession planning challenges that have resulted in the increased risks.

Notwithstanding the potentially significant issues associated with the absence of a CIO, including the sustainably of IT governance processes, expectations were generally demonstrated through the course of the audit work (i.e. audit procedures conducted in the spring and early summer of 2013). Some of the more notable findings included that we found ITS responsibilities to be effectively communicated to other parts of the City through various means (including project charters and service desk communications). While this audit did not involve a detailed assessment of IT policies, we identified a comprehensive set of relevant policies within ITS, and a clearly defined accountability for these policies (e.g. Information Security, Information System Security, Responsible Computing, Information Risk Management and Remote Access to City Network, etc.).

We also found that a strong tone at the top is demonstrated by the new investment planning process. This initiative has resulted in a more strategic approach to prioritizing IT projects as it involves all City departments working together to prioritize all projects in a way that best supports the City's strategic priorities within a specific budget constraint.

In addition to the significant recommendation related to the staffing of the CIO position, we note that some of the other recommendations in this report can be linked to potential areas of improvement within the realm of executive leadership and support. For example, no articulation of ITS' role in achieving the City's strategic objectives or the lack of established performance indicators related to ITS's strategic value (see Recommendation 6) suggest possible gaps in the executive leadership's success in positioning IT as a strategic enabler.

Strategic and Operational Planning

A strategic plan, which lays out organizational dependencies on IT as well as ITS' role in achieving the organization's strategic objectives, is a crucial component of effective IT Governance. Leading practices also emphasize the need for alignment between ITS's tactical operating plan and the corporate strategic plan.

In examining this component at the City of Ottawa, GTAG 17 identifies the following elements as leading practices:

1. That the City's Strategic Plan incorporates a description of how ITS will be required to support and enable value creation (similarly, ITS Plans incorporate a description of how its plans will support the City's Strategic Plan).

2. That the City's Strategic Plan will be supported by individual tactical operating plans that take into account ITS requirements and deliverables.

3. That all plans will state objectives and performance metrics, appropriate budget, timelines, and staff allocations.

4. That key performance indicators (KPIs) will be used to measure and monitor the effectiveness of the ITS function.

While a number of opportunities for improvement exist, a review of the City's Strategic Plan and the ITS Plan (known as the Technology Roadmap) revealed the existence of these elements. Both of these documents provide insight to IT initiatives including the objectives of these initiatives.

The 2011-2014 Strategic Plan identifies Council's priorities over its term. It is integrated with the City's budget and long-range financial planning processes. Each strategic objective is supported by one or more strategic initiatives which, in turn, are aligned to one or more performance measures. For example, the Strategic Plan contains performance targets related to such metrics as web portal usage.

The Strategic Plan was found to incorporate a variety of references to planned IT-based elements within the descriptions of related strategic initiatives. While the connections were not explicit in the documents, there is evidence of alignment between the Strategic Plan and the Technology Roadmap. For example, a project in the Technology Roadmap that is related to the City's overall IT Web Technology Platform clearly links with an initiative appearing in the Strategic Plan that relates to increasing the percentage of service and information requests processed via the Web. We also found evidence of tactical operating plans (i.e. individual departmental plans) that support strategic objectives identified in the Strategic Plan and which include references to IT-related requirements. For example, an IT project

proposed by the City Clerk and Solicitor Department in connection with the 2014 municipal elections is also reflected in the Strategic Plan which contains a vote tabulation solution which is to be implemented for the 2014 elections.

However, the assessment of the Technology Roadmap and the City's Strategic Plan also resulted in the identification of a number of areas for improvement. In particular, the lack of explicit linkage and common terminology between the Strategic Plan and the IT projects described in the Technology Roadmap makes it difficult to see how individual IT projects are contributing to strategic objectives. Further, the Strategic Plan does not clearly define ITS's role and responsibilities in achieving strategic objectives nor does it identify the City's IT-related dependencies.

As with any function, it is important that ITS can clearly "see itself" in the Strategic Plan as a means to promote a coordinated and efficient approach to IT investments. Without clearly defined roles and responsibilities in the Strategic Plan, the City's ability to measure the effectiveness of ITS's contribution to strategic goals is threatened. Moreover, there is an increased risk of misalignment between IT goals and the City's overarching goals.

We also expected to identify more evidence of how the City considered and accounted for current and planned IT capacity within the Technology Roadmap and Strategic Plan. This capacity may be measured in terms of financial resources, technical/other dependencies, number/capabilities of ITS staff, and any other items that would help to indicate how capacity was considered in developing initiatives and plans.

Another area for improvement is around the use performance indicators and related measures. While the audit identified that additional performance measures were to be developed by ITS, the current suite of performance measures were found to be insufficient as they focus only on basic operational aspects of the IT function (e.g. "down time") as well as the basic measures associated with IT projects (e.g. schedule and cost). GTAG 17 also indicates a need for performance indicators and related metrics which would support an evaluation of ITS's contributions to the City's strategic goals. Moreover, while there are some potentially relevant performance measures included in the Strategic Plan, they are not clearly assigned to ITS. There was a lack of performance metrics which address the business benefits associated with IT projects.   For example, measures which address the extent to which IT projects achieved projected Return on Investment (ROI) objectives.

Service Delivery and Measurement

As identified in GTAG 17, an effective performance management framework "...captures the right quantitative and qualitative data to enable proactive measurement, analysis, and transparency further assures sound IT governance."

In examining the City's IT performance and service delivery measurement component, we had three main expectations. First, we expected to find that Council and senior management have a clear understanding of ITS costs and how those costs contribute to the achievement of organization strategic objectives. Second, we expected CIO performance to be measured by financial (e.g. performance against budget) and nonfinancial data (e.g. technical and non-technical user satisfaction) and that management monitor and measure ITS performance. Finally, we expected ITS executives to have IT controls in place for financial reporting, transaction processing, electronic messaging, data and database management, information protection and e-content management.

Notwithstanding the need to expand the number of performance measures as noted earlier, audit work indicated that ITS makes use of relevant tools and practices in order to monitor, measure and manage performance. For example, we found that ITS follows an industry standard project management process when conducting investment reviews. ITS also uses a Balanced Scorecard to track projects and which identifies budgeted FTEs as well as budgeted expenditures and interdependencies for major projects. We also noted that investment reviews provide senior management with visibility to key IT investments. Finally, we noted that IT controls related to financial reporting are assessed annually as part of the Financial Statement audit and that other areas (e-mail, security, etc.) have been subject to audits from time to time by the OAG.

The effectiveness of these tools and practices was supported by interviewees who demonstrated a good understanding of IT costs. However, we also found that stakeholders are not clear about how IT costs contribute to the City's strategic objectives. Further, and as referenced in the full report, ITS currently does not effectively measure its value either in terms of contributions to strategic goals or the business benefits associated with IT projects.

IT Organization and Risk Management

In evaluating the IT organization's risk management practices, we expected to find three key elements. Firstly, we expected there to be standard IT hardware, software, and service procurement policies, procedures, and controls in place. Secondly, that risks be managed effectively in relation to meeting the City's needs, security, and compliance requirements. Finally, GTAG 17 indicates an expectation that data is standardized and easily shared across applications and the IT infrastructure.

We found that there is an extensive suite of policies, procedures and controls in place (e.g.: related to software, IT procurement, enterprise content management, security, etc.) that should serve to support standardization across the City. We also found evidence of standardized data and of sound approaches to support sharing of information across applications (e.g. the use of Business Intelligence Software to link financial and HR databases).

In terms of risk management, we identified the existence of a risk-management policy within ITS and found that the ITS Scorecard template requires documentation

of risks related to specific projects. Further, the Technology Roadmap identifies a number of IT-related risks, including risks related to the following:

- Legacy applications;

- Unplanned failures;

- Security of information assets;

- Web technology failure; and,

- External threats.

While the risks identified in the Technology Roadmap appear relevant, the audit noted a lack of documentation supporting the identification and assessment (likelihood and impact) of risks within ITS.   Without formalized processes for identifying and assessing risks there may be a lack of consistency in the application of the process and/or understanding of the results of the analysis.

There was also an expectation of effective vertical communication of risks between ITS and the higher level/Citywide-view of risks (i.e. the Corporate Risk Profile) that was not demonstrated. Specifically, there was no guidance within the ITS Risk Management Policy as to how higher priority IT risks should be communicated up to the City's corporate risk committee. Further, it is not clear how corporate risks are cascaded down from the corporate level to ITS. This has resulted in unclear alignment between ITS risks and City-wide/corporate risks. This lack of alignment can lead to an increased likelihood of either duplicating or missing risk management activities.

Recommendations and Management Responses

Recommendation 1
That ITS develop documentation that clearly establishes the linkage between IT Services and the City's broad objectives to support governance bodies and others in the promotion and monitoring of alignment of the City's needs with IT Services. This linkage should be tracked and monitored using the ITS Scorecard.

Management Response
Management agrees with this recommendation. The Business Technology Plan replaced the previous Technology Roadmap and was approved by the IT Sub- Committee in November of 2013. The Business Technology Plan includes key IT projects that directly support strategic objectives in the City Strategic Plan and articulates the role of ITS in supporting those projects to achieve their stated objectives. The Business Technology Plan initiatives are tracked and monitored on a monthly basis using the ITS Scorecard.

Recommendation 2

That CITMT be supported by formal agendas and the IT Governance Committee, to the extent it continues to act in a formal role, and that it be supported by a formal Terms of Reference which documents the Committee's purpose and structure.

Management Response:

Management agrees with this recommendation. Formal agendas for the CITMT meetings are part of the governance process and have been consistently in place since January 16, 2014. As a result of this recommendation, Management will undertake a further review of the agenda format to ensure standing items, such as Confirmation of Minutes and Roundtable, are addressed at each meeting.

In April of 2014, the IT Governance Committee was replaced by the Senior Management Committee (SMC) to further align the IT governance model with the existing City corporate governance structure. The Terms of Reference for CITMT were developed in 2013 and further revised in April 2014 to reflect the change in reporting structure from the IT Governance Committee to SMC.

Recommendation 3

That going forward, the process to develop objectives for purposes of the CIO's ICA is reviewed to better reflect objectives that are measurable.

Management Response:

Management agrees with this recommendation. The performance expectations and objectives of the CIO will be documented in an annual work plan to support the job description deliverables, Business Technology Plan, City Strategic Plan and departmental operational plans. The CIO's performance on the objectives outlined in the work plan will be reviewed and documented via the annual ICA process with the Deputy City Manager, City Operations.

Recommendation 4

That management expedite the recruitment of an appropriately qualified and experienced CIO. Further, that they review and confirm expectations and related practices concerning the CIO to ensure alignment with leading practices whereby the IT function is viewed, empowered and supported as a strategic enabler.

Management Response

Management agrees with this recommendation. The recruitment of the next CIO is currently in progress and is scheduled to be completed by the end of Q3 2014. Management agrees that the CIO position is a critical position within the organization and is a strategic enabler to assist the City in achieving its strategic goals. The expectations regarding the role and its deliverables will be set during the recruitment process and further outlined in the letter of offer to be

sent to the successful candidate. As part of the on-boarding process, the Deputy City Manager, City Operations and the new CIO will review the work plan referenced in the management response to Recommendation 3 and will discuss overall performance expectations.

Recommendation 5

That management develop an effective CIO succession plan to be implemented once a new CIO is retained.

Management Response

Management agrees with this recommendation. As part of the corporate succession planning strategic initiative, all critical roles in the ITS department have been identified and succession plans are currently in development / implementation as part of the departmental workforce planning. The succession plan for the CIO will be reviewed by the Deputy City Manager, City Operations and the new CIO by Q1 of 2015 and development plans will be established with the potential successors.

Recommendation 6

That management ensure that the city's strategic objectives, as reflected in the Technology Roadmap, articulate the linkage to key IT projects. ITS' role in achieving strategic objectives, performance metrics, and IT-related dependencies should also be reflected.

Management Response

Management agrees with this recommendation. The Business Technology Plan, which replaced the previous Technology Roadmap and was approved by Council's IT Sub-Committee in November of 2013, is currently where these relationships are captured. Management will examine opportunities to further align the Business Technology Plan with key initiatives and objectives outlined in the City Strategic Plan to further articulate the role of ITS in supporting these projects and will continue to monitor ITS capacity through the annual review of the Business Technology Plan. Business benefits and associated key performance measures are the joint responsibility of ITS and client departments leveraging the technology to achieve their business outcomes

Recommendation 7

That ITS continue to work toward developing additional KPIs related to their performance and to the business benefits associated with IT projects.

Management Response

Management agrees with this recommendation. It is the client department's responsibility to report on the business benefits and associated key performance measures. As part of the CITMT planning process for identifying departmental and/or corporate initiatives requiring ITS resources, client departments are required to complete a corporate business case which

specifies the business value and any expected performance measures, such as the estimated return on investment (ROI) and planned project timelines. Client departments are expected to further refine the project details and deliverables in their project charter documents, and are responsible for tracking and realizing the benefits associated with their IT projects.

Recommendation 8

In developing the performance measures referenced in Recommendation 6, that ITS consider, among others, specific measures that will support a better understanding of how IT expenditures are contributing to the City's strategic objectives and identify ITS's capacity to conduct projects.

Management Response

Management agrees with this recommendation. As part of the CITMT planning process, departments are required to outline the business value associated with their proposed IT projects and demonstrate clear alignment to the strategic initiatives and objectives identified in the City Strategic Plan. Direct alignment to Council-approved priorities is a main criterion for IT project and resource approval via the IT governance process. As referenced in the management response to Recommendation 7, departments are required to specify the business value and expected deliverables and performance measures within a corporate business case document and subsequent project management documents, such as charters. Departments are responsible for tracking their project deliverables and measuring outcomes. Management, as part of the IT governance process, will summarize and monitor all measures emanating from IT projects identified in the approved Business Technology Plan and will explore suitable measures to demonstrate ITS' contribution of expenditures and resources to the City's strategic objectives.

