



Office of the Auditor General / Bureau du vérificateur général

**FOLLOW-UP TO THE 2007 AUDIT OF
THE PROTOCOL DIVISION
2009**

**SUIVI DE LA VÉRIFICATION DE LA
DIVISION DU PROTOCOLE DE 2007**

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2007 Audit of the Protocol Division was included in the Auditor General's 2009 Audit Plan. In 2007, the City Clerk of the City of Ottawa requested that the Auditor General review the Protocol Division to assess if procurement practices were in compliance with City policies.

The key findings of the original 2007 audit included:

- The Protocol Division had awarded non-competitive contracts for graphic design services to a firm related to an employee of the Division. There was no disclosure of the conflict of interest. Since 2001, contracts totalling more than \$170,000 had been awarded to this firm;
- The Protocol Division has regularly exceeded its operating budget. In 2006, the actual net expenses exceeded budget by \$389,000 or 88%. Budget adjustments were not made to cover the deficit; and,
- Financial Services did not play a role in detecting the non-compliance issues found in the audit.

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	-	-	-
ACTION INITIATED	25 – 49	2	1	25%
PARTIALLY COMPLETE	50 – 74	4	1	25%
SUBSTANTIALLY COMPLETE	75 – 99	1	1	25%
COMPLETE	100	3	1	25%
TOTAL			4	100%

Conclusion

In 2008, the recommendation relating to aligning the City Clerk's budget for 2009 has been completed to better reflect spending within the Protocol Division.

Although there was a carry-over of more transactions in 2007 where the legislative requirements and corporate policy with respect to employee/employer relationships were not followed and remain non-compliant, other agreements in 2007 and 2008 were compliant with respect to employee/employer relationships.

The Protocol Division continues to sole-source the majority of transactions. The transactions identified, as having requested three quotes would also be considered sole source, as three quotes had not actually been received. The Protocol Division needs to ensure that they are seeking out competitive opportunities to the extent possible. The Protocol Division has reduced reliance on related parties from 2006 and 2007 to one case in 2008. The original audit recommended that Protocol Division follow competitive procurement in compliance with the Purchasing By-law which would include that they do not waive insurance requirements against the recommendations of Risk Management. However, it is now City practice that managers assume full responsibility for waiving insurance requirements and any resulting consequences.

Although Finance has established processes to advise departments of non-compliance issues, transactions are still processed on a non-compliant basis. The level of missing documents for this Financial Support Unit (FSU) is concerning. Finance needs to improve their role in detecting non-compliance issues and also ensure that supporting documentation is available for all transactions.

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 de la Division du protocole de 2007 était prévu dans le Plan de vérification du Bureau du vérificateur général de 2009. En 2007, le greffier de la Ville d'Ottawa a demandé au vérificateur général d'examiner les pratiques de la Division du protocole en matière d'approvisionnement pour en vérifier la conformité avec les politiques de la Ville.

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

- La Division du protocole a adjugé des contrats sans appel d'offres à une entreprise de conception graphique; celle-ci était liée à un employé de la Division. Aucun conflit d'intérêts n'a toutefois été déclaré. La valeur des contrats octroyés à cette entreprise depuis 2001 s'élève à plus de 170 000 \$.
- La Division du protocole excède régulièrement son budget de fonctionnement. En 2006, les dépenses nettes réelles étaient supérieures de 389 000 \$ ou 88 p. 100 aux dépenses prévues au budget. Aucun rajustement budgétaire n'a été fait pour combler le déficit.
- Les Services financiers n'ont joué aucun rôle dans la détection des questions de non-conformité révélées par la vérification.

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	-	-	-
ACTION AMORCÉE	25 - 49	2	1	25 %
COMPLÉTÉE EN PARTIE	50 - 74	4	1	25 %
PRATIQUEMENT COMPLÉTÉE	75 - 99	1	1	25 %
COMPLÉTÉE	100	3	1	25 %
TOTAL			4	100 %

Conclusion

En 2008, la recommandation liée à l'harmonisation du budget du Greffe pour l'année 2009 a été mise en œuvre afin de mieux refléter les dépenses de la Division du protocole.

