



*Office of the Auditor General / Bureau du vérificateur général*

**AUDIT OF THE INCREMENTAL COST  
OF THE TRANSIT STRIKE 2008-2009**

**VÉRIFICATION DE L'INCIDENCE FINANCIÈRE  
DE LA GRÈVE DES TRANSPORTS EN COMMUN 2008-2009**



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## **EXECUTIVE SUMMARY**

### ***Introduction***

On March 11, 2009 Council approved the following motion:

“Moved by Councillor A. Cullen

Seconded by Councillor R. Bloess

WHEREAS from December 10, 2008 to January 31, 2009 the City of Ottawa experienced a strike by ATU 279, representing OC Transpo bus drivers and mechanics; and,

WHEREAS OC Transpo acquired both direct cost savings and revenue losses from this strike, as well as other costs associated with this strike being charged to the OC Transpo budget (including Council-approved mitigation measures and resumption of service fare incentives, among others); and,

WHEREAS there have been a number of estimates presented to City Council and published in the media regarding the cost and purported "savings" from this strike; and,

WHEREAS the Auditor General has indicated that he is able to conduct an audit within his existing resources;

THEREFORE BE IT RESOLVED THAT City Council request the City Auditor General to conduct an audit of the costs to OC Transpo and the City of Ottawa as a result of this strike;

AND FURTHER the Auditor General be directed to report back to Council with an indication of the timelines and the impact undertaking this audit would have on the current workplan;

AND THAT such an audit be reported to Transit Committee and City Council and include the direct costs (including revenue losses) and savings of the strike to OC Transpo for both the 2008 and 2009 budgets (including the Council-approved mitigation measures and resumption of service fare incentives) as well as the other costs to the City of Ottawa associated with the strike for both the 2008 and 2009 budgets.”

As such, the audit of the financial impact of the transit strike was added to the 2009 work plan of the Office of the Auditor General.

### ***Background***

OC Transpo is responsible for operating the transit service for the City of Ottawa. In December 2008, Council approved a 2009 budget for OC Transpo with approximate annual total revenue of \$180 million including passenger revenues of

\$155 million, other revenue of \$9 million and provincial gas tax allocation of \$16 million. The operating expenditures were \$349 million, leaving a planned net cost of approximately \$169 million. Commencing December 11, 2008 OC Transpo experienced a strike by its Operators and Maintenance staff, which continued until February 1, 2009. On February 2<sup>nd</sup>, Maintenance workers returned to work and O Train service started while the main service resumed on February 7<sup>th</sup> resulting in a 58-day period with no service. Full service was not restored until March 23, 2009.

### **Audit Objectives**

The objective of the audit was to present a statement showing the components of revenue and expenditure changes that were strike related and the net cost or benefit to the City.

Consideration was given to testing the results of this study against a proportional calculation of OC Transpo total revenues and expenditures for the year based on the number of days of service lost as a percentage of the total year. On further thought, it was concluded that this would not result in a meaningful comparison for the following reasons:

- The loss of service period was 58 days and not full months at either the beginning or end of the work stoppage.
- Maintenance returned to work earlier than Operations.
- Salaried staff and all other bargaining units continued to work during the strike.
- Fixed costs such as depreciation, leases, insurance and other such expenditures remained during the strike period.
- Certain revenue included in the total revenue value remained irrespective of the strike, for example, bus stop advertising revenue and gas tax revenue.
- December, January and March are not typical service months as service is reduced for the Christmas, New Year and March break holiday periods. This impacts the use of proportionate calculation for both expenditures and revenues.
- Associated with the point above is the fact that the December service stoppage period was 21 days or 5.8% of the year while the January and February service stoppage period was 37 days or 10.1% of the year for a total of 15.9% of the year. Using a proportion of such a small representation of the total year results in the calculations being skewed from what the normal situation would be.
- As all these factors would have to be adjusted which would include an extensive review of all accounts, it was determined that the time and cost to do this would not provide the City with value for money.

## ***Audit Scope***

The period reviewed was from the start of the strike, December 11, 2008, to the restoration of full service on March 23, 2009. Since revenues and expenditures are posted on a monthly basis, it was not possible to identify all revenues and expenditures within the start and cut-off dates and so the full four-month period from December to March was included. The development of the net cost of the strike included operating costs only and was not a reconciliation to those numbers that had been prepared by management. It covered incremental positive and negative changes to expenditures and revenues that were directly related to the strike.

## ***Key Findings***

1. The strike had a net cost to the City of \$5.9 million (See Schedule 1 of the full audit report) as a result of reductions of \$27.4 million in net revenues and \$21.5 million in net expenses.
2. Para Transpo continued to operate during the strike with enhanced service to eliminate the normal 6% trip request refusal rate and in order to accommodate what amounted to 4.7% more trips. The cost of this additional service was \$517,000. However, the additional revenue it generated was only \$4,000 or less than 1%. This was caused by insufficient distribution of passes for purchase by Para Transpo riders.
3. Various accruals and prepayments totalling \$2.3 million were made in the wrong months or to wrong accounts.
4. The City paid approximately \$855,000 as a net underlifting penalty, for the difference between the original physical hedge price set on September 25, 2008 and the actual average daily oil prices posted by NYMEX at the end of each month of the study period (December to March), for fuel for which it could not accept delivery during the strike due to fuel storage tanks being full to capacity.
5. Taxi chits for disadvantaged general public clients distributed through community centres amounted to approximately \$1 million. The City is disputing some of these charges.

## ***Recommendations and Management Responses***

### **Recommendation 1**

**That management develop plans for the sale, sufficient distribution and communication of the availability of passes for Para Transpo clients in the event of a strike.**

#### **Management Response**

Management agrees with the recommendation.

Management has plans for the sale and sufficient (albeit limited) distribution of passes for Para Transpo clients in the event of a strike and those plans were in place during the last strike. Locations such as Zellers, Quickie, Infomart, Client Service Centres as well as some store locations at Ottawa hospitals carried the January passes for the convenience of Para Transpo clients. Community Passes were also made available at the City Client Centres as well as the Royal Ottawa Hospital.

The communication of the availability of passes for Para Transpo clients was done through advertising and public service announcements. The specific locations were communicated to the media and advertised in newspapers in January. Customer Services Officers spoke with numerous clients over the telephone and the Transit Services Accessibility Specialist was in close contact with members of the community who require Para Transpo service.

As a future practice, within two weeks of a strike announcement or before the end of the month (whichever occurs first):

- A Public Service Announcement (PSA) will announce fare media availability and locations of purchase for Para Transpo clients.
- The PSA will go to accessibility-dedicated and community centres for posting and distribution.
- Newspaper ads in French and English newspapers will appear within two days of the PSA.
- Ads and the PSA will mention availability of taxi coupons (if applicable) to Para customers according to current distribution practices.
- A selection of 50 corporate vendors with representation in every city ward will carry passes for Para Transpo clients.

The communication strategy will be completed by the end of Q4 2009.

## **Recommendation 2**

**That management ensure that utilization of special programs, such as the free tokens, is monitored to determine if it is being used as expected and value is obtained.**

### **Management Response**

Management agrees with the recommendation.

In the event of special programs requiring exchange of monetary value, management will ensure measures are put in place to monitor usage and that value is obtained. As of Q4 2009, this requirement has been established and will be evaluated on a case-by-case basis, as required.