Recommendation 9

That the ITS Risk Management Policy include guidance on how higher priority IT risks should be communicated up to the City's Corporate Risk Committee. Further, ITS should work with City Staff to develop guidance around expectations for the communication of corporate risks down to ITS. ITS should also develop or obtain formal documentation which describes the identification and assessment of IT risks within the Department.

Management Response

Management agrees with this recommendation. The ITS Information Risk Management Policy is used to manage information risk according to its criticality and importance to the City. The Policy is directly linked to the City's Enhanced Risk Management framework and identifies that the Director, ITS and CIO has overall responsibility for risk management activities within the department, including ensuring that higher priority IT risks are communicated appropriately. Further, as part of the City's Enhanced Risk Management program, each department follows the corporately approved process to identify,

assess and mitigate risk. Each department submits a corporate risk profile and register on an annual basis that identifies and provides an assessment of the risks within a department. These risk profiles, which capture higher priority IT risks, are assessed by Corporate Business Services and reported to the Corporate Risk Management Steering Committee and Senior and Executive Management. Corporate risks are communicated down to the ITS department to ensure alignment.

Potential Savings

The audit identified opportunities for potential cost savings in the area of increased efficiency. In particular, it was noted that in addition to the IT Services staff, there are City departments with employees engaged in IT-related duties. This creates the risk that some work may be duplicated. An opportunity to avoid this duplication exists in ensuring all IT activities (corporate and departmental) are aligned, and that all employees with IT-related duties are in close communication with ITS.

Along the same lines, it was noted that there are several IT related committees. Some of these committees share similar roles and responsibilities. For example one of the roles of the CITMT committee is to shepherd the IT plan through the budget process. One role of the IT Governance Committee is to support the IT plan through the budget process. In another example, one of the roles of the CITMT committee is to ensure there is one corporate IT plan for the City. Similarly, one of the roles of the Governance Committee is to make the IT plan a corporate plan. By identifying and reducing any overlap in committee roles and responsibilities the City can reduce the risk of duplicating work.

Once improvements are made to the ITS Risk Management policy and the City is assured that all ITS risks are incorporated in the City's Enhanced Risk Framework, the risk of duplication of risk-management efforts may be reduced. This will also help to establish relative priorities.

When the Technology Roadmap is linked to the City's Strategic Plan, the risk of technology projects not contributing to the City's overall goals will be also be reduced.

Conclusion

Except for the findings discussed in this report, in our opinion, based on the evidence gathered at the time of the audit, we believe the City had established the necessary items to implement an effective IT Governance structure. However, without a qualified and experienced CIO, there is an increased risk that the effectiveness of IT governance would be considerably impaired. Further, there is an increased risk that many of the positive attributes of the new governance processes introduced under the interim CIO in early 2013 will not be sustained. The changes made to ITS Governance support a general objective of increasing the value-add associated with the City's IT investments. The City's plans to transition IT Governance reflect industry standards and otherwise appear appropriate and complete in terms of assisting IT to deliver value, identify, prioritize, monitor, and measure IT resource allocation decisions, and ensure alignment with City strategies and objectives.

Audit of Management of the Environmental Legislated Approval Process
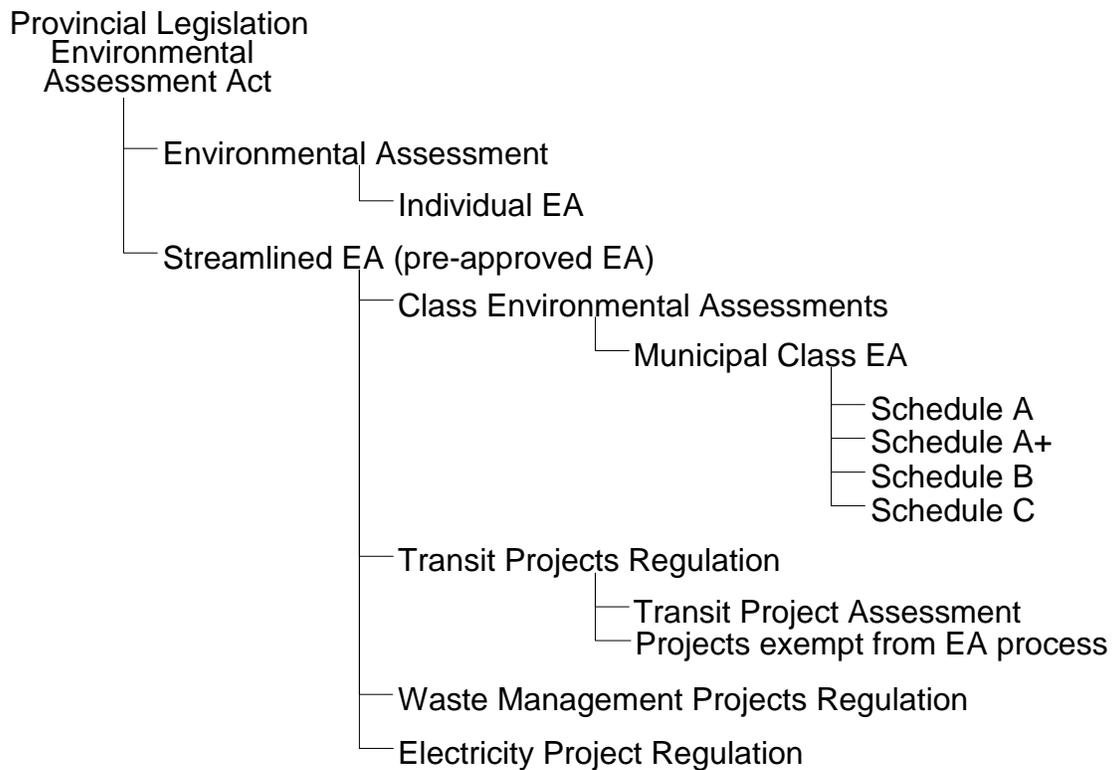
Introduction

The Audit of Management of the Environmental Legislated Approval Process was included in the 2013 Audit Plan of the Office of the Auditor General (OAG), approved by Council on October 10, 2012.

Background

An Environmental Risk Assessment was conducted by the OAG in 2012. The objective was to identify and assess high-level risks for the City of Ottawa pertaining to environmental and sustainable development issues. One of the key risks identified in the risk assessment pertained to the environmental legislated approval process.

In accordance with the Ontario's Environmental Assessment Act, it is mandatory to undertake an environmental assessment (EA) for any major public project that might have significant environmental effects on ecological, cultural, economic and social aspects. The EA is part of the planning process for public projects and aims to identify potential environmental impacts at the early stages of the project development. It also takes into consideration technical aspects of the project as defined in the functional design stage. As a result of the EA, mitigation measures to avoid or minimize potential negative effects will be included in the detailed design stage of the project. Figure 1 provides an overview of the structure of the different types of EAs under provincial legislation. Specific details about the Municipal Class Environmental Assessment, and the Transit Project Assessment Process, are provided under their respective headings later in the report.
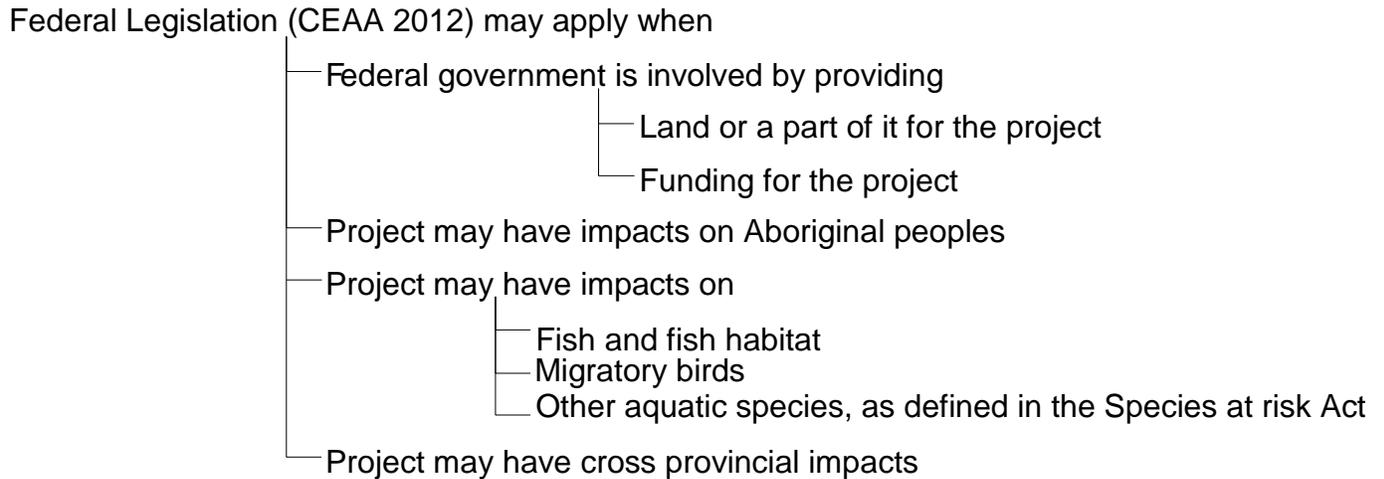
Figure 1: OAG's representation of the structure of an Environmental Assessment under provincial legislation

```
Provincial Legislation
     Environmental
   Assessment Act
          │
          ├── Environmental Assessment
          │            │
          │            └── Individual EA
          │
          └── Streamlined EA (pre-approved EA)
                       │
                       ├── Class Environmental Assessments
                       │            │
                       │            └── Municipal Class EA
                       │                         │
                       │                         ├── Schedule A
                       │                         ├── Schedule A+
                       │                         ├── Schedule B
                       │                         └── Schedule C
                       │
                       ├── Transit Projects Regulation
                       │            │
                       │            ├── Transit Project Assessment
                       │            └── Projects exempt from EA process
                       │
                       ├── Waste Management Projects Regulation
                       │
                       └── Electricity Project Regulation
```

In accordance with the Environmental Assessment Act, the City is required to assess environmental impacts for various municipal projects, such as the construction of roads, watermains, sewers and related infrastructures. However, depending on the anticipated potential impacts, the level of effort required to undertake an EA can vary greatly.

In addition to provincial EA requirements, the project may also be subject to a federal EA pursuant to the Canadian Environmental Assessment Act (CEAA 2012). This can occur when the federal government is providing the land, or a part of it, or when it is funding the project. Other issues prompting the involvement of the federal government include fish and fish habitat; other aquatic species (wildlife species that is a fish or a marine plant as defined by the Fisheries Act); migratory birds that may be affected by the project; or, if the project may have an impact on Aboriginal peoples. Lastly, an EA under the CEAA 2012 is also required when the project may have cross-provincial impacts.

Figure 2: OAG's representation of situations where an EA may be applicable under federal legislation

Federal Legislation (CEAA 2012) may apply when

- Federal government is involved by providing
  - Land or a part of it for the project
  - Funding for the project
- Project may have impacts on Aboriginal peoples
- Project may have impacts on
  - Fish and fish habitat
  - Migratory birds
  - Other aquatic species, as defined in the Species at risk Act
- Project may have cross provincial impacts

The provincial and federal environmental assessment processes cannot be performed at the same time. The provincial EA process needs to be completed before the federal EA can be initiated. To comply with the federal EA process, information concerning the preferred solution to be implemented needs to be specific at the detailed design stage, while information known at the functional design stage is sufficient to comply with the provincial EA process. As a result, there may be many months between completion of both EA processes.

Pre-approved EA

While large-scale, complex projects with potential for significant environmental impacts that are of major public interest are required to follow the regular environmental assessment process referred to as "Individual EA" under the provincial legislation; routine projects with predictable and manageable environmental impacts may follow a pre-approved EA process. Municipal infrastructure projects such as the construction of a new overpass for pedestrians, the widening of a road or the expansion of a water treatment plant can follow a streamlined approach. These projects have been pre-approved by Ontario's Minister of the Environment (hereafter "the Minister of the Environment"). Consequently, municipal projects under this category can be approved directly by the City.

The pre-approved approach is applicable only if the City follows the requirements associated with the appropriate streamlined approach and if no Part II Order is requested and authorized by the Minister of the Environment at the end of the 30-day notification period.

A Part II Order is a mechanism that allows anyone having an objection or significant concerns associated with environmental issues related to a project to ask that the Minister of the Environment request the EA to be conducted at a higher level.

For example, a Part II Order could require that a project be conducted under Schedule C if it has been initially undertaken under Schedule B. A Part II Order could also require that a project be conducted under an Individual EA process that is following the full standard EA process as stated in the Environmental Assessment Act.

It should be noted, however, that the reasons to request a Part II Order must focus on impacts related to a matter of provincial importance or on a constitutionally protected Aboriginal or treaty right or on the EA process itself.

As well, public organizations can, but are not required, to undertake a project following a streamlined approach. At their discretion, public organizations can also choose to undertake an Individual EA process, including a public hearing process and review by the Ministry of the Environment (this complete process is described in section 1.2.2.4 of the detailed audit report).

Based on the nature of the projects performed by the City for which EAs are required, two streamlined EA processes were reviewed in this audit: the Municipal Class Environmental Assessment; and, the Transit Projects Approval Process.

