Winnipeg | Audit

2020 Annual Report

February 2021

Leaders in building public trust in civic government.

2020 Highlights:

Select Key Performance Indicators		
	Target	Actual
% direct hours dedicated to: Assurance Services Advisory Services Investigation Services	 ≥75% ≤10% ≤15%	 79% 2% 19%
Audit recommendations accepted Audit recommendations implemented	92 63	100 70
% completion of Audit Plan	100	93
Client Satisfaction	4/5	4.5/5
Cost per billable hour	$247[1]	$132

Completed Projects

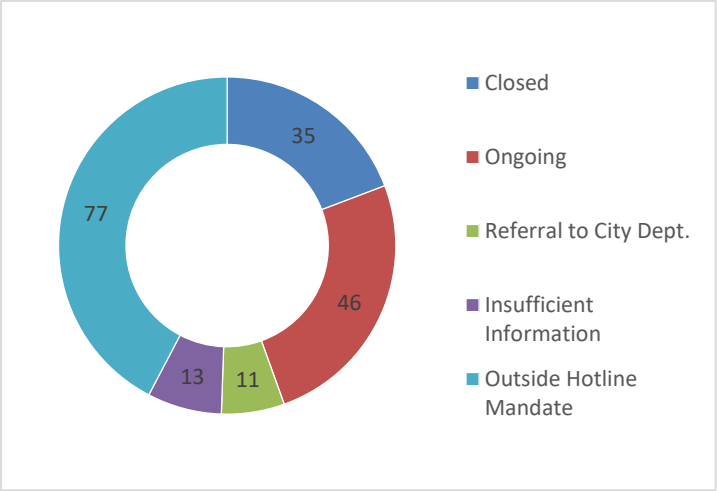
- Contract and Vendor Management Audit
- Continuous Monitoring Advisory Project
- Southwest Rapid Transitway (Stage Two) and Pembina Highway Underpass Quarterly Audits
- Winnipeg Police Board Effectiveness Evaluation
- Independent Fairness Commissioner Compliance Audits
- Quarterly Report Cards
  - o New Fire Paramedic Station Construction Project
  - o WPS Headquarters Construction Project
  - o Procurement for Pedestrian and Cycling Strategies and Review of Employee Code of Conduct
  - o Quarterly Report Card Summary
- Due Diligence Collective Bargaining Agreement Audit

In-Progress Projects

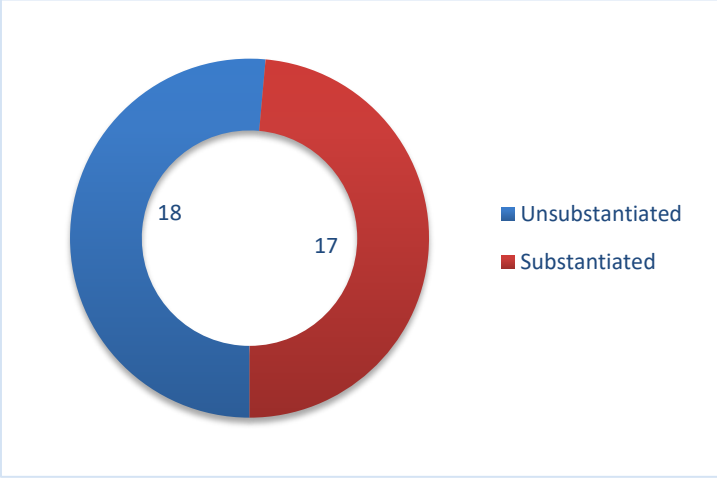
- Business Improvement Zones Advisory Project
- Board of Revision Audit

Fraud & Waste Hotline Activity

139 New Reports = 182 Total New Allegations



Closed Investigations = 35



Reports and additional highlights can be viewed at: winnipeg.ca/audit

[1] Based on a review of local professional services firms in 2020, a fully blended (senior manager to junior) equivalent rate is calculated to be $247.00 per hour.

