



Office of the Auditor General

AUDIT OF REAL ESTATE MANAGEMENT

2005 Report

Chapter 5

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Executive Summary

Background

The Real Estate Services Division (RESD) falls within the Real Property Asset Management (RPAM) Branch of Corporate Services. The mandate of RESD encompasses:

- acquisition and disposal of all City real property interest,
- all appraisals of real property,
- coordination all real property legal documents, and
- oversight of all environmental remediation on City-owned property including the development and introduction of best practices in environmental management.

RESD has been established in large part to carry out real estate activities in response to the identified requirements of other City departments. In 2004, RESD conducted approximately 120 acquisitions and 80 disposals. In addition, approximately 150 files are currently active in the environmental remediation area.

Audit Objectives

The objectives of this audit were to provide an independent and objective assessment of:

- Whether current principles, policies and procedures for real estate activity at the City are managed in accordance with:
 - City policies and procedures;
 - Industry best practice;
 - Efficient and effective management practices; and
- Whether management practices/accountability framework are adequate to provide integrity and cost effectiveness of real estate management activities.

Organizational Strengths

RESD currently has the depth of skill and experience to fulfill its mandate and functional responsibilities. The Division consists of a dedicated team with strong and knowledgeable leadership. A positive customer service approach was in evidence during our audit. Municipal best practices as related to disposals, leasing, appraisals and environmental remediation are typically followed by RESD and the City's current property disposal policy remains one of the more comprehensive when compared to other municipal organizations.

Findings

Property Disposals

Our audit found that overall disposals were in compliance with the existing policy. Although in some instances a lack of complete documentation was noted, in our view, these instances did not impact on the overall integrity of the process used in the disposals we reviewed. Our findings indicate that management should review the policy and related procedures to more clearly provide guidance in the following areas:

- Clarifying the overall objective of property disposals;
- Clear guidelines should be established regarding the selection of the various sales methods in order to ensure that a consistent and effective method of sale is used and that appropriate negotiation protocols are adhered to; and
- A standardized process similar to the City's approach to public tendering should be required for disposals where multiple bids are anticipated.

Acquisitions, Leasing, Appraisals and Remediation

While the Division does tend to adhere to municipal best practices in these areas, the lack of formal policies and procedures places excessive reliance on the knowledge and expertise of existing staff to consistently and appropriately undertake these activities. The absence of documented procedures also creates challenges in maintaining effective staff training and succession.

Inquiries

The Division is currently dealing with a considerable number of inquiries from various sources regarding the status of individual transactions. A standard protocol and monitoring system for addressing these inquiries is needed to manage this work efficiently and consistently and to clearly demonstrate its operational impacts.

Roles and Responsibilities

RESD currently has responsibility for managing a number of City-owned properties. It would be more appropriate to assign the responsibility for managing these properties to either the Program Properties or Venture Properties Division within RPAM.

The current mandate of RESD also includes all leasing activity for the City. RESD should pursue opportunities to align these responsibilities within a single part of its operation.

Management Information

The Real Estate (RE) module of SAP was implemented as part of the City's Integrated Business Solution (IBS) initiative. The module is used in managing the inventory of City-owned properties. However, currently within RESD, a variety of stand-alone tools continue to be used to monitor all activity and a complete database management tool is

not in use. There has been a reluctance to utilize tools available within SAP to assist in this area. Discussions with Information Technology Services should be undertaken to ensure these tools are introduced and utilized.

A system of formal performance indicators and standards is not currently in place. Such measures are an important internal control mechanism that can provide management with early warning on potential issues and required management intervention.

Documentation Standards

Based on our review of a sample of transaction files, no evidence of any inappropriate activity was noted, however we concluded that approximately one-third of the files were incomplete in terms of containing all required documentation. The establishment of a checklist and sign-off procedure should be established within each file for each milestone as a trigger to ensure all steps are completed and properly documented. This would assist management's ability to monitor performance and facilitate the transfer of files between staff when necessary.

Long-Term Planning

By nature of its role, RESD is dependent upon other departments to forecast their requirements in such a way as to allow the Division to take action in a timely and effective manner. Information generally appears to be provided to RESD within a reasonable timeframe. However, no evidence was found that strategic work planning, i.e. setting annual or multi-year targets, was being conducted.

Service Delivery Model

Currently RESD includes six (6) positions identified as "Consultants". Management has indicated that the use of these consultant resources has been necessitated by workload demands and the inability to find qualified replacements for vacancies. The use of on-site consultants and contract staff has continued for long periods of time and raises significant employment issues for the City.

Management has also identified an emerging challenge in succession planning. No clear strategy has yet been developed to respond to this concern, which is an issue that will require a more coordinated corporate-wide effort in the near future. Given RESD's long-term use of external consultants, its continuing struggle to attract acceptable candidates when vacancies occur and the associated succession planning issues this is raising, it is appropriate at this point for management to pursue more formalized outsourcing in the future.

Recommendations

Recommendation 1

That the overall objective of property disposals be clarified, including clarification of the relative priorities regarding sale versus other potential uses for the property.

Management Response

Management agrees with this recommendation.

The Disposal Policy approved in October 2001 by Council, will be reviewed for clarity of wording as part of the annual review of disposal procedures to be completed in 2006.

Ultimately, Management's goal is to present objective information to aid Council in setting priorities specific to surplus property. The review of the Disposal Policy will address the need to develop a more formal approach for land exchanges. The objective would be to ensure that any surplus real estate is viewed as an asset and utilized in a manner that recognizes its financial value and rationalizes its use in relation to the City's overall requirements.

Recommendation 2

That Management establish clear guidelines on the appropriate selection of various methods of sale and associated negotiation protocols.

Management Response

Management agrees with this recommendation.

Management proposes the development of a sale and negotiations handbook to be completed by Q4 2006, that documents disposal options available and outlines the criteria to be considered when selecting a marketing method.

Recommendation 3

That Management establish a requirement for the use of a proposal call or public tender process for all disposals involving high dollar values and/or multiple bidders.

Management Response

Management agrees with this recommendation.

Current practices and procedures with regard to the use of proposal calls and/or public tenders will be reviewed and revised as part of the annual review of the current disposal procedures and incorporated into the sale and negotiations handbook, addressed under **Recommendation 2**, to be completed by Q4 2006.

Recommendation 4

That Management ensure appropriate policies and procedures are put in place for Acquisitions, Leasing, Appraisals and Remediation to ensure a consistent and effective approach that reflects best practices is maintained.

Management Response

Management agrees with the recommendation.

The development of an Acquisition Policy, including leasing, will be completed by Q2 2006.

The need for appraisals and environmental site assessments is currently captured in the Disposal Policy and will be entrenched in other policies and practices as developed.

Recommendation 5

That Management implement a standard protocol for responding to inquiries as well as an improved tracking mechanism to capture all relevant information including the source, the staff assigned and the time committed to resolving each request.

Management Response

Management agrees with the recommendation.

An upgrade to the Corporate Inquiry Tracking application is currently underway and is anticipated to be completed by Q4 2006.

Recommendation 6

That the property management responsibilities currently assigned to the Real Estate Services Division be transferred to either the Program Properties Division or the Venture Properties Division of Real Property Asset Management.

Management Response

Management agrees with the intent of this recommendation.

A review of the alternative service delivery options and the required resourcing will be completed by Q3 2006. Any resourcing issues, additional FTEs or contract dollars, will be addressed in time for the 2007 budget process.