### **Recommendation 3**

**That management ensure staff approving payment of invoices do so in a timely fashion.**

#### **Management Response**

Management agrees with the recommendation.

Management designs processes to ensure the timely recording of goods and services to the correct accounting period. Finance is in the process of issuing a Request for Proposal (RFP) to automate certain manual accounts payable processes. The automation project will include processes that will alert management and financial staff on a timely basis of invoices that are due for payment. This new functionality will be available by the end of Q3 2010.

### **Recommendation 4**

**That management develop a monthly report of goods received with outstanding invoices that are older than 30 days and that the approval of those invoices be followed up.**

#### **Management Response**

Management agrees with the recommendation.

A report is available for this purpose and will be monitored regularly to identify receipted transactions not matched to an invoice.

Finance presently reviews a report that lists goods received with outstanding invoices. Finance will continue to reconcile this report and alert management and financial support staff, on a timely basis, of any issues requiring follow-up. This report will be made available to the FSUs and management to allow for the timely follow-up of invoices commencing in Q1 2010.

### **Recommendation 5**

**That management ensure accruing costs and posting prepayments are allocated to the proper months and to the proper accounts and that accounts are reviewed on a monthly basis to detect potential errors in accruals or prepayments.**

#### **Management Response**

Management agrees with the recommendation.

Presently, significant expenditures such as labour, are accrued for in the proper period. Generally, it is the intention to accrue for expenses on a timely basis and to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is

required in order to prepare the City's audited year-end financial statements. This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

### **Recommendation 6**

**That management pursue changes to the fuel contract to allow the City to eliminate or reduce the penalties for its inability to accept delivery of fuel during a strike.**

#### **Management Response**

Management agrees with the recommendation.

On November 26, 2008, City Council approved a Commodity Hedging Policy from which a Diesel Hedging Strategy was established and implemented in 2009. The strategy was implemented by locking-in a fixed price with the supplier as well as entering into fixed swap transactions with banks to lock-in diesel prices. The swap transaction provides the City with greater capacity to manage changes in supply by providing the option to close out or unwind positions promptly and at current market prices subject to the restrictions of Provincial Regulation 653/05.

### **Recommendation 7**

**That management ensure significant expenditures that are for more than one accounting period are treated as a prepayment and allocated appropriately.**

#### **Management Response**

Management agrees with the recommendation.

As mentioned in the management response to recommendation 5, generally it is the intention to accrue for expenses on a timely basis and to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is required in order to prepare the City's audited year-end financial statements. This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

### **Recommendation 8**

**That, when additional Para Transpo service is provided, management ensure plans to collect revenue for it are implemented.**

#### **Management Response**

Management agrees with the recommendation.

Revenue collection processes for additional Para Transpo service will be developed and implemented by the end of Q3 2010.

### **Recommendation 9**

**That management ensure that when taxi chits are used, an appropriate control system be implemented to ensure that the City is billed only for the value of the services rendered.**

#### **Management Response**

Management agrees with the recommendation.

The use of taxi chits during the transit strike was part of a mitigation strategy to alleviate the negative effects of the strike, particularly on vulnerable members of the community, including low-income residents, seniors, and persons with disabilities. Approximately 30,000 taxi chits were distributed to address ongoing transportation needs for the vulnerable sector during the strike.

A review of the taxi chits demonstrated that there were some irregularities in the manner in which a small percentage of chits were used. The City involved the assistance of the taxi chit supplier, Taxitab Inc., to undertake an accounting review of taxi chits and identified chits considered as suspicious. As a result of this process, approximately \$45K in chits will not require payment by the City.

There is the potential that some other chits may have been abused, however the accounting exercise was not able to readily identify same. The Chief License Inspector has undertaken her own investigation and revealed a small number of licensed taxicab drivers who appear to have taken advantage of the taxi chit system and thereby may have engaged in conduct adverse to the public interest, contrary to the Taxi By-law. The Chief License Inspector is furthering this investigation and will consider status review hearings where appropriate, before the City's License Committee in order to serve as a specific and general deterrent regarding taxi chit misuse.

Management is working with the taxi chit supplier to seek further improvements that will serve to improve the integrity of the taxi chit system. An appropriate control system will be developed by staff representatives from Community and Social Services, Parks, Recreation and Cultural Services, Financial Services, and Legal Services, by the end of Q2 2010.

## **CONCLUSION**

The City experienced a transit strike from December 11, 2008 to February 1, 2009 and service was fully restored on March 23, 2009. The strike had a net financial impact of approximately \$5.9 million on the City.

## **ACKNOWLEDGEMENT**

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

## RÉSUMÉ

### ***Introduction***

Le 11 mars 2009, le Conseil municipal a approuvé la motion suivante :

« Il est proposé par A. Cullen, conseiller,

Appuyé par R. Bloess, conseiller :

ATTENDU QUE la Ville d'Ottawa a subi une grève de la section locale ATU 279, représentant les chauffeurs d'autobus et les mécaniciens d'OC Transpo, du 10 décembre 2008 au 31 janvier 2009; et

ATTENDU QUE cette grève a occasionné à OC Transpo à la fois des économies de coûts directs et des pertes de revenus, de même que d'autres coûts liés à cette grève et portés au budget d'OC Transpo (y compris des mesures d'atténuation et des mesures incitatives de réduction tarifaire lors de la reprise des services approuvées par le Conseil, entre autres); et

ATTENDU QU'un certain nombre d'évaluations des coûts et des « économies » prétendues découlant de cette grève ont été présentées au Conseil municipal et publiées dans les médias; et

ATTENDU QUE le vérificateur général a affirmé que ses ressources actuelles lui permettent de mener une vérification;

IL EST DONC RÉSOLU QUE le Conseil municipal demande au vérificateur général de la Ville d'effectuer une vérification des coûts de cette grève pour OC Transpo et la Ville d'Ottawa;

IL EST DE PLUS RÉSOLU de demander au vérificateur général de présenter un rapport au Conseil précisant l'échéancier et l'incidence de cette vérification sur le plan de travail actuel;

ET QUE cette vérification soit présentée au Comité des transports et au Conseil municipal en indiquant les coûts directs (y compris les pertes de revenus) et les économies découlant de la grève d'OC Transpo, à la fois pour les budgets de 2008 et de 2009 (y compris des mesures d'atténuation et des mesures incitatives de réduction tarifaire lors de la reprise des services approuvées par le Conseil) et les autres coûts liés à la grève pour la Ville d'Ottawa concernant les budgets de 2008 et 2009. »

En conséquence, la vérification de l'incidence financière de la grève des transports a été ajoutée au plan de travail 2009 du bureau du vérificateur général.

## **Contexte**

OC Transpo est responsable de l'exploitation des services de transport en commun pour la Ville d'Ottawa. En décembre 2008, le Conseil a approuvé le budget 2009 d'OC Transpo incluant des revenus totaux de quelque 180 millions de dollars par an, y compris 155 millions de dollars provenant des recettes-passagers, 9 millions de dollars en autres revenus et 16 millions de dollars pour la part de la Ville de la taxe sur l'essence provinciale. Les dépenses de fonctionnement s'élevaient à 349 millions de dollars, laissant un coût net prévu de quelque 169 millions de dollars. À compter du 11 décembre 2008, OC Transpo a subi une grève de son personnel d'opération et d'entretien, qui a duré jusqu'au 1<sup>er</sup> février 2009. Les employés d'entretien étaient de retour au travail et le service de l'O-train a redémarré seulement le 2 février, tandis que les principaux services ont repris le 7 février, ce qui représente une période de 58 jours sans service. Le service complet n'a pas été rétabli avant le 23 mars 2009.

