



# **2009 Annual Report**

**Office of the Auditor General**  
**June 23, 2010**

# **Presentation**

- **Follow-up Reports**
- **Audit Reports**
- **Fraud and Waste Hotline**
- **2010 Audit Plan**

# **Acknowledgement**

**My colleagues and I wish to express our appreciation for the continued cooperation and assistance afforded the audit teams by management and staff**

## ***Staff of the Office of the Auditor General – 2009***

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## **Follow-up Reports 2005-2007**

- **35 Follow-up Reports**
- **744 Recommendations**

## Summary of Level of Completion – 35 Follow-up Audits

Action	% Complete	# of Recs.	% of Total Recs.	Cumulative % of Total
Complete	100	294	40%	53% of total recommendations were 75 - 100% complete
Substantially complete	75-99	98	13%	
Partially complete	50-74	135	18%	
Action initiated	25-49	78	10%	29% of total recommendations were less than 50% complete
Little to no action	0-24	139	19%	
<b>Total (follow-ups completed to date)</b>		<b>744</b>	<b>100%</b>	

## **Follow-up Reports – General Comments**

- 1. Clear commitment on the part of both Council and Senior Management to fulfill its role as change agents**
- 2. Many of the follow-up audits demonstrated solid improvement**
- 3. City is moving in the right direction in a great many areas**
- 4. Disconnect in assigning clear lines of accountability and authority between operating areas and the Centres of Expertise**

## **Follow-up Reports – General Comments** **(CONTINUED)**

- 5. Corporate functions do not see their role as one of oversight, but rather as providing advice to managers**
- 6. Level of discretion now permitted with respect to compliance to corporate policies has resulted in significant inconsistencies and minimized the benefits of a more corporate-wide perspective**
- 7. City must urgently re-visit this approach and clearly establish an accountability framework for ensuring City objectives are achieved**



## **Follow-up Reports Areas with Solid Progress**

**50% or more of recommendations evaluated 75-100% complete**

- 1. By-law Enforcement and Inspections**
- 2. Emergency Management Program**
- 3. Population Growth Projections**
- 4. Munster Hamlet Sewer Rehabilitation Project**
- 5. Village Walk Wastewater Treatment Facility**
- 6. Building Services Branch**





## **Follow-up Reports Areas with Solid Progress**

**50% or more of recommendations evaluated 75-100% complete  
(CONTINUED)**

- 7. Procurement Process**
- 8. Labour Relations**
- 9. Procurement of Fax Machines**
- 10. Corporate Pesticide Use Policy**
- 11. Staffing**
- 12. Overtime**

## **Follow-up Reports**

### **Areas with Solid Progress**

**50% or more of recommendations evaluated 75-100% complete**  
**(CONTINUED)**

**13. Inventory and Asset Management Processes**

**14. Development Review Process**

**15. Financial Control Environment**

**16. Employment and Financial Assistance Branch**

**17. Fleet**

## **Follow-up Reports Areas with Solid Progress**

**50% or more of recommendations evaluated 75-100% complete  
(CONTINUED)**

**18. Real Estate Management**

**19. Proposed Contracting Out of Lube, Oil, and  
Filter Work**

**20. Property Management**

**21. Protocol Division**



# **Follow-up Reports Areas Displaying Gradual Progress**

**Follow-up audits where implementation work in process**

- 1. Ottawa Fire Services Branch**
- 2. Management Control Framework**
- 3. Disposal of Pavement Line Marker Equipment**
- 4. Ministry of Labour Charges Regarding Contractor Equipment in Surface Operations**
- 5. Misuse and Abuse, Vehicles and Equipment**
- 6. Bus Refurbishing and Warranty Programs**



## **Follow-up Reports**

### **Areas that still need improvement**

**50% or more of recommendations evaluated at 0-49% complete**

- 1. 3-1-1 Contact Centre**
- 2. Council Request Tracking Processes**
- 3. Environmental Commitments in the Ottawa 20/20 Growth Management Strategy**
- 4. P3 Processes**