Recommendation 7

That Real Estate Services amalgamate its leasing responsibilities within its internal structure.

Management Response

Management agrees with this recommendation.

The organizational structure in place at the time of this audit aligned leasing-out activities (revenue leases) with disposals, and lease-in activities with acquisitions. The intent of this alignment was to balance workloads within RESD. As an interim

step to an organizational review, revenue and acquisition leasing will be consolidated in Q1 2006, to allow for standardized business processes and increased focus of knowledge and expertise.

Real Estate Services Division will be reviewing the alignment of positions during the Branch Process Review Program which is targeted to be completed in Q3 2006.

Recommendation 8

That Management, in concert with the Information Technology Services Branch, implement the use of available corporate system tools to provide required database management support.

Management Response

Management agrees with this recommendation.

The RPAM Business Case, Version 1.0, indicated that Real Estate Services Division (RES) would be included in the Project System (PS) Module implementation. However, as the Real Estate Services Division had to concurrently develop and implement the Real Estate Module, it was determined that there was not enough capacity within the Division to develop the PS Module as well. At that time, the Comprehensive Asset Management Division (CAM) was substituted for RES in the PS module implementation. A review of the potential application of the PS module to address project management-tracking requirements and costs associated with the application is planned for Q2 2006.

Recommendation 9

That Management develop and implement a system of key performance indicators based on operating standards to facilitate efficient service delivery and validate potential workload issues.

Management Response

Management agrees with this recommendation.

Management agrees that meaningful performance indicators are required to estimate and budget for resource requirements and to track divisional performance.

The development of these indicators and appropriate planning standards will be completed by Q4 2006.

Recommendation 10

That Management establish a checklist and sign-off procedure to ensure that documentation of all activity is complete and accurate.

Management Response

Management agrees with the intent of this recommendation.

A review of similar issues from a previous disposal audit in 2004 indicated that the majority of the issues associated with files did not warrant a significant amendment to practices.

To ensure that files are fully and properly documented, a checklist has been developed and implemented.

Recommendation 11

That Management undertake, in concert with key client departments, an annual or multi-year planning process to identify and plan for future real estate service requirements.

Management Response

Management agrees with this recommendation.

It is currently difficult to pre-plan RESD's client-driven workload within one budget cycle. The capital budget process tends to be completed in a compressed timeframe, often in isolation. This issue occurs mainly with acquisitions for major capital infrastructure projects.

RESD staff will initiate a semi-annual workload review and analysis with clients to review project timing to allow input for resource costs in capital project budget preparation. These reviews, coordinated with the corporate budget cycle, will allow RESD to identify staffing pressures as part of the annual operating budget pressure identification.

Recommendation 12

That Management pursue opportunities for more formal outsourcing of services to minimize the ongoing use of consultants and address succession planning limitations.

Management Response

Management agrees with the intent of this recommendation.

To address the balance of the workload currently being provided by internal staff, RESD is currently using individual contractors, acquired through a standing offer, to meet day-to-day workload requirements.

RESD's lines of business and mandate will be reviewed as part of a Branch wide Process Review Program including an organizational assessment and staffing strategy planned for Q3 2006.

General Management Response

The Audit Report dated 11 October 2005, indicates that overall the performance and management of the Real Estate Services Division (RESD) has successfully:

- Created a skilled, experienced and dedicated team with strong and knowledgeable leadership to fulfill its mandate and responsibilities;
- Promoted positive teamwork and customer service delivery;
- Fostered positive working relationships with other areas of the City;
- Followed municipal real estate best practices;
- Created a property disposal policy and bylaw that remains a leader when compared to other municipal organizations;
- Remained on track with original direction and intent for RESD; and
- Responded capably to the disposal of facilities arising from amalgamation.

After reviewing the recommendations contained in the audit report, RESD management has the following observations:

- General agreement with observations and recommendations;
- Findings confirm RESD's strength in filling Centre of Expertise (COE) role;
- Interviews have identified technology weaknesses that need to be addressed;
- The information that was captured recognizes succession, staffing, contracting issues and challenges;
- Certain Recommendations confirm that more in-depth review and development and approval of an appropriate go-forward service delivery strategy is warranted. This will be looked at during the Branch Process Review that is targeted to be complete Q3 2006.

Conclusion

RESD currently has a high level of skills and experience to bring to the Division's mandate and its functional responsibilities. There is positive customer service approach and strong relationships have developed with its key client departments across the City.

Although RESD continues to meet current work demands, there is an undue reliance on its existing knowledge base. There is a need to develop more complete and formalized policies, procedures and performance measurement tools to ensure on-going operational consistency and effectiveness as well as to more clearly identify and validate potential impediments to organizational effectiveness in the future. Opportunities have also been identified during this audit for organizational streamlining, improved management

information and longer-term planning to assist in sustaining and enhancing the Division's long-term efficiency and effectiveness. Given succession planning issues and the ongoing need for consultant resources, pursuing more formal outsourcing of services is an appropriate strategy at this time.

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

Résumé

Contexte

La Division des services immobiliers (DSI) relève de la Direction de la gestion des biens immobiliers (DGBI) des Services généraux. Le mandat de la DSI porte sur les éléments suivants :

- acquisition et aliénation de biens immobiliers appartenant à la Ville,
- évaluation des biens immobiliers,
- coordination des documents juridiques portant sur les biens immobiliers,
- supervision des mesures d'assainissement de l'environnement visant les biens immobiliers de la Ville, y compris l'établissement et la mise en place de pratiques exemplaires de gestion de l'environnement.

La création de la DSI découlait dans une large mesure de la nécessité de répondre aux besoins constatés des autres services de la Ville. En 2004, la DSI a procédé à environ 120 acquisitions et 80 aliénations. De plus, elle s'occupe actuellement de quelque 150 dossiers dans le domaine de l'assainissement de l'environnement.

Objectifs de la vérification

La vérification avait pour buts de fournir une évaluation indépendante et objective :

- De la mesure dans laquelle les principes, politiques et procédures régissant l'immobilier sont gérés en conformité avec :
 - les politiques et procédures de la Ville;
 - les pratiques exemplaires de l'industrie;
 - des pratiques de gestion efficaces et efficaces;
- De la capacité des pratiques de gestion et du cadre de responsabilité d'assurer l'intégrité et la rentabilité des activités de gestion immobilière.

Points forts de l'organisation

Le personnel de la DSI possède les compétences et l'expérience nécessaires pour s'acquitter de son mandat et de ses responsabilités fonctionnelles. La Division peut compter sur une équipe dévouée dotée d'une direction solide, aux connaissances étendues. Notre vérification a permis de constater l'attitude positive de la Division à l'égard du service à la clientèle. La DSI applique des pratiques municipales exemplaires en ce qui concerne l'aliénation, la location, l'évaluation et l'assainissement de l'environnement. De plus, la politique de la Ville sur l'aliénation de biens immobiliers

demeure une des plus étendues, si on la compare à celles des autres administrations municipales.