Municipal Class Environmental Assessment

The Ministry of the Environment has categorized projects based on the environmental significance and the effects on the surrounding environment. The Municipal Class Environmental Assessment (MCEA) describes the four paths that the planning and preliminary design processes may follow:

1. Schedule A: Projects are limited in scale and have minimal adverse environmental effects. These projects are pre-approved under the MCEA and may proceed with implementation without following the full Municipal Class EA process. The public cannot request a Part II Order for projects following a Schedule A. The following are examples of projects that can be performed following a Schedule A (based on the MCEA guidelines):

   - Normal or emergency operation and maintenance of linear paved facilities and related facilities;

   - Redesignation of an existing general purpose lane or a high occupancy vehicle lane through signage or pavement marking modifications;

   - Construction of local roads which are required as a condition of approval on a site plan, consent, plan of subdivision or plan of condominium which will come into effect under the Planning Act prior to the construction of the road;

   - Cleaning, relining, repairs and renovations to existing sewage collection system; and,

   - Expansion of a buffer zone between a lagoon facility or a land treatment area and an adjacent use where the buffer zone is entirely on the proponent's land.

2. Schedule A+: Projects have a broader scale than in Schedule A but still with minimal adverse environmental effects. These projects are pre-approved under

the MCEA and may proceed with implementation without following the full Municipal Class EA process. The proponent is invited to inform the public about the project. This information session is not a consultation period. The public cannot request a Part II Order for projects following a Schedule A+. The following are examples of projects that can be performed following a Schedule A+ (based on MCEA guidelines):

- Construction or operation of sidewalks or bicycle paths or bike lanes within existing right-of-way;

- Reconstruction where the reconstructed road or other linear paved facilities will be for the same purpose, use, capacity and at the same location as the facility being reconstructed;

- Increasing pumping station capacity by adding or replacing equipment and appurtenances, where new equipment is located in an existing building or structure and where its existing rate capacity is exceeded; and,

- Expand, refurbish or upgrade water treatment plant up to existing rated capacity where no land acquisition is required.

3. Schedule B: Projects under Schedule B have limited potential adverse environmental effects. These projects are pre-approved under the MCEA and may proceed with implementation without following the full Municipal Class EA process. Proponents are required to undertake a screening process, involving mandatory consultation with affected public and relevant government agencies to ensure that they are aware of the project and that their concerns are addressed. There is a requirement for the Project File Report to be publicly available for a 30-day period at the end of the process. If a concern is raised during this period (i.e., a request for a Part II Order), the Minister of the Environment may decide to request a new EA following either a Schedule C or an Individual EA process. The following are examples of projects that can be performed following a Schedule B (based on MCEA guidelines)[1]:

- Construction of new roads or other linear paved facilities, if the total costs of the project are under $2.3 million;

- Installation, construction or reconstruction of traffic control devices, if the total costs are under $9.2 million;

- Construction of new interchanges between any two roadways, including a grade separation and ramps to connect the two roadways, if the total costs are under $9.2 million;

- Establish new stormwater retention or detection ponds and appurtenances or infiltration systems including outfall to the receiving water body; and,

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[1] The cost limits presented in these examples are those that were in effect for 2012. Each year, the Municipal Engineer Association publishes updated cost limits.

- Expansion of the buffer zone between a lagoon facility or land treatment area and adjacent uses, where the buffer zone extends onto lands not owned by the proponent.

4. Schedule C: Projects with potential significant environmental effects must proceed under the full planning and documentation procedures. These projects are pre-approved under the MCEA and may proceed with implementation without following the full Municipal Class EA process. This is the most exhaustive streamlined EA process. All relevant information must be compiled into a clear and understood Environmental Study Report that will be made publicly available for a 30-day period at the end of the process. Similar to Schedule B, a Part II Order might be requested during this period. The following are examples of projects that can be performed following a Schedule C (based on MCEA guidelines)[2]:

   - Reconstruction or widening where the reconstructed road or other linear paved facilities will not be for the same purpose, use, capacity and at the same location as the facility being reconstructed, if the total costs are over $2.3 million;

   - Construction of new interchanges between any two roadways, including a grade separation and ramps to connect the two roadways, if the total costs are over $9.2 million;

   - Construction of a new sewage treatment plant or expansion of existing sewage treatment plant beyond existing rated capacity including outfall to the receiving water body;

   - Construction of a diversion channel or sewer for the purpose of diverting flows from one waterway to another; and,

   - Construction of a new water treatment plant or expansion of existing water treatment plant beyond existing rated capacity.

The MCEA guidelines states that while examples of projects are provided under each of the four Schedules, these examples do not represent an exhaustive list and, as such, the approach selected is the responsibility of the proponent. The rationale for the selection must be documented.

Transit Project Assessment Process

Environmental assessments for public transit projects in Ontario are performed   in compliance with Ontario Regulation 231/08 Transit Projects and Metrolinx Undertaking project. Schedule 1 of this regulation lists the types of transit projects for which a municipality may follow the Transit Project Assessment Process (TPAP) instead of an Individual EA or a Class EA. For all other public transit projects not

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[2] The cost limits presented in these examples are those that were in effect for 2012. Each year, the Municipal Engineer Association publishes updated cost limits.

listed in Schedule 1, a municipality is unconditionally exempt from undertaking an Individual EA, a Class EA or TPAP.

Individual Environmental Assessment

In comparison with a pre-approved EA process, projects requiring a comprehensive environmental assessment (i.e., an Individual Environmental Assessment) must follow a seven-step process. This includes approval by the Minister of the Environment of the terms of reference submitted by the proponent, the preparation of an environmental assessment for which the proponent has to undertake consultations with interested parties such as government experts, Aboriginal communities and the general public, a review of the EA by the Minister, a public inspection of the Minister's review and finally, the approval of the project by the Minister.

Since the new TPAP approach was created for transit projects in 2009, few municipal projects need to follow an individual environmental assessment. The majority of projects can follow a streamlined approach.

Streamlined projects realized by the City

The Planning and Growth Management department (PGMD) and the Infrastructure Services department (ISD) are the two departments that conduct the majority of the City's EAs. For PGMD, these projects are under the responsibility of the Transportation Planning Branch. The EAs conducted by these two departments are performed following TPAP, Schedule B or Schedule C. As noted previously, projects for which an EA follows either Schedule A or A+ are related to normal operational activities or maintenance activities. Therefore, this audit focuses on EAs that were performed following a TPAP, Schedule B or Schedule C approach.

Audit Scope and Objectives

The objectives of the audit were to:

1. Determine whether the City has a clear understanding of the regulatory requirements for environmental assessments; and,

2. Assess whether the environmental assessment processes to oversee the realization of environmental assessments are effective and efficient.

In order to achieve these two objectives, some of the projects for which the City performed an EA between 2010 and 2012 were reviewed in determining the scope of the audit. The audit reviewed the approach followed by ISD and PGMD to assess the environmental effects of projects under their responsibility. The categorization of projects under a specific pre-approved environmental assessment process was analyzed as well as the management practices used to oversee the conduct of environmental assessments.

It is important to note that the duration and cost of performing an EA are project specific. As such, the objective of this audit was not to determine maximum acceptable values for these parameters. However, both cost and duration of EAs were considered as indicators to identify whether or not the EA process for a project could have followed a different path, or if logical and justified rationales could be provided to clarify differences between EAs regarding these two parameters.

Approach

We selected five projects conducted by ISD and PGMD. The Environmental Study Report (ESR) and Project File Report which are the outputs of the EA, including appendices, were obtained for each project. Specific communications: between staff involved in the project and the consultant retained to perform the EA; between staff and some internal committees; and, between these committees and City Council were also reviewed. We reviewed the official EA procedures and guidelines from both the Municipal Engineers Association and the Ministry of the Environment of Ontario. Finally, we interviewed internal staff involved in these projects to have additional information on specific elements related to their projects. Our sample selection is based on two criteria: 1) having at least a project under the responsibility of each department, and 2) having at least a project under each of the streamlined EA approach (i.e., Schedule B, Schedule C and TPAP).

We subsequently added two additional projects to our sample although the EAs were performed prior to 2010. One project was added in order to review an individual environmental assessment which had not been covered in the original sample. The other project was added following concerns over project delays in the summer of 2013 after discovering a bird's nest, of a species considered at risk, under a structure scheduled to be demolished.

Summary of Key Findings

1. Among the guidelines that are used by the City to determine the type of EA that should be undertaken for a project, both the MCEA and the Ontario's Transit Project Assessment Process guidelines are also used by staff.

2. The City clearly understands that the total cost of the project is a sensitive element in the selection of which Schedule to follow under the MCEA and knows that the Municipal Engineers Association reviews the cost limits associated with each type of Schedule and project on a regular basis.

3. For transit projects, the City clearly understands that the TPAP approach is only applicable for dedicated facilities or services that are used exclusively for transit. If a project is a combination of transit and a public road, it is required to follow an Individual EA or possibly a MCEA.

4. It may happen that a planned project does not fit perfectly into the guidelines proposed by either the MCEA or TPAP. In one specific case, to avoid following an inappropriate Schedule and running the risk that the EA could be rejected during the 30-day notification period (Part II Order), the City proactively

consulted the Ministry of the Environment to determine whether the City should follow a Schedule B or a Schedule C approach.

5. Management has informed us that the City has always been able to complete projects planned under a Schedule A or A+ (pre-approved EA for regular activities, maintenance or emergency operational activities) as no unexpected environmental impacts have necessitated an EA under a Schedule B or C.

6. Management has indicated that the City has not needed to conduct a new EA following a Schedule B or C for a project that was first identified as fulfilling the criteria for a Schedule A or A+ if no modification occurred to the project.

7. The City has a holistic view of the different projects for which an EA is either completed, ongoing or to be conducted. In numerous cases, the City has been able to benefit from the knowledge gathered from one EA to perform another one. The City was able to either take into consideration recommendations associated with EAs performed previously in the same area, use information and data from studies realized before the EA (e.g., in a preliminary study), or benefit from the federal approval of another project realized at almost the same time and with similar infrastructures in four of the projects reviewed.

8. The City also has the ability to schedule projects in a specific order that will help in their execution. Due to physical proximity and similar study areas, two project EAs were carried out concurrently. The consultant was requested to produce only one version of specific detailed reports such as the Environmental Site Assessment report; the noise, vibration and air quality report; the archaeological report; the geotechnical report; and, the natural environment report. The City has also held combined public open houses for the two EAs. The contribution of one EA to another one has allowed the City to realize savings on public open houses, to retain only one consultant for two EAs, and to present only one series of recommendations to the Transportation Committee for approval by City Council.

9. The implementation of a project in the summer of 2013 was postponed because numerous nests of barn swallows were found under a structure. This species is, since 2012, considered a threatened species in Ontario. As the EA for this project was completed in 2008, this species had not been taken into consideration in the EA. When new species were added on the list of threatened species in 2012, the City did not analyse the impacts this could have on its ongoing projects.

10. The City holds more public consultations than the minimum required by the Municipal Engineers Association. We found that in half of the projects, where we compared the number of points of contact made by the City (public open houses and notice of completion) to the MCEA guidelines, the City exceeded the minimum number required.

11. The City considers that consultation and more specifically public consultation is one of the key elements for the success of an EA. The project manager determines the number of public open houses the City should hold for a specific

EA by considering the complexity; the profile of the project; whether it is controversial; whether citizens are impacted by the current situation; or, if they have concerns with either the current or future situation. However, there are no internal guidelines or tools to assist the project manager in this evaluation prior to starting an EA. In cases where the EA process is expected to be lengthy, the City may decide to do additional consultations to keep the public informed of the project.

12. In the majority of projects reviewed as part of this audit, our analysis of the number of attendees at each public open house and the number of comments received after these meetings, demonstrates a pattern of decreased attendance at the second meeting. The general public is very interested in the process undertaken by the City at the first public open house. This interest then declines at the second meeting and seems to be renewed if the City holds a third open house.

13. The City has developed control mechanisms to ensure that information about projects and studies undertaken for the provincial EA are shared among the departments in charge of conducting, when required, a federal EA.

14. There is a wide range of costs associated with EAs for a specific type of streamlined approach. For example, to undertake a Schedule B in water management (ISD), the EA costs the City between $25,000 and $680,000. Alternatively, a study for stormwater management undertaken following a Schedule B cost more than other projects realized under a Schedule C. Many variables, such as the number of alternative solutions considered, the size of the area and the number of studies needed to give an appropriate overview of the existing conditions, can influence the cost of an EA. It is not unusual to observe some variability in the cost of an EA. Based on the projects we reviewed, we found that the costs to perform an EA were reasonable relative to the effort required to conduct the EA.

15. The Transportation Planning Branch within PGMD prepares a Statement of Work before undertaking an EA, which gives an overview of the project and its context, the study area, the project scope, and tasks and deliverables. The Statement of Work is presented to the Transportation Committee, one of the City's Standing Committees, for approval before starting the project. This approach is currently specific to PGMD and not followed by other departments, such as ISD. Preparing and presenting a Statement of Work to City Council, through a Standing Committee (e.g., Transportation Committee or Environment Committee) could be a good practice that would provide City Council with an opportunity to review the expected content of an EA.

16. Comments and questions related to a project are brought to the City's attention through several mechanisms (e.g., during a public open house; by email to the project manager after a public open house; through a Councillor; etc.). These comments have to be centralized, analyzed and discussed by the City and the consultant to determine how to take them into account in the project. However, there is no official tracking tool for the project manager to ensure this list

includes all the comments received during the EA through the different mechanisms.

Recommendations and Management Responses

Recommendation 1

That the City adopt a mechanism to identify and update an EA that has already been completed, but where the project has not yet been constructed, and where there is subsequent modification to the legislation that would affect the project. For example, if a new species is added to the list of species at risk, the EA should be reviewed to determine any potential impacts during construction.

Management Response

Management agrees with this recommendation.

Upon completion of the EA and prior to construction, staff will review the EA assumptions and recommendations and verify that applicable legislation has not changed, which could affect the project outcome.

