Winnipeg | Audit

Urban Forestry Branch Investigation

September 2022

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Investigation Services

The Audit Department provides investigation services based on information identified in reports submitted through the Fraud and Waste Hotline, projects, Council, Public Service or resident's requests.

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.

A strong anonymous fraud and waste reporting system is one of the best mechanisms available for uncovering wrongdoing. There are many benefits to the City in having an effective reporting system, most importantly being the early detection and/or prevention of harmful misconduct. Other non-quantifiable benefits are strengthened internal controls, improved policies and procedures and increased operational efficiencies.

The City Auditor takes all fraud and waste reports seriously. Comprehensive investigations help to maintain public confidence; the public needs to feel confident that the City is committed to taking appropriate steps to address the fraud and waste allegations.

Investigation Background

The intent of this investigation is to:

- Examine Fraud and Waste Hotline reports received for the Urban Forestry Branch. The reports included allegations regarding existing procurement and inventory processes, workplace relationships, and the workplace environment. There were seven reports with a total of 31 allegations from 2016 to 2021.
- Review all contracts related to tree pruning services as required per the April 29, 2021 Council motion. The disposition stated *that in order to reassure the local business community that the City's procurement process is fair and unbiased, that the City Auditor as part of the 2022 Annual Audit Plan be directed to review all contracts awarded to tree pruning service providers from October 2019 thru December 2021, to ensure the contracts were awarded in accordance with city regulations, and report back to Council with the results.*

Conclusions

Conclusion 1: Fraud and Waste Hotline Investigation

- We did not find any evidence of fraud and/or waste as a result of the investigation; however, there is an opportunity for process improvements within the Branch and with other City Departments. Process improvements can be achieved by: reviewing procedures related to contract purchase orders and over-expenditures, working with the Winnipeg Fleet Management Agency to improve the procurement of items and repairs whenever possible to meet the needs of the Branch, enhancing key controls for inventory management, and working with Public Works Human Resources to improve conflict of interest procedures related to workplace relationships.

Conclusion 2: Tree Pruning Service Provider Contracts

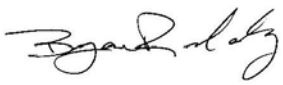
- Based on the information obtained and explanations received by the Public Service, we have concluded that the contracts were awarded in compliance with existing City policies and procedures.
- Guidance is available for undertaking sole source procurement requirements in an emergency, however, it should be enhanced as it currently does not allow departments to effectively and efficiently respond in emergency situations.

Independence

The Audit Department and external consultant team members selected for the investigation did not have any conflict of interest related to the project's subject matter.

Acknowledgement

The Audit Department wants to extend its appreciation to management and staff within the Public Works Department and the Urban Forestry Branch for their assistance and cooperation.



September 2022

Bryan Mansky

Date

City Auditor

1.1 Urban Forestry Branch Overview

- The City of Winnipeg Urban Forestry Branch ("UFB" or "the Branch") is responsible for all aspects of modern urban forestry. This includes tree inventories, tree planting, watering and fertilizing, pruning, Dutch Elm Disease (DED) control, removal operations, public relations and education, extension services, group workshops, on-site inspections and contract administration[1].
- This project consisted of two components:
    - Investigation of the Fraud and Waste Hotline reports primarily focused on four key areas: procurement, inventory, workplace environment, and workplace relationships.
    - Review of tree pruning service contracts from October 2019 to December 2021 as directed by Council per the April 29, 2021 motion to ensure contracts were awarded in accordance with City regulations (policies and procedures).

[1] The Urban Forestry Branch website (https://winnipeg.ca/publicworks/parksopenspace/UrbanForestry/default.stm) was viewed March 30, 2022.

2.1 Contract Analysis – Fraud and Waste Hotline Reports

Observation

- There was no evidence of favoritism regarding a specific vendor, however, processes related to purchase orders and over-expenditures can be improved.