Constatations

Aliénation de biens immobiliers

Notre vérification a permis de constater que dans l'ensemble, les aliénations de biens immobiliers étaient conformes à la politique en vigueur. Bien que nous ayons constaté certains cas où la documentation était incomplète, ceux-ci n'ont pas, selon nous, nui à l'intégrité globale du processus pour les dossiers que nous avons examinés. D'après ce que nous avons constaté, il conviendrait que la direction revoie la politique et les procédures connexes de façon à établir des directives plus claires dans les domaines suivants :

- Clarification de l'objectif général des aliénations de biens immobiliers;
- Établissement de lignes directrices claires concernant la sélection des diverses méthodes de vente, de façon à assurer l'application d'une méthode de vente uniforme et efficace et de protocoles de négociation appropriés;
- Opportunité d'exiger, dans le cas des aliénations de biens où plusieurs offres sont prévues, un processus normalisé semblable à celui que la Ville utilise pour les appels d'offres publics.

Acquisitions, location, évaluations et assainissement de l'environnement

Bien que la Division tende à appliquer des pratiques municipales exemplaires dans ces domaines, l'absence de politiques et de procédures officielles fait en sorte que l'on dépend trop des connaissances et de l'expérience du personnel en place pour l'exécution uniforme et appropriée de ces activités. De plus, comme il n'existe pas de procédures écrites, il est difficile d'assurer la formation du personnel et la relève d'une manière efficace.

Demandes de renseignements

La Division reçoit un grand nombre de demandes de renseignements de sources variées au sujet des différentes transactions. Il faudrait adopter, à l'égard de ces demandes, un protocole et un système de contrôle normalisés afin de pouvoir gérer ce travail d'une manière efficace et uniforme et en montrer clairement l'incidence sur les opérations.

Rôles et responsabilités

La DSI a la responsabilité de gérer un certain nombre de biens immobiliers appartenant à la Ville. Il serait plus opportun d'attribuer cette responsabilité à la Division des biens assignés aux programmes ou à la Division des biens à risque de la DGBI.

Le mandat de la DSI s'étend également à la location de biens immobiliers. Il conviendrait que la DSI examine la possibilité de regrouper les responsabilités liées à cet aspect de son mandat à l'intérieur d'un même volet de ses activités.

Information de gestion

Mis en place dans le cadre du projet des solutions d'affaires intégrées de la Ville, le module Immobilier du SAP sert à gérer l'inventaire de biens immobiliers. Toutefois, la DSI continue d'employer différents outils indépendants pour contrôler l'ensemble des activités, mais elle n'utilise pas d'instrument complet de gestion de base de données. La Division se montre aussi réticente à se servir des outils disponibles dans le cadre du SAP à cette fin. Il conviendrait d'amorcer des discussions avec les Services de technologie de l'information afin d'assurer l'implantation et l'utilisation de ces outils.

Il n'existe pas de système d'indicateurs et de normes de rendement formels. Or, de telles mesures constituent un mécanisme de contrôle interne important qui peut signaler rapidement à la direction certains problèmes potentiels nécessitant une intervention de sa part.

Normes de documentation

L'échantillon de dossiers de transaction que nous avons examiné n'a pas révélé d'activités inappropriées, mais nous avons constaté que le tiers environ des dossiers étaient incomplets, c'est-à-dire qu'ils ne contenaient pas la totalité des documents requis. Il conviendrait d'établir une liste de contrôle et une procédure d'approbation pour chacune des étapes de chaque dossier afin d'avoir l'assurance que toutes les étapes sont accomplies et qu'elles donnent lieu à l'établissement de documents appropriés. La direction pourrait ainsi mieux contrôler le rendement. Cette mesure faciliterait aussi le transfert de dossiers entre employés au besoin.

Planification à long terme

De par la nature même de son rôle, la DSI est tributaire de la façon dont les autres services prévoient leur besoins pour pouvoir intervenir avec rapidité et efficacité. Il semble que de manière générale, l'information soit transmise à la DSI dans un délai raisonnable. Nous n'avons toutefois trouvé aucune preuve montrant que le travail faisait l'objet d'une planification stratégique (établissement d'objectifs annuels ou pluriannuels).

Modèle de prestation de services

La DSI compte six postes « d'expert-conseil ». La direction a indiqué que le recours à ces ressources était rendu nécessaire en raison du volume de travail et de l'incapacité de trouver des personnes qualifiées pour combler les postes vacants. Le recours à des experts-conseils de l'extérieur et à des contractuels, qui s'étend sur de longues périodes, soulève des questions importantes pour la Ville sur le plan du recrutement.

La direction a également constaté que la planification de la relève posait un nouveau défi. Aucune stratégie précise n'a encore été élaborée pour résoudre cette préoccupation, qui

nécessitera sous peu un effort plus concerté de l'ensemble de la Ville. Compte tenu du fait que la DSI a recours pendant de longues périodes à des experts-conseils de l'extérieur, qu'elle continue d'avoir de la difficulté à attirer des candidats acceptables lorsque des postes se libèrent et que cette situation soulève des questions pour la planification de la relève, il y a lieu que la direction adopte à l'avenir une démarche plus formelle en ce qui concerne le recours à des ressources externes.

Recommandations

Recommandation 1

Que l'objectif global des aliénations de biens immobiliers soit clarifié, ce qui comprend la clarification de la priorité relative de la vente de ces biens par rapport à leurs autres utilisations potentielles.

Réponse de la direction

La direction accepte cette recommandation.

La Politique sur l'aliénation de biens que le Conseil a adoptée en octobre 2001 fera l'objet d'une révision qui aura pour but d'en clarifier le libellé, dans le cadre de l'examen annuel de 2006 des procédures d'aliénation.

La direction a pour objectif ultime de présenter des renseignements objectifs afin d'aider le Conseil à établir des priorités propres aux biens excédentaires. L'examen de la Politique sur l'aliénation de biens tiendra compte de la nécessité d'adopter une démarche plus formelle en ce qui concerne les échanges de terrains. Il s'agirait d'obtenir l'assurance que tout bien immobilier excédentaire soit perçu comme un actif et utilisé d'une manière qui en reconnaisse la valeur financière et en rationalise l'utilisation par rapport aux besoins globaux de la Ville.

Recommandation 2

Que la direction établisse des lignes directrices claires sur la sélection de diverses méthodes de vente et sur les protocoles de négociation connexes.

Réponse de la direction

La direction accepte cette recommandation.

La direction propose de produire d'ici au quatrième trimestre de 2006 un guide de vente et de négociation qui établira les différentes possibilités d'aliénation de biens et énoncera les critères à retenir pour la sélection d'une méthode de commercialisation.

Recommandation 3

Que la direction impose l'obligation de procéder à une demande de propositions ou à un appel d'offres public pour toute aliénation de bien ayant une valeur élevée ou suscitant des offres multiples.

Réponse de la direction

La direction accepte cette recommandation.

Les pratiques et procédures actuelles concernant le recours aux demandes de propositions et aux appels d'offres publics vont être passées en revue et révisées dans le cadre de l'examen annuel des procédures d'aliénation de biens. Les pratiques et procédures révisées seront intégrées au guide de vente et de négociation mentionné au paragraphe **Recommandation 2**, qui doit être produit d'ici au quatrième trimestre de 2006.

Recommandation 4

Que la direction veille à la mise en place de politiques et procédures appropriées concernant les acquisitions, la location, les évaluations et l'assainissement de l'environnement, de façon à assurer une démarche uniforme et efficace qui s'appuie sur des pratiques exemplaires.

Réponse de la direction

La direction accepte cette recommandation.

L'élaboration d'une politique sur les acquisitions, qui englobera la location, sera terminée pour le deuxième trimestre de 2006.