## **Objectifs de la vérification**

La vérification avait pour objectif de présenter un rapport montrant les éléments de l'évolution des recettes et des dépenses liées à la grève et le coût ou le bénéfice net pour la Ville.

Nous avons envisagé de mesurer les résultats de cette étude à un calcul proportionnel des recettes et des dépenses totales d'OC Transpo pour l'année, en fonction du nombre de jours de service perdus en pourcentage de l'année. Après réflexion, nous avons conclu que cette méthode ne permettrait pas une comparaison significative, pour les raisons suivantes :

- La perte de service était de 58 jours et ni le début ni la fin de l'arrêt de travail ne coïncidaient avec des mois complets.
- Les employés d'entretien ont repris le travail avant ceux des opérations.
- Le personnel salarié et toutes les autres unités de négociation sont restés au travail pendant la grève.
- Les coûts fixes comme la dépréciation, les baux, les assurances et d'autres dépenses similaires ont continué au cours de la grève.
- Certains revenus inclus dans le revenu total ont continué sans égard à la grève, par exemple des recettes des publicités sur les arrêts d'autobus et les revenus tirés de la taxe sur l'essence.
- Décembre, janvier et mars ne sont pas des mois de service typiques, car le service est réduit pour les congés de Noël et du Jour de l'an et les vacances de printemps, ce qui a un effet sur l'utilisation du calcul proportionnel des dépenses et des revenus.
- En relation avec le point précédent, la période d'interruption des services de décembre était de 21 jours ou 5,8 % de l'année, tandis que la période

d'interruption des services de janvier et février était de 37 jours, ou 10,1 % de l'année, pour un total de 15,9 % de l'année. Un calcul proportionnel en fonction d'une si petite partie de l'année biaiserait les calculs par rapport à une situation normale.

- Étant donné qu'il aurait fallu prendre en compte tous ces facteurs, ce qui exigerait un examen approfondi de tous les comptes, nous avons déterminé que le temps et le coût d'une telle vérification ne donnerait pas à la Ville une valeur suffisante pour son investissement.

### ***Portée de la vérification***

La période à l'étude était du début de la grève, le 11 décembre 2008, à la reprise complète des services le 23 mars 2009. Comme les recettes et les dépenses sont rapportées sur une base mensuelle, nous n'avons pas pu identifier toutes les recettes et les dépenses à l'intérieur des dates fixées pour la période de vérification, et nous avons donc étudié la période de décembre à mars au complet, c'est-à-dire quatre mois. L'établissement du coût net de la grève comprend les frais d'exploitation seulement et n'a pas été rapproché des chiffres préparés par la direction. Il couvrait les variations marginales positives et négatives des dépenses et des revenus liés directement à la grève.

### ***Principales constatations***

1. Le coût net de la grève pour la Ville est de 5,9 millions de dollars (voir l'Annexe 1 du rapport intégral) en raison des réductions de 27,4 millions de dollars en revenus nets et de 21,5 millions de dollars en dépenses nettes.
2. Para Transpo a continué de fonctionner pendant la grève, en augmentant ses services de manière à éliminer le taux de refus normal des demandes de déplacement de 6 % et à offrir davantage de déplacements s'élevant à 4.7 %. Le coût de ce service additionnel était de 517 000 \$. Cependant, le revenu additionnel produit était seulement de 4 000 \$, soit moins de 1 %. Cette situation découle d'une distribution insuffisante des laissez-passer que les usagers de Para Transpo auraient pu acheter.
3. Diverses charges à payer et payées d'avance totalisant 2,3 millions de dollars ont été attribuées à un mois ou à un compte erroné.
4. La Ville a versé environ 855 000 \$ à titre de pénalité nette pour enlèvements déficitaires pour la différence entre le coût de couverture physique original établi le 25 septembre 2008 et le prix quotidien moyen réel du pétrole affiché par NYMEX à la fin de chaque mois de la période à l'étude (de décembre à mars), pour l'essence dont elle n'a pu prendre livraison durant la grève parce que les réservoirs de stockage de l'essence étaient remplis au maximum.

5. Les bons de taxi distribués en centre communautaires aux clients de groupes défavorisés s'élevaient à plus de 1 million de dollars. La Ville conteste certains de ces frais.

## **Recommandations et réponses de la direction**

### **Recommandation 1**

**Que la direction élabore des plans de vente, de distribution suffisante et de communication de la disponibilité de laissez-passer pour les clients de Para Transpo en cas de grève.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

La direction prévoit la vente et la distribution d'un nombre suffisant (bien que limité) de laissez-passer pour les clients de Para Transpo en cas de grève, et ces plans étaient en place lors de la dernière grève. Pour la commodité des clients de Para Transpo, les laissez-passer du mois de janvier étaient disponibles chez Zellers, Quickie, Infomart et dans les centres du service à la clientèle, ainsi que dans certains commerces des hôpitaux d'Ottawa. Des laissez-passer communautaires étaient aussi disponibles dans les centres du service à la clientèle de la Ville et à l'Hôpital Royal Ottawa.

La communication de la disponibilité des laissez-passer pour les clients de Para Transpo a été faite par des annonces publicitaires et des messages d'intérêt public. Les points de distribution précis ont été communiqués aux médias et publiés dans les journaux en janvier. Les agents du service à la clientèle ont parlé à de nombreux clients par téléphone et le spécialiste de l'accessibilité aux services de transport en commun est resté en étroite contact avec les membres de la communauté qui ont besoin de services de Para Transpo.

À l'avenir, la pratique sera la suivante : dans un délai de deux semaines de l'annonce d'une grève ou avant la fin du mois (selon la première éventualité) :

- Un message d'intérêt public (MIP) annoncera la disponibilité de titres de transport et les endroits où les usagers de Para Transpo peuvent se les procurer.
- Ce MIP sera acheminé aux emplacements adaptés aux personnes à mobilité réduite et aux centres communautaires afin d'y être affiché et distribué.
- Des annonces dans les journaux de langue française et de langue anglaise seront publiées moins de deux jours après la diffusion du MIP.
- Les annonces et le MIP mentionneront la disponibilité de bons de taxi (s'il y a lieu) pour les usagers de Para Transpo selon les pratiques de distribution en vigueur.

- Les laissez-passer pour les usagers de Para Transpo seront disponibles auprès d'une gamme de 50 fournisseurs représentés dans chacun des quartiers de la Ville.

La stratégie de communication sera complétée vers la fin du quatrième trimestre de 2009.

## **Recommandation 2**

**Que la direction s'assure que l'adoption de programmes spéciaux, comme les jetons gratuits, est surveillée pour déterminer si elle est utilisée comme prévu et qu'elle en retire de la valeur.**

### **Réponse de la direction**

La direction est d'accord avec la recommandation.