Analysis

- We received several Fraud and Waste Hotline reports regarding allegations of favoritism for a specific vendor.
- A high-level analysis of all contracts awarded from October 2019 to December 2021 was performed as well as a review of the vendor's over-expenditures. No indication of favoritism was noted based on the work performed.
- One of the contract's over-expenditures was approximately 93% of the contract value. The over-expenditure was approved by the appropriate levels of authority and the Branch informed us that the work was awarded to ensure work was completed before the end of the season.
- Corporate Finance has informed us that there is a new administrative standard under development and it will include a review of the over-expenditures processes. This aligns with the *Corporate Finance Strategic Plan 2022-2023 Update.*
- Purchase orders for additional work had been issued prior to the over-expenditure approvals. This increased the risk that payments could be made before expenses were properly authorized.
- We also observed that one of the contracts had a material change to the request for proposal (RFP) conditions. However, the change occurred post-award based on new information provided to the Branch, and therefore, followed the City's General Conditions for Supply of Services.

RECOMMENDATION 1			
We recommend that Corporate Finance review the processes related to the issuance of a purchase order for additional work under an existing contract to ensure that the over-expenditure is properly approved. Consideration must be given to the cost-benefit of the solution but also ensure continued compliance with trade agreements.			
RISK AREA	Business Processes	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Proper levels of review and approval should be performed prior to awarding additional work. This will help ensure that the appropriate funds are available and allocated for services required.		
MANAGEMENT RESPONSE			
Corporate Finance agrees appropriate authorizations for contract over-expenditures should be obtained prior to contracting with suppliers and directing the related work be executed. Administrative standards supplement the Council approved Materials Management Policy and include direction on contract over-expenditures. The standards generally do not prescribe the format by which contract over-expenditure authorizations are obtained. Further, Corporate Finance acknowledges the practicalities of executing works sometimes may result in appropriate authorizations being informal or "after-the-fact". In response to this recommendation, Corporate Finance will: • (Materials Management) amend the administrative standards recommending obtaining contract over-expenditure approval prior to directing the supplier to execute related works, including issuing/amending a purchase order for this. • (Materials Management) include this in its Contract Administrator training. • (Corporate Controller) discuss with departmental controllers the internal control of appropriate contract over-expenditure authorizations documented in PeopleSoft.			
IMPLEMENTATION DATE	Q1 2023		

2.2 Procurement of Goods for Internal Branch Use – Fraud and Waste Hotline Reports

Observations

- The Branch followed the City's policies and/or processes related to procurement transactions.
- Communication between the Branch and WFMA could be improved.

Analysis

- Several employees within the Branch have the authority to purchase items though a purchase order (PO) within PeopleSoft Finance or through a purchasing card. Supervisors review and approve the items based on their level of authority.
- We selected a sample of employee purchases through POs and purchasing cards for testing purposes. The sample selected was from 2016 to 2020. The sample included equipment, parts, tools, gas, advertisement, repairs, and supplies.
- All of the items tested were approved by appropriate personnel and the expenses were in accordance with City policies and/or practices. There were a few items (i.e. tires, electronic chain saw, oil pump repair, and bearing press) that were purchased by the Branch, however, they could have been acquired through the Winnipeg Fleet Management Agency (WFMA).
- The WFMA's Operating Charter provides high level information and is open for interpretation on the products and services that it provides. There is currently no Service Level Agreement (SLA) between WFMA and the Branch, however, WFMA informed us that they are working with the Public Works Department as a whole to draft an agreement.
- Purchases through WFMA can assist in cost savings, build relationships, and benefit the City as a whole. However, improved communication between WFMA and the Branch could help utilize resources more effectively and efficiently.

