

Status Report on Previous Audit Observations and Action Plans		
	Presented To:	Audit Committee
	Presented :	Tuesday, June 20, 2017
	Report Date:	Monday, May 24, 2017
Type:	Report	

Background

The Auditor General's Office maintains an ongoing follow up process which consolidates management's self-assessments of the status of their action plans to address audit observations. Annual reports are provided to Council with the aim of documenting the actions taken to date and anticipated dates for completion.

The self-assessment reports are not evaluations provided by the Auditor General's Office and provide no assurance to Council. Instead, the self- assessments provided in the "Actions taken, results and /or actions planned" section are in management's own words and are unedited. The Auditor General's Office reserves its authority to conduct progress audits to independently validate the progress made in addressing audit observations and Observations.

Self-Assessment Follow Up Report Compiled by Auditor General's Office

The appendices attached to this report contain detailed self-assessment reports for the following audit reports:

- Roads - Miscellaneous Winter Maintenance
- Accounts Payable
- User Fees – Sports Fields
- Transit and Community Arena Advertising Agreement
- Environmental Service Waste Collection Contract
- Building Services, Building Permits & Committee of Adjustment
- Contract ENG11-42
- Follow-up of Competitive Procurement
- Long Term Financial Planning

SUMMARY OF STATUS OF MANAGEMENT'S ACTION PLANS AT MAY 15, 2017

	Year Report Issued	Total # Of Action Plans	Fully or Substantially Implemented Including Alternative action	Action Plan Partially Implemented	No Substantial Action Taken
Roads Miscellaneous Winter Maintenance	2010	32	32	0	0
Accounts Payable	2011	19	19	0	0
User Fees – Sports Fields	2012	9	5	3	1
Transit and Community Arena Advertising Agreement	2013	5	4	1	0
Environmental Service Waste Collection Contract	2014	10	9	0	1
Building Services, Building Permits & Committee of Adjustment	2015	11	9	2	0
Competitive Procurement	2014	15	12	3	0
Contract ENG11-42	2016	4	4	0	0
Long Term Financial Planning	2017	5	1	4	0
Total		110	95	13	2
% By Status		100%	86%	12%	2%

Conclusion

Approximately **86** percent of the above audit action plans have been fully completed whereas only no substantial action has been initiated yet for only **2** percent. Another status report will be provided to Audit Committee a year from now.

AUDIT Follow Up Report

To : Audit Committee

From : Ron Foster, Auditor General

Re: Roads – Miscellaneous Winter Maintenance audit

Audit Report released	June 2010
Original # of Observations	32
# of Action Plans Previously Completed	30
# of Action Plans Now Closed	2
# of Action Plans on Next Follow Up	0
Status As of May 15, 2017	Complete

Observation and Summary of Progress <small>(Based on Self-Assessment conducted by Roads Division)</small>	Self-assessed Status
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Observation 3 (a)

It is recommended that the City continue to extend the implementation of an AVL/GIS system that will capture the entire roads infrastructure. This will reduce the need for paper based road patrol reports as the information can be captured timely and accurately, right into GIS. Therefore, our road data will be available for reference purposes. It will be complete, accurate and timely. This information will also assist in the investigation of claims by reducing the amount of time required to trace through paperwork. Since an AVL/GIS system contains all the maintenance information, it can also be used to track potholes and plan the most efficient and cost effective repair for a section of road. This will ensure that once a pothole is identified, it is repaired according to minimum maintenance standards. The system should handle work orders, in order to track the productivity of the crews.

Complete

Original Management Response

Staff agree. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The AVL equipment is 80% installed, and will be completed prior to the start of the 2014/2015 winter control period. The Route Completion Software is in development with a trial expected to start in November 2014.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The AVL equipment is installed in the Winter Control Fleet (both City vehicles and Contract vehicles) and in the Supervisors vehicles. The Route Completion Software trial is ending, and is scheduled to be fully functional by the end of 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Route Completion software is functional. The review of a Road Patrol Software will commence at the end of 2017.

Observation 3 (b)

Management needs to improve procedures related to road patrol documentation to ensure regulatory requirements for patrols and repairs are consistently met.

Complete

Original Management Response

Paper copy road patrol records are being kept and are continuously being improved. Staff follow the province's road patrol documentation process. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated that this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The Route Completion software is in development. Following completion, the development of the Road Patrol software will commence.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The Route Completion software is nearing completion, the development/selection of the Road Patrol software will commence afterwards.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Route Completion software is functional. The review of a Road Patrol Software will commence at the end of 2017.

Re: Accounts Payable audit

Audit Report released	May 2011
Original # of Observations	19
# of Action Plans Previously Completed	18
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	0
Status As of May 15, 2017	Substantially Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Finance)	Self-assessed Status
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Observation (g)

Invoices should reflect a Purchase Order (PO) generated within PeopleSoft. A PO system allows a three way match between invoice, PO and receipt of good. Therefore, all three must match in order to generate a payment. Once a match is made, the PO is closed and no further payments can be processed; thus preventing a duplicate payment. Although Finance is in the process of moving more PO's to PeopleSoft, it is understood that full implementation is still a few years away.

Substantially Complete

Original Management Response

At the time that PeopleSoft was implemented, the business process that was established included using PeopleSoft POs for purchases greater than \$5,000 as well as blanket POs and contract numbers. For purchases less than \$5,000 legacy POs and contract numbers and blanket POs if appropriate were to be used. When purchases are made pursuant to a contract, blanket purchase number or legacy PO, the operating department approves the actual invoice for payment by the appropriate signing authority signing the invoice. The signature is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice accurately charges for goods or services that were authorized and received and is in accordance with the contract, blanket order or legacy purchase order and is therefore authorized for payment. We do agree that there is a need to move more purchases to PeopleSoft POs and to this end a project was initiated in the fall of 2009 to review the purchasing and payables cycle.

There are many Observations that have stemmed from this review and staff continues to work to implement these Observations. A key Observation was to move more purchases to PeopleSoft POs. Changes to the purchasing cycle involve extensive changes to business processes as well as cultural change and consequently will take some time.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The City has made progress on the foundational pieces to improve the City's procure to pay cycle. These foundational pieces include: Purchasing By-Law, business process review / policy development, expansion of PeopleSoft functionality and integration with the new CityWorks MMMS system. Once the foundational pieces are complete, and resources are identified in operating departments, management plans to amend City policies to make the use of electronic purchase orders mandatory.

Managing the pace of change in the organization has been top of mind to the Chief Financial Officer, and Senior Management Team. The Finance Strategic plan outlined the required action items to achieve the goals, in a balanced approach, at a pace that the organization can manage with the resources it has.