Audit Reports	Issue Date	RECOMMENDATIONS			
		Total	Implemented[1]	Not to be Implemented	In Progress
Traffic Signals Branch Performance Audit [2]	Jun-11	19	17	2	-
Review of the Hired Equipment Process [2]	Jul-12	9	5	4	-
New Fire Paramedic Station Construction Project	Oct-13	14	12	-	2
Non-Monetary Real Estate Grants	Jan-14	12	11	-	1
Winnipeg Police Service Headquarters Project	Jul-14	19	18	-	1
Review of the Employee Code of Conduct [2]	Apr-17	6	6	-	-
By-Law Amalgamation Audit	Jun-18	11	-	-	11
Legal Services Department Audit	Feb-18	9	7	-	2
Safety Review of the City of Winnipeg Outdoor Aquatic Facilities [3]	Apr-18	36	21	6	9
William R. Clement Parkway/Sterling Lyon Parkway Extension Project	May-18	15	9	-	6
Independent Fairness Commissioner-Summary Report Recommendations-July2019	July – 19	22	15	4	3
TOTAL		**172**	**121**	**16**	**35**
PERCENTAGE (does not equal 100 due to rounding)			**70%**	**9%**	**20%**

Notes:

1. Documentation supporting the implementation was reviewed and confirmed by the City Auditor.

2. Report closed in 2020

3. Due to the seasonal nature, not all implemented recommendations have been confirmed by the City Auditor, this will be completed in 2021 Q3 when facilities are open for the season.

Projects Completed in 2020

Continuous Monitoring

Background:
A continuous monitoring program is the ongoing review and identification of financial transactions that fall outside parameters defined by management. The objective is to provide reports to management that assist in monitoring financial transactions, detecting unusual expenses and identifying areas where internal controls could be strengthened. We conducted the evaluation of a continuous monitoring program in two stages with a third stage to be scheduled in the future to monitor and evaluate the results from the program.

In the first stage, the Audit Department awarded a contract to Deloitte LLP to evaluate the opportunity to implement a continuous monitoring program at the City using the City's PeopleSoft financial system. It was identified that while the City does not have an ongoing continuous monitoring program; various departments employ ad-hoc control monitoring activities to mitigate key process risks. The report presented improvement opportunities to develop a continuous monitoring program and made recommendations based on leading practices. The Audit Department conducted the second stage of the project to evaluate the opportunities and value of implementing a program within the City.

What we found:

- We identified opportunities to use the available capabilities in PeopleSoft to improve existing monitoring processes at the City through a continuous monitoring program.
- The Audit Department identified payroll as the first business process on which to generate continuous monitoring reports. Payroll was identified based on conducting a risk assessment of business processes identified by Deloitte.
- The Public Service created exception reports for overtime, standby pay and employee payroll information. The following exceptions were identified based on the criteria established to identify outliers:
    - Seventeen employees were identified as earning overtime which was in excess of 60 percent of their average annual pay in 2018. One employee was identified who earned overtime which was in excess of their annual pay. This employee more than doubled their annual pay by working overtime.
    - Five employees earned standby pay which was in excess of 30 percent of their average annual pay.
- All departments were aware of the levels of overtime and standby pay. As this is an advisory report, the Audit Department did not audit responses from management and is not providing assurance on the exceptions identified.

Value of the project:
Implementation of the audit recommendation will lead to the following benefits:

- The identification of higher risk transactions and trends for management to focus on and review the controls around the areas of concern.
- Development of reports with information that the Acting Chief Financial Officer found to be valuable.
- The ability to monitor the success of initiatives designed to address areas of concern and provide insight into potential ways to assess and develop efficient business processes.

- Provide management information on where internal control procedures could be strengthened.
- Improvements in organizational effectiveness and risk reduction.
- Maximize efficiency by using the available capabilities in PeopleSoft to improve the existing monitoring processes used by management.
- The information generated from the exception reports has provided the Audit Department with useful information that can be applied to the City wide risk assessment process.

Contract & Vendor Management

Background:
The intent of the audit was to; review processes and ensure contracts contained adequate provisions for oversight, that contractors were held accountable for compliance with requirements, and that City contract administrators were fulfilling their required roles. The focus of the audit was limited to post-award contract management of contracts for good and/or services.