This requirement will be communicated to staff via written direction by Q4 2014.

Recommendation 2

That the City analyze and rationalize the relevance of holding points of contact in excess of MCEA guidelines.

Management Response

Management agrees with this recommendation and it has been implemented.

Current practice includes rationalizing the need for each public event through the preparation of briefing notes to Senior Management that describes and justifies the event.

Recommendation 3

That the City consider combining several public open houses together and replacing additional public open houses by another information mechanism in order to be more efficient in the collection of public comments and questions.

Management Response

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

Current practice includes rationalizing the need for each public event associated with the environmental assessment process. Once the public consultation approach is determined, it is communicated to the Mayor's Office and the Deputy City Manager's Office.

Current consultation practice also includes tools such as on-line surveys and feedback. Current consultation methods address the need for efficient and effective mechanisms for consulting with stakeholders.

Recommendation 4

That the City present a Statement of Work to the relevant standing committee (e.g., Transportation Committee, Environment Committee) for approval prior to undertaking any study that is required to carry out a Streamlined Schedule C (Municipal Class EA), Individual EA or TPAP.

Management Response

Management agrees with this recommendation.

A Statement of Work will be prepared for each Schedule C, individual EA or TPAP (Transit Projects) study for the approval of the relevant standing committee.

This requirement will be communicated to staff via written direction by Q4 2014.

Recommendation 5

That the City ensure that the project managers perform an internal review of the report to ensure that comments and questions received during consultation have been considered in the EA.

Management Response

Management agrees with this recommendation and it has been implemented.

Existing public consultation practice is to provide one point of contact for comments which are documented, reviewed and considered as part of the EA.

Project Managers will now be required to also check with ward Councillors to ensure that feedback that is sent directly to elected officials is also captured for the public record and consideration. This direction has been given to staff.

Potential Savings

The City exceeds the minimum consultation of the general public and some agencies and public groups, required by legislation. While the consultation process is one of the most important parts of the EA, according to the MCEA guidelines and managers interviewed during this audit, there is often one public open house that is less attended than the other events in the series of consultations held for a project. Based on the detailed costs of some EAs for the preparation of material by the consultants and their attendance at the event, not holding that less attended public open house could represent on average savings of $25,000 for the City.

Having observed that the City had held more public open houses than required by the MCEA for several projects reviewed as part of this audit, and considering the number of EAs performed each year, the City could realize significant savings by assessing the relevance of holding all these public open houses or by using, when it is appropriate, other consultation mechanisms. In our sample, we found that the City held two open houses in excess of the MCEA requirements. Based on our sample only, not holding these additional public open houses could potentially save approximately $50,000 annually.

Conclusion

Overall, the City has a clear understanding of the environmental legislated approval process, and the application of the environmental assessment processes is adequate. The City applies the guidelines of different legislated bodies to perform an EA (e.g., MCEA or TPAP) and it seems unnecessary for the City to have its own internal procedure to undertake an EA.

The City's track record in the pre-approved environmental assessment process is that the Minister of the Environment has not requested the upgrading of an EA to a higher Schedule even when Part II Order requests have been made. However, as consultation is one of the keys to success for an EA, the City should have a monitoring mechanism, before publishing the notice of completion, that all the comments and questions received from different sources and points of entry have been taken into consideration in the Environmental Study Report (ESR) or the Project File Report, or have been directly responded to. This is currently the responsibility of the project managers, but without a tracking tool, they cannot assure the City that comments and questions have been considered and answered, prior to issuing the final report.

In recent years many projects, predominantly in the transportation sector, have been required to support the City's development. The City's holistic view of these projects, in terms of space and time, has created synergy between EAs. Where the EA shares a similar portion of a potentially affected area, the City has used information from one EA for another. When appropriate, the public has been consulted on related projects concurrently. In our opinion, the City carries out its environmental assessments efficiently.

Audit of OC Transpo Lost and Found Contract

Introduction

The Audit of OC Transpo's Strategic Business Planning Processes was included in the 2013 Audit Plan of the Office of the Auditor General, approved by Council on October 12, 2012.

A portion of the audit was to include a review of the specific business planning process for the lost and found service. This report specifically relates to the business planning process for OC Transpo Lost and Found which was formerly identified as objective seven on the Audit Plan. This issue was added to the audit during the planning stage as a result of fraud and waste reports received by the OAG.

Background

OC Transpo is one of the City's largest, most complex business units responsible for the current and future transit needs of residents and visitors. OC Transpo is headed by the General Manager of the Transit Services Department which is part of the City Operations Portfolio. OC Transpo's stated mandate is to deliver safe, reliable, and courteous service at a reasonable price. The OC Transpo fleet currently has over 1,000 buses and three trains that serve approximately 370,000 daily riders.

Occasionally customers leave behind personal articles on the transit system. The nature of these items can vary from non-valuable, regular or perishable to valuable. Since 2001, OC Transpo has had an agreement with Heartwood House, a non-profit charitable organization, to provide lost and found management and client services on behalf of OC Transpo. Management currently has standard operating procedures (SOP) that document the roles and responsibilities of Transit employees with respect to Lost and Found articles. The SOP include which types of items would be transferred to Heartwood House. In late 2013, the Heartwood House website indicated that they received over 30,000 items each year and returned approximately 26% to the rightful owners.

Audit Objectives and Scope

Audit Objective No. 1:
Assess the planning process for OC Transpo Lost and Found

Criteria:
- Determine if the lost and found planning process is part of OC Transpo strategic plan and its management review cycle;
- Determine if the OC Transpo Lost and Found planning process is reported on to Transit Commission, Committee and Council;
- Determine if the Lost and Found planning process complies with the City By-Laws;

- Determine efficiency and effectiveness of the OC Transpo lost and found planning process, paying special attention to the potential savings for the City, as well as to customer needs;

The audit scope focussed on the specific planning processes for lost and found.

The scope of the audit did not include a detailed review of the lost and found process; however findings identified during the course of this work have been included in the report.

Summary of Key Findings

1. Sole-source agreements have been in place with Heartwood House from 2001 to 2014[1] to provide Lost and Found management and client services on behalf of OC Transpo.

2. This pilot project was initially justified, in 2001, on the basis that there would be savings of over $50,000 per annum from the prior in-house model. Services are currently delivered with volunteer labour and paid supervision at the non-profit organization's location. The initial cost of the agreement, including the value of the bus passes provided by the City to Heartwood House, was $29,200 per year. Management's estimated cost of the prior in-house model was $71,500 actually resulting in initial estimated annual savings of $42,300. The organization also retains the proceeds from the sale of unclaimed items which was estimated at $6,000 in 2003. In 2004, the value of the agreement increased to $48,200. Since that time the sole-source procurement has been rationalized based on specialized expertise that Heartwood House has developed. Requests for Proposal (RFPs) have not been issued either in 2004 or 2009 when new agreements were executed. In 2009, the cost of the agreement was $49,000 per year for five years for a total of $245,000. As noted in item 7, the cost of the contract exceeded the Delegated Authority procurement limits which would require reporting to Committee and Council.

3. The Director, Transit Services approved the agreements and Contract Approval Request Forms to justify the sole-source rationale.

4. A particular employee who worked on the project (the "Employee") would have had input into the rationale for sole-sourcing. Input included advocating with Management for the $19,000 increase in the amount from $29,200 to $48,200 in 2004. Heartwood House had indicated they required this amount to cover the operating costs of their organization including a full-time person to oversee the management of the program. The Employee was directly or indirectly involved in negotiating the agreements and subsequently managed the agreements as the City contact.

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[1] The agreement has been extended for one additional year to May 2015 as detailed later in this report.

5. The Employee referred to in the above finding had an actual or potential conflict of interest with the organization that was of a personal/familial nature. Management indicated that the Employee had disclosed this conflict to supervisors. The OAG found three instances where this actual or potential conflict was not appropriately managed:

- In a 2004 email from the Employee to the non-profit organization, the Employee wrote, "I tried from my end to keep this agreement devoid of any 'handcuffs' as everything must be in good faith, but without any pain for failure. The fact of the matter is we recognize that if you do not get your additional $14,000, this is not good news to OC Transpo, and we will have to find another means to achieve your revenue need." From the email it appeared that the Employee was concerned about the organization's revenue needs. The Employee should have been acting in the City's interest only.

- The Employee had been advised in June 2011 by supervisors to cease involvement in the procurement and management of the contract. The Employee and/or staff who reported to the Employee intermittently continued to be involved with the file. The Employee and/or staff who reported to the Employee should not have been involved in the file.

- In January 2014, the Employee was inquiring about renewal options for the Heartwood House agreement. The Employee declared in an email to Supply Management (SM) a conflict of interest of a personal/familial nature. However, the Employee and/or staff who reported to the Employee continued to be involved with the file. This was evidenced in the Employee indicating in a written communication that a Manager did not need to get involved in the discussions at the time. The City's Code of Conduct (adopted April 26, 2002 and revised September 2010) requires that, "after you have disclosed an actual or potential conflict of interest, you need to avoid any involvement in the matter." The Employee did not avoid involvement in the matter. Supply Management provided their feedback that this was not appropriate. Subsequently, a Manager took responsibility for the file and has continued to put in place compensating controls to address this matter. The Manager has re-assigned responsibility for portions of the file to other areas.

6. In our opinion, as the above findings show that this matter has not been appropriately managed in the past, this conflict would need to be managed on an ongoing basis. Management planned to initiate a review of the Lost and Found program in late 2013 in order to conduct the RFP/RFQ for the May 2014 agreement. This was not done. Management has extended the agreement one more year to allow planning an effective RFP/RFQ in early 2015 as a result of a number of factors detailed in the report.

7. The December 2001, May 2004 and May 2009 agreements were signed by the Director, Transit Services under Delegated Authority. Delegated Authority procurements are required to be reported to: Council under Section 39 of the Purchasing By-Law; and, to Finance and Economic Development Committee (FEDCO) as part of Reporting of the Exercise of Delegated Authority relating to

approval of any purchase of service agreement. This was not done for the periods from December 2001 to April 2003 and June 2004 to May 2014.

8. There was evidence of legal review prior to signature of the 2001 agreement, and in 2004 OC Transpo again sought a legal review of the agreement and incorporated the majority of the suggested revisions from Legal Services into the final contract. There is no record that a legal review was sought for the 2009 agreement. This resulted in the risk that the appropriate clauses were not reflected in the agreements in order to protect the City's interests. Examples of risks are included in items 9 to 12.

9. The insurance clause in the 2009 agreement included the amount of $1 million per occurrence. This was lower than the City's standard requirement of $2 million per occurrence that Legal Services had provided for the 2001 agreement;

10. The compensation clause refers to the practice which permits OC Transpo employees to keep unclaimed items.   During the audit, in June 2014, the OAG asked management about this practice. Management indicated that the practice allowing OC Transpo employees to retain Lost and Found items was not authorized and subsequently stopped the practice effective September 1, 2014;

11. A clause relating to the Code of Conduct was also not included as part of the legal agreement or purchase order; and,

12. There was a clause in the agreement requiring Heartwood House to provide annual audited financial statements to the City. The OAG found:

- There was no evidence that OC Transpo management had requested annual audited financial statements;
- There was no evidence that OC Transpo management had received annual audited financial statements; and,
- There was no evidence that OC Transpo management had analyzed and reviewed audited annual financial statements.

13. Reviewing financial statements would enable the City to monitor the ongoing liquidity of the supplier to ensure this supplier can adequately deliver the lost and found service for OC Transpo.

14. A Corporate Purchase Order incorporating the formal agreement was not issued for the periods from December 2001 to April 2003 and June 2004 to May 2014 as required by Clause 31 of the Purchasing By-Law. Instead, a Departmental Purchase Order (DPO) was issued under the authority of the Director of Transit Services. OC Transpo was in contravention of the Purchasing By-Law as the $49,000 per annum exceeded the $10,000 limit for Departmental Purchase Orders. The DPO was also not sent to the organization and appeared to be setup in SAP to facilitate payment processing.

15. Within any system there is risk of inaccurate processing, removal or replacement of items. Reports of total items received and their disposition including those sent to Heartwood were only available on separate manual lists and systems.

The Employee and/or staff that report to the employee are responsible to supervise the staff of the Pass and Ticket Office and ensure there are appropriate safeguards for lost and found items. As the Employee has a conflict of interest, this is a potential control weakness.

16. Improvements to internal controls should be considered with respect to overall tracking of items to prevent and detect loss. Management has indicated they will be building in the ability to perform spot checks and more frequent reconciliation in the 2015 RFP. Controlling and tracking the total items received would provide assurance that the disposition of items in the custody and control of OC Transpo or organizations acting on behalf of OC Transpo was done at the appropriate time in the appropriate manner for management and contract monitoring purposes. This would also be useful for planning and analytical purposes to determine if there are changes in the levels of items addressed by Transit staff and their disposition including those sent to Heartwood House which could impact the service delivery model and RFP.

17. Management provided the OAG with the annual reports for 2012 and 2013 which had been provided to them by Heartwood House. These included a monthly summary of the items that Heartwood House had received and that had been claimed. These showed a decrease from 2012 to 2013 in items received and claimed particularly paper bus passes which are being replaced with presto cards. For 2014, Management has requested monthly reports/updates for monitoring purposes.