In June, Finance has scheduled training for authorized employees, and we will take the opportunity to continue to encourage the use of PeopleSoft Purchase Orders, where efficient.

Update on Procurement Contract Functionality and PeopleSoft Purchasing Module

The work on Procurement Contract functionality has been advancing at a slow pace, since challenges were discovered. As reported to City Council, Spyre Consultants was hired and performed a review of the City's use of the PeopleSoft Purchasing functionality. The recommendations from these reports are being reviewed and prioritized. Additional resources will be required to implement the recommendations and business process changes. Finance is in the process of hiring a temporary ERP Project Manager to assist with the implementation.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The City continues to make progress in the use of PeopleSoft functionality specifically for Procurement Contracts. The City has started tracking contracts in PeopleSoft and has established a process to track standing offers and multi-year contracts. Finance continues the work on Procurement Contracts functionality to be able to track spending and has an ERP Project Manager until May 2017 to continue to expand the use of Purchase Orders.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Further improvements have been made, with assistance of an ERP Project Manager, in the City's use of PeopleSoft to start tracking spend on Multi-Year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in the PeopleSoft Procurement Contracting Module. The module is also used, as of 2016, to track renewal and expiry dates by Contract enabling a timely renewal and re-tendering of procurement requirements.

Re: User Fees – Sports Fields audit

Audit Report released	November 2012
Original # of Observations	9
# of Action Plans Previously Completed	5
# of Action Plans Now Closed	3
# of Action Plans on Next Follow Up	1
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Community Development)	Self-assessed Status
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Observation 1

Evaluate whether the youth per participant rate should be replaced with an hourly rate. If any changes are required, it should be reflected within the User Fee By-law approved by Council.

No substantial action taken

Original Management Response

Review impact of any potential changes to minor sports playfield user fees and prepare a report to Standing Committee with options re: participant rates vs. hourly, etc. The review will be conducted in time for the 2014 playfield season.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The original deadline to submit a report to the Community Standing Committee as identified on June 30, 2013, was not realized. The analysis will be completed and presented to the Community Standing Committee for direction in early 2015.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The analysis regarding youth participant rate vs. hourly rate charges will be presented to Council as part of the 2017 budget process.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

A business case will be prepared for the Executive Leadership Team regarding implementing an hourly rate vs. the existing per youth participant rate as part of the 2018 budget process.

Observation 4

If the City continues to charge a per participant fee for youth associations, Leisure Service should consider including a provision for participant number verification rights within the Facility Agreement for youth leagues similar to other revenue generating contracts within the City.

Partially
Implemented

Original Management Response

Contingent on any decisions made from Observation #1. The requirements would have to be incorporated into the facility use agreement.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The department will be requesting a signed letter from each minor sports organization confirming the total number of registrations.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

At the beginning of each field season (June), each youth sports group must submit their confirmed registration numbers. Based on this figure, groups are billed their participant rate amounts for the current year. After the season is over in September/October, they are asked to confirm their numbers and a reconciliation process is performed based on any changes in participant numbers over the term of the season.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Minor sports associations are still required to confirm participant numbers in June of each season. The reconciliation process will still take place at the conclusion of the season (September/October). Sports associations will be asked for additional supporting documentation to confirm participant numbers (e.g. copies of information submitted to respective provincial sports governing body).

Observation 5

A best practice for user fees is for the City to set a policy framework that provides transparency and clarity, promotes consistency, and makes cost sharing amongst users more equitable. Management should present user fee target recovery options to Council after performing a full cost analysis. Since the decision for establishing user fees rests with Council, full cost analysis will better inform Council of cost recovery target options as well as their impact on user fees. Management may want to consider implementing these Observations within Leisure Services prior to rolling it out to other departments within the City.

Partially
Implemented

Original Management Response

The City's Base Budget Preparation Policy states "that when establishing user fee rates, the (a) Cost of service, including direct, indirect costs, allocation of capital costs etc. should be considered." In addition, policy #7 of the Long Term Financial Plan states "Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user fees)". In addition, there are a number of principles that provide guidance to management regarding user fees. For example, principle 3.3 states "Establish target proportions of program costs to be raised through user charges based on reviews of benefits received; Principle 3.6 states "Ensure both operating and capital costs are considered when establishing user fees (full program costing)".

Management agrees that the City should expand the use of the existing policy framework when setting user fees. As a first step, the Finance and Leisure Services department will prepare a report to Finance and Administration Committee which discloses the current and historical user fee recovery percentages for the larger programs in Leisure Services, and to seek the committee's direction regarding increasing user fees to address the City's infrastructure shortfall or to reduce the tax levy.

In addition, as part of the 2013 budget planning session, Council requested a detail breakdown on the operational costs for the following programs:

- a) camp Sudaca / Wassakwa
- b) summer playground programs
- c) fitness facilities
- d) trailer park operations

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The fitness fees are currently being reviewed and an observation will be presented to CS Standing Committee in 2015. The department is using the City's base budget preparation policy as a guide in establishing user fee rates. In addition the Parks, Open Space, Leisure Master Plan review as part of the implementation strategy have identified an action plan on user fees & cost recovery. The plan recommends that Staff regularly assess rates and fees for Leisure programs and facilities to ensure that they represent a fair and equitable balance between true costs and public benefits. It is recommended also to include annual capital requirements within

the cost recovery targets to provide a true indication of the balance between user fee contributions, taxation, and other funding sources. The master plan review provides Observations on developing an Affordable Access to Recreation policy in order to bolster universal access to physical activity and recreation opportunities based on an ability -to-pay model. The draft Parks, Open Space, Leisure Master Plan review will be presented to CS Standing Committee on June 16th, 2014.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

As part of the 2013 budget planning process, a user fee strategy was presented for summer programs and adopted by City Council. A similar strategy was presented for fitness facility fees, however was rejected by Council. The Director of Leisure Services will be resubmitting a user fee strategy for fitness fees and an overall user fee strategy to the Community Services Committee in late 2016, early 2017.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Leisure Services Division has researched user fee frameworks from other municipalities including Barrie. The user fee framework developed by Northern Leadership Project participants has been piloted by Finance in other areas. Leisure Services to work with Finance to develop a user fee framework for review by the Finance and Administration Committee.

Observation 9

Ensure the Joint Use Agreements are updated in a timely fashion with all school boards participating in this agreement. Ensure they accurately reflect the current understanding amongst all the parties in regards to field maintenance, usage and restrictions.

**Partially
Implemented**

Original Management Response

Leisure staff have been working on renewing the joint use agreement since the fall of 2011. A number of meetings have been held with representatives from all Boards of Education in order to revise and update the Joint Use Agreement. A draft agreement will be circulated to senior staff and will be presented to Council for feedback. The objective is to finalize the agreement by year end 2013.