Les dispositions concernant les évaluations et l'assainissement de l'environnement, qui sont actuellement contenues dans la Politique sur l'aliénation de biens, seront progressivement intégrées à d'autres politiques et pratiques.

Recommandation 5

Que la direction établisse un protocole normalisé pour la réponse aux demandes de renseignements et qu'elle se dote d'un mécanisme de suivi amélioré pour la saisie de l'information pertinente (source, personnel affecté à chacune des demandes et temps nécessaire pour les résoudre).

Réponse de la direction

La direction accepte cette recommandation.

On procède actuellement à la mise à jour de l'application de suivi des demandes de renseignements que reçoit la Ville. L'opération doit être terminée d'ici au quatrième trimestre de 2006.

Recommandation 6

Que les responsabilités de gestion immobilière actuellement attribuées à la Division des services immobiliers soient transférées à la Division des biens assignés aux programmes ou à la Division des biens à risque de la Direction générale des biens immobiliers.

Réponse de la direction

La direction accepte l'esprit de cette recommandation.

L'examen des différents modèles de prestation de services possibles et des ressources requises sera terminé d'ici au troisième trimestre de 2006. La question des ressources (nouveaux ÉTP ou crédits supplémentaires pour la passation de contrats) sera traitée en vue du processus d'établissement du budget de 2007.

Recommandation 7

Que la Division des services immobiliers regroupe ses responsabilités en matière de location dans sa structure interne.

Réponse de la direction

La direction accepte cette recommandation.

Selon la structure organisationnelle qui existait au moment de cette vérification, les activités de location à des entités externes (baux engendrant des recettes) étaient regroupées avec les opérations d'aliénation de biens, tandis que les activités de location par un tiers (pour les besoins de la Ville) étaient regroupées avec les acquisitions. L'objectif de ce regroupement était d'assurer une répartition équilibrée de la charge de travail à la DSI. À titre de mesure provisoire préalable à un examen de l'organisation, toutes les activités de location (à des entités externes et par des tiers) vont être regroupées au cours du premier trimestre de 2006, afin de permettre la normalisation des processus et une concentration accrue des connaissances et des compétences.

La Division des services immobiliers examinera le regroupement des postes durant le Programme d'examen des processus en vigueur dans les directions qui devrait être terminé au courant du troisième trimestre de 2006.

Recommandation 8

Que la direction assure, de concert avec la Direction des services de technologie de l'information, l'utilisation des outils systèmes dont la Ville dispose pour fournir le soutien requis en gestion de bases de données.

Réponse de la direction

La direction accepte cette recommandation.

Selon la version 1.0 de l'analyse de rentabilisation de la DGBI, la Division des services immobiliers devait être incluse dans la mise en œuvre du module des systèmes de projets (SP). Toutefois, comme la DSI a dû procéder simultanément à l'élaboration et à la mise en place du module des services immobiliers, il a été établi que la Division ne disposait pas des capacités suffisantes pour élaborer également le module des SP. C'est donc la Division de la gestion générale des biens qui a été chargée d'assurer la mise en place du module des SP pour les Services immobiliers. Il est prévu de procéder au cours du second trimestre de 2006 à un examen de la possibilité d'appliquer le module des SP au suivi de la gestion des projets et des coûts liés à cette application.

Recommandation 9

Que la direction élabore et mette en œuvre un système d'indicateurs de rendement clés fondé sur des normes de fonctionnement, afin de faciliter la prestation efficiente des services et de valider les problèmes pouvant être liés à la charge de travail.

Réponse de la direction

La direction accepte cette recommandation.

La direction convient qu'il faut des indicateurs de rendement clés pour évaluer et budgétiser les besoins en ressources et suivre le rendement de la Division.

L'élaboration de ces indicateurs et des normes de rendement pertinentes aura lieu d'ici au quatrième trimestre de 2006.

Recommandation 10

Que la direction établisse une liste de contrôle et une procédure d'approbation afin d'avoir l'assurance que la documentation relative à chacune des activités est complète et précise.

Réponse de la direction

La direction accepte l'esprit de cette recommandation.

L'examen de questions analogues soulevées lors d'une vérification de l'aliénation de biens effectuée en 2004 a révélé que la majorité des questions liées aux dossiers ne justifiait pas une modification importante des pratiques existantes.

Une liste de contrôle a été établie et mise en œuvre afin d'obtenir l'assurance que les dossiers font l'objet d'une documentation complète et adéquate.

Recommandation 11

Que la direction établisse, de concert avec les principaux services clients, un processus de planification annuelle ou pluriannuelle afin de pouvoir déterminer et planifier les besoins futurs concernant les services immobiliers.

Réponse de la direction

La direction accepte cette recommandation.

À l'heure actuelle, il est difficile de planifier le volume de travail engendré par les clients à la DSI à l'intérieur d'un même cycle budgétaire. L'établissement du budget des immobilisations a tendance à s'effectuer dans un délai serré, souvent en vase clos. Ce problème touche surtout les acquisitions liées aux grands projets d'infrastructure.

Le personnel de la DSI va procéder, de concert avec les clients, à une analyse et à un examen semi-annuels du volume de travail afin de vérifier l'échéancier des projets de façon qu'il soit possible de tenir compte du coût des ressources au moment d'établir le budget des projets d'immobilisation. Ces examens, qui coïncideront avec l'établissement du budget de la Ville, permettront à la DSI de déterminer les pressions liées aux ressources humaines dans le cadre du processus annuel visant à inventorier les pressions sur le budget de fonctionnement.

Recommandation 12

Que la direction recherche des possibilités d'externalisation plus formelle des services afin de réduire au minimum le recours continu à des experts-conseils et de contrer les limites inhérentes à la planification de la relève.

Réponse de la direction

La direction accepte l'esprit de cette recommandation.

Pour résoudre la question de la répartition du volume de travail assuré par le personnel interne, la DSI a actuellement recours aux services d'entrepreneurs retenus à la suite d'une offre à commandes.

Les activités et le mandat de la DSI vont être revus dans le cadre d'un programme d'examen des processus en vigueur dans l'ensemble de la Direction prévu pour le troisième trimestre de 2006, qui donnera également lieu à une évaluation de l'organisation et à l'établissement d'une stratégie de dotation.

Réponse générale de la direction

Le rapport de vérification daté du 11 octobre 2005, indique que dans l'ensemble, la Division des services immobiliers a su :

- Constituer une équipe compétente, expérimentée et dévouée, dotée d'une direction solide, aux connaissances étendues, pour s'acquitter de son mandat et de ses responsabilités;
- Promouvoir l'esprit d'équipe et une prestation de services positive;
- Favoriser des relations de travail positives avec les autres services de la Ville;
- Appliquer des pratiques exemplaires en matière de services immobiliers municipaux;
- Établir une politique et un règlement sur l'aliénation de biens qui font de la Ville un chef de file par rapport aux autres administrations municipales;
- Respecter son orientation et sa raison d'être initiaux;
- Réagir d'une manière compétente à l'aliénation d'installations ayant découlé de la fusion.