RECOMMENDATION 2			
We recommend that the Branch and WFMA improve communications to ensure purchases and/or repairs are administered in accordance with the Service Level Agreement, even in emergency situations. Processes should be developed and documented.			
RISK AREA	Business Processes	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	The Branch has a significant amount of expenses and WFMA is able to provide some of those resources. Working with WFMA will allow the Branch to utilize City resources and decrease overall spending.		
MANAGEMENT RESPONSE			
The Public Works Department is working with WFMA to finalize a Service Level Agreement. The Branch has been working with the WFMA Business Liaison Officer to improve communications and/or resolve concerns about repair services and procurement that have not been resolved between the Branch operations and WFMA facilities.			
IMPLEMENTATION DATE	Q1 2024		

2.3 Inventory – Fraud and Waste Hotline Reports

Observation

- There are some inventory controls in place, however, they need to be improved and supplemented.

Analysis

- We obtained an understanding of the current inventory processes within the Branch through discussions with various staff and by performing site visits. The site visits included the garage, the shop within the garage, and other storage locations.
- We observed that the Branch shop had several processes and procedures in place. This included identifying items with a unit number, signing items in and out by using inventory listings, and locking the shop gate with limited employee access.
- Majority of the items within the shop such as chainsaws, power tools, and shovels come from the Winnipeg Fleet Management Agency (WFMA). There are authorized employees who supervise access to the shop and distribution of items, however, there may be instances when an item within the shop may be taken without signing it out or placed back into the shop without signing it back in.
- The Branch staff informed us that the majority of the vehicles along with key components are provided by WFMA. However, smaller items can be purchased by authorized UFB staff through purchasing cards and purchase orders (POs). Additionally, most of the repairs are sent to WFMA but authorized Branch staff perform minor maintenance, such as changing burnt out bulbs, windshield wipers, and mud flaps.
- Inventory counts are performed for all UFB locations by updating previous year spreadsheets annually. The spreadsheets include a brief description of the item, the quantity and cost. Once completed, the spreadsheets are sent to the Parks and Open Space Division who provide the total dollar values to Public Works Finance.
- The inventory spreadsheets are not 100% complete on an ongoing basis throughout the year as all items purchased on a purchasing card and/or purchase order are not always updated. However, full inventory counts are performed on an annual basis as a coordinated Division-wide exercise. Additionally, there is no verification to ensure the accuracy of the items counted and the prices allocated for specific items are not always updated to reflect the correct value. The inventory count processes should be improved to ensure all items are included in the listings with the correct dollar amounts.
- We tested a sample of items procured through POs and purchasing card transactions to confirm the existence of these items. We were able to locate all of

the items; however, it was difficult to determine whether some of the items purchased were the exact ones at the site as they didn't have an identification number (i.e. worn down or not visible). No significant issues were noted.

RECOMMENDATION 3			
We recommend that management at the Branch review the existing inventory controls in place for key processes such as inventory counts and take the opportunity to enhance the controls as needed.			
RISK AREA	Business Processes	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Inventory management is important as it helps achieve proper inventory levels, minimize obsolescence, reduce susceptibility to theft, and provides correct financial information.		
MANAGEMENT RESPONSE			
The Branch will review inventory controls and identify improvements within existing budget and staffing resources.			
IMPLEMENTATION DATE	Q1 2023		