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The draft is being reviewed by the respective boards and legal departments. The draft agreement is scheduled to be completed and presented to Council for their review by September 2015.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

This Observation is ongoing. This is a complex issue which the Director of Leisure Services has taken the lead on. It is the goal of Leisure Services to provide an update to the Community Services Standing Committee in late 2016 or early 2017.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

In order to determine the value of services provided and received through joint use arrangements, Leisure Services staff are calculating the following:

- Value of arena ice time provided to school boards, Sudbury District Secondary School Athletic Association (SDSSAA)
- Value of play field time provided
- Value of pool time provided
- Value of ski hill lessons provided
- Value of other maintenance services provided through Parks Services as per joint use arrangements
- Value of school board facilities used by City of Greater Sudbury recreation programs

Information to be finalized by August 2017. Once collected, information will be shared with school boards to help frame future joint use agreement discussions. Discussions with school boards to commence in Fall 2017.

Re: Transit & Community Arena Advertising Agreement

Audit Report released	August 2013
Original # of Observations	5
# of Action Plans Previously Completed	4
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	1
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Transit)	Self-assessed Status
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Observation 5

Transit advertising services should be separately contracted out (unbundled). Revise the process for issuing and awarding Transit and Community Arena Advertising Agreement with the objective of maximizing competition and potential advertising revenues for the City.

Partially implemented

Original Management Response

Comment - Management agrees with the unbundling of the agreement.
Action Plan Lead – Director of Transit and Fleet Services – Manager of Arenas
Timing - At agreement renewal or new RFP

Actions Taken, Results and /or Actions Planned - As of May 31, 2014

The agreements will be unbundled prior to issuing and awarding a new Transit and Community Arena Advertising Agreement with the objective of maximizing competition and potential advertising revenues for the City.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The agreements will be unbundled prior to issuing and awarding a new Transit and Community Arena Advertising Agreement with the objective of maximizing competition and potential advertising revenues for the City.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The agreements will be unbundled prior to issuing and awarding a new Transit and Community Arena Advertising Agreement in the fall of 2019.

Re: Environmental Service Waste Collection Contracts

Audit Report released	June 2014
Original # of Observations	10
# of Action Plans Previously Completed	1
# of Action Plans Now Closed	8
# of Action Plans on Next Follow Up	1
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Community Development)	Self-assessed Status
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Observation 1.1

The City’s performance indicators relating to community impact, service level and efficiency are comparable with other municipalities in Ontario; potential for cost reduction could be realized from the following:

1. Reducing the number of garbage bags collected per household and
2. Reducing the frequency of garbage collection.

Substantially Complete

Original Management Response

Management agrees that there are opportunities to reduce garbage collection costs and to increase waste diversion. These items have already been discussed by the Solid Waste Advisory Panel and they are intended to be brought forward for discussion as part of the 5 Year Solid Waste Strategy (tentatively scheduled for the Operations Committee in early 2015).

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

On March 8th, 2016, Council approved the reduction of the garbage bag limit and reducing the garbage collection frequency. The garbage bag limit will be reduced from 3 to 2 units in October 2016. Followed by another decrease from 2 to 1 units in October 2019. The co-collection of garbage and leaf & yard trimmings is scheduled to switch from a weekly service to an every other week service in February 2021.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

As detailed above, the garbage bag limit was reduced from 3 to 2 units in October 2016. No cost reductions were attained with the reduction of this bag limit. Cost reductions are expected once the frequency of garbage collection is reduced from weekly to every other week.

Observation 1.2

The price paid by the City for collection of garbage and recyclables/organics is based on the size of container and tipping fees payable (only for garbage). Separation of tipping fee reimbursement and collection/lift fee in the next collection tender would facilitate maintaining a consistent price for collection/lift fee for garbage and recyclables/organics.

Complete

Original Management Response

Management agrees that the Contractors have bid differently on front-end collection services for the High Density Residential (HDR) sector.

Management has no objections to the Auditor's request to separate the collection and disposal costs for front-end collection in the next collection tenders.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

This pricing structure will be adopted as part of the next waste collection tender scheduled for October 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

This has been completed.

Observation 1.3

a. Index

The collection contracts provide an adjustment for increase/decrease in cost for 90% of contracted rates (excluding fuel) based on the year to year "CanaData Composite Construction Cost Index for Ontario". The above comparison illustrates the quantum of additional payments made to waste collectors, if CPI index was used instead of CanaData Construction Cost Index. For 2013, such additional payment amounts to \$305,467 (@ 5.2% of 90% of \$6.5 Million).

Complete

b. – Fuel

Payment adjustments for increase/decrease in costs were originally outlined in clause 28 - Division # 3 of tender document. Procedures to calculate payment adjustment for fuel price changes were further clarified by Addendum No. 2 subsequently. However, it was noted during

the audit that despite this Addendum No. 2 clarification, actual monthly fuel price adjustments are not in compliance with contract terms.

Original Management Response

a. - Index

Finance staff had already identified that changing the inflationary index used in Contract tenders from CanaData Construction Cost Index to CPI Ontario would result in annual savings. Waste Management Contracts awarded since July 2009 (ISD 09-15 for Sample Collection and Analysis) have already switched to using CPI Ontario as the inflationary index, and all future waste contracts will continue this trend if an index is incorporated.

b. – Fuel

Management and Supplies & Services staff will ensure that future tenders that contain a fuel escalation clause include an effective date for the base fuel price.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The CPI index is being used for all revised service contracts and will be used in the next waste collection tender scheduled for October 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

This has been completed. The index being used is the Stats Can Consumer Price Index for Transportation.

Observation 2.1

Goals and performance measures for waste management have been defined and stated by certain Municipalities in Canada. Such criteria provide an objective basis for periodic comparison to assess performance relating to waste diversion, recycling and other initiatives over time.

Complete

The City of Greater Sudbury has not formally maintained such periodic performance measures. Only certain statistics are tracked for annual reporting to Ministry and funding claims. In the absence of formal measures, no assessment over time could be performed for the period of waste collection by contractors for the City from 2006.

Original Management Response

A “5 Year Solid Waste Strategy” is being developed with input from the Solid Waste Advisory Panel. This document will include but not be limited to goals and planned actions. This report is tentatively scheduled for the Operations Committee in early 2015. Once the draft plan is approved, performance measures over and above the current OMBI measures can be developed.

Management believes that the estimated savings provided in the report is high, but supports the Auditors Observation to conduct a business case that will review the financial and operational impacts

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Management has reviewed the performance metrics with the Auditor General's Office. A variety of performance metrics will be adopted in the next waste collection tender schedule for October 2016

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

This has been completed and is an ongoing process.