Recommendations and Management Responses

Recommendation 1
That the City:

- **Analyze and document the Lost and Found planning process to determine the Lost and Found requirements;**
- **Develop a business case with service delivery options considering the costs and benefits; and,**
- **Issue a Request for Proposal (RFP) if the program continues with an external provider.**

Management Response
Management agrees with this recommendation. OC Transpo has already taken steps to improve the operation and administration of its existing Lost & Found Program. These actions include the following:

- In 2014, Transit Services undertook a number of enhancements for the Lost and Found process through amendments to Standard Operating Procedures (SOPs). On September 1, 2014 OC Transpo's SOPs were amended to reflect that items that remain unclaimed after ninety (90) days are now retained by the Service Provider. In Q3 2014 and Q4 2014, Transit Services

worked with Supply Management in the review and development of business requirements that supported the provision of Lost and Found services, and;

- In anticipation of the end of the current contract for the provision of Lost and Found Services, a competitive Request for Proposal (RFP) process was initiated by OC Transpo in late 2014. The development of the RFP led to issuance in December 2014 and submissions were received at the end of January 2015. Through the development of this RFP, OC Transpo included the following requirements for the successful proponent to have in place in order to allow the City to evaluate the proposals from a cost benefit perspective:

  o An electronic management system with appropriate security measures to protect both information and the contents on the premises;

  o A requirement that the program integrate with existing departmental processes and practices, and;

  o Compliance with all City of Ottawa General Terms and Conditions and all applicable guidelines, policies, standards and legislation.

- Transit Services worked with Supply Management in February 2015 to review eligible proponents, which led to the selection of a successful proponent in Q1 2015.

Recommendation 2
That the City ensure that agreements authorized under Delegated Authority are reported to Commission/Committee and Council.

Management Response
Management Management agrees with this recommendation. Management will report agreements authorized under Delegated Authority to Commission/Committee and Council on a go-forward basis.…

Recommendation 3
- **That the City ensure that agreements are reviewed by Legal Services to contain appropriate clauses including the required proof of review prior to execution, in compliance with Council direction.**
- **That the City ensure that as part of the ongoing management of the contract that there is proof that appropriate documentation has been requested and reviewed to support the established clauses (eg. Insurance, Audited Financial Statements, etc.).**

Management Response
Management agrees with this recommendation. Management will review future agreements with Legal Services to ensure they contain appropriate clauses,

including the required proof of review prior to execution, in compliance with Council direction.

The RFP process contained requirements making documentation such as insurance and annual audited financial statements a clearly articulated requirement with associated management processes.

Recommendation 4
That the City discontinue the practice which permits OCTranspo employees to keep unclaimed items.

Management Response
Management agrees with this recommendation. This practice was discontinued in 2014.

Recommendation 5
That the City ensure that Corporate Purchase Orders are issued incorporating formal agreements in accordance with the Purchasing By-Law.

Management Response
Management agrees with this recommendation. Management will ensure that corporate purchase orders for this program are issued incorporating formal agreements in accordance with the Purchasing By-Law on a go-forward basis.

Recommendation 6
That the City ensure that disclosures of conflicts of interest (actual or potential) are declared to Management in writing as soon as they become known in order that they can be addressed by Management in a timely manner ensuring that appropriate action has been taken in accordance with the *Employee Code of Conduct.*

Management Response
Management agrees with this recommendation. Management believes that the declared conflict of interest mentioned in this audit has been appropriately managed in accordance with the Employee Code of Conduct since January 2014 when the Manager took over accountability of the file and re-assigned responsibility for portions of the file to other areas. In the future, Management will ensure that in instances of contract management, strict adherence to the Employee Code of Conduct directions on conflict of interest will be followed.

Recommendation 7
That the City ensure appropriate controls and tracking are in place over the Lost and Found process.

Management Response

Management agrees with this recommendation. The RFP process contained requirements to ensure appropriate controls and an electronic tracking process are utilized by the successful proponent.

Potential Savings

Potential savings or costs have not been quantified at this time as the needs and business case for the delivery options have not been determined and may differ from those provided by the current delivery model.

Conclusion

Since 2001, OC Transpo Lost and Found management and client services have been delivered under a sole-source agreement with Heartwood House, a non-profit charitable organization, with volunteer labour and paid supervision. Requests for Proposal (RFPs) have not been issued when agreements were executed with Heartwood House in 2001, 2004 or 2009. Even though this matter was identified previously and work was to have been reassigned, in 2014 the Employee declared the conflict of interest that was of a personal/familial nature. The Employee and/or staff that reported to the Employee continued to be involved with the file until Supply Management provided their feedback that this was not appropriate.

Subsequently, a Manager took responsibility of the file and re-assigned responsibility for portions of the file to other areas. In our opinion, as this matter has not been appropriately managed in the past, this conflict would need to be managed on an ongoing basis as required by the *Employee Code of Conduct*.

The OAG found that the agreements from 2001 to date had not been reported to Committee and Council under delegated authority reporting for the periods from December 2001 to April 2003 and June 2004 to May 2014. The OAG also found that the latest agreement in 2009 had not been reviewed by Legal Services and did not contain the standard required amount of Insurance coverage.

Improvements to internal controls should be considered with respect to overall tracking of items to prevent and detect loss.

Transit Services continues to undergo a period of significant change in transitioning to light rail transit. This will have an impact on the optimum service delivery model for providing lost and found client and administrative services. Transit Services need to determine the lost and found requirements and develop their business case with service delivery options considering the costs and benefits going forward.   This would be used as the basis for any future procurement competitions.

Audit of OC Transpo Process for Cancelled Bus Trips

Introduction

The Audit of OC Transpo Business Strategic Planning Processes was included in the 2013 Audit Plan of the Office of the Auditor General, approved by Council on October 10, 2012. Subsequently, in May 2014, the City Manager, Deputy City Manager, City Operations Portfolio and General Manager of Transit Services were advised that the OAG was deferring part of its work on the audit of OC Transpo's Strategic Planning Process until it is fully implemented but would continue its audit work on two objectives, previously outlined in the audit plan. Specifically, assessing the planning process for OC Transpo Lost and Found (report under separate cover); and, assessing the adequacy of the planning process for cancellation of bus trips, which is the subject matter of the present report. .

Background

OC Transpo is one of the City's largest, most complex business units responsible for the current and future transit needs of residents and visitors.   Headed by the General Manager, Transit Services Department, OC Transpo is part of the City Operations Portfolio. Transit Services Department is mandated to deliver safe, reliable, and courteous service at a reasonable price. Currently, OC Transpo provides public transportation on 5,584 km of routes over an urban transit area of 466 sq km and serves approximately 100 million passengers per year with an average weekday ridership of 375,000 passengers. In excess of 1,500 bus operators provide service over a 24-hour period. Day-to-day delivery of transit service is overseen by Transit Operations Branch.

Audit Objectives, Approach and Scope

The objective of the audit was to assess the adequacy of the planning process for cancelling bus trips.

The approach used for this audit included:

- Interviews with staff involved in the cancellation process;

- Review of documentation; and,

- Analyse data relating to cancellation over a two week period in May 2014.

The scope of the audit was limited to the planning of cancelled bus trips.

Summary of Key Findings

1. The Transit Supervisor Trip Cancellation Procedures, Standard Operating Procedure (SOP) defines a priority trip as "any trip that is identified as [sic] a school trip, a rural route, a last trip or when headway gap is excessive for the route is a priority to be covered". (Headway gap could be considered the arrival time e.g., the time it takes for a following bus to pass through the same specific

location as the lead bus.) We found that Superintendents and Transit Supervisors of the Transit Operations Control Centre have a consistent understanding as to which routes are considered priority and should not be cancelled and which routes should be used to fill a priority trip. We also found OC Transpo's approach, which intends to limit inconvenience to the public, to be reasonable. Superintendents indicated a more extensive list of priority routes that should not be cancelled compared to the SOP. The standard operating procedure should be updated to more closely match the approach in use.

2. Service-Not-Out (SNO) is defined as bus "runs that are not leaving a garage due to no operator or no bus available". OC Transpo has various types of operator substitute: spares (schedule additional/substitute operators); "scroungers" (unscheduled operators who present themselves at a garage looking for one or more pieces of work on their days off); or extras (manned buses already on the street at strategic relief point locations waiting for work to come up). SNO Operator (no operator available to be assigned to known open work) is initially managed by dispatch's booking officers who attempt to fill any unfilled trip using spares; "scroungers"; or extras. Scheduling the right number of spares is important to limit impact to the public and costs such as overtime. OC Transpo computes the percentage of total spares to pieces of work (subset of bus trips in the block that form an operator's shift) and has established that their service reliability is greatest with a "spare compliment" of approximately 21%. Although we did not audit this target (percentage of spares compared to total work), we found that they operated within 3%-4% of the spare compliment target of 21%.

3. Cancellation alerts are not issued as promptly as they could be, and at times, are issued after the next scheduled bus should have gone by. For the period May 1 to May 15, 2014, 33% or 150 out of 453 cancellation alerts were sent out 20 minutes after the scheduled first stop of the cancelled route. The lack of prompt alerts decreases the usefulness of the information which could have assisted transit users in planning an alternative route or mode of transportation.

Recommendations and Management Responses

Recommendation 1
That OC Transpo update their Standard Operating Procedure (SOP) *Transit Supervisor Trip Cancellation Procedure* to match the current practice and clearly identify all possible priority trips that should not be cancelled and ensure consistent handling for transit supervisor.

Management Response
Management agrees with the recommendation. It is OC Transpo's goal to initiate a review of the SOP on an annual basis. A change in process would also initiate a review of an SOP and may be completed prior to the annual review. A review of the Transit Supervisor Trip Cancellation Procedures SOP will be completed by the end of Q2 2015. Required changes, to ensure the SOP matches current practice, will be implemented.

Recommendation 2

That OC Transpo provide more timely notice of cancellation, especially when the waits for the next available service is lengthy.

Management Response

Management agrees with the recommendation. Providing timely information to minimize the impact on customers is a priority for the Transit Operations Control Centre. There are operational issues, such as traffic collisions and vehicle breakdowns, which occur that are outside of OC Transpo's control that limit the ability to provide timely notification, however, for service delivery issues that are known in advance, communication to customers will be immediate. In the event that a previously scheduled trip is able to resume operation, an update will be communicated to customers.

Potential Savings

No potential savings were identified as part of our work.

Conclusion

We found that OC Transpo has established guidelines and procedures such as the Transit Supervisor Trip Cancellation Procedures; the Service Not Out Report Procedures; and the Updates and Alerts User Guide to inform the cancellation and notification processes. We noted a consistent understanding by both Superintendents and Transit Supervisors as to what service is considered priority and should not be cancelled and which route should be used to fill a priority trip. However, this differed somewhat from the Standard Operating Procedure. As OC Transpo practice is more extensive than the SOP, it would be a good practice to update the procedure to match the current practice.

More timely cancellation alerts would assist transit users in planning alternative routes. We found that alerts were, at times, sent out after the next scheduled bus should have gone by, which in our opinion decreases the usefulness of the information.

Lastly, information captured on the "Booking Analysis Master" is used after each of the four yearly bookings to review spares utilization. Although we did not audit this target (percentage of spares compared to total work), we found that OC Transpo operated within 3%-4% of their spare compliment target of 21%

Audit of Specific Contracts and Processes within Fleet Services Branch

Introduction

The Audit of Specific Contracts and Processes within Fleet Services Branch was included in the 2013 Audit Plan of the Office of the Auditor General, approved by City Council on October 10, 2012.

Background

Fleet Services Ottawa (FSO) provides operating departments[1] with vehicles as well as vehicle maintenance. Currently, the fleet consists of approximately 2,300 vehicles and 750 units of various types (such as water trailers, tractors, etc.). To keep these vehicles operating, FSO maintains eight garage locations across the City ranging in size from one to thirty-six bays. Prior to this contract award, the Stores Operation maintained a parts inventory valued at approximately $3.5 million managed by 28 stores personnel supporting approximately 85 technicians.

The City has competitively awarded two major contracts for fleet related goods and services:

1. On August 1, 2011, UAP Inc. (NAPA) was awarded a contract for the provision of automotive parts, exclusive of tires. The contract is valued at approximately $39.7 million plus taxes for the initial five years. The On-Site Fleet Parts and Inventory Management Program Agreement allows for an additional forty-eight month extension of the Agreement.

2. On Feb 1, 2011, KAL Tire Inc. was awarded a standing offer for the provision of tires and related services, repairs, recaps and retreads. The agreement is valued at approximately $2.4 million for a three year period.

Both contracts include an associated inventory management service for the City fleet.

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

Audit Scope

The Audit focused on two individual areas of interest:

1. The complete life cycle of the NAPA and the KAL contract award processes and subsequent performance management of the delivery of goods and services in accordance with the contractual requirements; and,

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[1] Operating Departments includes among others, Fire and Emergency Medical Services (EMS) and Police Services.

2. Opportunities for savings in the delivery of fleet related services provided by NAPA and KAL.

Additional items were addressed in management letters.

Summary of Key Findings

Parts and Inventory Management Program Agreement

NAPA was awarded a contract in accordance with pre-determined criteria in the RFP. A Fairness Commissioner was engaged throughout the process. Internal controls reasonably ensured a fair and open process during the contract evaluation and award. The annual value of the parts issued is approximately $9.96 million.

The Corporate Efficiency Savings Program was presented to Council on November 10, 2009. Included in the omnibus submission was the Service Ottawa – Fleet Management Transformation Initiative[2], which projected annual operational efficiencies of $3.94 million. These savings were expected to be realized by 2013. Improvements in client service were another significant element of the Initiative.

Fleet Services demonstrated that it achieved budget level savings of $3.94 million annually as of 2013. Not all actual savings could be linked to the measures identified in the Service Ottawa – Fleet Management Transformation Initiative business case, the introduction of the NAPA contract, or the revised approach to the Efficiency Savings Program. With respect to the latter element, IBM Global Business Services provided the City with efficiency improvements through nine initiatives, based on business cases, in order to achieve the required targeted budgetary reductions.