Dans le cas de programmes particuliers qui nécessitent des transactions monétaires, la direction veillera à mettre en place des mesures de surveillance de leur utilisation, afin de s'assurer qu'elle en retire de la valeur. En date du quatrième trimestre de 2009, cette exigence a été établie et sera évaluée au cas par cas, au besoin.

## **Recommandation 3**

**Que la direction s'assure que le personnel qui approuve le règlement de factures le fait en temps utile.**

### **Réponse de la direction**

La direction est d'accord avec la recommandation.

La direction élabore des processus visant à assurer l'attribution en temps utile des biens et services à la bonne période comptable. Les Finances sont en train d'émettre une Demande de propositions (DP) pour l'automatisation de certains processus manuels concernant les comptes clients. Le projet d'automatisation comprendra des processus qui alerteront à temps la direction et l'équipe des Finances des factures qui arrivent à échéance. Cette nouvelle fonctionnalité sera disponible vers la fin du troisième trimestre de 2010.

## **Recommandation 4**

**Que la direction crée un rapport mensuel des marchandises reçues dont les factures sont impayées depuis plus de 30 jours, et qu'il y ait un suivi de l'approbation de ces factures.**

### **Réponse de la direction**

La direction est d'accord avec la recommandation.

Un rapport est disponible à cette fin et sera passé en revue périodiquement afin de détecter toute transaction acquittée sans être assortie à une facture.

Le Service des finances passe actuellement en revue un rapport qui dresse la liste des biens reçus avec des factures impayées. Ce service continuera à effectuer le rapprochement de ce rapport et à informer la direction et le personnel de soutien des Finances, en temps utile, de toute question nécessitant un suivi. À compter du premier trimestre 2010, ce rapport sera mis à la disposition des Unités du soutien financier et de la direction afin de permettre le suivi des factures en temps utile.

### **Recommandation 5**

**Que la direction s'assure que les charges à payer et payées d'avance sont attribuées au bon mois et au bon compte et que les comptes sont passés en revue sur une base mensuelle afin de détecter toute erreur potentielle dans les charges à payer ou les charges payées d'avance.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

À l'heure actuelle, les dépenses substantielles, comme la main-d'œuvre, sont attribuées à la bonne période. En général, on a l'intention d'attribuer les dépenses au bon compte et à la bonne période. La pratique courante au sein de l'industrie consiste à entreprendre un examen plus détaillé des charges à payer et des charges payées d'avance en fin d'exercice (31 décembre). Si le traitement mensuel des charges permet à la direction de prendre des décisions plus éclairées sur l'état de son budget, cela exige du travail en fin d'exercice pour préparer les états financiers de fin d'exercice vérifiés de la Ville. Souvent, cela entraîne l'attribution de charges et d'ajustements à des comptes en décembre à l'égard de périodes antérieures et cela explique également le volume de charges plus élevé en fin d'exercice.

Si l'examen des charges à payer et des charges payées d'avance en fin d'exercice est plutôt détaillé, l'équipe comptable ne dispose pas à l'heure actuelle de personnel suffisant pour effectuer le même examen rigoureux chaque mois. La conformité aux recommandations 5 et 7 nécessitera deux employés à temps plein de plus. Cette exigence sera incluse dans les estimations préliminaires pour 2011.

### **Recommandation 6**

**Que la direction effectue des modifications au contrat d'approvisionnement en carburant de manière à permettre à la Ville d'éliminer ou de réduire les pénalités lors d'empêchement à prendre livraison du carburant pendant une grève.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

Le 26 novembre 2008, le Conseil municipal a approuvé une Politique de couverture contre les fluctuations du prix des produits de base, qui a mené à l'adoption et à la mise en œuvre d'une Stratégie de couverture contre les fluctuations du prix du carburant diesel en 2009. La Stratégie a été mise en œuvre en sécurisant un prix fixe avec le fournisseur et en concluant des échanges financiers fixes avec des banques afin de fixer le prix du carburant diesel. L'échange financier renforce la capacité de la Ville d'exercer un contrôle sur les changements d'approvisionnement en lui donnant l'option de se retirer ou de rétrocéder rapidement des positions et au prix courant du marché, sous réserve des restrictions du Règlement provincial 653/05.

### **Recommandation 7**

**Que la direction s'assure que des dépenses substantielles qui couvrent plus d'une période comptable sont traitées comme payées d'avance et assignées correctement.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

Comme on peut le lire dans la réponse de la direction à la recommandation 5, on a l'intention, en général, d'attribuer les dépenses au bon compte et à la bonne période. En outre, la pratique courante au sein de l'industrie consiste à entreprendre un examen plus détaillé des charges à payer et des charges payées d'avance en fin d'exercice (31 décembre). Si le traitement mensuel des charges permet à la direction de prendre des décisions plus éclairées sur l'état de son budget, cela exige du travail en fin d'exercice pour préparer les états financiers de fin d'exercice vérifiés de la Ville. Souvent, cela entraîne l'attribution de charges et d'ajustements à des comptes en décembre à l'égard de périodes antérieures et cela explique également le volume de charges plus élevé en fin d'exercice.

Si l'examen des charges à payer et des charges payées d'avance en fin d'exercice est plutôt détaillé, l'équipe comptable ne dispose pas à l'heure actuelle de personnel suffisant pour effectuer le même examen rigoureux chaque mois. La conformité aux recommandations 5 et 7 nécessitera deux employés à temps plein de plus. Cette exigence sera incluse dans les estimations préliminaires pour 2011.

### **Recommandation 8**

**Que, lorsqu'un service Para Transpo supplémentaire est fourni, la direction s'assure que des plans de collecte des revenus qui en découlent sont mis en œuvre.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

Les processus de perception des recettes à l'égard de services supplémentaires de Para Transpo seront élaborés et mis en œuvre pour la fin du troisième trimestre de 2010.

### **Recommandation 9**

**Que la direction s'assure que lors de l'utilisation de bons de taxi, un système de contrôle adéquat soit mis en œuvre afin de s'assurer que la Ville n'est facturée que pour la valeur des services fournis.**

#### **Réponse de la direction**

La direction est d'accord avec la recommandation.

L'utilisation de bons de taxi pendant la grève du transport en commun s'inscrivait dans une stratégie d'atténuation des effets négatifs de la grève, en particulier sur les membres vulnérables de la collectivité, y compris les personnes à revenu modeste, les aînés et les personnes handicapées. On a distribué environ 30 000 bons de taxi pour répondre aux besoins continus de transport de personnes vulnérables pendant la grève.

L'examen des bons de taxi a révélé quelques irrégularités dans l'utilisation d'un faible pourcentage de bons de taxi. La Ville a eu recours au fournisseur de bons de taxi Taxitab inc. pour entreprendre un examen comptable des bons de taxi et a identifié des bons considérés comme douteux. En raison de ce processus, la Ville n'aura pas à payer quelque 45 000 \$ en bons de taxi.

Il se peut que quelques autres bons aient été utilisés de façon abusive, toutefois l'exercice comptable n'a pas permis de les déceler aisément. L'inspectrice en chef des permis a entrepris sa propre enquête et a identifié un petit nombre de chauffeurs de taxi autorisés qui semblent avoir tiré profit du système de bons de taxi et qui, de ce fait, ont pu agir de manière contraire à l'intérêt public, ce qui contrevient au Règlement municipal visant les taxis. L'inspectrice en chef des permis poursuit son enquête et envisagera de procéder à des audiences de révision du statut devant le Comité des permis de la Ville, s'il y a lieu, comme moyen de dissuasion, à la fois spécifique et général, de l'usage abusif des bons de taxi.