Observation 2.2

The auditors attempted to perform a comparative productivity analysis for each of the four designated areas to assess relative efficiencies and cost/price patterns. As the above statistics were not being created and maintained by Environmental services, no productivity/efficiency comparisons could be performed.

Substantially Complete

Original Management Response

Management will continue to perform annual audits for approximately 100 households per year. The audit will continue to measure participation rates, set-out rates and capture rates.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Management has reviewed the performance metrics with the Auditor General's Office. Once the performance metrics are in place, productivity comparisons will be performed. This will commence in 2017.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

To the extent possible, comparisons of productivity/efficiency are ongoing.

Observation 3.1

Certain terms and conditions were noted in the contracts that may benefit the City, while certain others may benefit the contractors. These terms and conditions appear to be contrary to the price paid by the City for amount of services received. The net impact in cost to the City could not be estimated as no details to estimate are being maintained.

Complete

Original Management Response

Management agrees that opportunities for improvement exist and will include definitions in the next collection tenders for household dwellings and stops. A more detailed household count process is currently under development and should be available for the next collection tenders (this relates to the new GPS system).

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Enhanced definitions on terms and processes are being prepared and will be included in the next waste collection contract scheduled for October 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

This has been completed.

Observation 3.2

In Contract #2005-49 clause 20 in Division #3 provides clarification and information on items listed in the 'Schedule of Unit Prices' (Division #2). However, references in Division #3 for the following three items do not match with corresponding items listed in Division #2.

Complete

Original Management Response

Management agrees the three scope items did not match the corresponding item number in the schedule of unit pricing schedule. This administrative error caused no financial impact and would have simply been corrected if the successful contractor had made the request.

Management and Supplies & Services staff will endeavor to minimize this type of error in the future.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Staff will endeavor to minimize this or any other type of error in future contracts including the next waste collection contract scheduled for October 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

This has been completed.

Observation 4.1

Audit noted that Environmental services did not have individuals with a finance background and experience to facilitate and perform operational financial analysis to support the division, similar to certain Infrastructure Services Divisions.

**Substantially
Complete**

Original Management Response

Yes, there is no dedicated Finance position that supports this Division. However, Finance assigned a dedicated Senior Budget Analysis to the Growth & Development Department in June 2010. This position supports the various Divisions of the Growth & Development Department. Finance is supportive in establishing a dedicated financial support position for Environmental Services.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

An additional FTE would require the consent of Council.

Observation 4.2

In light of restrictions imposed by most cities in Ontario on the quantity and frequency of bulk item collected curbside, opportunities for cost reduction may be explored.

**No Action
Taken**

Original Management Response

The unlimited weekly collection of defined bulk items is an approved service level.

A change in service level would require the consent of Council.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

A change in service level would require the consent of Council. On March 8th, 2016, Council approved to continue the current program with a new 'Call in/E-mail in' service. Opportunities for cost reduction will be explored as new programs are developed under the new Waste Free Ontario Act.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Council supported the continuation of the current bulky (Furniture & Large Items) program in 2016. The frequency of this program will be reduced once garbage collection changes from weekly to every other week in 2021. Opportunities for cost reduction will be explored as new programs are developed under the Waste Free Ontario Act.

Re: Building Services, Building Permits & Committee of Adjustment

Audit Report released	June 2015
Original # of Observations	11
# of Action Plans Previously Completed	4
# of Action Plans Now Closed	5
# of Action Plans on Next Follow Up	2
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Building Services)	Self-assessed Status
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Observation 1.1

Delays in updating tax rolls by MPAC could delay tax collections and extended delays over two years could result in unrecoverable taxes in accordance with the provisions of the Assessment Act, 1990.

Complete

1. No analysis has been attempted on a similar basis for Building permits issued from 2008 for Industrial and Commercial segments.
2. No analysis appears to have been completed, on a similar basis for Building permits issued for residential properties.

Original Management Response

As a result of this audit, the current Property Assessment Representative reviewed the sample of 98 building permits from 2001 to 2007. Based on this review in 2015, management believes that assessment returned by MPAC on the 98 permits appears reasonable. The two building permits from 2001, do reflect additional assessment, however further investigation would have to be conducted to determine if the assessment and timing were appropriate.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

A random sampling of permits issued after 2008 was completed. The results were positive and a formal review was deemed to be unwarranted. In our opinion, due the Finance Departments' recent close scrutiny of building permits, MPAC was reactive and addressed the inventory of mining related permits.

More recently, in following the assessment base management procedures, an issue was identified. MPAC was contacted to ensure building permits at mining properties were actioned and as a result it was discovered that legislated time lines were missed resulting in a revenue loss to the municipality.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

If we had an integrated property system it might facilitate indentifying building permits categorized as “complete” by Building Services. This would give the Tax Department an opportunity to prompt the Municipal Property Assessment Corporation (MPAC) to act accordingly.

In the interim all occupancy permit inspections will generate notification to the Finance Department for follow-up with MPAC.

Observation 1.2

Construction of mining properties may be initiated without a Building Permit. No formal process exists within the Tax department to track such construction activities for inclusion in the tax rolls.

Complete

Original Management Response

Building permits in the mining industry are complex and the City of Greater Sudbury only receives building permit applications in accordance with provincial legislation. Some mining activities and related structures are exempt from assessment and permit requirements. CGS’s access to mining properties is driven by building permits and analysis performed when assessment appeals are received. Building services has currently developed an engineering standard with the largest mining company to assist them in knowing what construction attracts a building permit application.

The CGS, through its property assessment representative, will continue to monitor mining activity by liaising with Building Services staff, viewing mining company websites and media reports, as well as identifying assessment growth when analyzing appeals, and inspecting mitigation applications such as commercial vacancy and demolitions.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Finance staff continues to liaise with partners in Building Services and MPAC to ensure permits are actioned within legislated time lines. The draft Service Level Agreement (SLA) agreement between municipalities and MPAC addresses the need for collaboration and holds all parties accountable for the timely exchange of information. Our latest communiqué with MPAC indicates the roll out of the SLA agreement is imminent.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The service level agreement is now in place and addresses the need for the regular submission of building permit information. It may be appropriate to have Building Inspectors notify MPAC's assessors when they are doing on-site mining inspections. Simultaneous inspections may benefit all parties in this regard.

Observation 1.3

The current focus of staff at CGS in the Tax department comprising 11 staff is, providing customer service to residents, distributing tax notices and updating results of appeals; with a single contract resource responsible for maintaining the integrity of tax rolls. The current full time resource (in comparison to the previous part time resource) may not be sufficient to maintain adequate assurance over tax rolls considering the above risks.