Bien que plus de transactions aient été reportées en 2007, alors que les exigences législatives et la politique municipale en matière de relations entre employés et employeur n'étaient pas respectées et demeuraient non conformes, d'autres ententes survenues en 2007 et en 2008 étaient conformes en matière de relations entre employés et employeur.

La Division du protocole continue d'attribuer la majorité de ses transactions à un fournisseur unique. Les transactions cernées pour lesquelles trois devis ont été demandés seraient également traitées comme des transactions à fournisseur unique puisque trois devis n'ont pas été en fait obtenus. La Division du protocole doit s'assurer de rechercher des possibilités concurrentielles dans la mesure du possible. Sa dépendance à des parties liées à des employés a diminué par rapport à 2006 et 2007, se réduisant à un cas en 2008. Dans la vérification originale, il était recommandé que la Division du protocole suive un processus d'acquisition concurrentiel conformément au Règlement sur les achats, ce qui comprendrait qu'elle ne renonce pas aux exigences en matière d'assurance à l'encontre des recommandations de la Gestion des risques. Cependant, il est maintenant de mise à la Ville que les gestionnaires assument l'entière responsabilité en ce qui a trait au renoncement aux exigences en matière d'assurance et à toute conséquence qui en découle.

Bien que les Services financiers aient établi des processus afin d'aviser les services des questions de non-conformité, des transactions sont toujours traitées sur une base de non-conformité. Le nombre de documents manquants pour cette Unité du soutien financier est inquiétant. Les Services financiers doivent parfaire leur rôle de détection des questions de non-conformité et veiller également à ce que les documents à l'appui soient disponibles pour toutes les transactions.

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 the Protocol Division was included in the Auditor General's 2009 Audit Plan. In 2007, the City Clerk of the City of Ottawa requested that the Auditor General review the Protocol Division to assess if procurement practices were in compliance with City policies.

The key findings of the original 2007 audit included:

- The Protocol Division had awarded non-competitive contracts for graphic design services to a firm related to an employee of the Division. There was no disclosure of the conflict of interest. Since 2001, contracts totalling more than \$170,000 had been awarded to this firm;
- The Protocol Division has regularly exceeded its operating budget. In 2006, the actual net expenses exceeded budget by \$389,000 or 88%. Budget adjustments were not made to cover the deficit; and,
- Financial Services did not play a role in detecting the non-compliance issues found in the audit.

2 KEY FINDINGS OF THE ORIGINAL 2007 AUDIT OF THE PROTOCOL DIVISION

Payments to Stratcor and xxxxxxxxxxxx

1. Stratcor does graphic design work. Per the Corporate Financial System, for 2006 Stratcor was paid \$37,000 and for 2005 was paid \$53,000. Since amalgamation this totalled \$170,000 to May 2007. xxxxxxxxxxxx and xxxxxxxxxxxxxxxxxxxx are Directors of Stratcor.
2. xxxxxxxxxxxx was employed at the City from November 29, 1982 to August 1, 2002, which overlapped the time period xxxxx was a Director of the Corporation. There was no disclosure on xxxxxx personnel file from Employee Services relating to a potential conflict of interest. Prior to xxxxxx retirement, xxxxx was xxxxxxxxxxxx with the Protocol Office.
3. xxxxxxxxxxxx also received payments directly starting in 2003 for protocol advising services xxxxx provided. Per the Corporate Financial System, for 2006 xxxxx was paid \$14,000, which included a payment with the description "Salary". Since 2003 xxxxx has received a total of \$22,000 to May 2007.
4. There were no written contracts or agreements with xxxxxxxxxxxx and a competitive procurement process was not followed. There were no written contracts or agreements with Stratcor for most of the transactions.
5. At the time the report was written, xxxxxxxxxxxx appeared on the City's email directory with the position title "Consultant".

6. There is no evidence of a procurement process followed for the services of xxxxxxxxxxxx (approximately \$22,000) or for most of the services of Stratcor (approximately \$128,000).
7. There was no consideration by Protocol Division of whether or not either xxxxxx or xxxxxxxxxxxx were in an employee-employer relationship and if there was a determination of whether the code of conduct (for example, if the conflict of interest or principles of conduct) applied to xxxxxxxxxxxx's role. If an employee-employer relationship exists this would result in additional obligations and liabilities for the City.
8. The work performed by Stratcor should have been procured based on its total estimated value as the Purchasing By-law indicates that no requirement may be divided into two or more parts to avoid the application of this By-law. Consideration should be given to establishing a standing offer or other competitive procurement process.
9. Financial Services did not play a role in detecting the non-compliance issues noted above.