La direction collabore avec le fournisseur de bons de taxi dans la recherche d'autres améliorations qui permettront d'améliorer l'intégrité du système de bons de taxi. Des représentants du personnel des Services sociaux et communautaires, du Service des parcs, des loisirs et de la culture, du Service des finances et des Services juridiques mettront au point un système de contrôle adéquat avant la fin du deuxième trimestre de 2010.

## **CONCLUSION**

La Ville a subi une grève des transports du 11 décembre 2008 au 1<sup>er</sup> février 2009, et les services ont été entièrement rétablis le 23 mars 2009. L'incidence financière nette de la grève pour la Ville s'élève à quelque 5,9 millions de dollars.

## **REMERCIEMENTS**

Nous tenons à remercier la direction et le personnel pour l'assistance et la coopération dont ils ont fait preuve envers l'équipe de vérification.



## 1 INTRODUCTION

On March 11, 2009 Council approved the following motion:

“Moved by Councillor A. Cullen

Seconded by Councillor R. Bloess

WHEREAS from December 10, 2008 to January 31, 2009 the City of Ottawa experienced a strike by ATU 279, representing OC Transpo bus drivers and mechanics; and,

WHEREAS OC Transpo acquired both direct cost savings and revenue losses from this strike, as well as other costs associated with this strike being charged to the OC Transpo budget (including Council-approved mitigation measures and resumption of service fare incentives, among others); and,

WHEREAS there have been a number of estimates presented to City Council and published in the media regarding the cost and purported "savings" from this strike; and,

WHEREAS the Auditor General has indicated that he is able to conduct an audit within his existing resources;

THEREFORE BE IT RESOLVED THAT City Council request the City Auditor General to conduct an audit of the costs to OC Transpo and the City of Ottawa as a result of this strike;

AND FURTHER the Auditor General be directed to report back to Council with an indication of the timelines and the impact undertaking this audit would have on the current workplan;

AND THAT such an audit be reported to Transit Committee and City Council and include the direct costs (including revenue losses) and savings of the strike to OC Transpo for both the 2008 and 2009 budgets (including the Council-approved mitigation measures and resumption of service fare incentives) as well as the other costs to the City of Ottawa associated with the strike for both the 2008 and 2009 budgets.”

As such, the audit of the financial impact of the transit strike was added to the 2009 work plan of the Office of the Auditor General.

## 2 BACKGROUND

OC Transpo is responsible for operating the transit service for the City of Ottawa. In December 2008, Council approved a 2009 budget for OC Transpo with approximate annual total revenue of \$180 million including passenger revenues of \$155 million, other revenue of \$9 million and provincial gas tax allocation of \$16

million. The operating expenditures were \$349 million, leaving a planned net cost of approximately \$169 million. Commencing December 11, 2008 OC Transpo experienced a strike by its Operators and Maintenance staff, which continued until February 1, 2009. On February 2<sup>nd</sup> Maintenance workers returned to work and O Train service started while the main service resumed on February 7<sup>th</sup> resulting in a 58-day period with no service. Full service was not restored until March 23, 2009.

### **3 AUDIT OBJECTIVES**

The objective of the audit was to present a statement showing the components of revenue and expenditure changes that were strike related and the net cost or benefit to the City.

### **4 AUDIT SCOPE**

The period reviewed was from the start of the strike, December 11, 2008, to the restoration of full service on March 23, 2009. Since revenues and expenditures are posted on a monthly basis, it was not possible to identify all revenues and expenditures within the start and cut-off dates and so the full four-month period from December to March was included. The development of the net cost of the strike included operating costs only and was not a reconciliation to those numbers that had been prepared by management. It covered incremental positive and negative changes to expenditures and revenues that were directly related to the strike.

This study did not take into consideration:

1. Any impact on capital, depreciation or amortization;
2. The value of employee, or management lost time when held up from entering work at a picket line;
3. The cost of managements' or politicians' time who were involved in strike management;
4. On-going internal labour within the City or OC Transpo that were or were not redirected from their normal work to strike related work, with the exception of where overtime was paid for strike related work; and,
5. Anticipated cost savings or increases as a result of agreements made with the Union as a condition of settling the strike.

### **5 APPROACH**

1. The approximate amount of revenue lost during the period of the strike was identified. This was a comparison to a similar period in the prior year with an adjustment for rate changes and not a comparison to the budgeted revenue for

the period of the strike. Therefore, it did not take into consideration ridership changes caused by the difference in the economic environment or changes in the cost of fuel to the public. The revenue review also included a determination of the possible loss of any strike related transit operating assistance from the province or the federal government.

2. Revenue changes in the City in Parking, Parks and Recreation, interest related to tax income flow, during the strike and service build up period were reviewed to determine if they were impacted by the strike.
3. The approximate amount of revenue lost during the service restoration period was identified on the same basis as indicated in 1. above.
4. The costs not incurred within OC Transpo during the period of the strike and the ramp up period to full service, for example, the reduction in direct labour for operating and maintaining buses were identified.
5. The direct costs incurred within OC Transpo that would not have been incurred had the strike not occurred were identified. For example, the need to start up buses from time to time in order to avoid damage to power train components.
6. The transit related costs not incurred within the City during the period of the strike were identified; for example, reduction in normal transit promotion advertising, and the ramp up period to full service.
7. The direct costs incurred within the City that would not have been incurred had the strike not occurred were identified. For example, increase in advertising to advise Ottawa residents of the strike and how they may or may not use bus lanes, addition of disadvantaged general public clients due to people not being able to get to work, additional policing, etc.
8. Any cost changes in Parks and Recreation if there was a drop in clientele due to client's inability to get to their programs were reviewed.
9. Although the arbitration related to the strike was on-going, its legal costs were included up to the cut-off period of the study.
10. A judgmental decision was made on the reliability of the numbers provided by staff. However, the numbers were not audited. If, based on the auditor's judgment any values seemed unreasonable, the auditor then asked staff to provide details of the transactions and an explanation of the content. The auditor then made a judgment on their inclusion or exclusion. For example, the auditor adjusted amounts that were accrued in the wrong months or accounts. Amounts that pertained to more than one month were adjusted so as to avoid prejudicing the savings/cost calculation. Significant amounts that were included in a particular month of one year and were not in the year of comparison were removed, for example, the settlement of OHIP premium payments with the ATU.

11. Consideration was given to testing the results of this study against a proportional calculation of OC Transpo total revenues and expenditures for the year based on the number of days of service lost as a percentage of the total year. On further thought, it was concluded that this would not result in a meaningful comparison for the following reasons:
- a) The loss of service period was 58 days and not full months at either the beginning or end of the work stoppage.
  - b) Maintenance returned to work earlier than Operations.
  - c) Salaried staff and all other bargaining units continued to work during the strike.
  - d) Fixed costs such as depreciation, leases, insurance and other such expenditures remained during the strike period.
  - e) Certain revenue included in the total revenue value remained irrespective of the strike, for example, bus stop advertising revenue and gas tax revenue.
  - f) December, the beginning of January and March are not typical service months as service is reduced for the Christmas, New Year and March break holiday periods. This impacts the use of proportionate calculation for both expenditures and revenues.
  - g) Associated with the point above is the fact that the December service stoppage period was 21 days or 5.8% of the year while the January and February service stoppage period was 37 days or 10.1% of the year for a total of 15.9% of the year. Using a proportion of such a small representation of the total year results in the calculations being skewed from what the normal situation would be.
  - h) As all these factors would have to be adjusted which would include an extensive review of all accounts, it was determined that the time and cost to do this would not provide the City with value for money.

