



Office of the Auditor General / Bureau du vérificateur général

**FOLLOW-UP TO THE 2007 AUDIT OF MINISTRY OF LABOUR
CHARGES REGARDING CONTRACTOR VEHICLES IN
SURFACE OPERATIONS**

2009

**SUIVI DE LA VÉRIFICATION DES FRAIS IMPOSÉS PAR LE
MINISTÈRE DU TRAVAIL DE L'ONTARIO POUR DES
VÉHICULES APPARTENANT À DES FOURNISSEURS
DE LA DIRECTION DES OPÉRATIONS DE SURFACE DE 2007**

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Ministry of Labour Charges Regarding Contractor Vehicles In Surface Operations was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The Ministry of Labour issued a number of orders in 2007 related to unsafe contractor equipment at the City's Woodward Yard.
- On February 28, 2007, the Ministry of Labour visited the Yard and found unsafe contractor graders.
- The Ministry ordered that the safety deficiencies be remedied and that the City provide proof from the contractors that this work was completed.
- The City has complied with the orders and has revised its contract provisions to provide improved assurance of adequate equipment in the future.

Summary of the Level of Completion

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

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	2	1	11%
ACTION INITIATED	25 – 49	5, 8, 9	3	33%
PARTIALLY COMPLETE	50 – 74	3, 4, 7	3	33%
SUBSTANTIALLY COMPLETE	75 – 99	6	1	11%
COMPLETE	100	1	1	11%
TOTAL			9	100%

Conclusion

Progress has been made towards implementation of many of the recommendations related to safety and operations. Written verification that the contractor's grader operators are competent is obtained, and a checklist is used to help ensure safety issues are remedied. Challenges to full implementation are primarily associated with a lack of formal documentation of training and procedures, which can lead to inconsistent application of important operation and control activities.

Although a reconciliation process has been implemented to ensure invoices from contractors agree to the time submitted by the supervisor, controls are not in place to address the following areas:

1. Ensuring compensation is in compliance with the contract, particularly when a shift of less than eight hours is worked;
2. Ensuring contracts are not paid when the equipment is not working due to deficiencies; and,
3. Ensuring the contract is explicit and comprehensive in describing the contractor's entitlement to hourly and standby pay.

A new tracking and reconciliation process has contributed significantly to improved controls to help ensure standby pay is not provided to contractors on days for which they worked. Opportunities exist to improve procedures to help ensure the adequacy and accuracy of the information provided for reconciliation, and to enhance the reconciliation procedures in order to ensure payments to contractors are appropriate.

Acknowledgement

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

RÉSUMÉ

Introduction

Le Suivi de la vérification des frais imposés par le ministère du Travail de l'Ontario pour des véhicules appartenant à des fournisseurs de la Direction des opérations de surface de 2007 était prévu dans le Plan de vérification du Bureau du vérificateur général de 2009.

Les constatations principales de la vérification initiale de 2007 sont les suivantes :

- En 2007, le ministère du Travail a émis plusieurs ordonnances relativement à des véhicules non sécuritaires appartenant à des entrepreneurs et garés dans la cour d'entreposage Woodward.
- Le 28 février 2007, le ministère du Travail a visité la cour d'entreposage et remarqué des niveleuses non sécuritaires appartenant à des entrepreneurs.
- Le Ministère a exigé que soient corrigées les déficiences posant des risques à la sécurité et que la Ville obtienne la preuve des entrepreneurs que les travaux de réparation ont été effectués.
- La Ville s'est depuis conformée aux ordonnances et a revu les dispositions de ses contrats de manière à mieux s'assurer à l'avenir du bon état de l'équipement.