Complete

Original Management Response

CGS has volunteered to participate in a pilot project with the proposed service level agreement between MPAC and the municipal sector. By participating in this project, CGS will have a voice in the adoption of a service level agreement to the mutual benefit of MPAC and the City. This will also improve our ability to formulate and complete an assessment base management policy designed to not only identify and capture assessment growth but also to administer provincially mandated mitigation programs in keeping property tax loss to a minimum.

The timing of our participation in the pilot project and the progress of the service level agreement is dependent on MPAC and the manager of taxation and the City's property assessment representative will collaborate on this initiative.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Our latest communiqué with MPAC indicates the roll out of the SLA agreement is imminent.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The service level agreement has been finalized and is being implemented in stages through the province. As an original stakeholder participant, CGS staff is currently receiving status and compliance reports from MPAC.

Observation 1.4

MPAC periodically updates assessed values based on upgrades and additions to properties noted during field work and market intelligence. The audit noted three properties, where a Building Permit was not obtained prior to construction/upgrade. These properties were part of a list of thirty six properties included in supplementary assessment in June 2014 where maximum arrears of taxes were recovered. A test check by audit of eight of such properties indicated that no Building permit was issued for three properties.

Complete

Original Management Response

As a result of this Audit, management has gained valuable information that will assist in the development of an assessment base management policy which will document the existing procedures which are in place. In addition, the policy will include expanded procedures that will be implemented to monitor the timeliness of MPAC's delivery of supplemental/omitted assessment. The timing of our participation in the pilot project and the progress of the service level agreement is dependent on MPAC and the manager of taxation and the City's property assessment representative will collaborate on this initiative.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

As mentioned in 1.3, it is anticipated that the SLA will address the timelines of MPACs delivery of supplementary and omitted assessment.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

As noted in management's response 1.3, the service level agreement is in place and status/compliance reporting is being submitted by MPAC.

Observation 2.1

The Building Services department relies on multiple systems relating to information such as Building Permits, inspection notes, cash collections, taxes and tracking of issued 'Orders to Comply'. These systems are not integrated and contain limited information about a property that may be more meaningfully used if they were integrated. Integration of multiple systems would be beneficial and may be attempted considering the information need, workflow and privacy provisions.

Partially
Implemented

Original Management Response

We agree that having a single property database inclusive of all these various legal, departmental interests, impediments or requirements to be dealt with at permit review so they may be conveyed to owners and consultants would be beneficial. This is why we have committed to the development industry to move forward with a new integrated land and property management system. This is why we have committed to the development industry to move forward with a new integrated land and property management system. This would be a City-wide, property centric system that provides a comprehensive history for all properties and land in the City. A scoping study has already been initiated with staff, Information Technology and an outside consultant including a financial budgeting program, for this Land Property Management System (LPMS). A report was provided to Council on May 12, 2015, on the project. The LPMS would replace a number of pre-existing solutions, simplifying the current complex systems environment and providing key functions.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Although the scoping document for the Land Property Management System software was completed, the financial budget commitments for the larger scope of project with additional departments was not available. However, recently the “Gearing Up For Growth” Advisory Panel of Council Resolution (June 14, 2016) identifies Land Property Management System (LPMS) as key step for the City to become a more development friendly community. As well, the development of a LPMS software package forms part of Council’s Strategic Plan passed earlier this year. A Business Plan is to be presented to Council later this year to assign budget dollars from Building Services’ Reserve funds, to accomplish the smaller scoped project, including Planning and Compliance & Enforcement.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Building Services Reserve Fund to accomplish the smaller scaled project including Planning & Compliance & Enforcement has been established for the Land Property Management System (LPMS). Staff are currently working on project charter, governance model and allocating staff to core project team, Directors Steering Committee and Business team. A contract project manager’s job description and selection are to be completed by the 4th Quarter of 2017. Currently a process rationalization review is underway for all Planning Act processes scoping and Business Plans for site plan control, rezoning, Committee of Adjustment and the Consent process within the building permit regime in anticipation of the LPMS tender call.

Observation 4.3

Building inspections are scored a 'Pass' or a 'Fail'. While the current "Inspectors Plus" system has functionality to record reasons for failure this functionality was not always being used. Recording results of inspection areas that partially pass (or fail) would facilitate a subsequent follow-up inspection. For example, reasons such as "Work-in-Progress", "Work Not Started", "Work Suspended", "No Access to inspect", etc. can all be documented and acted upon during a follow-up inspection. Such an analysis could potentially result in savings by avoiding repetitive inspections of an area, and a database of such analysis would identify particular weakness of contractors in objectively assessing performance.

Partially
Implemented

Original Management Response

InspectorPlus has the functionality to record reasons for failure. It includes ability to field print out inspection notices documenting those deficiencies for the information of the contractor/owner and follow-up inspections. The base document is electronically stored in the building permit database and time stamped. With respect to an analysis of particular contractor weakness by having a database of our most frequent deficiencies, we agree that this would be useful and will be built into our Request for Proposal (RFP) for new Land Management Property (LMPS) software discussed in Observation #2.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

See response for 2.1 on the Land Property Management System (LPMS)

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

See response for 2.1 on the Land Property Management System (LPMS).

Observation 4.4

We were informed during the audit that the Building Permit department is in the process of developing a procedure manual for various functions. Currently a documented manual is not in existence to facilitate reference and training for new employees and knowledge sharing.

Complete

Original Management Response

Policies and procedures do exist. Technical manuals and Bulletins for the industry are issued for new Code changes. Regularly check lists are used both in InspectorPlus and hardcopy for Inspectors, Plans Examiners, Permit Customer Service Clerks and Front Counter Plans Examiners. Technical staff are trained and examined to Provincial standards on an ongoing basis. Further, their status is posted on the Ministry of Municipal Affairs & Housing website for public review. Administrative Permit Customer Service Clerks have procedures issued to them and these are regularly updated for legislative changes such as Source Water Protection, Planning Policy changes and OBC changes. However, we agree with the Auditor that a process flow chart documenting the Building Permit and Inspection process from start to completion may have value for new employees and customers.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The process flow chart documenting the Building Permit and Inspection Process has been initiated and will be completed in the last quarter of 2016.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The process flow chart and documentation has been completed (see attached).

Re: Competitive Procurement

Audit Report released	June 2015
Original # of Observations	15
# of Action Plans Previously Completed	9
# of Action Plans Now Closed	3
# of Action Plans on Next Follow Up	3
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Procurement section)	Self-assessed Status
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Observation 1.2

Finance Services does not maintain a centralized list of contracts with their expiration dates. Instead, reliance is placed on the operating departments. Maintenance of Contract records hold the key to ensuring that competitive bid solicitations are initiated, and communicated to prospective bidders well before the expiration of the contract. By placing reliance on manual systems and processes, there is a risk that existing vendors and suppliers may enjoy extension of contracts and continue to provide goods and services, contrary to City’s procurement objectives.