## 6 KEY FINDINGS

The strike had a net cost to the City of \$5.9 million (See Schedule 1) as a result of reductions of \$27.4 million in net revenues and \$21.5 million in net expenses. An additional analysis was conducted where the OC Transpo service levels in March 2009 were normalized to March 2008. This resulted in a reduction in the net cost of the strike to the City by \$128,000.

OC Transpo revenue and City interest revenue decreased by \$28.1 million and \$136,000 respectively offset by an increase in revenue from Para Transpo, of \$4,000 and parking, and non-moving violation tickets of \$840,000.

Expenditures in OC Transpo decreased by \$17.0 million in labour, \$8.8 million in parts, materials, and supplies and increased in outside services by \$394,000, for a total decrease in OC Transpo of \$25.4 million. Expenditures increased in Para Transpo labour by \$70,000; parts, materials and supplies by \$9,000; and, outside services by \$438,000 for a total increase in Para Transpo of \$517,000. Elsewhere in the City labour increased by \$52,000; parts, materials, and supplies by \$54,000; outside services by \$3.3 million; and, provision for claims by \$40,000 for a total increase of \$3.4 million.

## **6.1 Revenue**

The total reduction in OC Transpo revenue of \$28.1 million (See Schedule 2) was the result of the loss of passenger revenue during the strike and various incentives approved by Council to induce riders to return to transit. These incentives included free rides for everyone for week one after service was restarted (until Feb. 15, 2009), half price for all cash and ticket fares until the end of February and free weekends the entire month of February for all transit riders. People who had purchased a December pass could return it for full reimbursement or ride for free with it in February, and then cash it in for a 60% discount on a March pass. Riders who purchased a February pass received a 65% discount. Federal EcoPass riders that purchased express Ecopasses were given a net of two monthly deductions off and regular Ecopass holders a net of one monthly deduction off. While non-Federal government EcoPass express pass holders were given a net of six bi-weekly deductions off and regular EcoPass holders were given a net of three bi-weekly deductions off. The reason for the extended discount period for express EcoPass holders was that early in the start-up of service it was contemplated that full express service could not be guaranteed until April 1. In addition, there was also a loss of revenue from Canada Post (\$18,000), Park and Ride (\$41,000), Charter (\$40,000), Bus Advertising (\$328,000) and Transitway convenience store (12,000) during the strike.

April and May express passes were also sold at regular prices to December express pass holders. This was outside the study period and the associated costs are not included in this report.

Para Transpo revenue was up by \$4,000 mainly due to additional service offered during the strike to accommodate a shift of regular service riders that were using the accessible features of that service.

The reduction in parking permit revenue of \$27,000 was the result of the City's decision to reduce the parking permit rate during the strike.

The increase in on-street parking of \$119,000 (as provided by the FSU Account Manager) was net of the rate reduction implemented by the City during the strike offset by an increase in the volume of usage.

The increase in parking lot revenue of \$248,000 was the result of an increase in the number of parking lots operated during the strike and increased client usage net of a reduction in revenue from the free token program for cars with more than two occupants.

The reduction of interest revenue of \$136,000 was the result of Council's decision to delay the deadline for a tax payment from March 30 to April 16.

## 6.2 Expenditures

The expenditure reduction of \$15.2 million for Transportation Operations labour includes \$260,000 for an additional booking required at the end of the strike and a total of \$20,000 paid to some operators after service was restarted although they had no buses to operate due to maintenance being unable to get sufficient buses ready according to the plan.

In December 2007, there was a settlement, unrelated to the strike, with the bargaining unit regarding payment of OHIP premiums which resulted in an additional expense of \$3.3 million, which was distributed amongst various ATU labour accounts. These amounts were adjusted out of the applicable areas as summarized below in order to have comparable results with December 2007.

Area	Amount (\$000)
Transit Operations	2,476
Vehicle Maintenance	647
RPAM	131
Transit Stores	62

In March 2009, 13,500 more hours of service were operated than the prior year. This was not adjusted but instead was considered in the service normalization analysis mentioned earlier in the report.

The reduction in maintenance labour of \$1.4 million was the net result of savings during the strike offset by additional overtime in February and March totalling \$500,000 to get as many buses as possible on the road in a short time. The maintenance labour was also adjusted for the OHIP premium payment settlement as indicated above.

The reduction in RPAM labour of \$411,000 was the result of savings during the strike after adjustment for the OHIP premium payment settlement as indicated above.

The fuel savings of \$5.8 million includes a charge of \$855,000 for fuel that the City paid as a net underlifting penalty, for the difference between the original physical hedge price set on September 25, 2008 and the actual average daily oil prices posted by NYMEX at the end of each month of the study period (December to March), for

fuel for which it could not accept delivery during the strike due to fuel storage tanks being full to capacity.

The additional cost of \$311,000 in OC Transpo maintenance outside services was the result of an increase in December and February offset by savings in January and March.

RPAM outside services did not incur a reduction mainly as a result of rental, lease and on-going maintenance charges that for the most part were not impacted by the strike.

Para Transpo labour, parts, materials and supplies and outside services increased by \$517,000 as a result of a decision to eliminate trip request refusals which normally runs at 6% in order to accommodate passengers coming from the use of accessible regular service. Service during the first quarter of 2009 increased by 4.7% over the prior year. This increase in service generated only \$4,000 in additional revenue.

Traffic and Parking labour, parts, material and supplies and outside services all increased in order to accommodate additional public parking needs during the strike. The total additional expenditure of \$160,000 was offset by additional on-street and lot parking revenue of \$367,000.

The increase in snow removal cost of \$558,000 was the result of additional costs to keep certain pathways open which normally were not plowed during the winter, and the cost to plow the additional parking lots and provide a higher level of service on certain City sidewalks. OC Transpo also spent an additional \$108,000 to keep the garage roadways open in order to provide circuits to run buses in the garages.

Corporate Security charges of \$362,000 were the result of using contractors to assist with security during the strike.

The additional TPO costs of \$221,000 were due to service added, mainly to monitor the bus lanes on highway 174. The majority of this was outside services with a small amount (\$3,000) being overtime.

The college/university shuttle reimbursement amount of \$400,000 was due to the Council's decision to reimburse those institutions for part of their cost to transport students during the strike.

Promotion included the Museum Fare Incentive program (\$20,000) which took place in March, the cost for the Downtown Merchants' Promotion program (\$210,000) which had not occurred at the time of the interviews, and the loss of the Transport Canada National Security Awareness Incentive (\$50,000) due to the program not being run during the time period that the incentive was offered. It should be noted that if OC Transpo decides not to run the later two programs then these losses totalling \$260,000 should be excluded.