Sommaire du degré d'achèvement

Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation à l'automne 2009 :

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 - 24	2, 5, 8	3	11 %
ACTION AMORCÉE	25 - 49	9	1	33 %
COMPLÉTÉE EN PARTIE	50 - 74	3, 4, 7	3	33 %
PRATIQUEMENT COMPLÉTÉE	75 - 99	6	1	11 %
COMPLÉTÉE	100	1	1	11 %
TOTAL			9	100 %

Conclusion

Des progrès ont été réalisés dans la mise en œuvre d'un bon nombre des recommandations liées à la sécurité et à l'exploitation. Une vérification écrite de la compétence des conducteurs de niveleuses est obtenue et une liste de vérification est utilisée afin d'assurer que les questions en matière de sécurité sont réglées. Les

défis de la mise en œuvre complète résident essentiellement dans le manque de documentation officielle de la formation et des procédures, ce qui peut mener à une application irrégulière des activités d'exploitation et de contrôle importantes.

Bien qu'un processus de rapprochement ait été mis en place afin d'assurer que les factures des entrepreneurs concordent avec les heures soumises par les superviseurs, il n'existe pas de contrôles visant à se pencher les questions suivantes :

1. Assurer que la rémunération est conforme au contrat, notamment lorsqu'un quart de travail de moins de huit heures est effectué;
2. Assurer qu'aucun paiement relativement au contrat n'est versé quand l'équipement ne fonctionne pas en raison de défauts;
3. Assurer que le contrat est explicite et détaillé en ce qui concerne la description du droit de l'entrepreneur à une rémunération horaire et à une prime de disponibilité.

Un nouveau processus de suivi et de rapprochement a contribué grandement à l'amélioration des contrôles visant à assurer que les primes de disponibilité ne sont pas versées aux entrepreneurs les jours où ils ont travaillé. Les procédures peuvent encore faire l'objet d'amélioration afin d'assurer la pertinence et l'exactitude des renseignements fournis en vue du rapprochement et de renforcer les procédures qui y sont liées pour veiller à ce que les paiements aux entrepreneurs soient appropriés.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

The Follow-up to the 2007 Audit of Ministry of Labour Charges Regarding Contractor Vehicles In Surface Operations was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2007 audit included:

- The Ministry of Labour issued a number of orders in 2007 related to unsafe contractor equipment at the City's Woodward Yard.
- On February 28, 2007, the Ministry of Labour visited the Yard and found unsafe contractor graders.
- The Ministry ordered that the safety deficiencies be remedied and that the City provide proof from the contractors that this work was completed.
- The City has complied with the orders and has revised its contract provisions to provide improved assurance of adequate equipment in the future.

2 KEY FINDINGS OF THE ORIGINAL 2007 AUDIT OF MINISTRY OF LABOUR CHARGES REGARDING CONTRACTOR VEHICLES IN SURFACE OPERATIONS

1. The Ministry of Labour issued orders to the City requiring that:
 - a) Specific unsafe contractor-owned graders, located at Woodward Yard, have their safety deficiencies remedied and that the City provide proof of repair by way of a Mechanical Inspection Certificate obtained from the contractors after the work was completed;
 - b) The contractor provide the City with verification of the grader operators' competency; and,
 - c) An Occupational Health And Safety Committee be established specifically for the Woodward Yard.

We were able to validate that orders a) and c) have been complied with, but not order b).

2. While the agreement with the contractors provides for the City's right to inspect the graders, there was no requirement for Safety Certificates for each vehicle to be provided to the City by the contractors. The City has now implemented such a requirement.
3. The City now requires that the contractor provide a Mechanical Inspection Certificate for each grader signed by a certified mechanic and dated no earlier than a month prior to the start of the season.

4. Surface Operations staff are required to inspect the equipment but may not have the appropriate training and assistance to do it.
5. The City does not have an adequate process to ensure that contractor safety deficiencies are promptly remedied and that liquidated damages for these units are charged to the contractor as provided for in the agreement.
6. The City has not applied the provisions of the contract despite the fact that contractor-owned equipment has been found to be unsafe from time to time.
7. There is inadequate reconciliation of contractor invoices prior to payment and the City is processing incomplete or erroneous contractor invoices.
8. The City has paid a minimum of approximately \$2,100 in standby fees in the last snow season (2006-2007) that should not have been paid.