What we found:

- The City enters into hundreds of contracts for goods and/or services on an annual basis. These contracts vary significantly in the type of contract and dollar value, as they range from $500 to $8 million. The total estimated dollar value for expense related goods and/or service contracts was approximately $270.6 million in 2019.
- There is currently no corporate group designated to provide oversight of the management of goods and/or services contracts, however, the Materials Management Division is considered the City's in-house expert. The lack of corporate-wide standards results in inconsistencies and the absence of oversight fails to ensure consistency in the performance of contract administration duties. Additionally, there are no defined and/or documented roles and responsibilities for contract administrators related to post-award contracts for goods and/or services.
- The City's Procurement and Contract Administration course and Project Management Manual do provide some guidance for contract administration, but their primary focus is on capital contracts and/or pre-award activities. 69% of City contract administrators that participated in our survey identified that additional training would be beneficial to support their role.
- Monitoring of vendor performance was occurring for majority of the contracts tested, but it was informal, inconsistent and not guided by defined and documented processes. There was limited guidance for contract administration at the corporate-wide level and/or within the bid opportunity.
- Oversight of the contract administrators' performance was taking place informally and on an inconsistent basis for the contracts tested. The supervisors tended to rely on the contract administrators' understanding of how to manage contracts and ensure objectives were achieved.
- All of the contracts tested had payment processes in place, however, only half of the contract administrators monitored the payments for compliance with the actual supply of goods and/or services received.

Value of the Audit:
Implementation of the audit recommendations will lead to the following benefits:

- A designated corporate group for oversight of contract management of goods and/or services contracts.
- The development, communication, and accessibility of a key roles and responsibilities manual for post-award administration of contracts for goods and/or services. This will include oversight

of contract/vendor performance, ongoing monitoring of the contract administrator for compliance with contract provisions, and guidance for the proper payment process.
- The City's current contract administration training material will be updated to include additional and comprehensive training material on post-award duties for goods and/or services contracts. This will include direction on the importance of understanding the Conflict of Interest Policy in relation to contracts.
- Additional post-award administration training opportunities and an on-line component for the Procurement and Contract Administration course.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit

Background:
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass is one of the largest capital projects that the City has embarked upon. Appropriate communication is important to allow key stakeholders to fulfill their roles in relation to the project; it also keeps the public informed on project performance. The Audit Department released quarterly audit reports and a final audit report covering three quarters that provide assurance on the reporting processes and selected key project management areas throughout the construction of the project.

What we found:
The Audit found that the project team submitted the appropriate reports during the audit period based on regulatory requirements, City policies and procedures. The audit also noted that the project team implemented appropriate risk management processes and that change orders were within project scope, budget, and followed an established review and approval processes.

At the time of finalizing the last audit report, Public Service informed us about the Province's proposed amendments to the Contribution Agreement. As a result, one proactive recommendation was made to analyze and communicate to elected officials any subsequent amendments to the Contribution Agreement between the City and the Province. The Public Service agreed to implement this recommendation. The project reached substantial completion and we will not release any further audit reports.

Value of the Audit:
The audit provided independent assurance to elected officials over the Public Service's reporting, risk management processes, and the review and approval of change orders.

Winnipeg Police Board Effectiveness Evaluation

Background:
The Winnipeg Police Board ("the Board") is required to comply with The Police Services Act to operate in accordance with the policy and procedures manual developed for police boards by the Manitoba Police Commission (MPC). Chapter 3.9 of the MPC's *Manitoba Police Board Policy and Procedure Manual* ("the MPC Manual") sets out a policy and related procedures to evaluate the effectiveness of the police boards in carrying out their legislative mandates. The policy requires the police board to evaluate its effectiveness at least every three (3) years and provides guidance for carrying out the evaluation.

The purposes of this evaluation are (1) to demonstrate the Board's compliance with the MPC Manual and (2) to identify aspects of the Board's operations that may be improved resulting from the evaluation. The effectiveness evaluation consisted of questionnaires and a policy and procedure checklist that were provided by the Board's staff. The procedures for the evaluation were determined by the Board.

What we found:
Evaluation Questionnaire:

- There was a 73 percent response rate for the evaluation questionnaire.
- Based on the questionnaire results, the respondents were satisfied with the overall effectiveness of the Board in both quantitative and qualitative responses. Respondents also provided areas of improvement for the Board's consideration, such as cohesiveness of the Board, relationship building between Board members and with stakeholders, Board member training, and public perception of the Board's role.

Policy and Procedures Checklist:

- Overall, the Board staff provided support for 97% of the Board's checklist through physical evidence and written representations.
- The Board staff have openly communicated that there were some checklist items that were not followed.
- The engagement team found some checklist items, where the Board staff were not able to provide the support. These items include draft strategic plans and documentation for the informal evaluations. The team also observed that a checklist item for full cooperation with the evaluation process was not met. The Board Chair and another Board member did not respond to the evaluation questionnaire.

