Agenda – Executive Policy Committee – September 21, 2020

AUDIT COMMITTEE

Item No. 1 Investigation into Osborne Village Business Improvement Zone

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Investigation into Osborne Village Business Improvement Zone report be received as information.

ADMINISTRATIVE REPORT

Title: Investigation into Osborne Village Business Improvement Zone

Critical Path: Audit Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Mansky	B. Mansky City Auditor		

EXECUTIVE SUMMARY

The Public Service became aware of a number of financial issues related to the ongoing operations of the Osborne Village Business Improvement Zone (the Zone). The allegations involved:

- A lack of financial oversight of the daily operations of the Zone.
- Some vendors not being properly compensated for work performed for the Zone.
- Annual financial statements not being submitted to the City in accordance with the City's Business Improvement Zone Procedures By-law No. 8111/2002, S 21(1)(d)

The investigation focused primarily on the 2018 calendar year and other specific issues that were brought to the attention of the City Auditor. The investigation included a review of hard copy and electronic records as well as discussions with Public Service staff and Board representatives.

Conclusions of the investigation are

- There was a lack of oversight and consequently a lack of proper authorization or proper supporting documentation on several transactions.
- Zone funds were expended without due regard for economy or efficiency.
- The Zone adopted a new policy manual which appears to address many of the internal control weaknesses evident in 2018.
- As at December 31, 2018, the Zone had not submitted audited financial statements to the City, as required by the Bylaw, for the preceding four years (2014, 2015, 2016 and 2017). These were all received by March 22, 2019.

As a result of the investigative work completed a number of recommendations have been identified. These recommendations have been communicated to the Board Chair; we do note that they are transferable to any of the Business Improvement Zones.

The Audit Department's Audit Plan – 2020 includes an audit of the Business Improvement Zones. The intended focus is to examine mechanisms in place against best practices to provide Council assurance that Zones are fulfilling their legislated roles and providing value to members. Additional recommendations may be identified through this project.

RECOMMENDATIONS

1. That the Investigation into Osborne Village Business Improvement Zone report be received as information.

REASON FOR THE REPORT

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."

IMPLICATIONS OF THE RECOMMENDATIONS

There are no implications arising from receiving this report as information.

HISTORY/DISCUSSION

The Public Service became aware of a number of financial issues with the Osborne Village Business Improvement Zone relating to financial oversight and internal controls of the Zone's operations. The Public Service held discussions with Zone Board representatives as well as the external auditors engaged by the Zone to complete their outstanding financial statement audits.

The Public Service notified the City Auditor of the concerns and after further discussion the decision was made to conduct a limited scope investigation into the Zone's financial operations.

Council's *Business Improvement Zone Procedures Bylaw No. 8111/2002* delegates authority to the City Auditor to review business improvement zone operations. The Bylaw, under Accountability and Transparency, Section 21(2) states, "All books, documents, records of transactions, minutes and accounts of the board may be inspected at any reasonable time by the Auditor of the City of Winnipeg or by an auditor appointed for this purpose by Council."

The Interim Chief Administrative Officer notified the Zone Board Chair of the investigation.

The City Auditor notified the Mayor and Council of the intent to commence an investigation.

Grant Thornton LLP was selected to conduct the investigation and report back to the City Auditor. Periodic status update meetings occurred between Grant Thornton representatives, the Interim Chief Financial Officer and the City Auditor.

The investigation identified there was a lack of oversight and consequently a lack of proper authorization on several transactions. Board awareness of financial concerns appears to be first documented in the December 2018 Meeting Minutes, however prior reporting of financial matters was observed to be minimal.

This lack of oversight included:

1. Thirty-five (35) Non-Sufficient Fund (NSF) transactions.
2. Fifty (50) transactions without proper supporting documentation.
3. Thirty-seven (37) cheques with inadequate signatures.

4. Audited financial statements had not been submitted to the City, as required by the Bylaw, for the preceding four years.

FINANCIAL IMPACT

Financial Impact Statement **Date:** August 12, 2020

Project Name:

Investigation into Osborne Village Business Improvement Zone

Comments:

There are no financial implications associated with receiving this report as information.

Electronically signed by C. Aquiatan
Chelie Aquiatan
Acting Manager of Finance - Campus Departments
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

Corporate Finance
Planning, Property and Development

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance

This report supports the demonstration of accountability through reporting and to continuously pursue innovative, streamlined service delivery and decision-making processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The City of Winnipeg Audit Department provides assurance on the efficiency, effectiveness and economy of City programs and activities, thus enabling an organizational operating environment that promotes support of the vision and targets of the Winnipeg Climate Action Plan."

SUBMITTED BY

Department: Audit
Prepared by: B. Mansky, City Auditor
Date: September 2020
Attachments: Investigation into Osborne Village Business Improvement Zone