3 STATUS OF IMPLEMENTATION OF 2007 AUDIT RECOMMENDATIONS

2007 Recommendation 1

That the City require that the grader contractors provide Surface Operations Branch with written verification that the contractors' grader operators are competent.

2007 Management Response

Management agrees with this recommendation.

Request for Tender No. 18007-96872-T02 for the 2007-2008 to 2009-10 seasons includes specifications addressing this recommendation:

Specification 5(a) "The Contractor shall submit in writing, the names of all operators to the Surface Operations Branch by October 1st of each year".

Specification 5(c) "No other operators shall be used unless the Area Manager is notified at least (5) five days in advance, of the names of the persons to be added to the list. Operators, which must be substituted for emergency situations, must be replaced with competent, qualified operators. The City's District supervisor shall be advised of such change prior to the equipment commencing operations. The Contractor shall be responsible to ensure that all operators are totally familiar with the assigned beat and operational procedures".

Specification 5(d) "The assigned operators shall be fully qualified, experienced and competent in the operation of the equipment".

Specification 5(e) "The Contractor will be responsible for training his staff to carry out the work as described herein. Only competent employees who have previous

snowplowing experience and are familiar with all applicable rules and regulations for same shall be used on this Contract”.

This recommendation has been implemented.

Management Representation of the Status of Implementation of Recommendation 1 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 1

Specifications in the Request for Tender include the following:

1. Specification 5.d requires: "The assigned operators shall be fully qualified, experienced and competent in the operation of the equipment.";
2. Specification 5.c requires replacements to be competent and qualified; and,
3. Specification 5.e requires the contractor to be responsible for training staff, and only competent employees with previous experience to be used on the contract.

These specifications provide sufficient evidence that Public Works requests written verification that the Contractors' grader operators are competent.

OAG: % complete 100%

2007 Recommendation 2

That Fleet Services, in conjunction with the operating department, review any new Request for Tender prepared for contractor graders to ensure that all pertinent areas are covered.

2007 Management Response

Management agrees with this recommendation.

In future, Surface Operations will work with the Supply Management and Fleet Services to develop a review process for future tenders.

The findings do not reveal any deficiencies in the tendering process with respect to equipment compliance requirements, however, as a precaution, Fleet Services will review the equipment compliance portion for contractor graders tenders for future tenders.

This recommendation will be implemented in future tenders.

Management Representation of the Status of Implementation of Recommendation 2 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 2

Although Management described processes that were improved to help ensure all pertinent areas of the Request For Tender are covered, sufficient documentation was not available to demonstrate an ongoing process of review of new Requests for Tender.

Management indicated that after the audit, Legal, Fleet and Surface Operations worked together to review the RFT's and make updates where required. However, management was unable to provide evidence of the review.

Management explained that Public Works ensures all required specifications are included in the RFT, and forwards it to the Supply Division who ensures the terms of reference are complete. This interaction is described at a high level in the "Summer and Year Round Tender/Contracting Timelines" document.

Additional Action Taken in 2009: An email dated August 21, 2009 provides evidence of Management's intention to have Fleet Services review future grader tenders to ensure all pertinent areas are covered, including audit recommendations from the 2007 audit.

OAG: % complete *10%*

Management Representation of Status of Implementation of Recommendation 2 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that little or no action has been taken to implement this recommendation.

Public Works routinely works with Supply Management and Fleet Services to develop a wide range of requests for tender (RFT) in order to ensure that all pertinent areas are covered including equipment compliance.

No RFTs for contractor graders were prepared between the time of the audit and winter 2010. The new RFT for contractor graders is currently being prepared and Fleet Services is reviewing it.

Management considers implementation of this recommendation to be complete.

Management: % complete *100%*

2007 Recommendation 3

That Surface Operations Branch request from each contractor, a signed statement listing the operators, indicating that each has been trained in the use of the equipment, and what the training included.