Protocol Division Budget Overspending

1. The Protocol Division has significantly exceeded its budget from 2001 to 2006. In 2006 the actual net expenses exceeded the budget by \$389,000 or 88%.
2. Budget adjustments were not made to cover the deficit.
3. The annual budget needs to be developed to reflect expected spending.
4. The Purchasing By-law states that the authority to award a contract is subject to the identification and availability of sufficient funds in appropriate accounts within Council approved estimates. Therefore, contracts should not be awarded for amounts in excess of the budget.
5. Financial Services did not play a role in detecting non-compliance issues noted above.

3 STATUS OF IMPLEMENTATION OF 2007 AUDIT RECOMMENDATIONS

2007 Recommendation 1

That the City Clerk's Branch ensures compliance with legislative requirements and corporate policies on employee-employer relationships and conflict of interest.

2007 Management Response

Management agrees with the recommendation.

The Office of Protocol already complies with legislative requirements and corporate policies, and will continue to work closely with Financial Services and Employee Services to ensure compliance with these requirements and policies.

In the case cited in the Audit, Protocol did not breach any corporate policies or enter into a conflict of interest situation. Prior to (xxxxxxxxxxxx) retirement, xxxxx was employed as a Protocol Advisor in the Office of Protocol. Her role in this office did not relate in any way to Stratcor nor did xxxxx ever assign work or approve any payments relating to Stratcor.

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

In their original response, Management indicated that they were already compliant at the time of the audit. The original audit report reflected payments to May 2007. This individual, a former permanent employee, was subsequently paid \$12,925 from June to October 2007. The legislative requirements and corporate policy with respect to employee/employer relationships were not followed for this individual. Management has indicated that a review of the employee/employer relationship was not undertaken at the time when they were brought in. The full-time temporary person that this individual was replacing was paid through Payroll and had an employee/employer relationship. This sort of relationship should be reviewed.

In the absence of a formal contract or documentation to indicate otherwise, this relationship could be interpreted as an employee/employer relationship requiring that the City remit the employee and employer share of source deductions resulting in the City being non-compliant with legislation. This example from 2007 continues to be non-compliant with respect to the employee/employer relationship.

After 2007, there were no additional contracts awarded to this individual.

In performing the follow-up audit it was found that the extent where companies or individuals related to Protocol employees had been hired was more prevalent than we originally found. In addition to the above related-party transaction, this included the family members of Protocol employees that received \$5,853 relating to casual labour and constructing Christmas tree stands for events organized through the Protocol Division during 2006 and 2007. In addition, there were no formal agreements with these individuals for these sole source transactions creating the risk of employee/employer relationships and other liabilities for the City.

However, in 2008, based on a comparison of addresses and surnames of Protocol employees and confirmation with the Manager, this practice of related party

transactions did not continue except for one case of \$600 relating to the purchase of art from a family member of one out of three of the employees. The Manager provided the rationale for this purchase as a unique opportunity from this internationally renowned artist.

In summary, although we have found some carry-over of prior practices in 2007, this seems to be eliminated except for one example in 2008.

OAG: % complete *95%*

Management Representation of Status of Implementation of Recommendation 1 as of Winter 2010

Management agrees that implementation of this recommendation is substantially complete.

The Auditor General indicated in the original audit that if an employee-employer relationship exists this could result in additional obligations and liabilities for the City. Legal Services will review the situation in accordance with the legal test and the Canada Revenue Agency guidelines with a view to determining whether an employer/employee relationship did exist in this case. Should such a relationship be found to have existed, the City will make any necessary remittances, in consultation with the appropriate government agencies.