The additional cost for community centres was mainly the result of the taxi chit program for disadvantaged general public, which was approved for \$700,000 and for which approximately \$1 million in invoices have been received. Of these \$236,000 remains unpaid and the City is disputing the cost. Additional costs were also disadvantaged general public case payments with a cost of \$44,000 to the City, the on-going Ontario Works taxi requisition program of \$27,000, which is not related to the community centres' temporary taxi chit program, and \$18,000, which was approved for payment for van and gasoline reimbursement for transportation volunteers compared with \$88,000 that was submitted.

The expenditure for public health of \$41,000 was for the cost of a survey to determine whether the strike was affecting public health.

The legal costs included additional costs by Legal Services of \$104,000, the City Clerk's Office of \$18,000 and Labour Relations of \$2,000.

Provisions for claims are for one claim with estimated potential damage of \$40,000. It should be noted that the City's Claims Investigators believe that liability is unlikely.

## **7 ADDITIONAL FINDINGS AND RECOMMENDATIONS**

### **7.1 Revenue**

1. Para Transpo continued to operate during the strike with enhanced service to eliminate the normal 6% trip request refusal rate and in order to accommodate more trips, potentially arising from clients who had been using accessible buses on regular OC Transpo service. Service during the first quarter of 2009 increased by 4.7% over the prior year. The cost of this additional service was \$517,000. However, the additional revenue it generated was only \$4,000 or less than 1%. This reduced revenue was caused by insufficient availability of passes for Para Transpo riders during a time when passes for regular service were no longer being distributed. Since many passengers could not purchase passes, more passengers claimed they did not have the appropriate fare and the number of "No Fare Slips" increased significantly. While the sum of money outstanding is not significant, staff are required to attempt to collect them in order to maintain the integrity of the fare system.
2. The value of tokens handed out to clients of City parking lots with more than two passengers in a car was approximately \$3,000. The cost of the additional staff to do this was approximately \$31,000.

### **Recommendation 1**

**That management develop plans for the sale, sufficient distribution and communication of the availability of passes for Para Transpo clients in the event of a strike.**

### **Management Response**

Management agrees with the recommendation.

Management has plans for the sale and sufficient (albeit limited) distribution of passes for Para Transpo clients in the event of a strike and those plans were in place during the last strike. Locations such as Zellers, Quickie, Infomart, Client Service Centres as well as some store locations at Ottawa hospitals carried the January passes for the convenience of Para Transpo clients. Community Passes were also made available at the City Client Centres as well as the Royal Ottawa Hospital.

The communication of the availability of passes for Para Transpo clients was done through advertising and public service announcements. The specific locations were communicated to the media and advertised in newspapers in January. Customer Services Officers spoke with numerous clients over the telephone and the Transit Services Accessibility Specialist was in close contact with members of the community who require Para Transpo service.

As a future practice, within two weeks of a strike announcement or before the end of the month (whichever occurs first):

- A Public Service Announcement (PSA) will announce fare media availability and locations of purchase for Para Transpo clients.
- The PSA will go to accessibility-dedicated and community centres for posting and distribution.
- Newspaper ads in French and English newspapers will appear within two days of the PSA.
- Ads and the PSA will mention availability of taxi coupons (if applicable) to Para customers according to current distribution practices.
- A selection of 50 corporate vendors with representation in every city ward will carry passes for Para Transpo clients.

The communication strategy will be completed by the end of Q4 2009.

### **Recommendation 2**

**That management ensure that utilization of special programs, such as the free tokens, is monitored to determine if it is being used as expected and value is obtained.**

### **Management Response**

Management agrees with the recommendation.

In the event of special programs requiring exchange of monetary value, management will ensure measures are put in place to monitor usage and that value is obtained. As of Q4 2009, this requirement has been established and will be evaluated on a case-by-case basis, as required.

## 7.2 Expense

1. Accruals for operator labour were missed for boot and cleaning allowance in January and accrued in March 2009 for a total of \$363,000.
2. Stores labour was under accrued in November 2008 and over accrued in December 2008 by approximately \$70,000.
3. The City paid approximately \$855,000 as a penalty for fuel for which it could not accept delivery during the strike.
4. Accruals in the amount of approximately \$991,000 for OC Transpo outside services were made in December 2008. Of that total only 19% of the invoices were attributable to December 2008, while 77% were for prior months and 3% for a future month. Of the prior months 63.5% or \$630,000 was for March, June and July. Management cannot properly control the costs of the organization if expenditures are not recorded in the month in which they were incurred. Approximately \$177,000 of the December accrual was recorded as an outside services expense and should have been recorded as charges for fuel. The distribution of the accruals is given in the table below:

Invoice Month	Total of Invoices	Percent of Total Accrual
Jan-08	\$4,726	0.5%
Feb-08	\$0	0.0%
Mar-08	\$137,399	13.9%
Apr-08	\$193	0.0%
May-08	\$850	0.1%
Jun-08	\$318,147	32.1%
Jul-08	\$174,077	17.6%
Aug-08	\$17,929	1.8%
Sep-08	\$26,298	2.7%
Oct-08	\$25,199	2.5%
Nov-08	\$60,379	6.1%
Dec-08	\$192,773	19.4%
Jan-09	\$33,164	3.3%
<b>Total</b>	<b>\$991,134</b>	<b>100.0%</b>

5. The charge for the annual Western Parkway NCC lease in the amount of \$700,000 was accounted for in January 2009 instead of being treated as a prepayment and allocated to expense monthly.
6. The cost of \$517,000 for the additional Para Transpo service, provided to soften the blow of the strike for people who may have been using accessible regular service, had a recovery rate of less than 1%, significantly below the normal Para Transpo recovery rate of 8%.

7. Taxi chits distributed by community centres to disadvantaged general public clients amounted to approximately \$1 million. The City is disputing some of these charges.

### **Recommendation 3**

**That management ensure staff approving payment of invoices do so in a timely fashion.**

#### **Management Response**

Management agrees with the recommendation.

Management designs processes to ensure the timely recording of goods and services to the correct accounting period. Finance is in the process of issuing a Request for Proposal (RFP) to automate certain manual accounts payable processes. The automation project will include processes that will alert management and financial staff on a timely basis of invoices that are due for payment. This new functionality will be available by the end of Q3 2010.

### **Recommendation 4**

**That management develop a monthly report of goods received with outstanding invoices that are older than 30 days and that the approval of those invoices be followed up.**

#### **Management Response**

Management agrees with the recommendation.

A report is available for this purpose and will be monitored regularly to identify receipted transactions not matched to an invoice.

Finance presently reviews a report that lists goods received with outstanding invoices. Finance will continue to reconcile this report and alert management and financial support staff, on a timely basis, of any issues requiring follow-up. This report will be made available to the FSUs and management to allow for the timely follow-up of invoices commencing in Q1 2010.

### **Recommendation 5**

**That management ensure accruing costs and posting prepayments are allocated to the proper months and to the proper accounts and that accounts are reviewed on a monthly basis to detect potential errors in accruals or prepayments.**

#### **Management Response**

Management agrees with the recommendation.

Presently, significant expenditures such as labour, are accrued for in the proper period. Generally, it is the intention to accrue for expenses on a timely basis and

to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is required in order to prepare the City's audited year-end financial statements. This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

### **Recommendation 6**

**That management pursue changes to the fuel contract to allow the City to eliminate or reduce the penalties for its inability to accept delivery of fuel during a strike.**

#### **Management Response**

Management agrees with the recommendation.