2.4 Workplace Culture Survey Analysis – Fraud and Waste Hotline Reports

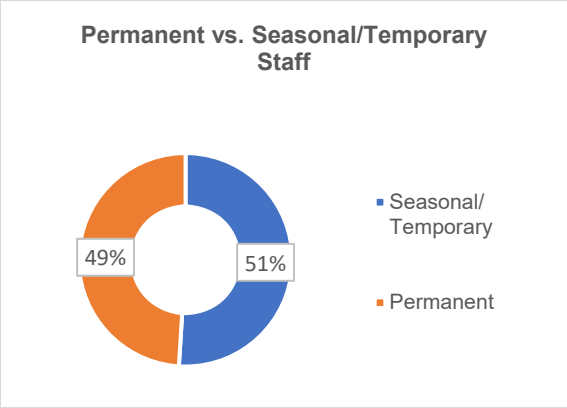
Observations

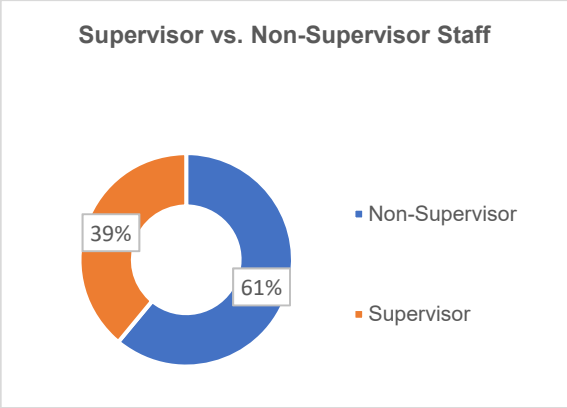
- A workplace culture survey was administered for the Branch and it identified very diverse opinions among personnel.
- Management works with Public Works Human Resources to address complaints received within the Branch.
- Annual performance reviews are not consistently being performed throughout the Branch.

Analysis

- A workplace culture survey was developed and distributed to all Branch employees. Survey questions represented nine workplace culture indicators: collective focus, risk and governance, external orientation, commitment, change and innovation, courage, diversity, equity and inclusion, shared beliefs, and workplace violence and harassment. See **Appendix 2** for a list of the indices with their definitions.
- This survey is to be viewed in isolation as there is no organization-wide or other branch/department specific information for comparison. The intent of the survey results is to provide insight and not to draw conclusions.
- The survey responses were anonymous and we did not test the validity of the responses in order to protect the anonymity of the participants. Therefore, we cannot guarantee 100% accuracy of the results.
- The survey was open to 94 employees over a two-week period[2] and we achieved a 63% response rate (59 responses were received). The self-identified demographics of the 59 respondents are as follows:

[2] The workplace culture survey was open to employees from September 16, 2021 to September 30, 2021.

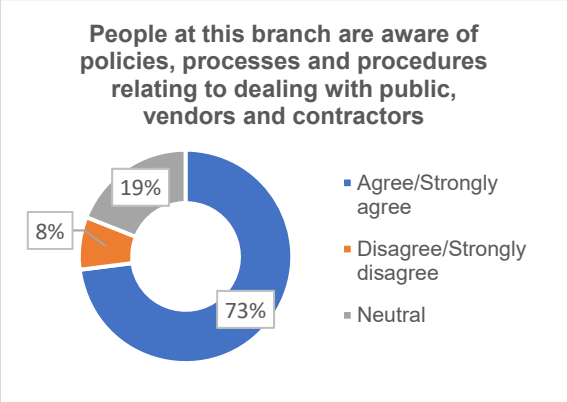




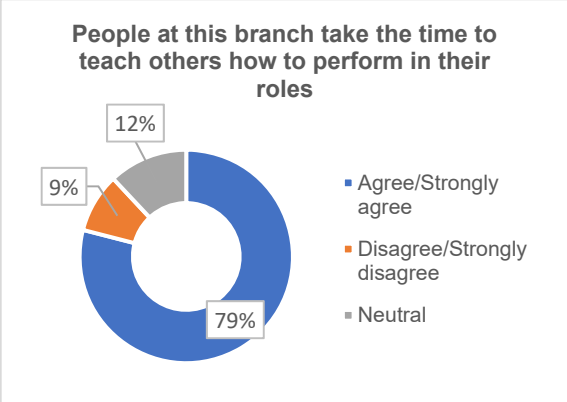
- An assessment of the survey results was performed across all nine indicators as defined in **Appendix 2**. The overall risk score of each indicator was calculated using the average sentiment score of all responses to corresponding indicator survey questions. A higher average response score represents more favorable results, while a lower average response score represents areas of higher risk.
- Based on this assessment, commitment, diversity, equity and inclusion, and risk and governance had lower average scores and were the indicators of concern. Shared beliefs, change and innovation, collective focus and external orientation had higher averages scores and were not of concern. See **Appendix 3** for the risk summary showing the risk scores for all indicators.
- Survey participants were also asked to describe the workplace culture in the Branch in three words. Positive words used most frequently were friendly/welcoming, positive, safe, and educational. The most common negative words were toxic, disconnected, underpaid/undervalued, and defeated. These words display a dichotomy and should be further explored by management.