2007 Management Response

Management agrees with this recommendation.

When submitting a bid for the Request for Tender in question the contractor must guarantee by his signature that “We hereby offer to sell to the City of Ottawa, herein after referred to as the City, in accordance with the terms and conditions set out herein, referred to herein or attached hereto, the goods and/or services specified herein at the price(s) set out therefore.” This has already been implemented.

Surface Operations will work with Fleet Services and Supply Management to include a clause in all tenders that requires the successful firm(s) to submit a list of trained operators acceptable to Surface Operations prior to commencement of the work. This will be implemented in all calls for future tenders.

Management Representation of the Status of Implementation of Recommendation 3 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete 100%

OAG’s Follow-up Audit Findings regarding Recommendation 3

The following specifications in the Request for Tender address two out of the three components of this recommendation:

Specification 5.b requires the contractor to submit the names and telephone numbers of all operators to the Surface Operations Branch (Public Works) by October 1st of each year; and,

Specification 5.e requires the contractor to train his staff.

The RFT does not require the contractor to describe what the training included. Management explained that the Legal Operations and Support Services Branch advised against asking contractors to include a description of the training provided. However, management was unable to provide evidence of this advice.

OAG: % complete 70%

Management Representation of Status of Implementation of Recommendation 3 as of Winter 2010

Management disagrees with the OAG’s follow-up audit finding that implementation of this recommendation is only partially complete.

As indicated in the OAG’s follow-up audit finding, two of the three components of the recommendation are complete.

The following clause will be inserted into the Grader Tender to satisfy the last component of the recommendation by the end of Q3 2010.

“All Contractors shall be required to demonstrate to the satisfaction of the Roads & Traffic Operations & Maintenance Manager that the operators have adequate experience and expertise to perform the services required by the Contract

Specifications, and shall furnish such information and/or proof of these qualifications.”

Management considers implementation of this recommendation to be substantially complete.

Management: % complete *90%*

2007 Recommendation 4

That the City establish and implement a process for ensuring that safety deficiencies detected in contractor-owned graders are remedied.

2007 Management Response

Management agrees with this recommendation.

The tendering documents for the 2007–2008 to 2009-10 seasons address this in the following specifications;

Specification 22(b)

“In the event that equipment, after starting operation, is not available as required due to mechanical breakdown or lack of an operator familiar with assigned roads, one (1) day’s standby will be deducted from that owing for every three (3) hours the equipment is not available and needed to a maximum deduction of five (5) days standby for any twenty-four (24) hour period”.

Specification 22(d) “Should the Contractor be unavailable when called, the Contractor will be recorded on a “Contractor Deficiency Report”. After a second (2) such occurrence the District Manager or designate will reserve the right to exclude the Contractor from any future work under this contract.”

The process for dealing with such situations will be incorporated within the yearly training. It will be mandatory to attach deficiency reports to the tracking sheets prior to sending to the Systems Control Administrator. SOPs will ensure that deficient equipment will not be put back in service until deficiencies has been corrected.

This recommendation has been implemented.

Management Representation of the Status of Implementation of Recommendation 4 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete *100%*

OAG’s Follow-up Audit Findings regarding Recommendation 4

Progress has been made toward addressing this recommendation, however lack of formally documented policies and procedures limit the assurance of consistent and

effective processes to ensure that safety deficiencies are remedied. Management has implemented the use of a checklist to ensure a predetermined set of safety criteria are met on each grader prior to accepting the grader into the yard for operation. However, upon examination of four completed checklists, inconsistencies were noted in the safety criteria, in how the checklists were completed, and in the completeness of signatures. As well, not all sections of the checklists were completed. Management explained that vehicles that have not met all conditions listed on the checklist are not allowed on the lot. Contractors are given two weeks to fix any identified issues, at which time the City staff will perform another review and indicate repairs on the checklist. However, the requirement to use the checklist and the terms and conditions under which a faulty grader is reassessed and allowed back on the lot have not been formally documented.