Ayant examiné les recommandations contenues dans le rapport de vérification préliminaire, la direction de la DSI formule les observations suivantes :

Dans l'ensemble, la direction accepte les observations et recommandations découlant de la vérification :

- Les conclusions confirment la force de la DSI en tant que centre d'expertise.
- Les entrevues ont révélé des lacunes sur le plan technologique qu'il importe de combler.
- Les renseignements recueillis soulignent les défis que posent la relève, la dotation en personnel et le recours à des contractuels.
- Certaines recommandations confirment la nécessité d'examiner, d'élaborer et d'approuver une stratégie appropriée en ce qui concerne la prestation de services. Cette opération aura lieu au cours de la révision des processus en vigueur à la direction, qui doit être achevée au cours du troisième trimestre de 2006.

Conclusion

La DSI possède de grandes compétences et beaucoup d'expérience pour s'acquitter de son mandat et de ses responsabilités fonctionnelles. Ses relations avec ses clients sont positives et elle a établi de très bonnes relations avec les principaux services clients à la Ville.

Bien que la DSI continue de satisfaire aux exigences du travail, elle est indument tributaire de sa base de connaissances existante. Il lui faut se doter de politiques, de procédures et d'outils de mesure du rendement plus étendus et plus formels afin d'assurer

l'uniformité et l'efficacité des opérations et de pouvoir déterminer et valider d'une façon plus nette les entraves à l'efficacité organisationnelle à l'avenir. La vérification a également révélé des possibilités de rationaliser l'organisation, d'améliorer l'information de gestion et de planifier à plus long terme afin de maintenir et d'accroître l'efficacité et l'efficacité de la Division. Étant donné les problèmes de planification de la relève et la nécessité de faire constamment appel à des experts-conseils, l'externalisation plus formelle des services constitue une stratégie appropriée actuellement.

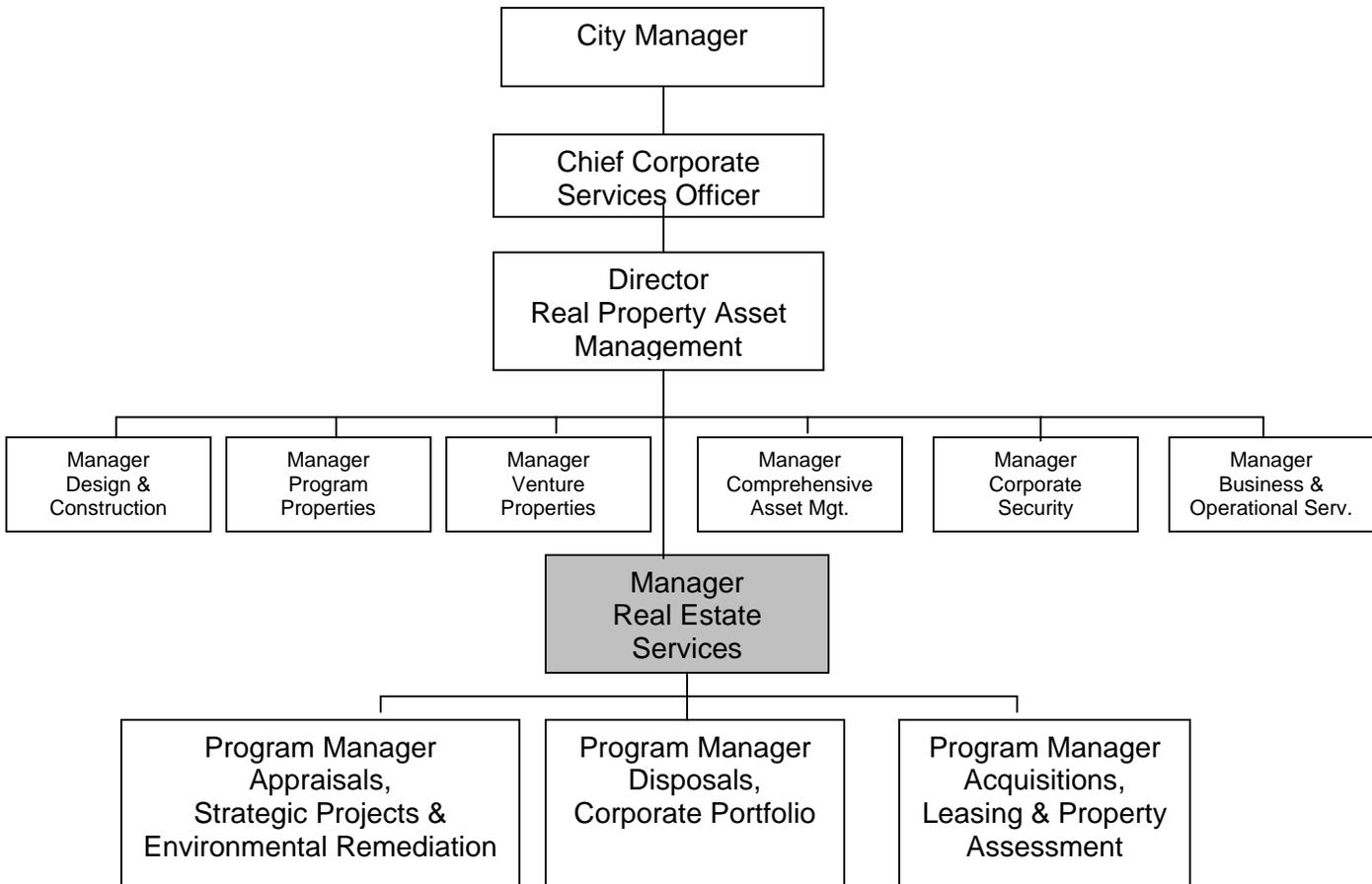
Nous remercions la gestion pour la courtoisie et l'assistance qu'ils nous ont offertes pendant cette vérification.

1. Background

The Real Estate Services Division (RESD) falls within the Real Property Asset Management Branch of Corporate Services. The mandate of RESD encompasses:

- acquisition and disposal of all City real property interest,
- all appraisals of real property,
- coordination all real property legal documents, and
- oversight of all environmental remediation on City-owned property including the development and introduction of best practices in environmental management.

There are currently 22 FTEs within RESD, supported by a number of consultant positions. The organizational structure of the Division is presented below.



In October 2001, Council approved the Disposal of Real Property – Harmonization of Policy, Procedures and Disposal By-Law. Some of the key features of this policy include the following:

- Council shall, by resolution, declare whether a property is surplus to the City's needs;
- Before property is sold to the general public, all public bodies (i.e. the federal or provincial government or any agency thereof, a local board or school boards) will be given the opportunity to acquire the land at its current market value;
- If the property is suitable for housing purposes, then non-profit, co-operative housing groups will be asked whether they are interested in acquiring the property at its current market value;
- Notice of disposal of real property shall be given as required by the Municipal Act and the City's land disposal by-law; and,
- All transactions will be based on current market values as determined by an appraisal of the real property.

The City's revised Corporate Accommodation Master Plan (CAMP) was approved by Council on May 14, 2003. This Plan resulted in the several City-owned properties being identified for immediate disposal including several major facilities such as:

- 1595 Telesat Court;
- 495 Richmond Road;
- 580 Terry Fox Drive; and
- 150 Elgin/31 Gloucester Street

RESD has been established in large part to carryout property acquisitions and disposals in response to the identified requirements of other City departments such as Public Works and Services and Planning and Growth Management. As such, the Division's activities are largely tactical in nature requiring effective coordination and communication with other areas of the City. In 2004, RESD conducted approximately 120 acquisitions and 80 disposals. In addition, approximately 150 files are currently active in the environmental remediation area.