On November 26, 2008, City Council approved a Commodity Hedging Policy from which a Diesel Hedging Strategy was established and implemented in 2009. The strategy was implemented by locking-in a fixed price with the supplier as well as entering into fixed swap transactions with banks to lock-in diesel prices. The swap transaction provides the City with greater capacity to manage changes in supply by providing the option to close out or unwind positions promptly and at current market prices subject to the restrictions of Provincial Regulation 653/05.

### **Recommendation 7**

**That management ensure significant expenditures that are for more than one accounting period are treated as a prepayment and allocated appropriately.**

#### **Management Response**

Management agrees with the recommendation.

As mentioned in the management response to recommendation 5, generally it is the intention to accrue for expenses on a timely basis and to the proper account. It is also normal industry practice to undertake a more detailed review of accruals and prepaid expenses at year-end (December 31). While processing the accruals on a monthly basis allows management to make more informed decisions on the status of their budgets, the work at year-end is required in order

to prepare the City's audited year-end financial statements. This often results in accruals and account adjustments being recorded in December that relate to prior periods and it also accounts for the increased volume of accruals at year-end.

While the review of prepaid expenses and accrued expenses at year-end is quite detailed, the accounting area is not presently staffed to perform the same rigorous review each month. There will be a requirement for two additional FTEs to comply with recommendations 5 and 7. This requirement will be included in the 2011 draft estimates.

### **Recommendation 8**

**That, when additional Para Transpo service is provided, management ensure plans to collect revenue for it are implemented.**

#### **Management Response**

Revenue collection processes for additional Para Transpo service will be developed and implemented by the end of Q3 2010.

### **Recommendation 9**

**That management ensure that when taxi chits are used, an appropriate control system be implemented to ensure that the City is billed only for the value of the services rendered.**

#### **Management Response**

Management agrees with the recommendation.

The use of taxi chits during the transit strike was part of a mitigation strategy to alleviate the negative effects of the strike, particularly on vulnerable members of the community, including low-income residents, seniors, and persons with disabilities. Approximately 30,000 taxi chits were distributed to address ongoing transportation needs for the vulnerable sector during the strike.

A review of the taxi chits demonstrated that there were some irregularities in the manner in which a small percentage of chits were used. The City involved the assistance of the taxi chit supplier, Taxitab Inc., to undertake an accounting review of taxi chits and identified chits considered as suspicious. As a result of this process, approximately \$45K in chits will not require payment by the City.

There is the potential that some other chits may have been abused, however the accounting exercise was not able to readily identify same. The Chief License Inspector has undertaken her own investigation and revealed a small number of licensed taxicab drivers who appear to have taken advantage of the taxi chit system and thereby may have engaged in conduct adverse to the public interest, contrary to the Taxi By-law. The Chief License Inspector is furthering this investigation and will consider status review hearings where appropriate, before

the City's License Committee in order to serve as a specific and general deterrent regarding taxi chit misuse.

Management is working with the taxi chit supplier to seek further improvements that will serve to improve the integrity of the taxi chit system. An appropriate control system will be developed by staff representatives from Community and Social Services, Parks, Recreation and Cultural Services, Financial Services, and Legal Services, by the end of Q2 2010.

## **8 CONCLUSION**

The City experienced a transit strike from December 11, 2008 to February 1, 2009 and service was fully restored on March 23, 2009. The strike had a net financial impact of approximately \$5.9 million on the City.

## **9 ACKNOWLEDGEMENT**

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

## Schedule 1

### Analysis of Changes Due to Transit Strike by Account Category

For the periods

Dec. 2007 to Mar. 2008 vs. Dec. 2008 to Mar. 2009

Summary	\$
<b>Revenue</b>	
OC Transpo	-28,099,000
Para Transpo	4,000
City	704,000
<b>Total Revenue</b>	<u>-27,391,000</u>
 <b>Expenditure Summary</b>	
Total Labour	-16,877,000
Total Parts Material and Supplies	-8,777,000
Total Outside Services	4,110,000
Provision for Claims	40,000
<b>Total Expenditures</b>	<u>-21,504,000</u>
<b>Net Cost</b>	<u><u>-5,887,000</u></u>
 <b>Detailed Expenditures</b>	
<b>OC Transpo</b>	
OC Labour	-16,999,000
OC Parts Material and Supplies	-8,840,000
OC Outside Services	394,000
<b>Sub Total OC Transpo</b>	<u>-25,445,000</u>
 <b>Para Transpo</b>	
Para Transpo Labour	70,000
Para Transpo Parts Material and Supplies	9,000
Para Transpo Outside Services	438,000
<b>Sub Total Para Transpo</b>	<u>517,000</u>
 <b>City</b>	
City Labour	52,000
City Parts, Materials and Supplies	54,000
City Outside Services	3,278,000
Provision for Claims	40,000
<b>Sub Total City- Other</b>	<u>3,424,000</u>
<b>Total Expenditures</b>	<u><u>-21,504,000</u></u>

**Schedule 2**
**Analysis of Changes Due to Transit Strike**
**For the periods**
**Dec. 2007 to Mar. 2008 vs. Dec. 2008 to Mar. 2009**

Revenue	\$
1. OC Transpo Passenger- Cash	-1,659,000
2. OC Transpo Passenger- Ticket	-4,992,000
3. OC Transpo Passenger- Passes	-21,009,000
4. Canada Post	-18,000
5. Park & Ride Revenue	-41,000
6. OC Transpo Charters	-40,000
7. Para Transpo	4,000
8. Bus Advertising	-328,000
9. Transitway Convenience Stores	-12,000
10. Parking Permits	-27,000
11. Parking on Street	119,000
12. Parking Lots	248,000
13. Parking Violations	500,000
14. Moving Violations	0
15. Parks, Recreation and Culture	0
16. Interest on delayed collection of Taxes	-136,000
<b>Total Revenue</b>	<b>-27,391,000</b>
Expenses	
17. OC Transpo Transportation Operations Labour	-15,185,000
18. OC Transpo Maintenance Labour	-1,400,000
19. OC Transpo Maintenance Parts, Materials and Supplies	-2,613,000
20. OC Transpo Maintenance Outside Services	311,000
21. OC Transpo Fuel Cost	-5,787,000
22. OC Transpo Service Check	-1,000
23. Para Transpo Labour	70,000
24. Para Transpo Parts, Materials and Supplies	9,000
25. Para Transpo Outside Services	438,000
26. RPAM Labour	-411,000
27. RPAM Maintenance Parts, Materials and Supplies	-440,000
28. RPAM Maintenance Outside Services	-24,000
29. Traffic and Parking Labour	52,000
30. Traffic and Parking Parts, Material and Supplies	54,000
31. Traffic and Parking Outside Services	54,000
32. Snow Removal- OC Transpo	108,000
33. Snow Removal- City	558,000
34. Corporate Security	362,000
35. TPO	221,000
36. College, University Shuttle Reimbursement	400,000
37. Advertising, Printing, Signage and Communications	130,000
38. Promotion	280,000
39. Ontario Works - Taxi Requisition Program	27,000
40. Community Centres	1,081,000
41. Public Health	41,000
42. Legal	124,000
43. Provision for Claims	40,000
44. Miscellaneous	-3,000
<b>Total Expenditures</b>	<b>-21,504,000</b>