Management would like to state that it disagrees with the Auditor General's description of the conflict of interest examples contained in the follow-up findings, and would like to clarify that the \$5,853 payment was actually the total amount paid from 2006 and 2007, and is the sum of 13 separate transactions paid to four separate individuals for casual labour and included re-imburement of materials and supplies. To accommodate the last minute operational needs that can arise while delivering City-wide events, the Office of Protocol is working with Employee Services to develop general labour pools that will be governed by existing City of Ottawa employment practices.

Management: % complete *95%*

2007 Recommendation 2

That the City Clerk's Branch, in conjunction with Financial Services, ensures that the Protocol Division follows competitive procurement processes in compliance with the Purchasing By-law.

2007 Management Response

Management agrees with this recommendation.

The Office of Protocol already complies with Corporate Administrative Policy and City By-laws. In addition, Financial Services has improved its ability to identify and report low value purchases that are seemingly repetitive in nature. During the initial conversations with the Auditor, management indicated that the competitor's

cost were higher. Management has since provided the factual information to the Auditor that validates that the competitor's costs are indeed higher. These situations are reviewed when indicated and Supply Management is engaged to ensure a competitive process is utilized for ongoing requirements.

Financial Services will work with Protocol to establish standing offers for the purchase of these services. In June 2007, prior to meeting with the Auditor General, initial meetings were held with the Chief of Protocol, Financial Services and Procurement to discuss procurement processes, as well as the implementation of standing offers for services required on a regular and often urgent basis. It is anticipated that standing offers will be in place by Q3 2008.

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

Implementation of this recommendation is 75% complete. Request for Standing Offers will be posted on MERX. Standing offers for regular and urgent items should be in place by the end of Q1 2009.

Management: % complete 75%

OAG's Follow-up Audit Findings regarding Recommendation 2

In 2008, we found competitive procurement processes were not yet established. For one supplier, one standing offer has been setup in Q1 2009 with Stratcor for Protocol Services.

In addition, for the processes followed we found the Protocol Division was not in compliance with the Purchasing By-law.

For 2008 for a sample of items from suppliers, where annual procurements exceeded \$10,000, the Protocol Division followed processes as noted below:

Table 1: Protocol Division Compliance to Purchasing By-law

Process Followed	Quantity	Dollar Value	Portion Protocol Non-Compliant with Purchasing By-law & Procedures	Protocol Percentage Non-Compliant
Non-competitive Purchases – Sole Source Rationale (Note 1)	16	\$86,574	46,543	42%
3 quotes requested (Note 2)	4	21,259	21,259	19%
Under \$2,000	3	3,200	0	
Total	23	\$111,033	\$67,802	61%

Note 1: There were two non-compliant items. The first non-compliant item was in the amount of \$26,743. Although Management indicated there was an exclusivity agreement for catering, as the transaction exceeded \$10,000 a corporate purchase order would have been required. The transaction also exceeded \$20,000, which was

above the Manager's delegated signing authority. Finance had advised Protocol of this non-compliance. Refer to additional notes under Recommendation 4.

The Protocol Division maintains the original understanding that Veteran Affairs indicated they would cover the hospitality up to a maximum and that a few days before the event they indicated this was no longer an option due to their financial procedures. The Protocol Division indicated this caused the non-compliance. The funding source should have no bearing on the procurement. Properly executed cost sharing agreements with terms and conditions need to be established in advance of events to ensure that the City's policies and procedures are followed to adequately protect the City.

The second non-compliant item was in the amount of \$19,800 and related to a purchase order where the City Clerk waived insurance requirements against the recommendation of Risk Management. There was also an agreement with another contractor in 2007 where insurance requirements were waived. However, it is now City practice that managers assume full responsibility for waiving insurance requirements and any resulting consequences.

Note 2: Although three quotes were requested, three quotes were not received effectively resulting in these transactions also being sole-sourced.

The Finance role with respect to these procurements is addressed in recommendation 4.

OAG: % complete

40%

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

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

Since the original audit, the FSU has been vigilant in ensuring that competitive procurement processes are followed in compliance with the Purchasing By-law.

The OAG has labelled three transactions as non-compliant.

Management agrees that the first item (\$26,743) was non-compliant. As observed by the OAG, this was the result of a partner's actions a few days before the event, which resulted in the City paying the amount without a purchase order. The event in question occurred on a Monday, and the partner, Veterans Affairs Canada, only notified Protocol by phone on the previous business day (Friday) that a change was required. Official notification of the change did not come until after the event.