We confirmed with Executive Committee attendees that, during its meeting of September 11, 2009, the Committee allowed Departments the flexibility to proactively adjust their budgets in order to achieve the required yearly targeted budgetary reduction allocations. Budgetary reductions could be based on the savings identified in the associated business cases and/or other areas in order to meet the overall targets.

This approach was not well documented in the records of decision available for the referenced meeting.

Reports to and discussions with Council in relation to the budget reductions reinforce the commitment to achieve the targets but could have been clearer in noting that the savings may not be based solely on the business cases.

In achieving its target reductions Fleet Services identified approximately 35% of the savings from items not identified in the initial business case. This indicates that there may be lessons learned to apply to any future broad based budget review exercises.

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[2] Note to the reader: We found the name of the initiative changed frequently in the various documents provided by the City Staff. For the purposes of this report, we utilized the Project Charter title.

Our analysis noted an 11.8% increase in the cost of parts (including the fee payable to NAPA of 10%) and no demonstrable improvements of equipment downtime. The Service Ottawa – Fleet Management Transformation Initiative projected reduced parts costs of 3%, which would result in a 7% net increase once the 10% NAPA fee is included.

The City initially provided informal one-on-one training to the staff involved in the use of the Waiting for Parts (WFP) process. The WFP process was complex and was a source of some misunderstanding by employees. This lead to an inconsistent application of this performance indicator. Cases of apparent contractual breaches by NAPA were disqualified because the process was not strictly adhered to. The WFP training was recently reinstated to correct any misunderstanding and feedback from employees has been positive.

Fleet Services' own analysis indicates that part delivery delays can be significant but   under the current terms and conditions of the contract, there is no penalty for aging back orders.

As of November 2013, the Service Provider has incurred penalties for the months of May, June, and July 2012, as well as July, August and September 2013. The penalties amount to $104,740 on part expenditures[3] of $9.96 million.

It was noted during the audit that the provider, NAPA, occupies approximately 16,500 square feet of space at Swansea. This space is distinct from the space required by Fleet to meet its operational requirements at Swansea. In our discussions with Service Provider competitors, we were informed that the part delivery requirement could be met without utilizing City space. The City estimates it would need an additional 7,000 square feet to meet operational requirements if there were no vendor inventory on site. This would free up approximately 9,500 square feet of valuable space in the Swansea garage, which has a market value of approximately $10-15 per square foot, or approximately $100,000 based on information provided by City staff involved in leasing.

Opportunity for savings

In future contracts, the elimination of the requirement for the service provider for parts to be on-site has the potential to save approximately $100,000 per year.

KAL Tire Contract

The current Standing Offer value is estimated at $2.4 million for a three year period to provide all labour and materials for the provision of tire services, repairs, recaps, retreads and specialty tires not available through the National Accounts established with major tire providers. The tire inventory is not held on City property.

As a result of a legal challenge by an interested proponent during the procurement process, the RFP was re-issued on September 21, 2010. Two firms qualified and

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[3] October 2011 to September 2013

KAL was the successful proponent having the lowest price per point. No Fairness Monitor was involved on this procurement tender.

In our opinion, the contracting process was conducted in a fair and open manner. Internal controls reasonably ensured a fair and open process during the contract evaluation and the KAL contract was issued in accordance with pre-determined criteria established in the RFP.

Reliance is placed on KAL to select, stock, track and utilise used tires. Currently there is no data available for reporting on the status of the used tire inventory or on disposal of used tires. A significant portion of the used tire inventory is kept outside in conditions that negatively impact their condition and usability.

The Standing Offer has limited metrics to assist the City in assessing the vendor's performance; price list, 15 minute dispatch times, and 50 minute service call limits (110 minutes after hours). The contract does not provide for penalties in the case of non-performance.

The City lacks a method to collect performance related data to track supplier performance and must proceed on a case-by-case basis to flag concerns to KAL. To-date three default letters were sent to KAL.

A significant volume of tire service work goes to non-KAL vendors (29%; or $425,000 of January to October 2013 expenditures of $1.47 million) although there is no formal mechanism to allocate the work based on the results of the initial RFP.

Opportunity for savings

The City has for many years outsourced its roadside servicing related to tires and as such no savings were projected for workload savings. However, it did project that better overall "program management" would save money. As discussed in the text of this report, there is no data available to evaluate this position.

Recommendations and Management Responses

Recommendation 1

That the City ensure for the Fleet Management Transformation Initiative and any future reports to Committee and Council that include business cases, that staff clearly outline risks and options associated with the business cases. This should include a clear statement on how savings that are not aligned to the savings identified in the original business cases will be reported to Council.

Management Response

Management agrees with this recommendation.

In keeping with recently approved policies respecting Business Cases and Project Management, staff will provide more context including defining risks and options and clearly outlining how and when those will be communicated to Council.

A new Project Management Policy was approved by Executive Committee in December 2013 to ensure a common and consistent application of project management principles and practices while limiting the risks associated with projects.

This policy is supplemented by a Project Management Framework, which further defines the City's project management approach to establish, manage and deliver projects at the City of Ottawa. The framework states that at a minimum, every project must be supported by a: Business Case; Project Charter; Project Plan; Mechanism to manage change; Status Report template and process; and, a Project Close-out Report.

Conditions for escalation of project decisions are to be described in the Project Charter.

In accordance with the Escalation Guidelines that form part of the Project Management Framework, Project Variances, including variances that impact the costs (including projected savings) or scheduling of the initiative would be candidates for escalation depending on the size and significance of the project.

Projects with a cost greater than $10 million, including the ServiceOttawa efficiency program, would be candidates for escalation based on the significance of the overall initiative. Management commits to reporting out such project variances to Committee and Council including any adjustments that may be required as part of the annual budget process.

Recommendation 2

That the City clearly documents any significant decisions made at EMC.

Management Response

Management agrees with this recommendation.

The September 11, 2009 meeting referenced in the audit was a full-day Service Excellence Priority-Setting Session involving members of Executive Committee and Senior Management Committee. One of the items on the agenda involved a high-level discussion regarding the Corporate Service Excellence Plan and the efficiency projects. Meeting results from these sessions are not detailed as they are only intended to reflect a summary of the day's discussion however, for future sessions of this nature decisions will be documented more thoroughly.

Recommendation 3

That the City ensure that (for future contracts entered into and for the option years covered by the NAPA contract if permitted under the existing contract) contractual key indicators are specific, measureable, achievable, realistic, and time-targeted. Key indicators should include an aging component to encourage the Service Provider to accelerate the part retrieval in order to minimize vehicle inoperability.

Management Response

Management agrees with this recommendation.

Fleet Services will ensure key performance indicators that are specific, measureable, achievable, realistic, and time-targeted are included in any new or extended contract for the provision of parts. A key performance indicator that measures aging backorders will be explored and included, if practical. This recommendation will be implemented in Q3 2016 when the initial NAPA contract expires.

Recommendation 4

That the City, as permitted under the contract, engage a third party expert to undertake a benchmark review of parts and services provided by NAPA to ensure the City is receiving fair market, best customer pricing to ensure savings are maximized.

Management Response

Management agrees with this recommendation.

Fleet Services will engage a third party expert to undertake a benchmark review of parts and services provided by NAPA to ensure the City is receiving fair market, best customer pricing to ensure savings are maximized by the end of Q4 2015.

Recommendation 5

That the City substantiate the requirement to have the automotive parts Service Provider on-site to meet the needs of the City's Fleet Services.

Management Response

Management agrees with this recommendation.

The Request for Proposal for the On-site Fleet Parts and Inventory Management Program, RFP No. 18710-95841-P01, set out that the Service Provider would use the City's existing parts management space at 2799 Swansea as part of the terms of the agreement. The agreement was then entered into on this basis. Although not all functions the service provider undertakes need to be housed at Swansea, there is a contractual requirement to provide the service provider with space. Fleet Services will review the option to have the service provider undertake more services or materials storage remotely in any extensions to the existing contract or as part of future Requests for Proposals.

It is noted that the space within the Swansea Garage is occupied by personnel and equipment from a number of Public Works Branches as well as other City departments. The current space in use by NAPA, who service the City's operations, is situated within the complex with no dedicated exterior exit or defining walls, which would make it difficult to put this space on the market.

The City conducted a Facility Rationalization Study in 2006, which outlined the need for additional covered space for seasonal storage of Public Works equipment. Currently there are a number of pieces of expensive equipment that are exposed to the elements. As part of its updated space review, Public Works will assess if the 9,500 square feet of space should be used for seasonal storage of equipment.

The Public Works Department will conduct a space review by Q1 2016 in order to ensure that Parks, Buildings and Grounds Services staff will have enough time to gather the appropriate information on the need for City-wide covered storage space at all of the Public Works yards, which will include Swansea location.

Recommendation 6

That Fleet Services develop the means to track and monitor vehicle unavailability (due to the Service Provider's inability to deliver the necessary parts in a timely fashion) in order to optimize fleet availability.

Management Response

Management agrees with this recommendation. Fleet Services will develop the means to track and monitor vehicle unavailability due to waiting for parts in order to optimize fleet availability by the end of Q3 2015.

Recommendation 7

That the City reconsider several aspects of its upcoming Standing Offer Request for Proposal for the provision of tires and related services including;

- Reassessing the point distribution for award to further emphasize service over reporting capabilities.

- Establishing meaningful and measurable KPIs, such as:

- Time to Dispatch;

- Time to site to service vehicle; and,

- Time to complete work (through negotiation, agreed upon standards can be established).

- Making it mandatory for the proponent to use a handheld device to record service milestones noted above, or an acceptable alternative.

- Penalties for non-compliance which increase the longer they are unaddressed (i.e., the longer the vehicle is not operational the higher the penalty).

- Awarding standing offers to more than one supplier. This would provide the City with a systematic protocol for the allocation of work and approved vendor alternatives if the primary vendor cannot supply.

Management Response

Management agrees with this recommendation.

The award structure for the most recent Tire Services Standing Offer was reworked to fully implement the auditor's recommendations:

a) Service over reporting was achieved by ensuring reporting items necessary for the tracking of tire services and relevant KPIs were established as requirements in the Request for Standing Offer.

b) Performance indicators used in the current Tire Services Standing Offer were chosen to be meaningful to the operation, and independently verifiable. Time to dispatch and time to arrive on site are reported in the weekly summary invoices provided to Fleet Services.

c) Handheld devices are not commonly used in the tire services industry, instead service call data is provided on weekly invoices – as this data can be verified against Fleet Management Information System work orders, this was deemed an acceptable alternative.

d) Performance and invoicing issues that may crop up will be addressed in cooperation with Supply Branch through the non-performance clauses in the standing offer. A committee consisting of Fleet, Supply and critical clients came to consensus that liquidated damages would be less effective than directly penalizing the vendor by giving the business to their competitor. The new standing offer is based on lowest responsive offer per price schedule basis, per geographical area. The Tire Services Standing Offer has been changed to an eligibility list structure (for each geographical area) to address supply and non-compliance concerns.

e) The standing offer was awarded to more than one vendor. More specifically, the standing offer now divides the city into two (2) geographical areas (East and West) and it calls for a service provider in each of these areas. In the event the primary provider cannot supply, the City moves to the second provider on the list.

Recommendation 8

That the City establish practices to better monitor and control all aspects of the tire program, including;

a) **The retention process and used tire inventory, and the value it is receiving through disposal of good but unwanted units.**

b) **Assessing the condition of the tires before they are scrapped / removed by the supplier.**

c) Reviewing controls around the process to ensure only eligible expenditures are paid to the service provider.

Management Response

Management agrees with this recommendation.

The most recent standing offer is supported by documented guidelines to fully implement the auditor's recommendations. Tire storage and disposal guidelines have been published and distributed to our Tire Services providers to better control the disposal of used and/or damaged tires. Additionally, as part of the basis of award for the Tire Services Standing Offer, a fixed credit was assigned to surplus casings. This ensures the City receives fair market value for surplus heavy truck casings.

a) Used tire inventory is tracked through up-to-date inventory reports provided by the Tire Services providers, available on request. This data is monitored, and utilized by Fleet Services staff to ensure the disposal value received is appropriate.

b) Scrapping of tires is controlled through the storage and disposal guidelines, and any large scale disposal of tires is monitored by Fleet Services staff.

c) Additional financial controls have been put in place, with call back requirements for Tire Services providers upon completion of work or change to estimate, and payment conditions are more stringently enforced by Fleet Services staff.

Identified Savings

We have identified the following savings:

In future contracts, the elimination of the requirement for the service provider to maintain parts on-site has the potential to save approximately $100,000 per year.

The City has for many years outsourced its roadside servicing related to tires and as such no savings were projected for workload savings. However, it did project that better overall "program management" would save money. As discussed in the text of this report, there is no data available to evaluate this position.

Conclusion

The contracting process used for both the NAPA contract and the Standing Offer Agreement with KAL adhered to existing policy and procedure, including the application of pre-determined criteria for vendor selection, which reasonably ensured a fair and open process.

Penalties are being collected from NAPA in accordance with the established performance indicators. However, the established performance indicators do not provide for the aging of parts orders that are unfilled.

The Agreement with KAL lacks sufficient performance indicators, and the City lacks the means to collect the information to monitor performance against these. The City

needs to develop meaningful performance indicators and the tools to collect the data to manage service delivery.

Reviews

The following section presents reviews of matters reported to the Fraud and Waste Hotline:

- Review of City Funding to the Ottawa School of Speech and Drama
- Review of the City's Acquisition of Land for Soccer Fields

Review of City Funding to the Ottawa School of Speech and Drama

Introduction

This review was conducted as a result of a complaint to the Fraud and Waste Hotline in February 2014 regarding the City's funding to the Ottawa School of Speech and Drama (OSSD).