Management explained that City staff inspect the equipment prior to each use. However, this process has not been formally documented.

OAG: % complete

50%

Management Representation of Status of Implementation of Recommendation 4 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only partially complete.

For a contract grader to work for Public Works, a letter/report signed by a qualified mechanic must be submitted stating that the graders and attachments are mechanically fit to operate.

Public Works staff also use the standardized grader inspection form (checklist) to complete a visual inspection of the unit to ensure it is safe to operate. These same staff members are responsible for ensuring that our City-owned and leased graders are safe to operate.

If the unit is deemed unsafe, then a "Contractor Deficiency Report" is filled in and submitted to Supply Management. Once the contractor has repaired the deficiency and passed the inspection again, the grader is allowed to resume operation.

The OAG has indicated that it would be of benefit to formally document the use of the inspection checklist. Fleet Services agrees, and will document an inspection and deficiency procedure by Q4 2010.

Management considers implementation of this recommendation to be complete.

Management: % complete

100%

2007 Recommendation 5

That the City implement the liquidated damages clause provided for in the contract, as required in the Request for Tender.

2007 Management Response

Management disagrees with this recommendation.

However, experience with this industry has led Surface Operations to conclude that the liquidated damages clause could be problematic, and in fact could restrict bids in a marketplace already limited by grader availability. Surface Operations is of the opinion that clause 22(d), repeated above, deals with contract deficiency in a more practical manner.

Management Representation of the Status of Implementation of Recommendation 5 at December 31, 2008

Implementation of this recommendation has not yet begun. This recommendation will be scheduled for discussion at an upcoming CAWG meeting.

Management: % complete *0%*

OAG's Follow-up Audit Findings regarding Recommendation 5

Management disagreed with this recommendation, except for the implementation of clause 22 (d) which states that after the 2nd occurrence that the contractor is unavailable when called, the District Manager or designate will reserve the right to exclude the contractor from any future work under the contract. A Deficiency Report is provided by the Zone Supervisor to the Supply Management Branch each month. It tracks the following deficiencies: late arrivals; early departures; mechanically defective equipment; unskilled operators; and failure to report. An example of a letter of dismissal for default of clause 22 (d) was observed, along with a sample of Deficiency Reports, and an email from the Supply Management Branch containing Deficiency Reports and indicating where termination took place.

The original management response explained that the liquidated damages clause could be problematic, and that management's opinion is that clause 22 (d) is more practical. However, management has not demonstrated that an assessment was performed to determine whether clause 22 (d) is sufficient and appropriate in mitigating the risks the entire clause is intended to address. The entire clause remains in the updated Terms of Reference, regardless of management's intention only to implement 22 (d).

The recommendation was not discussed at a CAWG meeting.

OAG: % complete *25%*

Management Representation of Status of Implementation of Recommendation 5 as of Winter 2010

This recommendation requires resolution.

2007 recommendations requiring resolution were included on the Council Audit Working Group (CAWG) workplan, and further to agreed upon protocol, meetings were being scheduled to deal with the disputed items. Several items from the

workplan were dealt with in 2008 however, with the formation of the Audit, Budget and Finance Committee (ABFC) at Mid-term Governance Review, the CAWG was dissolved. Their mandate to receive and report quarterly on the status of implementation of audit recommendations and provide input into the recommendations requiring resolution was assumed by the ABFC. Discussions regarding disputed items on the CAWG workplan were temporarily suspended until a new process with respect to reporting and resolution of disputed items is confirmed.

Management: % complete _____ %

2007 Recommendation 6

That the City not process for payment any incorrect contractor invoices and that these be returned for correction.