2. Audit Objectives and Approach

2.1. Objectives, Criteria and Scope

The objectives of this audit were to provide an independent and objective assessment of whether current principles, policies and procedures for real estate activity at the City are managed in accordance with:

- City policies and procedures;

- Industry best practice;
- Results of the 2004 review of property disposals;
- Efficient and effective management practices; and
- Whether management practices/accountability framework are adequate to provide integrity and cost effectiveness of real estate management activities.

Specific criteria used in provided this assessment included:

- Policies and procedures are in place for the following:
 - acquisition and disposal of City-owned properties;
 - real estate appraisals;
 - leasing/property inventory and assessment;
 - overall portfolio management;
 - environmental remediation; and
 - strategic projects.
- Policies and procedures are consistent with the strategies of the City (including the 20/20 Plan).
- Policies and procedures are monitored, evaluated and communicated periodically.
- Real estate activities are in accordance with City policy, Provincial/Federal regulations and industry best practice.
- Management control framework (systems, procedures, controls and resources) and management practices are appropriate to ensure due regard to efficiency, effectiveness, financial integrity and compliance.
- Roles and responsibilities are clearly defined, communicated and understood.
- Inter-functional relationships are clearly defined, communicated and understood.
- Information used for decision-making and reporting is timely, relevant and reliable.
- Adequate operational, financial and information systems and processes are in place to ensure that funds are being spent for the purposes intended and are recorded, tracked and reported
- The scope of this audit included RESD activities and transactions during 2003-2005.

2.2. Approach

We have relied upon interviews with City of Ottawa staff and information, data, and other documentary evidence provided to us. The conclusions reached in our report have been based upon information available at the time of the review. Specific steps undertaken during the audit included:

- Review of documents such as the City's Corporate Accommodation Master Plan (CAMP), real estate policies/procedures, terms of reference and administrative reports;
- Interviews with staff from Real Property, the Asset Management Branch (RPAM), Corporate Finance and Legal Departments;
- Review and analysis of operating information (policies, plans and procedures related to real estate management); and
- Compliance testing on a random sample of real estate transactions.

3. Organizational Strengths

RESD currently has the depth of skill and experience to fulfill the real estate services mandate and functional responsibilities of the City. The Division consists of a dedicated team with strong and knowledgeable leadership. A positive teamwork and customer service delivery approach was in evidence during our audit and for the most part positive working relationships have been developed and maintained with other areas of the City.

Municipal best practices as related to leasing, appraisals and environmental remediation are typically followed by RESD and the City's current property disposal policy remains one of the more comprehensive when compared to other municipal organizations. In essence, the original direction and intent for RESD remains on track and the Division has responded capably to the recent challenges associated with the disposal of various City facilities arising from municipal amalgamation.

4. Findings and Recommendations

4.1. Audit Objective 1

Current principles, policies and procedures for real estate activity at the City are managed in accordance with:

- **City policies and procedures;**
- **Industry best practice; and**
- **Efficient and effective management practices.**

4.1.1 Property Disposals

In October 2001, Council approved the Disposal of Real Property – Harmonization of Policy, Procedures and Disposal By-Law. Based on a review of other similar municipalities, the City's policy is one of the more comprehensive.

Our audit of property disposal files found that overall the disposals reviewed were in compliance with the existing policy. In some instances a lack of complete documentation

was noted and is discussed more fully in Section 4.2.3. However, in our view, these instances did not impact on the overall integrity of the process used in the disposals we reviewed.

Our audit did note that the method of sale used varied across the files reviewed. All methods used are permitted under the current policy, however, this did create inconsistencies in the way in which bids were received and negotiations with prospective buyers were handled in some instances. These inconsistencies create risks in ensuring a standardized approach to disposals and can impact on the perceived equity and transparency of the disposal process which in turn could result in challenges to the outcome. Management should review the policy and related procedures to more clearly provide guidance in the following areas:

- i) It is unclear from the wording of the current policy whether the overall objective of property disposals is to achieve fair market value or to maximize returns to the City when market conditions permit. Both objectives are stated in the policy. In addition, the policy requires that properties identified for sale are to be circulated to all City departments first to determine if there are potential uses for the site, including the possibility of using the site for social housing purposes. Federal and provincial governments are also to be circulated prior to going to the market for disposal. The policy does not speak to the relative priorities of each of these potential outcomes and how the potential for significant returns to the City from selling the property on the open market compares to other possible uses for the property. The overall objectives for property disposals should be clarified.
- ii) Clear guidelines should be established regarding the selection of the various sales methods. This would ensure that a consistent and effective method of sale is used and that appropriate negotiation protocols are adhered to. A standardized process similar to the City's approach to public tendering should be required for disposals where multiple bids are anticipated. Under such a process, notification of the sale of a City property would require that all interested parties submit their bids by the same deadline. All bids would then be reviewed by staff to identify the most suitable one based on the market assessment of the property, the price offered and the sale conditions requested in the bid. Negotiations would then be launched with this bidder to finalize the agreement. In the event that an agreement cannot be met and negotiations are abandoned, staff would open negotiations with the party submitting the next best bid based on the initial evaluation.
- iii) The lack of a more formal tender-like approach to these sales in the past has created particular challenges during the timing gap between acceptance of a bid and final Council approval. Once staff accepts a bid, the Committee and Council reporting process begins in order to obtain final approval for the sale. It is not uncommon for the City to continue to receive additional bids during this interim period. Since the current policy does not address this scenario, staff have on occasion requested advice from Legal Services to clarify how to handle

these interim bids. The City's disposal policy should clearly establish the suspension of the bidding process upon closing date of the initial request for bids. The policy would then ensure that once an agreement has been reached by staff, no subsequent bids could be accepted in the interim period when Council approval is being confirmed. Establishing this process under a Council-approved policy will be important to help avoid future disputes with bidders.

Recommendation 1

That the overall objective of property disposals be clarified, including clarification of the relative priorities regarding sale versus other potential uses for the property.

Management Response

Management agrees with this recommendation.

The Disposal Policy approved in October 2001 by Council, will be reviewed for clarity of wording as part of the annual review of disposal procedures to be completed in 2006.

Ultimately, Management's goal is to present objective information to aid Council in setting priorities specific to surplus property. The review of the Disposal Policy will address the need to develop a more formal approach for land exchanges. The objective would be to ensure that any surplus real estate is viewed as an asset and utilized in a manner that recognizes its financial value and rationalizes its use in relation to the City's overall requirements.

Recommendation 2

That management establish clear guidelines on the appropriate selection of various methods of sale and associated negotiation protocols.

Management Response

Management agrees with this recommendation.

Management proposes the development of a sale and negotiations handbook to be completed by Q4 2006, that documents disposal options available and outlines the criteria to be considered when selecting a marketing method.

Recommendation 3

That Management establish a requirement for the use of a proposal call or public tender process for all disposals involving high dollar values and/or multiple bidders.

Management Response

Management agrees with this recommendation.

Current practices and procedures with regard to the use of proposal calls and/or public tenders will be reviewed and revised as part of the annual review of the current disposal procedures and incorporated into the sale and negotiations handbook, addressed under **4.1.1 Recommendation 2**, to be completed by Q4 2006.