Substantially Complete

Original Management Response

The City’s Purchasing By-Law 2006-270 authorized the use of Blanket Order Contracts to be established to purchase repetitive Goods or Services for a specified period of time, when convenience and location are significant factors in determining Total Acquisition Cost and the quantity and demand are unknown. Two types of Blanket Orders existed:
 (1) Convenience/Location and Repetitive: where pricing is obtained and a maximum dollar limit per release is established. (Note: Many did not contain expiry dates)
 (2) Repetitive Supplies/Services: Issued through a Tender/RFP Process

During 2011 and 2012, staff in Supplies & Services cleaned up the inventory of Blanket Orders and deleted numerous Blanket Orders that were no longer required. During this review, management identified that additional review, renewal and updating of many Blanket Orders was required. This was reported to City Council in two reports related to the updating of the Purchasing By-Law, in April 2013 and in January 2014.

As a result of management’s review, in April 2013 Finance recommended changes to the Purchasing By-Law which would eliminate Blanket Orders, and that these contracts will be replaced with Standing Offers. The By-Law also clarified that total acquisition costs under the Standing Offers must comply with the procurement thresholds and other provisions of the By-Law. Further, in January 2014, City Council approved the following resolution “That

the City's existing Blanket Orders be maintained until they expire, and that any existing Blanket Orders requiring renewal be completed before June 30th, 2015.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The majority of Blanket Orders were completed by December 2015

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Further improvements have been made, with assistance of an ERP Project Manager, in the City's use of PeopleSoft to start tracking spend on Multi-Year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in the PeopleSoft Procurement Contracting Module. The module is also used, as of 2016, to track renewal and expiry dates by Contract enabling a timely renewal and re-tendering of procurement requirements.

Observation 2.1

The Auditors noted that Finance purchasing strategies, objectives and goals continue to refer to the need to develop and use foundational elements of PeopleSoft purchasing functionality. The City acquired and rolled out the PeopleSoft Finance system in 2001. This included the Purchasing Module. While business plans of the Finance division highlight the importance of City wide use of PeopleSoft functionality, there is a risk that implementation timelines may slip beyond the 2014 timeline established in the Finance Services Strategic Plan.

**Substantially
Complete**

Original Management Response

The City has made progress on the foundational pieces to improve the City's procure to pay cycle. These foundational pieces include: Purchasing By-Law, business process review / policy development and expansion of PeopleSoft functionality. Once the foundational pieces are complete, and resources are identified in operating departments, management plans to amend City policies to make the use of electronic purchase orders mandatory. Managing the pace of change in the organization has been top of mind to the Chief Financial Officer, and Senior Management Team. The Finance Strategic plan outlined the required action items to achieve the goals, in a balanced approach, at a pace that the organization can manage with the resources it has.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Training was provided in 2014 Q3 and Sept 2015 with the roll out of a new reporting tool.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Further improvements have been made, with assistance of an ERP Project Manager, in the City's use of PeopleSoft to start tracking spend on Multi-Year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in

the PeopleSoft Procurement Contracting Module. The module is also used, as of 2016, to track renewal and expiry dates by Contract enabling a timely renewal and re-tendering of procurement requirements.

Observation 2.2

Currently, operating staff place reliance on manual off-line processes and workarounds instead of using automated functionality and features of the PeopleSoft system.

**Partially
Implemented**

- Reliance on manual off-line purchase order processes has persisted for the past three years
- Auditors estimated that 75% of dollars or 88% of transactions were supported by freeform references in description fields. Those references were to various forms of manual purchase orders and agreements. Only 25% of dollars or 12% of transactions were supported by a PeopleSoft Purchase Order.
- Greater use of electronic, PeopleSoft Purchase Orders could provide the basis for efficient, economical and effective oversight of procurement by management as suggested by the 2nd line of defense of “The Three Lines Of Defense Model”.
- As was previously noted in examples listed in observation 1, this audit revealed significant internal control exceptions that could have been identified and remediated on a timely basis or reported to Council for approval, if automated functionality of PeopleSoft was used for all purchase orders.

Original Management Response

As outlined above in 2.1.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Request for Quotation functionality planned based on assessment of available options.

Actions Taken, Results and /or Actions Planned - As of May15, 2017

Further improvements have been made, with assistance of an ERP Project Manager, in the City's use of PeopleSoft to track spending on Multi-Year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in the PeopleSoft Procurement Contracting Module.

The pilot project is underway to start using internal PeopleSoft POs for one-time contracts for processing progress payments through PeopleSoft and tracking change orders on capital projects where currently it is a manual process. Request for Quotation functionality will not be pursued through PeopleSoft enhancements. Instead, the new and more robust systems for e-Tendering have emerged that can accommodate many of the features contemplated with quotation functionality. Those systems may be offered to municipalities free of charge as the providers model it on vendors subscription models. City's Purchasing, together with other departments, is evaluating potential e-Tendering solutions for the City to enable not only posting the bids electronically but receiving and evaluating bids electronically as well. The work is currently underway in this respect.

Observation 2.4

Application of an appropriate effective internal control framework over procurement activities may continue to be negatively impacted until all purchase orders across the City are issued from PeopleSoft.

**Partially
Implemented**

Original Management Response

As outlined above in 2.1.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

In progress.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress per the above update in 2.2

Observation 2.6

In 2012, Finance informed staff that PeopleSoft Commitments Control would be implemented in 2013. In September 2013, the Finance Division reported to Council that the PeopleSoft Purchasing Contracts functionality had been implemented in 2012. However, during the audit, we noted that testing continued for certain contract types during fall of 2013 (e.g. notifications and progress payments).

**Partially
Implemented**

During the audit, we were advised that the PeopleSoft program still did not allow for all contracts to be entered (e.g., Revenue Bearing, Multiple Account #s, and Blanket Purchase Agreements).

Original Management Response

As above in part 2.1 above.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Various improvements are planned subject to resource availability.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress per the above update in 2.2

Observation 4

Recent CGS trends indicate an increase in procurement costs, a decline in the number of bids per bid call, and a decline in the percentage of goods and services purchased through a competitive procurement process.

**Substantially
Implemented**

- It is sound business practice to establish performance measures appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.
- Purchasing Metrics and Key Performance Measures are not fully in use to monitor the achievement of objectives for Procurement.
- Only a limited set of information for the Ontario Municipal Benchmarking Initiative or OMBI was prepared for 2011 and 2012.
- For the 2011 OMBI reported statistics, the annual number and \$ value of Purchase Orders awarded by Coordinators was reported.