# **Follow-up Reports of In-camera Audits Recommendations addressed by Management**

- 1. OC Transpo and Para-Transpo Cash, Ticket / Pass Revenue Processes**
- 2. Personal Use of Corporate Resources**
- 3. Report of an Inappropriate Email Being Circulated by City Staff**
- 4. Staffing Process for an Officer Position**

## **Follow-up Reports Areas of Disagreement**

- 1. In a number of cases management has disagreed with the original audit recommendations**
- 2. Former CAWG has met to discuss the majority of these**
- 3. Despite disagreeing with the recommended course of action, management has typically agreed with the need to address the underlying issue and has implemented changes to do so**



# **Follow-up Reports to be Presented as Part of the 2010 Annual Report**

- 1. Drinking Water Services**
- 2. Food Safety Program**
- 3. Parks and Recreation Branch**
- 4. Parks & Recreation Financial Management  
and Revenue Process**
- 5. 2006 Sewage Spill**



## **Follow-up Reports to be Presented as Part of the 2010 Annual Report (CONTINUED)**

- 6. Internet Usage and Controls**
- 7. Wastewater and Drainage Services**
- 8. Surface Operations**
- 9. 2006 and 2007 Compensation Budgets**
- 10. Carp River Watershed Study & Related  
Projects**

## **Follow-up Reports to be Presented as Part of the 2010 Annual Report (CONTINUED)**

- 11. City of Ottawa Water Rate**
- 12. EFA Staff Member (originally an in camera report)**
- 13. Potential Conflict of Interest - Staff Member's Contracting Services (originally an in camera report).**

## **Audit Reports**

- 1. Payroll**
- 2. Eight Specific Building Code Services Files**
- 3. A Specific House - Drawings**
- 4. Five Specific Staffing Processes**
- 5. Specific Contracts at the Nepean National Equestrian Park**
- 6. Bridge Maintenance Process for a Specific Bridge**
- 7. Bridge Maintenance Process**
- 8. Audit of the Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System**

# 1. Payroll

**Planned: Annual Work Plan**

## 1.1 56 errors found in sample of 100:

- **34 – documentation (timesheets unsigned / unauthorized)**
- **15 – interpretation (\$2.6 million owing to OMERS)**
- **7 – calculation**

## 1.2 Payroll accuracy is a fundamental expectation for any organization

- **Error Rate: 56% - higher than we would have expected**

# **1. Payroll (CONTINUED)**

## **1.3 Payroll System Issues:**

- **Outstanding / uncompleted interfaces**

## **1.4 Additional issues identified included:**

- **An employee holding two concurrent positions**
- **Access by Payroll Staff of files that contained sensitive information**

## **1. Payroll (CONTINUED)**

**1.5 Payroll Division should take responsibility for both centralized and decentralized pay processes**

➤ **RECOMMENDATIONS: Management agreed with 25 of 28**



## **2. Eight Specific Building Code Services Files**

### **Unplanned: Fraud and Waste Hotline**

- 2.1 The City conducted more than a thousand building inspections from 2006 to 2008 using unqualified students rather than qualified inspectors**
  
- 2.2 Program Mgr, Bldg Code overruled an inspector's decision to issue an Order to Comply**



## **2. Eight Specific Building Code Services Files (CONTINUED)**

- 2.3 Building Permits issued before the Branch's review of the geotechnical reports**
  
- 2.4 Exemptions of as-built survey contrary to City's policies**
  
- 2.5 Program Mgr, Bldg Code authorized the start of construction without a permit**
  
- 2.6 Re-inspections charges (\$100) to some builders were waived while for other builders they were not**



## **2. Eight Specific Building Code Services Files (CONTINUED)**

**2.7 Approvals were granted without plumbing inspections**

**2.8 Inappropriate use of the City's email and Internet**

➤ **RECOMMENDATIONS: Management agreed with 18 of 22**

## **3. A Specific House - Drawings**

**Unplanned: Fraud and Waste Hotline**

**3.1 House models built in Kingston resulted in disciplinary hearings by the Association of Professional Engineers of Ontario in October 2007**