Background

The OSSD has received funding of grants and loans from the City over the past several years.   On February 7, 2014 OSSD ceased operations, according to a notice of closure on their website. OSSD also had a subsidiary, the Ottawa Theatre School (OTS), which we understand offered a Provincial accredited college program and which had previously closed on January 6, 2014 citing financial difficulties.

Objectives and Scope

The objective was to assess if the City processes for grants and loans were properly followed in the case of OSSD. The scope focussed on City processes exclusively.

Findings

Grants and Loans through the City's Cultural Services

Table 1 shows the breakdown of the amount of $287,202 of City grant and contribution funding paid OSSD for the period since 2010 to February 2014 through Council-approved funding programs.

Table 1: City Funding to OSSD from 2010 to February 2014

Year	Arts Funding Program – 3 year Operating	Other Cultural funding	Other City funding (Non-renewable Community Funding programs)	Total grants and contribution funding
2010	$53,500	$12,021	0	$65,521
2011	65,000	3,689	10,780	79,469
2012	66,300	1,200	886	68,386
2013	67,626	6,200	0	73,826
2014	0	0	0	0
Total	$252,426	$23,110	$11,666	$287,202

In August 2010 and again in January 2011, the OSSD was provided (through the Cultural Funding Support Section) with short-term loans of $10,000 through the Council-approved Short-Term Loan Program. Both loans were repaid within the required three months.

Table 2 shows that funds were also loaned to OSSD as an advance, which was reported and received by City Council on May 24, 2011 (ASC2011-CMR-CPS-0009). There remains a $15,000 outstanding loan balance relating to the portion due to be repaid in 2014.

Table 2: Loan /Advance Transactions between the City and OSSD from 2011 to February 2014

Year	Loan/Advance to OSSD	Loan / Advance Repayment by OSSD	Net Loan/Advance Balance Payable to the City
2011	40,000	0	40,000
2012	0	(10,000)	30,000
2013	0	(15,000)	15,000
2014	0	0	$15,000
Total	$40,000	($25,000)	

The loan agreement identified that the final $15,000 repayment was to be deducted from OSSD's 2014 annual Arts Funding allocation and would be due to be repaid by July 31, 2014.

Cultural Funding indicated they were not aware that by July 2013 most of the Board resigned as the group didn't advise the City. Cultural Funding indicated they only became aware in October 2013 that OSSD was unable to pay the teachers and indicated they spoke to Legal Services who indicated that the City cannot interfere in these disputes. Additional emergency funding requested by OSSD in October 2013 was declined by Management. Management indicated this was not brought forward to Council.

The audited financial statements as at August 31, 2012 provided by OSSD to the City as part of the 2013 application for funding submission showed that OSSD had an accumulated deficit as a percentage of their total budget of 17%. The City requires a deficit reduction plan where the accumulated deficit is greater than 10% of the organization's total budget. OSSD provided a deficit reduction plan in response to the City's Cultural Funding staff request. OSSD management indicated that other funders (eg. Ontario Trillium Fund and Ottawa Community Foundation) do not provide any funds where the accumulated deficit is greater than 10% of the total budget.

OSSD has not submitted an application for funding for 2014 and has not submitted financial statements for 2013. The Terms and Conditions for the Arts Operating Funding requires that, "The Recipient shall submit a final or interim report in the form required by the City after 12 months of receipt of funds or upon subsequent application, whichever is sooner. This report shall provide all details required by the City."

On February 7, 2014 newspaper articles reported that OSSD abruptly closed its doors referencing the notice of immediate closure on their website.

OSSD had an outstanding loan with the City and a significant accumulated deficit. Heightened review and interim progress reports throughout the year on the deficit reduction plan may have highlighted the severity to the City sooner.

The City would need to take appropriate action to collect the $15,000 outstanding loan and if not collectible would need to take appropriate action to write the amount off as uncollectible including reporting the matter to Council.

Payment provided to OSSD under Section 41 of the Planning Act

The *Planning Act* provides the authority for municipalities to pass a zoning by-law which will authorize an increase in the height and/or density of development in return for the provision of such facilities, services or matters as are set out in the by-law. These are typically referred to as "Community Benefits" or "Section 37 Agreements" and are addressed in the City's Zoning By-law 2008-250 under Part 19.

Prior to implementing the Section 37 requirements starting in or around September 2012, Planning and Growth Management transitioned some larger development proposals through the negotiation of community benefits as a condition of Site Plan Approval. Conditions of Site Plan Approval are set out under Section 41 of the *Planning Act.* Management indicated that although community benefits are not set out in Section 41 of the Planning Act as an item that municipalities can require a developer to provide through a Site Plan Agreement, if the Parties negotiate such benefits, and agree to their inclusion, these conditions may form part of the Site Plan Agreement.

Planning Committee Report 32A approved by Council June 27, 2012 related to a zoning amendment for 99 Parkdale with respect to height and density. The report noted that the Department recommended a holding zone be placed on the property which would also ensure that a community benefit is provided at the time of the Site Plan Control Approval. At the time the City handled this transaction under Section 41 of the Planning Act as a Site Plan Approval prior to the implementation of Section 37.

The site plan control approval application was approved by the City in April 2013 under delegated authority with a condition that the required agreement be entered into by April 2014 otherwise the agreement would lapse unless extended. Management has indicated that an application to extend the time period for entering into the Site Plan agreement and to update and/or modify certain conditions was submitted in March 2014 prior to the approval lapsing and is being processed for approval. The approved Site Plan Conditions to be incorporated into the agreement included a section entitled "Public Benefits" which refers to five items (monetary and non-monetary) including a donation to be paid to OSSD in the amount of $50,000.

Management indicated that "once the conditions are satisfied, which also includes securities taken for the community benefits, and the agreement is executed, the Site Plan Agreement is registered on title. While approved, the Site Plan Application for 99 Parkdale was not executed by the developer and securities have not been posted. As a result, the Agreement is not registered. Once the developer wishes to proceed, it will have to clear the conditions in the Agreement, post securities, and have the Agreement registered. At that time, if the developer has cleared certain conditions, such as payment of its community benefit obligations, it will have to provide evidence to the City that those conditions have been satisfied". During the course of this review, the Manager, Development Review – Urban was unable to respond to our request for confirmation of the timing of the $50,000 payment by the developer to the OSSD. Both he and the Planner III assigned to this file indicated that they were not aware until the Planner III was advised in early 2014 by the developer and the City Councillor that the developer had paid $50,000 directly to OSSD. Management indicated that they were not aware of the timing of the $50,000 payment made directly from the developer to the OSSD as this was not handled through the City's standard procedures in respect of securities posted and payments made through the site plan approval process. As the developer has not yet executed the Agreement, it has not provided evidence that it has cleared those conditions, but it will have to as the Agreement moves through the City's process. Management has provided a site list entitled, "Section 37 Tracking" updated to February 10, 2014 that they indicated they are in the process of finalizing in order to monitor, track and follow-up community benefits amounts provided through Section 37 and Site Plan Agreements. The amount of community benefits related to the 99 Parkdale site plan approval application was $203,800 which was a mix of money and benefits.

The overall Section 37 tracking list included 18 agreements (two not approved at the time) representing a total contribution amount of $6,668,462 which includes both money and other public benefits. Values of contributions ranged from no contribution in two cases to $1,150,700 in one case. During the course of the review, Management indicated that a staff member from Development Review and one from Finance would be involved in tracking these items.

The OAG has not audited the Section 37 Tracking listing list at this time and has not determined the completeness and accuracy of the Section 37 and Site Plan transactions listed. The City would need to take appropriate action to ensure that all aspects of these transactions are properly handled including consideration of an appropriate audit clause in the agreements.

Conclusion

A site plan control application for 99 Parkdale approved by the City in April 2013 included a section entitled "Public Benefits" which refers to a total donation to be directly paid to OSSD by a developer in the amount of $50,000.Management indicated that they had only been made aware in early 2014 that the payment had already been made to this group by the developer when the Planner was advised by the developer and the City Councillor during a meeting. Management indicated they were not aware of the timing of the $50,000 payment as the contribution was made directly from the developer to the OSSD and not handled through the City's standard procedures in respect of securities posted and payments made through the site plan approval process.

Separately, the City has also provided loans/advances to OSSD of $60,000 of which there is an outstanding balance of $15,000 owed by OSSD to the City. Therefore, the City would need to take appropriate action with respect to recovery or write-off of outstanding amounts.

Even though there was an outstanding loan and a significant deficit, more frequent interim reports on progress towards achieving the deficit reduction plan and more heightened review were not in place.

Recommendations and Management Responses

Recommendation 1
That Management ensure there are appropriate policies, procedures, and processes around Section 37 and 41 agreements and that they address the eligibility and timing of payments relating to community benefits.

Management Response
Management agrees with this recommendation and it has already been implemented.

Policies, procedures and processes for Section 41 agreements have been long established, and for Section 37 agreements have been put in place through the Guidelines and Protocols approved by Council in March 2012. (Ref No: ACS2012-ICS-PGM-0010).

The specifics of ensuring that payments are made appropriately to the right authority at the right time in accordance with these controls have been addressed in the Management Response to Recommendation 2 (improvements to City tracking systems and the introduction of an audit mechanism).

Section 41 Agreements: With the March 28, 2012 City Council approval of guidelines and protocols for the implementation of Section 37 agreements,

Planning and Growth Management is no longer securing community benefits through Section 41 agreements. For existing Section 41 agreements, the Department has processes in place for registering these prior to the issuance of permits, and for the inspection and release of securities to ensure obligations set out in Section 41 agreements are fulfilled. As these agreements are registered on title, the City also has the ability to enforce the provisions of Section 41 agreements through legal channels with the City Solicitor.

Section 37 Agreements: Section 37 of the Planning Act, provides the legislative authority for municipalities to share in the increased value that may result from a request for increased height and/or density of a development project. It provides for the enactment of by-laws to set out the community benefits to be provided, the timing for the provision of these benefits and authorizes the municipality to secure the obligations for the provision of community benefits through an agreement that would be registered on title. These agreements run with the land, bind future owners and are enforceable. The timing for the provision of the community benefit can also vary significantly based on the community benefit that is to be provided. This is clearly set out in the Section 37 Agreement that is registered on title.

The City has a policy in its Official Plan, as required by the Planning Act, to enable agreements to be negotiated for community benefits through the development review process in consultation with the Ward Councillor and the local community.

Recommendation 2
That management ensure that the Section 37 and Section 41 agreements are properly executed, tracked, monitored, followed–up and reported to Committee and Council.   This should include consideration of an appropriate audit clause.

Management Response
Management agrees with this recommendation.

Planning and Growth Management has developed a tracking system for identifying the community benefits that are to be provided related to sites where approvals have been granted for increased density and height that are subject to Section 37 and the Section 41 approvals that pre-date the March 2012 Section 37 Guidelines. The Finance Department has also set up a tracking system for cash contributions to be made to the City for various community benefits.

The Planning and Growth Management and Finance Departments are currently in the process of amalgamating the two tracking systems to have one system that would cover all aspects of Section 37 approvals and agreements, identifying the benefits to be provided and whether they are cash contributions or benefits to be provided as part of a development, indicate when benefits would be required and when they have been provided and note the instrument number and date for the agreements that are registered on title. This system

will be maintained by Planning and Growth Management and Finance and will be in place by the end of Q4 2014.

Planning and Growth Management will develop an audit mechanism to demonstrate that community benefits approved through Section 37 agreements are achieved. This mechanism will be developed by end of Q4 2014.

Planning and Growth Management will be reporting back to Council in early 2015 on an evaluation of the Section 37 process. This report will identify all existing agreements identifying community benefits and their status pursuant to Section 37.

With respect to Section 41 agreements, the Ward Councillor and the appropriate Manager of Development Review through delegated authority, concur with an application's conditions which are then implemented through a Section 41 Site Plan Agreement which is then registered on title. The volume of Site Plan Control applications is reported out annually in the Planning and Growth Management Department's Annual Delegated Authority report.

Recommendation 3
That management ensure that for groups with loans/grants that the agreements are properly executed, tracked, monitored, followed-up and reported to Committee and Council. For groups with significant accumulated deficits or in default of payments or provision of services, this would include heightened review, more frequent interim progress reports, and appropriate steps to recover or write-off amounts.

Management Response
Management agrees with this recommendation.

Grants are currently reported to Committee and Council through Delegated Authority reports. Moving forward, Management will now include short-term loans in future reporting. In addition, groups with deficits greater than 10% of the organization's total budget will be flagged and notified of their requirement to develop a deficit–reduction plan. They will also be required to submit mandatory quarterly progress reports on their deficit-reduction plan.

The guidelines and application form published for the Partnership Cultural Funding programs for Project Funding and Annual Operating Funding have been amended to include the following provision dealing with deficits:

"Applicants carrying an accumulated deficit greater than 10% of total operating revenue must submit a realistic deficit reduction plan. This plan must include targets, timelines and responsibilities. Please contact your Funding Officer to request a Deficit Reduction Plan template."

Cultural Funding staff have been made aware of this amendment and the expectation that groups with deficits be tracked closely on a quarterly basis. As well, the standard template used by staff to instruct groups on deficit

reduction plans will be modified by Q4 2014 to include the requirement for quarterly progress reports.

To address the issue of recovering or writing off amounts owed to the City, Management will continue to include provisions for reducing annual funding amounts paid to any group by amounts owing to the City, and will work with Legal Services and Finance to identify and collect amounts owing that are at risk in order to initiate earlier requests for payment or to initiate claims against bankrupt organizations in the event that some recoveries may be possible from a bankruptcy trustee. Lastly, Management will identify amounts owing where options for recovery have been exhausted and work with Finance to write these off. Cultural Funding guideline documents will be amended to incorporate provisions dealing with groups owing amounts to the City and, Cultural Funding staff will be provided with instructions on these new provisions by Q4 2014.

