



Audit of Hospitality and Other Ethical Matters

Shaping our future together

Office of the Auditor General / Bureau du Vérificateur général
February 25, 2009 / le 25 février 2009

Background

- Fraud & Waste reports:
 - Since 2006
 - 11 reports regarding hospitality; and,
 - 10 reports regarding potential conflict of interest.
 - Allegations of receipt of hospitality, gifts, and/or entertainment by various City management and staff.

Background (cont'd)

- Other ethical matters identified in the course of the audit:
 - Afternoon hockey game against an engineering firm at Scotiabank Place;
 - Ski trip with suppliers; and,
 - Possible conflict of interest – An employee and an engineering firm.

Background (cont'd)

- Prior to June 15, 2007, employee conduct governed under three policies:
 - Code of conduct;
 - Gift & entertainment policy; and,
 - Hospitality policy.

- City Manager issued directives on June 11, 2007, and June 15, 2007 to clarify the City's position on acceptance of Hospitality.

Background (cont'd)

- This directive to staff states:

From: Kirkpatrick, Kent
Sent: June 15, 2007 3:15 PM
To: # Network Users
Subject: Note to Staff - Code of Conduct

I'm sure you are aware of the recent discussion with Council about the City's Code of Conduct and the sub-policies regarding gifts, entertainment and hospitality. I believe, and have heard from many of you, that staff understands the expectation held by the public that both real and perceived conflict of interest situations must be avoided in the conduct of public service.

The best way to achieve this is by removing any conditions from a consolidated policy that would warrant the receipt of hospitality by City staff. We are in the process of revising the policy and I expect that it will be complete within the next few weeks. **In the interim, I would like to clarify that staff are not to accept any hospitality.**

Note: Highlighting was not part of original memo sent June 15th by the City Manager.

Methodology

- Audit conducted from June 2007 to Oct. 2008;
- Selection risk based;
- 28 employees reviewed based on high volume of contracts;
- Applicable policies, and files were reviewed; and,
- City staff, and suppliers were interviewed.

Methodology (cont'd)

- Reviewed electronic communications, specifically:
 - E-mails between Nov. 2007 – Feb. 2008 (incl. E-mails saved in other folders); and,
 - Calendar events of select employees.

- Scope Limitations:
 - E-mails older than 90 days are purged;
 - Electronic calendar events were available for a longer period (providing it was used, and not modified/deleted).

Findings

Prior to June 15, 2007:

- Acceptance of hospitality was part of the corporate culture;
- Some staff considered it a requirement of Council;
- It was prevalent in many areas of the organization; and,
- Some managers considered the existing policies to be ambiguous and open to interpretation.

Findings (cont'd)

Prior to June 15, 2007:

- Hospitality accepted include:
 - Ottawa Senators game tickets;
 - Golf tournament fees;
 - Consultant organized receptions;
 - Lunches or dinners; and,
 - Social events.

Findings (cont'd)

Post June 15, 2007:

- Directive clearly articulated the City's position and expectations.
- What we expected:
 - Staff to avoid even the appearance of impropriety.
- What we found:
 - Nearly all employees adhered to the City Manager's directive; and,
 - Based on the audit, a limited number of employees continue to have close personal relationships with suppliers that may prompt the appearance of a conflict of interest.

Conclusion

- Prior to the City Manager's memo of June 15, 2007, the acceptance of hospitality was widely prevalent throughout the Corporation.
- There was a very positive change after June 15, 2007, as nearly all staff adhered to the new directives.

Conclusion (cont'd)

- Prior to June 2007, in many cases, contracts were sole sourced to suppliers that had extended hospitality to City staff.
- After June 2007, some employees continue to have close personal relationships with suppliers, or appear to have a conflict of interest.
- In the case reviewed in-camera, the City did not appropriately manage the conflict of interest.
- There is a need to remain vigilant, to ensure that old practices are not revived.

Recommendations

Recommendation 1

- That the City review the *Gifts, Entertainment and Hospitality Corporate Policy*, the *Hospitality (Internal) for City Employees Corporate Policy* and the *Employee Code of Conduct* in order to provide a consolidated reference for all managers and staff that will outline in plain language their obligations when dealing with any external parties to address any real or perceived conflict of interest.

Recommendations (cont'd)

Recommendation 2

- That the City revise the *Employee Code of Conduct* and related City policies to require regular reviews and renewals of any authorization given to an employee in relation to a declared potential conflict of interest, secondary employment or other provision of the *Code* or related City policy, and that this review/renewal be incorporated into the employee's annual performance planning and review cycle.

Recommendations (cont'd)

Recommendation 3

- That the City foster a corporate culture that acknowledges the need to ensure that all managers and employees carry out their duties with a focus on maintaining the highest ethical standards by:
 - (a) Incorporating compliance with the *Employee Code of Conduct* and related City policies into the performance management system for all employees;
 - (b) Issuing regular reminders for all managers and staff of the requirements of the *Employee Code of Conduct* and related City policies, through formal internal communications (e.g., City Briefs, Management Bulletin), as well as through more informal means (e.g., staff meetings, etc.);

Recommendations (cont'd)

Recommendation 3 (cont'd)

- (c) Making available on the City's Intranet a collection of plain-language questions and answers, sample scenarios and guidelines that can assist managers and staff when they are confronted with a situation that may put them in conflict with the *Employee Code of Conduct* and/or related City policies; and,
- (d) Making the *Employee Code of Conduct* available on Ottawa.ca.

Recommendations (cont'd)

Recommendation 4

- That the Standard Terms and Conditions of all City contracts (including Corporate and Departmental Purchase Orders, and Payment Without Reference) clearly state that “Hospitality is not to be extended to City Staff” and that the City offer orientation sessions to all of the City’s suppliers, consultants, contractors, etc., to ensure that they understand and comply with the *Code* in all of their business dealings with staff.

Recommendations (cont'd)

Recommendation 5

- That the City ensure that all senior managers, as well as all employees involved in the procurement process, including those evaluating the technical merits of RFP's, be provided with specific training with respect to hospitality and conflict of interest guidelines, and to be vigilant and proactive in identifying any potential conflict of interest.

Recommendations (cont'd)

Recommendation 6

- That the City periodically review a listing, by manager, of sole sourced contracts greater than a certain value on a regular basis in order to identify high risk areas.

Recommendation 7

- That the City review its ITS retention period of purging all calendar e-mails older than 90 days and change the retention period to two years which represents the statutory limitation period.

Recommendations (cont'd)

Management Response

- Management agrees with these recommendations and anticipates that the changes contemplated to the City's policies and practices will be in place by the end of Q3 of this year.