2007 Management Response

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

Management Representation of the Status of Implementation of Recommendation 6 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete _____ **100%**

OAG's Follow-up Audit Findings regarding Recommendation 6

A process has been developed and implemented to help ensure against paying incorrect contractor invoices. A process flow chart depicts a review and reconciliation function prior to processing payments. The reconciliation function includes tracking standby days for each vendor on the "Equipment Standby and Call Out Tracking" report and comparing the number of days tracked to the number of days submitted on the vendor's invoice.

Deficiencies such as late arrivals, mechanically defective equipment, and failure to report are tracked on the "Hired Equipment Deficiency Report." However, the deficiency report is not used in the reconciliation prior to payment. Instead, reliance is placed on the Zone Supervisor to indicate either a work day or a standby day on the tracking sheet for days when the equipment is defective.

The Systems Control Administrator responsible for the reconciliations explained that when a vendor works a "short shift", they are paid for the hours worked in addition to standby pay for the day. Since the report used in the reconciliation indicates for each day either "w" or "1" for "worked" or "standby", complete information on the vendor's entitlement to standby pay (entitled when a short shift

was worked, not entitled if the equipment was mechanically defective) is not evident.

OAG: % complete *75%*

Management Representation of Status of Implementation of Recommendation 6 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only substantially complete.

As noted in the OAG's follow-up audit finding, a process has been developed and implemented to manage contractor invoices and help ensure incorrect contractor invoices are not paid and that these be returned for correction. The process was already in place by the tabling of the 2007 Audit.

As outlined in the management response to Recommendation 2, a new Request for Tender will also further address the issue of the vendor's entitlement to standby pay with a new standby clause. This clause will be similar to the "Payment of Daily Standby Rate" already in place with 18009-96872-T01 RFT Rental Combination Units - Plow Salt and Sand Trucks. The clause states that the contractor will be paid a daily standby rate per "snow plow equipment" per calendar day, regardless of whether the unit works during that day or not, which is consistent with similar tenders.

The "Payment of Daily Standby Rate" clause is a refinement of the original 2007 Management Response. This clause will no longer allow room for interpretation when it comes to when a contractor is entitled to standby pay. This will allow the Systems Control Administrator to ensure all contractor invoices are processed correctly. This further refinement will be implemented by Q4 2010.

Management considers implementation of this recommendation to be complete.

Management: % complete *100%*

2007 Recommendation 7

That Surface Operations Branch provide the Systems Control Administrator with copies of the 2006-07 winter Standby and Call-out tracking sheets and the deficiency reports for reconciliation with the activity tickets prior to payment of contractor invoices.

2007 Management Response

Management agrees with this recommendation.

The documents will be provided to the Systems Control Administrator for reconciliation with the Activity Tickets prior to payment of contractor invoices. This requirement will be reiterated at the annual training sessions and integrated

within branch wide procedures and monitored. This is in currently being implemented.

Management Representation of the Status of Implementation of Recommendation 7 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 7

An example of a Standby and Call Out Tracking Report that is provided to the Systems Control Administrator, and the reconciliation with the corresponding vendor invoice for standby days were examined. The days for which the vendor was entitled to standby payment were indicated on the Tracking Report. The Systems Control Administrator explained that prior to payment, he ensures the number of days standby pay requested per the vendor's invoice matches the number of days standby approved by the Supervisor on the Tracking Report, and that both of these match the information in the system. Reliance is placed on the Supervisor to have appropriately authorized standby days, and to have accurately accounted for hours worked.

The Systems Control Administrator explained that the Deficiency Report is not provided to him, and is not used in the reconciliation.

Discrepancies were noted in the determination of when standby pay is warranted. See recommendation 8 for more details.

Deficiencies and short shifts are not reported in the Standby and Call Out Tracking Report. Thus the Systems Control Administrator does not reconcile complete information about a vendor's entitlement to compensation.

The reconciliation was not initialed, dated, or otherwise marked to provide evidence of what was reviewed on each sheet, and to demonstrate timeliness and accountability.

The Standby and Callout Tracking Report does not uniquely identify each grader for which data is being tracked (E.g., By listing the serial number). This would facilitate an easier matching of the information on the reports to the reconciliation.