Review of the City's Acquisition of Land for Soccer Fields

Introduction

This review was conducted as a result of a complaint to the Fraud and Waste Hotline in late 2012 regarding the City's acquisition of land for soccer fields in 2010.

Background

In July 2010, Council approved the Agriculture and Rural Affairs Committee (ARAC) recommendation to approve the acquisition of property known municipally as 5650 Mitch Owens Drive for sports fields from Centaurus Partnership, formerly Manotick Land Development Partnership for $1,300,000 plus applicable taxes.

The report to Committee and Council indicated that the $1,300,000 purchase amount was "a reconciliation of values derived from two appraisals completed for the respective parties, and includes values for both the land and site improvements. There is no inclusion of a donation receipt for future income tax purposes." The consultation section of the report referred to numerous meetings held with Ottawa South United Soccer Association (OSUSA) representatives to arrive at this mutually agreed upon purchase price and obligations over future operations.

Council also approved the Agriculture and Rural Affairs Committee (ARAC) recommendation to approve the negotiated sports field agreement with Ottawa South United Soccer Association for the development of a parcel of land at 5650 Mitch Owens Drive, to be known as George Nelms Sports Park. This was previously discussed October 2009, when ARAC and Council recommended and approved that the land acquisition from Centaurus Partnership was subject to the negotiation and execution of a sports field partnership agreement with OSUSA.

Objective and Scope

The objective was to assess if the City processes were properly followed for the acquisition of the land. The scope focussed on City processes exclusively.

Results

Appraisals

The City acquired 32 acres of land for use as soccer fields for $1.3 million plus applicable taxes in October 2010 from Centaurus Partnership which was identified as a partnership within the meaning of the Limited Partnership Act. The Partnership had paid $250,000 for the property in 2006.

The July 2010 report to Committee and Council indicated that the $1,300,000 purchase amount was a reconciliation of values derived from two appraisals completed for the respective parties and included value for both land and improvements.

The City's Acquisition Policy requires an appraisal by a qualified City staff appraiser or an independent real estate professional, "in accordance with current standards of practice within the real estate industry". Where the estimated market value is $750,000 or greater, one of the appraisals is to be undertaken by an independent real estate professional. In addition, the October 28, 2009 Report to Council directed the Real Estate Partnerships and Development Office (REPDO) to negotiate the acquisition of the parcel of land "at a mutually agreed upon Fair Market Value (FMV)…the FMV will be supported by independent appraisals prepared by appropriately qualified appraisers which will address both the raw land value as well as the improvements already made to the site to create an active recreational facility."

For the City's May 2010 appraisal of $1.1 million to $1.25 million, REPDO used the seller's May 2008 appraisal for the estimated value for the improvements. The seller's appraisal included improvements completed and to be completed of $1 million. The City's "appraisal" noted that the seller's improvement costs were deemed reasonable by Parks and were adjusted to $762,000 for the percentage completion verbally provided by Parks. The land value was appraised at $320,000 to $480,000. There was no documentation (notes, emails, reports, etc) in support of the findings and conclusions for the City's REPDO appraisal relating to REPDO's reliance on Parks determination of reasonability of the seller's estimated improvement costs or Parks determination of level of completion for the improvements.

The City's appraisal was identified as an internal appraisal and indicated that the author reserves the right to complete an appraisal in accordance with the standards of the Appraisal Institute of Canada at a later date. Management indicated that the Appraisal Institute of Canada's standards were used as a guideline only.

The July 2010 Sports Field Agreement indicated that Centaurus Partnership together with the OSUSA had constructed certain improvements on the Lands including the six soccer fields and a public parking area. The Report to Council indicated that the four additional fields had already been developed at OSUSA's cost and there was also rough grading of a secondary parking lot. The total dollar value of the improvements, which portion of the improvements was paid for or was donated and whether it was by Centaurus or OSUSA was not specified in the sports field agreement or in the report to Council.

During the course of the review, Parks subsequently provided the Sports Field Strategy Potential Phasing and estimated Capital Costs for soccer fields from 2003 as justification for improvement costs. In our opinion, this would not be directly comparable to the estimated improvement costs as they were general estimates.

The report indicated the acquisition would be in cash only allowing OSUSA the opportunity to reinvest some of the cash received for the development of a field house. However, the purchase was from Centaurus and not OSUSA. There was no explanation as to how the funds would be provided by Centaurus to OSUSA. Although known to the City by May 2010, there was no mention of the $250,000 which Centaurus planned to donate to the City for the Fieldhouse project.

The consultation section of the report referred to numerous meetings held with OSUSA representatives to arrive at this mutually agreed upon purchase price and obligations over future operations. However, the purchase and sale was not with OSUSA but was with Centaurus Partnership Inc, the property owner.

Records requested as part of this review with respect to the timing of the determination of the $1.3 million as the acquisition price were not available in the files provided nor were they subsequently provided. However, based on estimated improvements of $762,000 this would result in an implied value for the land in the amount of $538,000. This valuation of land in the amount of $538,000 was $288,000 more than the $250,000 the members of the partnership paid in 2006.

In summary, although there were two appraisals, the City's May 2010 appraisal relied on the seller's May 2008 appraisal for the estimated cost of $762,000 for improvements. This resulted in the City not receiving the benefit of two separate independent appraisals which did not meet the intention of the Acquisition Policy and the October 28, 2009 Report to Council.

Reporting to Committee and Council

The July 14, 2010 Report to Council submitted by the City Manager and Deputy City Manager, City Operations with contact persons in REPDO and Recreation, Parks and Culture indicated that "there is no inclusion of a donation receipt for future income tax purposes". In fact, there were tax donation receipts issued that were contingent on the land sale. This was evidenced by the November 3, 2010 letter from the Solicitor for OSUSA and Centaurus referring to the "completion of the sale of the lands comprising the George Nelms Sports Park where the individual partners now wished to make their respective contributions to the City's Major Community Partnership Major Capital Program each in the amount of $62,500 for a total of $250,000". The letter included the names and addresses for each of the partners where their tax receipts should be issued.

The plan for Centaurus to donate $250,000 to the City's Major Community Partnership Major Capital Program aimed at the community aspect of the project was known by the Department in May 2010 (or earlier) prior to the approval and transfer of the land. The legal letter from the law firm of Wilson Law Partners, representing the Centaurus Partnership and Ottawa South United Soccer Association dated November 3, 2010 accompanied the donation cheques. The Program Manager, Recreation, Planning and Facility Development signed the letter to confirm the receipt of funds and the conditions of the contribution. The City should consider whether the issuance of tax donation receipts is appropriate in this situation as the donations appeared to be contingent upon the completion of the transaction.

The July 2010 Sports Field Agreement indicated that Centaurus Partnership was a partnership between Bill Michalopulos, Duncan Campbell, Peter McGann and Stephen Campbell. Although not indicated in the report to Council or the sports field agreement, the OSUSA website listed three of these names as members of the OSUSA Board of Directors as the President, Vice President, and Club Treasurer and the fourth name as a Founding Board Member 2003 and Director,

Developmental. Prior reports to Council indicated that Centaurus was affiliated with OSUSA. However, the report did not disclose that the sellers were also on the Board of Directors of OSUSA with whom the City was negotiating the sports field agreement for the site or disclose a conflict of interest.

The same report to Council also did not disclose the extent of the reliance of the City's appraisal on the seller's appraisal for the cost of improvements.

The examples above have demonstrated that inaccurate and incomplete information was reported to Council relating to this land transaction

Conclusion

Although there were two appraisals, the City's appraisal relied on the seller's appraisal for the cost of improvements. This resulted in the City not receiving the benefit of two separate independent appraisals which did not meet the intention of the Acquisition Policy and the October 2009 Report to Council.

Inaccurate and incomplete information was reported to Council relating to this land transaction as the July 2010 report to Council:

- Did not disclose the reliance of the City's appraisal on the seller's appraisal for the improvements of $762,000;

- Indicated that there was no donation receipt issued for income tax purposes when in fact tax donation receipts were to be issued to the sellers for a total of $250,000 for a cash donation provided to the City upon completion of the transaction; and,

- Did not disclose that the sellers were also on the Board of Directors of OSUSA with whom the City was negotiating the sports field agreement for the site.

Recommendations and Management Responses

Recommendation 1

That management ensure that appraisals for all property acquisitions are completed in accordance with the City's Acquisition Policy and that appropriate supporting documentation is retained.

Management Response

Management agrees with this recommendation and it has been implemented. As per the City's Real Property Acquisition Policy, two appraisals were completed for only the vacant land component. The City's estimate for the cost of improvements should have been vetted by a third party to arrive at an overall value of the land and improvements.

Management will ensure that appraisals for all property acquisitions are completed in accordance with City's Acquisition Policy and that supporting

documentation is retained in accordance with the City's Corporate Records Management Policy.

Recommendation 2

That Management ensure that they accurately and completely report land and other related transactions to Committee and Council.

Management Response

Management agrees with this recommendation and it has been implemented.

More information should have been provided within the Committee and Council report as to how staff arrived at the value of the improvements.

Management will ensure that when reporting land and other related transactions to Committee and Council that the information provided in the report is complete, providing Council with the level of detail they need to support effective decision making.

Recommendation 3

That the City considers whether the issuance of tax donation receipts in this situation was appropriate and take action as necessary.

Management Response

Management agrees with this recommendation.

Finance staff, in conjunction with the City Clerk and Solicitor department, have reviewed the circumstances around the issuance of the donation tax receipt and confirmed that the City's Donation Receipt Policy/Procedures and Canada Revenue Agency legislative requirements were adhered to. Finance will be reviewing the corporate policy and procedures related to donations as part of their 2015 work plan and will complete the review by Q4 2015.

Audit Work Plans

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.

Ottawa

Appendix A – By-law no. 2013 – 375 and no. 2015-11

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. 2009-323.

The Council of the City of Ottawa enacts as follows:

DEFINITIONS

1. In this by-law, "Auditor General" means the Auditor General of the City of Ottawa.

ESTABLISHMENT OF THE POSITION OF AUDITOR GENERAL

2. The position of Auditor General for the City of Ottawa is hereby established for the purposes of Part V.1 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, with the statutory duties and functions as set out in Part V.1 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, and in this by-law.

APPOINTMENT OF AUDITOR GENERAL

3. (1) City Council shall by-by-law appoint a person to the position of Auditor General for a non-renewable term to be determined by Council, and shall 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 for a fixed term of seven (7) years, which shall commence on December 15, 2013, and shall continue until December 31, 2020, unless terminated earlier by Council.

   (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) Subject to and in accordance with the provisions of this By-law, 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 may be 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 may be 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) The audit work plan shall be approved by Council. Approved 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, consistent with the *City of Ottawa Audit Standards* (modified from the Standards for the Professional Practice of Auditing), as approved by Council on June 13, 2012.

(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) In each year subsequent to the year of appointment, 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 a 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 in ccordancewith the budget strategy for the Term of Council.

(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 Number 2009-323 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 and to repeal By-law No. 2005-84", as amended, is repealed.

ENACTED AND PASSED this 11th day of December, 2013.

CITY CLERK

MAYOR

SCHEDULE "A"

Local Boards

City of Ottawa Superannuation Fund
Cumberland Village Heritage Museum Board
Nepean Museum Board
Ottawa Municipal Campsite Authority
Pineview Municipal Golf Club Board of Management
CARP Airport Authority (formerly the West Carleton Airport Authority)
Crime Prevention Ottawa
Property Standards Committee
Bank Street B.I.A.
Barrhaven BIA
Byward Market
B.I.A.Carp Village B.I.A.
Glebe B.I.A.
Heart of Orleans B.I.A.
Manotick B.I.A.
Preston Street B.I.A.
Downtown Rideau Improvement Area B.I.A.
Somerset Chinatown B.I.A.
Somerset Village B.I.A.
Sparks Street Mall Authority / Sparks Street Mall B.I.A.
Vanier B.I.A.
Wellington West B.I.A.
Westboro B.I.A.

SCHEDULE "B"

Municipally-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

Ottawa

BY-LAW NO. 2013 - 375

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A by-law of the City of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2009-323.

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Enacted by City Council at its meeting of December 11, 2013.
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LEGAL SERVICES

VB: G04-01-STAT AG

COUNCIL AUTHORITY:

City Council – October 23, 2013 Motion 63/3

BY-LAW NO. 2015-11

A by-law of the City of Ottawa to amend by-law No. 2013-375 of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa, including statutory powers.

The Council of the City of Ottawa enacts as follows:

1.   Subsection 3(4) of By-law No. 2013-375 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. 2009-323" is repealed and the following subsection (4) is substituted in its place:

> The Auditor General must be designated in Ontario as a chartered professional accountant (formerly known as chartered accountant, a certified general accountant, or a certified management accountant).

2.   Subsection 12(1) of said By-law No. 2013-375 is repealed and the following subsection (1) is substituted in its place:

> 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, except in an election year when timelines for the Auditor General's Annual Report will be determined by the Auditor General, in consultation with the Mayor and the Chair of the Audit Committee, and may be tabled after December 31st of the next year following the tabling of the audit plan.

> ENACTED AND PASSED this 28th day of January 2015.

CITY CLERK

MAYOR

BY-LAW NO. 2015- 11

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A by-law of the City of Ottawa to amend By-law No. 2130375 of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa, including statutory powers.

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Enacted by City Council at its meeting of January 28, 2015
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LEGAL SERVICES

G04-01 STAT AG

Council Authority:
City Council December 3, 2014
Agenda Item 1&
Delegation of Authority By-law
(2014-435), Schedule "A", s.63