Value of the Project:
This evaluation brought useful information to the Board in identifying areas for future development.

Due Diligence Reviews - Collective Bargaining Agreements:

A Council directive requires that prior to ratification of an agreement; the City Auditor and the external auditor review the full and long-term costs of collective bargaining agreements reported by the Public Service. Our role is to review that the forecasted net incremental costs or savings to the City have been appropriately identified, calculated and summarized in a report, and that all significant assumptions relating thereto have been disclosed. We completed one collective bargaining agreement review in 2020.

Independent Fairness Commissioner (IFC)

Council motion created the Independent Fairness Commissioner (IFC) role, the mandate is to review and provide assurance on real estate transactions before they are presented to Standing Policy Committee/Council.

The IFC audits real estate transactions for compliance to applicable policies and procedures. Real Estate Transactions requiring Committee of Council approval are audited by the IFC and the reports are submitted to the Standing Policy Committee on Property and Development, Heritage, and Downtown Development. The IFC completed 31 real estate transaction audits in 2020.

Quarterly Report Cards

Once an Audit is complete, the next step is implementation of the recommendations. The Audit Department provides a list of the audit recommendations to the Public Service Director of the department that was audited. The Public Service prepares an action plan and target for completion date. The implementation of the audit recommendations is the responsibility of the Public Service.

Status updates are provided to the Audit Department on a quarterly basis; after presentation to the Audit Committee these are posted at: Quarterly Report Cards

The Public Service provides an update for all recommendations. For recommendations in progress this includes a target completion date. Documentation supporting implementation and progress is reviewed by the Audit Department for confirmation. If the Public Service indicates that a recommendation will not be implemented, residual risk is identified and discussed with the Department and reported to Audit Committee.

Engagements in Progress

Board of Revision

The scope of the audit is the assessment appeal process conducted by the Board of Revision including the role of City Clerks. The Board of Revision is an impartial quasi-Judicial body that has the responsibility to hear assessment appeals in a fair, efficient and judicious manner. More than 5,000 appeals were filed with the Board of Revision in 2019, representing property-assessed value in the billions of dollars. Ensuring that the Board of Revision has a process in place that fairly and objectively evaluates assessment appeals is an important part of fair and accurate property valuation and taxation.

The engagement was in progress at the end of 2020. We expect to report on the results in 2021.

Business Improvement Zones

The intent of this advisory project is to review and compare key provisions in legislation and by-laws as well as the supports and guidance that the City has made accessible to BIZ associations. BIZ associations are independent partners that have shared objectives with the City.

Our observations were compared with the BIZ models in the cities of Calgary, Edmonton, Regina and Toronto. Ensuring that the City's BIZ model is meeting the needs of stakeholders is key for sustainability and mutually beneficial relationships.

The engagement was in progress at the end of 2020. We expect to report on the results in 2021.

Investigation Services

The Audit Department provides investigation services based on information identified in reports submitted through the Fraud and Waste Hotline , audit projects, Council, Public Service or resident's request. The Public Service is required to report fraud, theft, misappropriation or related irregularities in accordance with an Administrative Standard.

The Fraud and Waste Hotline is a confidential and anonymous service accessible to everyone to make reports 24/7/365. We review every report that is received and will investigate when appropriate supporting information is provided.

While maintaining an independent and objective perspective, we conduct our services using a cooperative approach. Investigations are in accordance with internal procedures, guidelines, as well as professional standards. We consult with and work closely with the Public Service who are responsible for taking appropriate action to resolve concerns identified during an investigation.

Report Category	2018	2019	2020
Financial Reporting and Accounting	0	1	5
Health and Safety, Environment	0	5	7
Unethical Conduct and Conflict of Interest	9	15	16
Manipulation or Falsification of Data	4	3	2
Harm to People or Property	1	1	1
Theft, Embezzlement, Fraud	62	58	66
Violation of Laws, Regulations, Policies, Procedures	25	16	16
Organization	0	0	1
Management/Supervisor	0	0	-
Compensation, Pension and Benefits	2	1	1
Product/Customer Service	0	0	1
Office and Equipment Requirements	0	2	-
Safety and Security Issues	1	3	5
Suggestions for Improvement	1	1	1
Miscellaneous	7	9	14
Undefined	2	2	3
Total Reports	114	117	139
Total Allegations			182[2]

[2] 2020 is the first year of calculating total allegations. Of the 139 total reports, 21 included multiple allegations requiring additional investigative resources.