Opportunity exists to incorporate the current tracking of deficiencies, standby, and hours worked into the current process of using inspection and checklists to ensure that safety deficiencies detected in graders are remedied.

Prior to payment, a comparison could be made between the deficiency report, and the corresponding checklist to ensure neither hours worked nor standby days are listed for payment for any days between the date the deficiency was noted and the date the deficiency was repaired according to the checklist. Alternatively, a comparison as described above could be performed periodically, on a sample of

contractors, or on a sample of graders. This would serve both to tie the services provided by the contractor to the amount being paid, as well as provide documentation to demonstrate that graders with safety deficiencies (not working) are not paid prior to the deficiency being fixed (See recommendation 4).

OAG: % complete *50%*

Management Representation of Status of Implementation of Recommendation 7 as of Winter 2010

Management agrees with the OAG's follow-up audit finding.

Upon follow-up review, some, but not all deficiency reports are being received by the Systems Control Administrator. This will be rectified as outlined in Recommendation 2. A new Request for Tender, as well as an assessment of the most effective approach to ensure all information is collected and submitted for reconciliation, will be developed by the end of Q4 2010.

Management: % complete *50%*

2007 Recommendation 8

That the City not pay standby fees for days on which the contractor-owned equipment is used.

2007 Management Response

Management agrees with this recommendation.

The following sentence was added to Specification 5 of the tendering documents for the 2007-2008 to 2009-2010 seasons, it specifies further the conditions under which standby fees apply; "The maximum Daily Standby days that will not be reimbursed per "snow plow equipment" call in shall be one (1) in any twenty four (24) hour period from 01 November to 15 April".

In addition, the process by which the information contained in the Standby and Call-out tracking sheets guides the determination of amounts owed to the Contractor will be reiterated at yearly training.

This recommendation has been implemented.

Management Representation of the Status of Implementation of Recommendation 8 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 8

Specification 5 of the RFT does not contain the conditions claimed in the original management response. Regardless, the conditions described would not address this

recommendation. They limit the number of days for which standby is not paid, rather than limiting when standby is paid.

The reconciliation process described in recommendation 7 will help to ensure that only standby days approved by the Supervisor are paid. However, discrepancies were noted in the determination of the vendor's entitlement to compensation:

1. The practice assumed during the reconciling of overpayments was that a vendor is entitled to payment for a standby day when the vendor works a "short shift". (See recommendation 9 for more details).
2. Management explained that the contract, and amendment indicate that if a shift of less than eight hours is worked, the vendor is entitled to payment for the full eight hours, and is not entitled to standby pay.
3. The Standby Tracking sheet, and corresponding reconciliation for January 2009, shows that on January 29, a vendor had equipment working six hours. Based on the system printout, it appears that the vendor was paid for only six hours, and was not paid for a standby day.

It should be noted that, although the scope of the audit included only graders, the current practice for plow, sand, and salt trucks is to pay standby fees for each day "regardless of whether the unit works during that day or not."

Vendor invoices for standby pay should be received directly by the Systems Control Administrator, rather than by the supervisor who is responsible for time tracking. This would increase the independence of the reconciliation.

In addition to reconciling the standby pay prior to payment, a review should be performed (on a sample basis, if deemed appropriate) to ensure that the compensation paid is in compliance with the terms of the contract. Particularly in cases when a short shift is worked, and when the equipment was deficient.

OAG: % complete 25%

Management Representation of Status of Implementation of Recommendation 8 as of Winter 2010

Management agrees with the OAG's follow-up audit finding.

As outlined in the management response to Recommendation 6, the new Request for Tender will address the issue of standby pay. Implementation of this recommendation will be complete by the end of Q4 2010.

Management: % complete 25 %

2007 Recommendation 9

That the City recover the standby fees inappropriately paid last season.

2007 Management Response

Management agrees with this recommendation.