In keeping with Corporate Policy on purchase orders, the FSU flagged this item as being non-compliant since a purchase order could not be initiated for payment to the vendor after the event. To prevent similar situations from occurring, it is now

standard practice to establish properly executed cost sharing agreements with terms and conditions in advance of events. No further action is required.

Management disagrees that the second item (\$19,800) was non-compliant. The transaction occurred three years ago and at the time, it was within the Director's authority (i.e., the City Clerk) to waive insurance requirements.

Management disagrees with the OAG's comments under Note 2. The Office of Protocol is diligent when working within the competitive procurement process, and always seeks a verbal commitment from vendors at the onset, confirming their intention to submit proposals by the submission date. This proactive practice increases the likelihood that three submissions will be received. However, if after Protocol has received three verbal confirmations of intent and only receives one or two estimates, Supply Management views this as a competitive procurement and in compliance with the Purchasing By-law. This situation is no different than when contracts are advertised on MERX and only one bid is received. Therefore, management does not agree that the four items totalling \$21,259 were non-compliant.

Management considers implementation of this recommendation to be complete.

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

2007 Recommendation 3

That the City Clerk's Branch in conjunction with Financial Services, ensures appropriate budgeting practices are followed for the Protocol Division.

2007 Management Response

Management agrees with this recommendation.

It is already standard practice within this corporation to manage budgets within the envelope provided. However, adjustments should be made to reflect permanent changes, and are typically made annually, as part of the budget process. Mechanisms are in place for directors to make adjustments within their delegated authority provided they have capacity within their budget envelope. Financial Services supports this approach and will work with the City Clerk to make adjustments to better reflect the requirements of Protocol within the City Clerk's Branch budget. This will be started in Q4 2008 and will be completed prior to the 2009 budget development.

Financial Services does not agree with the statement that "The Purchasing By-law states that the authority to award a contract is subject to the identification and availability of sufficient funds in appropriate accounts within Council approved estimates therefore contracts should not have been awarded for amounts in excess of the budget". Funds would have been identified and approved from within the

overall Branch budget to support a request to purchase services prior to the awarding of a contract.

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 City Clerk's 2009 budget has been adjusted to reflect a base budget increase for the Protocol Division with offsetting base budget adjustments to increase the Vital Statistics revenue budget and to decrease the Printing, Mail and Shipping budget. There was a subsequent Council motion to reduce the budget and maintain services in the amount of \$75,000. At the time, the City Clerk and staff indicated they were confident that spending in this area could be reduced by this amount without affecting the service provided. The Protocol Division budget increased in the amount of \$325,000.

OAG: % complete **100%**

2007 Recommendation 4

That Financial Services Branch implement appropriate and consistent control procedures over their processes including financial, procurement and budget processes.

2007 Management Response

Management agrees with this recommendation.

Financial Services has established the role of Controller and is proceeding with the development and implementation of a Financial Control Framework. This will be completed by Q2 2009.

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

Implementation of this recommendation is 50% complete. The engagement with Ernst & Young to assess the City's entity level controls will be completed in Q1 2009. Additional phases will be prioritized for future periods. The process of collecting and validating policies and procedures within Financial Services is substantially completed. The project entered a new phase in November 2008 aimed at streamlining the development process, and to date, 57 procedures have been revised or consolidated using best industry practices. This phase is dependent upon active participation of all of the divisions and will continue indefinitely as part of the continuous improvement process within Financial Services or as resources permit.

Management: % complete

50%

OAG's Follow-up Audit Findings regarding Recommendation 4

The FSU has indicated that since 2007 their processes include notifying the Department when their transactions are non-compliant. Based on the same sample reviewed in Recommendation 2 for 2008, we found this did not always occur. There is also a concern regarding the extent that documents were missing from the official Finance files.

Of the total of \$67,802 where the Protocol Division was non-compliant with the Purchasing By-law, Finance detected \$46,543 or 69% and of these did not resolve \$26,743 or 57% of cases.

