Minute No. 571
Report "A" – Executive Policy Committee – July 11, 2012

Item No. 1 **Audit of the Professional Services Contract with Winnipeg Airports Authority Inc. administered by the Winnipeg Police Service**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Professional Services Contract with the Winnipeg Airports Authority dated May 2012 be received as information.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report "A" – Executive Policy Committee – July 11, 2012

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2012, the Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the City Auditor and submitted the matter to Council.

Audit Department Report
Professional Services Contract with the Winnipeg Airports Authority May 2012

The Audit Department conducted an audit of the *Professional Services Contract* for the City to provide specialized policing services to the Winnipeg Airports Authority at the James Armstrong Richardson International Airport as part of the 2011-2014 Audit Plan endorsed by Council. The audit focused on two main objectives:

(1) To assess whether the Winnipeg Police Service is providing services in compliance with the terms of the contract
(2) To assess whether the City is compensated appropriately by the Winnipeg Airports Authority for the services provided

The scope of the audit was for the most recent term of the Contract, which was between July 1, 2008 and June 30, 2011.

What was working well:

1. The Winnipeg Police Service was meeting most of the terms of the Contract and were providing service over and above the terms of the Contract in areas such as crowd control assistance, medical response, and public relations activities. We confirmed that the Winnipeg Airports Authority did not have any complaints with how the Winnipeg Police Service was providing service under the Contract.

Areas for Improvement:

1. There were several areas of the Contract where it was not possible to determine whether the WPS was in compliance with the contract because some key terms in the Contract were not clearly defined, inconsistent or open to interpretation. An example would be the use of "Police" and "Security Personnel" interchangeably when they refer to two different groups. Further, the contract specifies two different geographic areas for the WPS to provide the contracted services. Compliance with one requirement would cause a breach of another requirement thereby rendering the WPS unable to comply with that term of the Contract. Overall, there were numerous areas where the Contract wording could be clarified and improved.
2. There were other areas where the WPS was not complying with the terms of the Contract because the requirements of service had changed since the WPS began providing the service in 1997, but the Contract language had not been updated to reflect these changes. An example would be the requirement to train WPS staff to operate explosive detection equipment, a service no longer required of WPS personnel. In some additional areas the WPS was not in compliance with the Contract such as the provision of activity reports because the proper systems had not been implemented to ensure compliance.
3. The City did not receive full cost recovery for the services provided. Where there had been an intended net benefit to the City of $477,354, there actually was a loss on the Contract of $238,890. This was the combined result of the WPS not billing the WAA for $361,651 in costs that were recoverable under the contract, and also due to administrative and overhead costs of $414,129 that were required to provide service under the Contract, but were not incorporated into the overhead cost calculation included in the Contract.

What are the key recommendations:

1. The Contract terms must be clarified so the WPS can properly provide service in compliance with the Contract.
2. The WPS should enhance its processes to ensure that it is providing service in compliance with the terms of the Contract.
3. Future contracts must take administrative and overhead costs into account for compensation to avoid the City subsidizing the services of the Contract. The WPS should also enhance its contract cost accounting systems to properly track and bill all of the costs incurred by the WPS to provide services under the Contract.

Management's Position:

- Management was in agreement with all thirteen recommendations and identified that implementation should take place contingent on the successful negotiation of another term of the Contract.

Policy
The report is being submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) that the Audit Committee will "Receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee."

Recommendation:
That the Executive Policy Committee, in its capacity as the Audit Committee, receive as information the Professional Services Contract with the Winnipeg Airports Authority dated May 2012.