Original Management Response

Supplies and Services will continue to participate in the OMBI Benchmarking Study, and explore opportunities with the OMBI expert panel to expand the number of measures.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Despite the fact that participation in OMBI was suspended in 2015, statistics relating to procurement key operational metrics are being tracked.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

With approval of the City's participation in MBNCan benchmarking system, the Purchasing Section participates in the MBNCan Benchmarking Study relating to procurement key operational metrics.

Re: Audit of Contract ENG11-42

Audit Report released	May 2016
Original # of Observations	4
# of Action Plans Previously Completed	1
# of Action Plans Now Closed	3
# of Action Plans on Next Follow Up	0
Status As of May 15, 2017	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by Water & Wastewater)	Self-assessed Status
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Observation 1

Given the increasing volume of annual repairs and age of the underlying water/wastewater infrastructure, management should examine alternatives to reduce the escalating annual costs for emergency repairs by contractors.

Completed

Original Management Response

- Management recognizes the need to focus on rehabilitation & replacement in lieu of emergency repair. Management also understands that given the existing condition of the watermain infrastructure, it will be necessary and prudent to maintain an adequately funded and robust emergency repair program. Management will endeavor to identify the capital investment required to maintain an average annual emergency repair budget that is acceptable to council.
- Management recognizes that the trend of increasing costs for emergency repairs is financially unsustainable.
- Management further agrees that emergency repairs are not the most cost effective or preferred method to permanently renew underground linear infrastructure. This contract is not meant as a substitute for conventional linear construction because the emergency repair contractor does not perform any permanent repairs. Most of the

original old infrastructure remains in the ground after the emergency work is complete. A large portion of the costs in an emergency repair is restoration. If the work is performed in conjunction with a conventional construction project, road restoration could be performed more cost effectively and yield much better value in terms of long term failure risk reduction.

- Management agrees that providing levels of annual capital funding in accordance with the Financial Plan adopted by Council in 2011 for the period of 2012 to 2021 would eventually help to reduce break frequency and reduce the consequent resources required to effect emergency repairs. Management recognizes that Council has provided supplemental capital contributions in 2011, 2012, 2014, & 2016 and that the supplemental contribution in 2016 resulted in an overall rate increase in line with the Observations in the Financial Plan. As well, Management has recognized the requirement for additional linear capital and has redistributed existing capital envelopes to increase the proportions spent on linear capital renewal. Accordingly, in 2016 the proportion of overall water/wastewater capital allocated to watermain rehabilitation and replacement was increased by Management and was also approved by Council.
- Management is currently updating the Waster /Wastewater financial plan in conjunction with the Water/Wastewater Master Plan. Management is also developing an updated format for our Asset Management plan. These exercises are scheduled for completion in the fall of 2017 and will establish a master plan that should reduce the escalating annual costs for emergency repairs. The process for completing these exercises is a regulatory requirement of the Safe Drinking Act and will involve dialogue with Council and community stakeholders commencing in 2016.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Management will examine alternatives to reduce the escalating annual costs for emergency repairs by contractors.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Staff followed through with a pilot project to internalize emergency repairs which began in concert with the end of Contract ENG 11-42 and was expected to run until the spring of 2017.

It is our understanding that the basic terms of reference for the pilot work was to provide an insight into the viability of permanently integrating the entire emergency repairs portfolio into the work internal staff resources without compromising the City's ability to complete other core operational and maintenance work (i.e. regulated maintenance).

For the pilot, internal employees were organized into two separate 3 person emergency repair response crews to replace the similar emergency repair resource requirements formerly built into ISD11-42 to provide 2 crews with a 1 hour response time 24/7.

These Distribution & Collection Section crews have been scheduled for standby duty to make resources available 24/7 for prompt non-discretionary response to emergency repairs reflecting the existing practice and service expectations. It should be noted that the internal crews are still supported by external contractors who provide excavation resources (i.e. Backhoe) as well as both temporary and final site restorations.

A number of challenges were encountered during the trial despite the fact that break numbers were below expected norms. A report discussing the business case for internalizing emergency repairs will be provided to Council later this year.

Additionally W/WW was successful in obtaining support from the CGS Construction Services Section to provide on-site construction inspection and both contract management on occasions where contracted forces were used for specific emergency repairs sites/events or restoration activities.

Observation 3

1. Staff need to ensure that sufficient information is provided by the contractor to support their invoices to enable staff to assess the reasonableness and accuracy of amounts billed.
2. Staff need to continue to refine the invoice review and approval process to ensure that charges for equipment are appropriate.

Completed

Original Management Response

Staff has followed an invoice approval process which includes a review of existing documents such as the Trouble Investigator crew cards, watermain break reports, and Supervisor site notes to check the invoices for "reasonableness", before approving them. This existing process has yielded several invoices that required additional clarification before being resubmitted and others where credit invoices were required by CGS before final approval and payment.

Notwithstanding that an invoice approval process existed, Management has identified the need to strengthen the oversight framework, and have begun the implementation of a number of improvements as defined in an updated Service Contract Management Framework.

As well, effective January 2015, a new afternoon shift (Mon – Fri; 4 – 12) Supervisor II rotation was implemented. This action was further reinforced on December of 2015 with the addition of a pilot program to implement a night shift Supervisor II over the winter season (Mon – Fri; 0000 – 0800) to provide 24 / 5 coverage. Weekend coverage is already provided through staff on the non-union standby rotation. The primary responsibility of these individuals is the oversight of both CGS field staff and contracted resources active in the field during their watch. For the remainder of the calendar year night shift Supervision will

be provided by existing resources. It is our hope that after confirming the impact and viability of the pilot program that the year round night shift presence will be made permanent.

Although the equipment costs show an increase over the period from 2013 – 2015 it is important to note:

1. In December of 2013, the contractor incorporated the use of trench boxes and hydro-excavation into the repair operations to help reduce the excavation footprint and consequent costs of the repair. The 2011 Audit of Watermain Repairs noted that:

“Safety related to excavations and trenches is a key element that requires constant vigilance, as it is clear that repair costs and the impact to road surfaces increase significantly when the dimensions of excavations and trenches increased.”

It is clear that despite some early spikes in the costs for equipment (as the new equipment was integrated into the process) both the cost of labour and the overall costs shows favorable improvement in 2015 as indicated in the table. It is also clear that the overall benefit to the repair program from the introduction of hydro-excavation and trench boxes was positive particularly when a \$300,000 reduction in the 2013 budget for road restoration costs was also considered.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Management will consistently follow a process to verify the reasonableness of invoices received, by following through with the full implementation of the recently introduced Contract Management Framework. The Framework is designed to mitigate both the health & safety risks as well as general program control risks. The Framework incorporates many recognized principles and practices for effective management of service contracts and aligns with guidelines as recommended in the Ontario Government publication entitled: “Municipal Service Contract Administration”.