**3.2 City staff were diligent in their review to address concerns regarding a particular builder**

➤ **RECOMMENDATIONS: Management agreed with both**

## **4. Five Specific Staffing Processes**

### **Unplanned: Fraud and Waste Hotline**

#### **4.1 Of four cases within the Revenue Branch:**

- **All four involved family ties**
- **Two did not meet the basic requirements of the position (was a finding of 2007 Audit of Staffing and its follow-up)**
- **All four were hired**



## **4. Five Specific Staffing Processes (CONTINUED)**

- 4.2 An appropriate staffing process was followed in the case within Public Works**
  
- 4.3 Accepting candidates who do not meet the basic requirements results in employees being paid for education and experience they do not possess**

## **4. Five Specific Staffing Processes (CONTINUED)**

**4.4 Combination of familial ties and lowering of minimum requirements lead to real or perceived conflicts of interest and favouritism in hiring practice**

➤ **RECOMMENDATIONS: Management agreed with 8 of 12**

## **5. Specific Contracts at the Nepean National Equestrian Park**

### **Unplanned: Fraud and Waste Hotline**

**5.1 It is reasonable to conclude that preferential treatment was given to the incoming proponents of a major event in 2008**

**5.2 Capital Expenditures since amalgamation:**

- **6 years (2001 to 2006): \$95,875 (26%)**
- **2.5 years (2007 to 2009): \$270,619 (74%)**

## **5. Specific Contracts at the Nepean National Equestrian Park (CONTINUED)**

- 5.3 City invested over \$100,000 in 2008 to upgrade the Park's electrical system**
- **Not part of life-cycle plan**
  - **No indication that upgrade required due to health and safety concerns**
- 5.4 Property is owned by the NCC and the City's lease expires in 2011**

## **5. Specific Contracts at the Nepean National Equestrian Park (CONTINUED)**

**5.5 Additional findings relate to poor documentation and overall management of the Park**

**5.6 Full audit of the Park will be undertaken later in 2010**

➤ **RECOMMENDATIONS: Management agreed with 10 of 19**



## **6. Bridge Maintenance Process for a Specific Bridge**

**Unplanned: Fraud and Waste Hotline**

**2004:**

**6.1 Poor design by the engineering consultant**

**6.2 Cost: \$90,225 (\$31,742 higher than the original contract)**

**6.3 Design and construction of the 2004 deck replacement had several deficiencies that were directly responsible for the failure of the deck in 2006**

## **6. Bridge Maintenance Process for a Specific Bridge (CONTINUED)**

**2007:**

**6.4 City hired same engineering firm that performed the original design to correct their deficiencies**

**6.5 Cost: \$97,570 to correct deficiencies in the design and construction of the Conley Bridge**

➤ **RECOMMENDATIONS: Management agreed with all four**

## **7. Bridge Maintenance Process**

### **Planned: Annual Work Plan**

- 7.1 City's bridge maintenance program is generally effective**
- 7.2 Overall bridge maintenance process has the necessary policies and procedures**
- 7.3 Most aspects of bridge maintenance process (e.g., condition assessment) completed according to Provincial requirements**

## **7. Bridge Maintenance Process (CONTINUED)**

- 7.4 Bridges inspection process and records for the detailed visual inspections do not comply with Provincial regulations and Ontario Structure Inspection Manual**
  
- 7.5 Management agreed that it should adopt the Provincial process for these inspections**

## **7. Bridge Maintenance Process (CONTINUED)**

**7.6 Although many of the structure files examined were incomplete; the complete files tend to be the most recent ones and those for more important projects**

- **RECOMMENDATIONS: Management agreed with all six**

## **8. Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System**

**Unplanned: Council Motion approved on Nov. 17, 2009**

### **2010 Work Plan**

- 8.1 Initial cost was estimated at \$6.7 M; revised cost was estimated at \$17 M – representing an increase of over 150%**
- 8.2 In the Fall of 2008, Management should have informed Council of the increased cost of the SmartBus contract as soon as it became apparent that the initiative no longer had full funding**