Table 2: Finance Detection and Resolution of Non-Compliant Protocol Items

Process Followed	Quantity	Dollar Value	Portion Protocol Non-Compliant to Purchasing By-law & Procedures	Portion Non-compliant Finance Detected	Portion Finance Advised Non-compliant where nothing happened
Non-competitive Purchases – Sole Source Rationale (Note 1)	16	\$86,574	46,543	46,543	26,743
3 quotes requested (Note 2)	4	21,259	21,259		
Under \$2,000	3	3,200	0		
Total	23	\$111,033	\$67,802	\$46,543	\$26,743
% of Non-compliant detected and unresolved non-compliant				69%	57%

Note 1: The non-compliant item was in the amount of \$26,743. Although the FSU had a copy of the document where they had advised Protocol that a corporate purchase order was required, neither the FSU nor the official financial records in Accounts Payable contained the original invoice (or a copy) or the notification of non-compliance form that Protocol indicated the City Clerk had signed and returned.

Finance advised the Department and detected this matter but nothing happened to prevent this transaction from occurring or to resolve the lack of a corporate purchase order.

Note 2: Although three quotes were requested, three quotes were not received effectively resulting in these transactions also being sole-sourced. The FSU had not identified these items as non-compliant.

In addition, out of a sample of 23 invoices totalling \$111,033, 6 invoices totalling \$43,320 were missing from the official Finance records. An issue relating to a higher percentage of missing documents for this FSU had also been identified within Finance in Q2 2007.

In summary, the Finance role did not help to ensure compliance.

*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.

Financial Services has established a process to ensure all departments are notified of non-compliant transactions. Once departments receive a notification, they are required to review, provide feedback and consent to the transaction. The notification is then returned to the FSU for filing with the original invoice.

As of Q2 2009, the FSU has further implemented an internal process to ensure all documentation is up-to-date by following up on outstanding non-compliant notifications.

It has been the practice of the FSU not to retain the original documents or copies thereof, but rather to send them to Accounts Payable using internal mail. Although care is taken by Accounts Payable when entering the documents into their indexing system, it is possible that a document number is misread or entered incorrectly which may result in a document being reported missing when, in fact, it was submitted as required. Implementation of the Accounts Payable automation solution will address the City's documentation retention needs.

Management disagrees with the OAG's method of calculation when indicating that 57% of cases were not resolved. This percentage is calculated using dollar value rather than the number of items. In fact, the OAG is referring to two items (or cases) out of 20, which equals 10% of cases. Furthermore, as indicated in our Management Response to Recommendation 2, management disagrees that the second item relating to waiving insurance requirements was non-compliant as the rules in place at the time gave authority to the Director (i.e., City Clerk) to waive insurance requirements. The Management Response to Recommendation 2 also outlines management's disagreement with the OAG's Note 2.

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	-	-	-
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SUBSTANTIALLY COMPLETE	75 – 99	1	1	25%
COMPLETE	100	3	1	25%
TOTAL			4	100%

5 CONCLUSION

In 2008, the recommendation relating to aligning the City Clerk's budget for 2009 has been completed to better reflect spending within the Protocol Division.

Although there was a carry-over of more transactions in 2007 where the legislative requirements and corporate policy with respect to employee/employer relationships were not followed and remain non-compliant, other agreements in 2007 and 2008 were compliant with respect to employee/employer relationships.

The Protocol Division continues to sole-source the majority of transactions. The transactions identified, as having requested three quotes would also be considered sole source, as three quotes had not actually been received. The Protocol Division needs to ensure that they are seeking out competitive opportunities to the extent possible. The Protocol Division has reduced reliance on related parties from 2006 and 2007 to one case in 2008. The original audit recommended that Protocol Division follow competitive procurement in compliance with the Purchasing By-law which would include that they do not waive insurance requirements against the recommendations of Risk Management. However, it is now City practice that managers assume full responsibility for waiving insurance requirements and any resulting consequences.

Although Finance has established processes to advise departments of non-compliance issues, transactions are still processed on a non-compliant basis. The level of missing documents for this Financial Support Unit (FSU) is concerning. Finance needs to improve their role in detecting non-compliance issues and also ensure that supporting documentation is available for all transactions.

6 ACKNOWLEDGEMENT

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