4.1.2 Acquisitions, Leasing, Appraisals and Remediation

At the time of the audit, property disposal was the only RESD activity governed by formal policies and procedures. A policy governing property acquisitions is currently in draft form and is scheduled for implementation by the end of 2006. The leasing policy from the former Region of Ottawa-Carleton is used a guideline in this area. Appraisals, strategic projects and environmental remediation currently have no formalized internal policies and procedures in place.

RESD is largely a tactical operation responsible for responding to requests for property-related transactions on behalf of other City departments. While the Division does tend to adhere to industry best practices in these areas, the lack of formal policies and procedures places excessive reliance on the knowledge and expertise of existing staff to consistently and appropriately undertake these activities. The current operating environment also makes it difficult for managers to monitor activities to ensure consistency between staff, measure performance effectively and ensure staff training is adequate. No evidence of inappropriate activity was found, however, with staff turnover expected to continue be a challenge for RESD management, the lack of standard documented procedures will create greater risks in the future in that the current level of knowledge may not be sustainable.

A particular aspect of acquisitions that should be addressed by the policy is the practice of conducting property trades or land exchanges. In order for the City to obtain a desired property (e.g. for environmental protection), land exchanges have on occasion been arranged whereby a City-owned property is offered in trade. In these cases, Council approval is obtained, however, no policy is currently in place to ensure these exchanges are managed in a consistent fashion. The creation of a corporate acquisition policy should include direction on property transfers.

Recommendation 4

That Management ensure appropriate policies and procedures are put in place for Acquisitions, Leasing, Appraisals and Remediation to ensure a consistent and effective approach that reflects best practices is maintained.

Management Response

Management agrees with the recommendation.

The development of an Acquisition Policy, including leasing, will be completed by Q2 2006.

The need for appraisals and environmental site assessments is currently captured in the Disposal Policy and will be entrenched in other policies and practices as developed.

4.1.3 Inquiries

The Division is currently dealing with a considerable number of inquiries from outside of the department regarding the status of various transactions. Management and staff interviewed during the audit indicated that responding to these inquiries consumes a significant amount of resources that could otherwise be utilized on completing an already high volume of transactions. Unfortunately, the manner in which these inquiries are currently logged does not make it possible to accurately gauge the operational impacts. A running list of inquiries is kept which does not track the source of the inquiry, the staff assigned, the open/close date or the time committed to each request. A standard protocol and monitoring system for addressing these inquiries is therefore not yet in place and as a result makes the task of managing this work efficiently and demonstrating its operational impacts difficult.

Recommendation 5

That Management implement a standard protocol for responding to inquiries as well as an improved tracking mechanism to capture all relevant information including the source, the staff assigned and the time committed to resolving each request.

Management Response

Management agrees with the recommendation.

An upgrade to the Corporate Inquiry Tracking application is currently underway and is anticipated to be completed by Q4 2006.

4.2. Audit Objective 2

Management practices/accountability framework are adequate to provide integrity and cost effectiveness of real estate management activities.

4.2.1 Roles and Responsibilities

Property Management. RESD currently has responsibility for managing a number of City-owned properties. These are properties which the City has purchased at various times in the past in anticipation of needing the land for future Official Plan requirements. Until this land is required, the City has continued to offer these properties for lease to the public and acts as landlord to the occupants.

Assigning these property management duties to the City's real estate function is somewhat inconsistent with the broader mandate of RESD and requires it to maintain an additional set of skills that is not directly related to its core business. Elsewhere within the Real Property Asset Management Branch there are two Divisions, Program Properties and Venture Properties, whose mandate is to manage all other City-owned facilities. It would be more appropriate to assign to one of these Branches the responsibility for managing properties now under RESD jurisdiction.

Recommendation 6

That the property management responsibilities currently assigned to the Real Estate Services Division be transferred to either the Program Properties Division or the Venture Properties Division of Real Property Asset Management.

Management Response

Management agrees with the intent of this recommendation.

A review of the alternative service delivery options and the required resourcing will be completed by Q3 2006. Any resourcing issues, additional FTEs or contract dollars, will be addressed in time for the 2007 budget process.

Leasing. The current mandate of RESD includes all leasing activity for the City, including that which is related to the properties described in the preceding discussion. Maintaining leasing expertise within RESD is appropriate, however, the responsibility is currently scattered across various sections of the Division. RESD should pursue opportunities to align these responsibilities in a single part of its operation.

Recommendation 7

That Real Estate Services amalgamate its leasing responsibilities within its internal structure.

Management Response

Management agrees with this recommendation.

The organizational structure in place at the time of this audit aligned leasing-out activities (revenue leases) with disposals, and lease-in activities with acquisitions. The intent of this alignment was to balance workloads within RESD. As an interim step to an organizational review, revenue and acquisition leasing will be consolidated in Q1 2006, to allow for standardized business processes and increased focus of knowledge and expertise.

With the potential realignment of the Corporate Portfolio property management responsibilities addressed under **4.2.1 Recommendation 6**, the consolidation of lease activities will be accommodated within the existing staffing levels.

Real Estate Services Division will be reviewing the alignment of positions during the Branch Process Review Program which is targeted to be completed in Q3 2006.

4.2.2 Management Information

The Corporate Information System. As part of the City's Integrated Business Solution (IBS) initiative completed in 2004, the Real Estate (RE) module of SAP was configured and implemented to support RESD operations. The RE module is currently used in managing the existing inventory of City-owned properties. As part of the design phase, a fit/gap analysis was conducted by the IBS team which identified a complex matrix of cross-connections between Real Estate, Supply, Finance, Human Resources – Payroll and third party solutions. Leasing data is maintained on the system and capital and operating budgets are tracked by SAP and Finance, allowing Real Estate budgets to be monitored by the Manager and Finance on a regular basis.

The initial strategy for IBS called for the use of the Project System (PS) module of SAP to support RESD's broader database management needs. Management and staff within RESD indicated, however, that the PS module is far more complex than is required for its needs and would be costly to implement. The module therefore has not been used and, as a result, the Division is currently operating without a database management tool. The scope of the audit did not afford the opportunity to conduct a complete post-implementation review of the system, however, it appears that the intended benefits of implementing the corporate system cannot be achieved if it remains underutilized. Accordingly, RESD should pursue with Information Technology Services the implementation of available SAP tools to provide adequate database management support. The Office of the Auditor General has planned a more detailed audit of the City's enterprise system in 2006

Recommendation 8

That Management, in concert with the Information Technology Services Branch, implement the use of available corporate system tools to provide required database management support.

Management Response

Management agrees with this recommendation.

The RPAM Business Case, Version 1.0, indicated that Real Estate Services Division (RES) would be included in the (PS) Module implementation. However, as the Real Estate Services Division had to concurrently develop and implement the Real Estate Module, it was determined that there was not enough capacity within the Division to develop the PS Module as well. At that time, the Comprehensive Asset Management Division (CAM) was substituted for RES in the PS module implementation. A review of the potential application of the PS module to address project management-tracking requirements and costs associated with the application is planned for Q2 2006.

Performance Indicators. Currently within RESD, a variety of stand-alone tools are used to monitor activities, ranging from email updates and excel spreadsheets to the 'Tasks' option from Microsoft Outlook. One spreadsheet was provided which indicated in excess of 700 separate projects, however, it was not possible from this data to accurately assess workload requirements or operational efficiency. A system of formal performance indicators and standards is not currently in place and there was a lack of evidence that consistent reporting between staff and management is occurring in order to facilitate monitoring of activities and timelines.