The framework defines roles & responsibilities, incorporates a flexible risk-based monitoring approach and identifies a suite of important documentation tools to improve the collection of relevant field and event data. This risk based approach along with the other tools incorporated into the framework should ensure that detailed reports noting the amount of equipment and labour employed by the contractor and the size of trenches will be prepared by staff attending the repair sites. These reports will provide sufficient data to allow staff to routinely check the reasonableness of amounts invoiced for these repairs.

Five Key Performance indicators (KPIs) have been developed to allow staff to assess the reasonableness of amounts charged to Emergency Repairs and are being actively tracked including: Contractor Mobilizing Time, Time to Complete Repair (Time Duration from Mob to De-mob), Length of Service Outage, Cost per M3 Excavated Volume (\$/m3), & Actual Costs vs Budget. Our action plan moving forward includes use of the KPIs as tools to ensure the reasonableness of the costs.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

A specific Contract Management framework was developed for W/WW that integrated best practices recommended in the Ontario Government Publication entitled “Municipal Service Contract Administration”. The framework aimed to leverage a risk based monitoring approach system to promote improved program control and mitigate health and safety risks. These improvements have been integrated into the routine practices for general contract administration including invoice approval.

Observation 4

Staff should ensure the successful contractor adheres to the City’s updated requirements in the new contract when it submits its invoices for repairs.

Completed

Original Management Response

Management follows a review process for all invoices before approval. Any additional equipment beyond what is specified in the Repair Work Crew must be approved by City Staff before arrival on site. Existing Contract provisions enable Management to deal effectively with unforeseen changes in scope. Staff approves this equipment based on the City’s performance requirements related to site conditions, location, depth, and prior experience in the area. This ensures that the equipment on site is appropriate for the work to be done to achieve the contract imperatives. Notwithstanding that an existing review process existed, the new Contract Management Framework has provided improved tools and data for staff to better document these approvals and flag anomalies before payment of invoices.

It is acknowledged that the Contract does not give clear direction on whether to pay for labour meal break times. This will be addressed in the new contract tender documents and will specify much clearer language with respect to payment of meal breaks.

- Regarding meal breaks, the contractor is responsible for providing meal breaks as defined in the Employment Standards Act. Management has traditionally deferred to the Emergency Contractor to determine when it is appropriate for their staff to take a meal break. Similar to the OHSA, management has avoided intervening with the contractor’s obligations regarding labor relations. The nature of the emergency repairs is such that the repair crews do not often take meal breaks all at the same time. It would be difficult for City management to determine exactly when the contractor is taking a formal meal break.

- This contract stipulates that the emergency contractor is the constructor. This is an important distinction for management as in the role of constructor and contractor, it assumes all Health and Safety obligations. Under the OHSA, the constructor must be responsible for the work methodology. City staff is not entitled to dictate the work method without assuming the constructor responsibility under the Act. Despite this conflict the current contractor has always taken the most reasonable approach under the circumstances.
- To provide better management of the contracts and maintain the contractor's constructor status under the OHSA, management is implementing the following procedures in future tenders:
 - formal documentation of service criteria to support the contractor's choice of equipment;
 - Clarification of invoicing for longer shifts where mandatory meal breaks would be required and therefore need to be precluded from invoicing.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

None proposed.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The framework was rolled out to staff and detailed training was provided. Repeated follow up on multiple occasions was provided to non-union staff from the W/WW Division to enable consistent implementation.

Under the framework Key Performance Indicators are tracked by Contact Persons and used to assess the reasonableness of invoices. Site visit forms are routinely used to validate relevant site monitoring parameters.

No new contract is in place at this time.

Re: Audit of Long Term Financial Planning - review with original report

Audit Report released	September 2016
Original # of Observations	5
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	4
Status As of May 15, 2017	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 1

A Long-Term Financial Plan (LTFP) covering 10 years should be developed to support achievement of the priorities outlined in the City’s Corporate Strategic Plan while informing Council of the City’s financial situation and current condition of its deteriorating capital assets.

Complete

Original Management Response

Management recognizes the need of a revised 10 Year Long Term Financial Plan. An external consultant has been selected through a RFP process and is underway. It is expected that it will be presented to City Council during the first quarter of 2017. This Plan will be developed to support the achievement of the City’s Corporate Strategic Plan priorities in addition to illustrating the City’s financial condition.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The long-term plan was completed by KPMG and delivered to Council in Q2 2017.

Observation 2

The City should ensure its boards and wholly-owned corporations have established appropriate LTFPs if they are dependent on the City for financial support of any type.

Partially Implemented

Original Management Response

Not specifically addressed.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The City will request that the Outside Boards and GSHC consider developing Long Term Plans. This does not extend to the GSU or SACDC as these entities do not receive financial support from the City.

Observation 3

Specific, measurable, action-oriented, and realistic goals should be developed to support achievement of the principles and policies within the new LTFP currently under development and incorporated into annual budgets.

**Partially
Implemented**

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Staff will identify goals, priorities and issues in the 2018 Budget. In addition, staff will recommend changes to policies as identified in the LTFP.

Observation 4

Progress toward the principles and policies within the new LTFP should be reported to Council within the annual budgeting process.

**Partially
Implemented**

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress in achievement of the principles and policies identified in the LTFP will be reflected in the 2018 Budget document under the Financial Section of the Overview tab.

Observation 5

Staff should provide Council with current information on the City's financial condition such as that shown within Appendices 1 to 8 of this report with the annual budget and any presentations on major capital project proposals.

Partially
Implemented

Original Management Response

Previous annual budgets included a section on "Toward Fiscal Sustainability" which was based on the LTFP to illustrate the challenges facing the City along with the key principles and action items.

The annual budget document, as well as the City's annual financial report in conjunction with the City's audited financial statements, has included key financial information such as reserves and reserve funds, total debt, and key performance indicators. Also, the annual capital budget includes an unfunded list that illustrates the significant unfunded capital needs by service area.

Management has implemented several financial policies, processes and by-laws approved by various City Councils to manage the City's financial condition now and for the long-term. This includes the Operating Budget Policy, Capital Budget Policy, Debt Management Policy and the Reserves and Reserve Fund By-Law.

Management agrees with the limited progress made with the infrastructure deficit. Since 2002, management presented various City Councils with an option for a capital levy in accordance with the Observations of the LTFP to assist with the growing infrastructure deficit. Previous City Councils approved a capital levy in the following years: 2005 of \$3.2M; 2006 of \$3.3M; 2007 of \$0.8M; 2008 of \$3.7M. This was partially offset by a permanent reduction to the capital envelopes of \$5M in the 2010 Capital Budget.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Financial indicators will be included in the 2018 Budget as deemed appropriate.