Disposition of allegations:

We gather and review evidence to substantiate or dispel all reported allegations.

Disposition of Allegations	Prior Years Carried over	2020	Total
Investigated - Substantiated	12	17	29
Investigated - Unsubstantiated	16	18	34
Ongoing investigation	28	46	74
Referral to City Department	1	11	12
No Action / Insufficient Information to Proceed	12	13	25
Outside Hotline Mandate / Non-City Business	0	77	77
Total	69	182	251

An allegation will be marked as unsubstantiated if there is a lack of evidence to support what was reported. It is important to note that through the investigation process, opportunities to revise internal processes and controls may be identified and result in recommendations to management even though an allegation is identified as unsubstantiated.

Through the investigations conducted in 2020, the following actions were taken:

- Communication was sent out by department management to employees reminding them of the City's Code of Conduct and appropriate use of City property.
- Various departments issued communications to employees on appropriate use of city vehicles including idling times and review of the Local Business travel administrative standard.
- CCTV cameras were repaired and a process for monitoring operations and immediate action when the system is not functioning was developed within a City department.
- Enhanced controls for yard sites including entry controls and storage of City property.
- The Disposal of Surplus Goods process including requirement for Materials Management approval and assignment of a disposal number for tracking disposal of goods.
- Review and updating of time keeping processes for a department work site (no time theft identified).
- Requirement for contracted employees to sign a City issued confidentiality agreement.
- Requirement for identified employees to declare and sign off on potential conflict of interest situations and a communication to remind staff of the importance to identify in advance.
- Management communicated reminders to specific work groups about:
    - personal errands / attendance at food service venues during work hours

- the Alcohol and Drug Administrative Standard

- Management issued disciplinary action on fourteen employees that were named in reports that were investigated and closed in 2020; those results included:
  - Four employees subsequently resigned
  - Two employees were given letters of caution to reiterate work expectations
  - Three employees were given letters of direction to reiterate work expectations
  - Three employees were given letters of reprimand
  - Two employees were verbally cautioned

- The investigations also contributed to the development of the 2021 Audit Plan where the Audit Department has identified four organizational units and two process-oriented systems for investigative audit projects.

Vimy Arena

The Auditor General of Manitoba received a concern from a member of the Manitoba Legislative Assembly regarding the sale of the Vimy Arena from the City of Winnipeg to the Province of Manitoba. The Office of the Auditor General initiated an investigation into the transaction and brought the concern to the attention of the City Auditor. The Audit Department assisted the Office of the Auditor General in obtaining and reviewing documentation related to the transaction.

Advisory Committees

The Audit Department has representatives who actively participate on the following committees:

Asset Management Advisory Committee:

The committee is comprised of Senior Management from all departments that have responsibility for the construction and maintenance of physical assets. The committee provides guidance and advice on the performance of the asset management program. This supports the Infrastructure Planning Office in their role of overseeing the management of the City's infrastructure by setting corporate direction and by recommending and influencing corporate policy changes.

Sustainable Procurement:

The sustainable procurement working group is responsible for incorporating sustainable procurement through the City's procurement policy and developing administrative standards that include environmental, social and economic aspects. Departmental representatives share current practices and ideas to contribute to sustainable procurement. This aligns with a Sustainable Winnipeg (an OurWinnipeg Direction Strategy), which requires the city to demonstrate its commitment to improving sustainability of its operations through the products and services it purchases.

Records Management Committee:

The role and mandate of the Records Committee is specified in Section 110 (2) of *The City of Winnipeg Charter*, as follows:

- to make recommendations to Council regarding the management, retention, safekeeping, disposition and destruction of records in all City departments;
- to implement policies and procedures approved by Council for the management, retention, safekeeping, disposition and destruction of records in all City departments.

The Charter further emphasizes the importance of sound recordkeeping in Section 111, where it states that a record created or held by the City must not be destroyed or removed from the custody and control of the City by any employee unless permitted under Records Management By-Law No. 123/2020 or upon receipt of written approval of the Records Committee.

The City of Winnipeg Charitable Fund (CWCF):

The CWCF is the official charitable fund for the City of Winnipeg employees/retirees. The goal of the CWCF is to provide City employees and retirees with opportunities to support local charities through payroll deductions.

For more information about the Audit Department visit: winnipeg.ca/audit

Fraud and Waste Hotline or call 1.866.840.5837