The absence of key performance indicators and standards is related to the need for formal operating procedures described earlier in the report. Such measures are an important internal control mechanism that can provide management with an early warning on potential issues and required management intervention. Throughout the audit, staff and management expressed concerns over their ability to continue to manage existing workloads in the future. Regular reporting against a set of performance indicators is required in order to validate workload concerns and assess operating sustainability accurately.

Recommendation 9

That Management develop and implement a system of key performance indicators based on operating standards to facilitate efficient service delivery and validate potential workload issues.

Management Response

Management agrees with this recommendation.

Management agrees that meaningful performance indicators are required to estimate and budget for resource requirements and to track divisional performance.

The development of these indicators and appropriate planning standards will be completed by Q4 2006.

4.2.3 Documentation Standards

Based on our review of a sample of transaction files, no evidence of any inappropriate activity was noted however we concluded that approximately one-third of the files were incomplete in terms of containing all required documentation. Typical examples included copies of appraisals not found on file, approval documents as required by the City processes not included, no evidence that circulation of the notice of surplus property had been undertaken and no evidence of required involvement of the Legal Services Branch.

None of these incidents can be viewed as a serious breach of policy. However, because the contents of each file is in chronological order containing copies of emails, correspondence, appropriate reports, and other documentation as relevant to the transaction file, it is necessary to review all of the file contents to ascertain the status of

each transaction and to ensure all required steps have been successfully completed. As such, to ensure accuracy and completeness of transactions, even on a periodic, sample basis is extremely time consuming and is not being performed regularly.

The establishment of a checklist and sign-off procedure within each file for each milestone should be implemented as a trigger to ensure all steps are completed and properly documented. The use of such a checklist with documented sign-offs at key points would also facilitate management's quality assurance process.

Recommendation 10

That Management establish a checklist and sign-off procedure to ensure that documentation of all activity is complete and accurate.

Management Response

Management agrees with the intent of this recommendation.

A review of similar issues from a previous disposal audit in 2004 indicated that the majority of the issues associated with files did not warrant a significant amendment to practices.

To ensure that files are fully and properly documented, a checklist has been developed and implemented.

4.2.4 Long-Term Planning

As stated previous, the role of RESD is to respond to requests from other City departments for real estate related services. City departments seem well aware of RESD's mandate and do not typically interfere with the acquisition, leasing and disposal of properties.

By nature of its role, RESD is to a large extent dependent upon these other departments to forecast their requirements in such a way as to allow the Division to take action in a timely and effective manner. Information generally appears to be provided to RESD within a reasonable timeframe. However, timelines for larger projects have on occasion created pressure within the Division to meet critical deadlines. We could find no evidence that strategic work planning, i.e. setting annual or multi-year targets, was being conducted. Such a process, conducted in concert with key client departments such as Planning and Growth Management, may minimize the occurrences of major initiatives having to be acted upon under very tight time frames.

Recommendation 11

That Management undertake, in concert with key client departments, an annual or multi-year planning process to identify and plan for future real estate service requirements.

Management Response

Management agrees with this recommendation.

It is currently difficult to pre-plan RESD's client-driven workload within one budget cycle. The capital budget process tends to be completed in a compressed timeframe, often in isolation. This issue occurs mainly with acquisitions for major capital infrastructure projects.

RESD staff will initiate a semi-annual workload review and analysis with clients to review project timing to allow input for resource costs in capital project budget preparation. These reviews, coordinated with the corporate budget cycle, will allow RESD to identify staffing pressures as part of the annual operating budget pressure identification.

4.2.5 Service Delivery Model

The RESD structure currently includes six (6) positions identified as "Consultants". These positions have received payments from various accounts within the RESD budget. In addition, one (1) Clerk position was also identified which is currently being expensed on a consultant basis. Consultants or contract staff have been used in this manner within RESD since 2001 and in some cases these resources have remained with the Division on a day-to-day basis for extended periods of time. Management has indicated that the use of these on-site consultant/contract resources has been necessitated by workload demands and the inability to find qualified candidates when vacancies occur. To do so over long periods of time, however, raises significant employment issues for the City.

Management has also identified a related succession planning issue. This is emerging as a significant challenge in light of several anticipated retirements and the Division's difficulties in attracting acceptable candidates in the past. No clear strategy has yet been developed to respond to this and concerns have been raised regarding the longer-term sustainability of the function. Succession planning is an issue that will require a more coordinated Corporate-wide effort in the near future.

In addition to contract staff, RESD currently conducts the majority of its property appraisals via standing offers with external organizations. In 2003, the Universal Program Review (UPR) submission by RESD estimated that approximately 50% of all real estate activity at the City was conducted using external resources and/or on-site contract staff. The UPR submission discussed the possibility of increasing outsourcing to 100%. At the time, although the potential for costs savings was seen as questionable, it was recommended that a review of opportunities in this regard be conducted. Given RESD's long-term use of contract staff, its continuing struggle to attract acceptable

candidates when vacancies occur and the associated succession planning issues this is raising, it is appropriate at this point for management to pursue opportunities for more formalized outsourcing in the future.

Recommendation 12

That Management pursue opportunities for more formal outsourcing of services to minimize the ongoing use of consultants and address succession planning limitations.

Management Response

Management agrees with the intent of this recommendation.

To address the balance of the workload currently being provided by internal staff, RESD is currently using individual contractors, acquired through a standing offer, to meet day-to-day workload requirements.

RESD's lines of business and mandate will be reviewed as part of a Branch-wide Process Review Program including an organizational assessment and staffing strategy planned for Q3 2006.

General Management Response

The Audit Report (DRAFT), dated 11 October 2005, indicates that overall the performance and management of the Real Estate Services Division (RESD) has successfully:

- Created a skilled, experienced and dedicated team with strong and knowledgeable leadership to fulfill its mandate and responsibilities;
- Promoted positive teamwork and customer service delivery;
- Fostered positive working relationships with other areas of the City;
- Followed municipal real estate best practices;
- Created a property disposal policy and bylaw that remains a leader when compared to other municipal organizations;
- Remained on track with original direction and intent for RESD; and
- Responded capably to the disposal of facilities arising from amalgamation.

After reviewing the Recommendations contained in the draft audit report, RESD management has the following observations:

General agreement with observations and Recommendations;

Findings confirm RESD's strength in filling Centre of Expertise (COE) role;

Interviews have identified technology weaknesses that need to be addressed;

The information that was captured recognizes succession, staffing, contracting issues and challenges;

Certain Recommendations confirm that more in-depth review and development and approval of an appropriate go-forward service delivery strategy is warranted. This will be looked at during the Branch Process Review that is targeted to be complete Q3 2006.

5. Conclusion

RESD currently has a high level of skills and experience to bring to the Division's mandate and its functional responsibilities. There is positive customer service approach and strong relationships have developed with its key client departments across the City.

Although RESD continues to meet current work demands, there is an undue reliance on its existing knowledge base. There is a need to develop more complete and formalized policies, procedures and performance measurement tools to ensure on-going operational consistency and effectiveness as well as to more clearly identify and validate potential impediments to organizational effectiveness in the future. Opportunities have also been identified during this audit for organizational streamlining, improved management information and longer-term planning to assist in sustaining and enhancing the Division's long-term efficiency and effectiveness. Given succession planning issues and the ongoing need for consultant resources, pursuing more formal outsourcing of services is an appropriate strategy at this time.

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