## **8. Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System (CONTINUED)**

- 8.3 Little communication with Council on the procurement in the 24 months prior to the Sept. 16, 2009 Transit Cttee meeting**
  
- 8.4 Revised cost estimate of \$17 M was to be covered by an internal budget transfer which Council was not asked to approve**

## **8. Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System (CONTINUED)**

- 8.5 When finally brought to Council, the issue was confusing with no apparent overarching strategy**
  
- 8.6 Management did not fully appreciate Council's potential concern with the magnitude of cost and/or scope variance in the project**



## **8. Procurement Process for the SmartBus Next Stop Announcement System and the SmartCard System (CONTINUED)**

**8.7 Management should have disclosed known and pertinent financial information to elected official in a timely manner**

- **RECOMMENDATIONS: Management agreed with five of the six**

## Fraud and Waste Hotline Reports

- **Effective May 21, 2009, the Hotline was offered to the general public**

<b>Reported by</b>	<b>Number of Reports</b>	<b>%</b>
<b>City Employee</b>	<b>49</b>	<b>30%</b>
<b>Member of Public</b>	<b>50</b>	<b>30%</b>
<b>Unknown</b>	<b>66</b>	<b>40%</b>
<b>Total</b>	<b>165</b>	<b>100%</b>

# **Fraud and Waste Hotline**

## **Examples of Issues Raised to the Hotline**

### **1. TIME AND LEAVE:**

- 1.1 A group of approximately 10 firefighters with 4 fire vehicles were seen at a City park. The firefighters were playing soccer.**
  
- 1.2 Employees of Community and Social Services who conduct home visits were found to not return to work after home visits.**

# **Fraud and Waste Hotline**

## **Examples of Issues Raised to the Hotline (CONTINUED)**

### **2. VEHICLES AND EQUIPMENT:**

**2.1 A member of the public contacted 3-1-1 numerous times to report a leaky splash pad and did not receive a satisfactory response. It was found that there was a flaw in the design of the splash pad and the manufacturer will provide a replacement at no charge to the City.**

## **Fraud and Waste Hotline**

### **Examples of Issues Raised to the Hotline**

#### **2. VEHICLES AND EQUIPMENT: (CONTINUED)**

- 2.2 A bus shelter that sustained serious damage was not cleaned-up in a timely manner. The process was changed to allow repairs on the weekend.**
  
- 2.3 A By-law Officer was found to be violating the City's Idling Control By-law and the City policy with respect to unattended vehicles while issuing parking tickets.**

## **Fraud and Waste Hotline**

### **Examples of Issues Raised to the Hotline (continued)**

#### **3. CONFLICT OF INTEREST:**

**In violation of the City's Re-employment Policy, a former City employee who was in receipt of a severance package, provided professional services to the City through a consulting firm. The firm received \$255,776 for these services.**

## **Fraud and Waste Hotline**

### **Examples of Issues Raised to the Hotline (CONTINUED)**

#### **4. PERSONAL MOBILE DEVICES:**

**While on duty, it was alleged that some Paramedics accessed Facebook and other websites through their own personal mobile devices.**

## **2010 Audit Plan**

- 1. Financial Audit – Lansdowne Park Proposal**
- 2. Smart Bus Next Stop Announcement System**
- 3. Glen Cairn Sewer Rehabilitation**
- 4. Revenue Branch**
- 5. Car Mileage and Use of City-owned Vehicles**



## **2010 Audit Plan (CONTINUED)**

- 6. Unique Recreational Facilities**
- 7. Grant Recipients – Signed Agreements and Audit Clauses**
- 8. OC Transpo (part 1)**
- 9. Specific Staffing Processes in Children’s Services**

## **2010 Audit Plan (CONTINUED)**

- 10. Emergency Services Communication**
- 11. Construction of the Firefighters' Memorial**
- 12. Audits arising from Requests by Council**
- 13. Audits arising from the Fraud and Waste Hotline**
- 14. Follow-up of Selected Completed Audits**



# **2009 Annual Report**

**Questions**

**Thank you**