Surface Operations has completed the review of the instances identified by the Auditor, where standby fees may have been paid incorrectly, as of December 12, 2007 and will undertake measures to recover funds.

Management Representation of the Status of Implementation of Recommendation 9 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 9

A reconciliation was performed, calculating the number of excess standby days paid for each vendor from November 2006 to March 2007. A total of 64 standby days paid in excess of the maximum possible standby days were identified. Of these, 25 were found by the reconciliation to be due to overpayment. The remaining 39 days were explained as a duplication of accounting whereby the contractor was entitled to both an hourly wage as well as payment for a standby day. These "duplicate" days are those for which the vendor worked a "short shift" (defined as less than eight hours). This practice is not specified in the contract, and Management has confirmed that a vendor is not entitled to standby pay when a short shift is worked. (See recommendation 8). Therefore, overpayment should have been recovered for all 64 days.

Funds for the 25 days overpayment were recovered by way of a credit memo on October 9, 2008. Funds for the other 39 days overpayment were not recovered.

The information provided on the reconciliation was not audited for the purpose of this follow up.

Because they were not tracked at the time, deficiencies were not considered in the reconciliation. Instead it was assumed that the contractor was entitled to standby pay for any day for which a full hourly wage was not paid. The overpayments identified may therefore be understated.

When asked, management was unable to explain the data and comments (such as "short shift") on the reconciliation. This may be an indication of underlying control weaknesses in the areas of monitoring and accountability.

Management should clarify the clauses of the contract that detail when the contractor is entitled to standby pay. It is further suggested that management periodically review the reports and reconciliations on which they rely to ensure payments to vendors are appropriate, and that management sign and date the reports to indicate review.

OAG: % complete **30%**

Management Representation of Status of Implementation of Recommendation 9 as of Winter 2010

Management disagrees with the OAG’s follow-up audit finding that action has been initiated to implement this recommendation but it is not yet considered complete.

Management considers the reconciliation process to be complete. The remaining 39 days overpayment is for short shifts where the 8-hour shift minimum was not paid, (which was a legacy system some districts worked under). The adjustment in question is estimated to be roughly \$2,100. The administrative costs to review the invoices and timesheets and then to collect these funds outweighs the benefits of proceeding with the implementation of this recommendation. Further, as noted in the management response to Recommendation 6, the new Request for Tender will address the issue of standby pay.

Given that the costs outweigh the benefits of proceeding further; management considers implementation of this recommendation to be complete.

Management: % complete ***100%***

4 SUMMARY OF THE LEVEL OF COMPLETION

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

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	2	1	11%
ACTION INITIATED	25 – 49	5, 8, 9	3	33%
PARTIALLY COMPLETE	50 – 74	3, 4, 7	3	33%
SUBSTANTIALLY COMPLETE	75 – 99	6	1	11%
COMPLETE	100	1	1	11%
TOTAL			9	100%

5 CONCLUSION

Progress has been made towards implementation of many of the recommendations related to safety and operations. Written verification that the contractor’s grader operators are competent is obtained, and a checklist is used to help ensure safety issues are remedied. Challenges to full implementation are primarily associated with a lack of formal documentation of training and procedures, which can lead to inconsistent application of important operation and control activities.

Although a reconciliation process has been implemented to ensure invoices from contractors agree to the time submitted by the supervisor, controls are not in place to address the following areas:

1. Ensuring compensation is in compliance with the contract, particularly when a shift of less than eight hours is worked;
2. Ensuring contracts are not paid when the equipment is not working due to deficiencies; and,
3. Ensuring the contract is explicit and comprehensive in describing the contractor's entitlement to hourly and standby pay.

A new tracking and reconciliation process has contributed significantly to improved controls to help ensure standby pay is not provided to contractors on days for which they worked. Opportunities exist to improve procedures to help ensure the adequacy and accuracy of the information provided for reconciliation, and to enhance the reconciliation procedures in order to ensure payments to contractors are appropriate.

6 ACKNOWLEDGEMENT

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.