Key positive insights from the workplace culture survey included[3]:

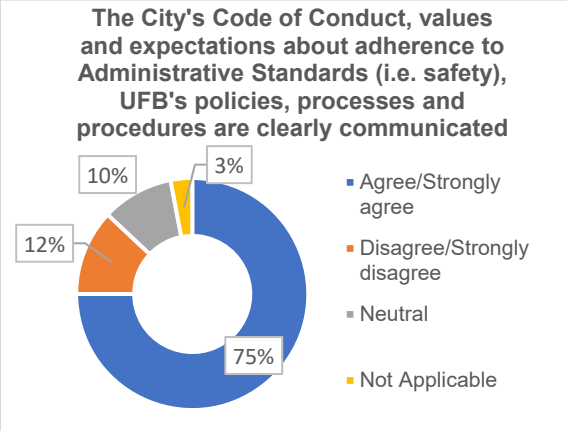
External Orientation:

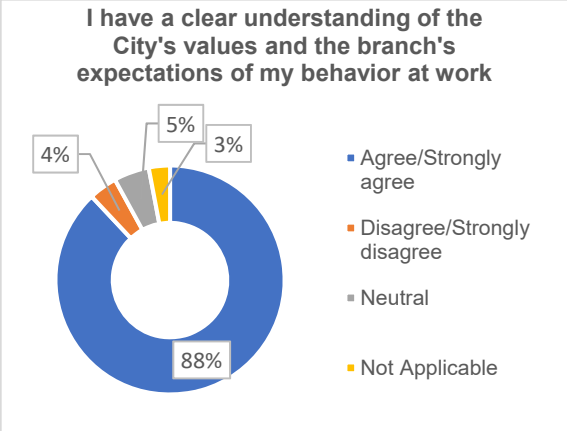


Collective Focus:



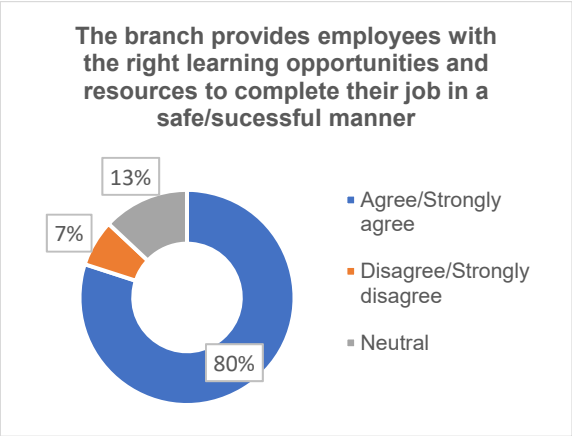
Shared Beliefs:





[3] The intent of the survey results is to provide insight and not to draw conclusions.

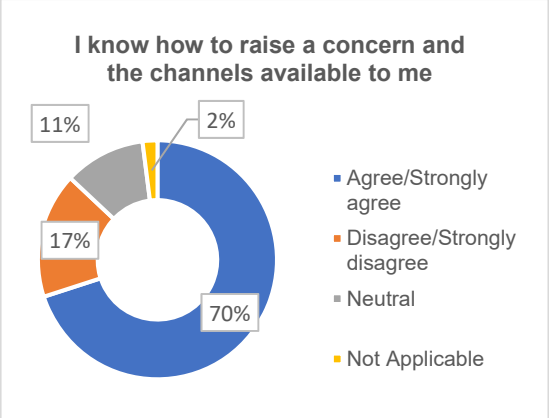
Change & Innovation:

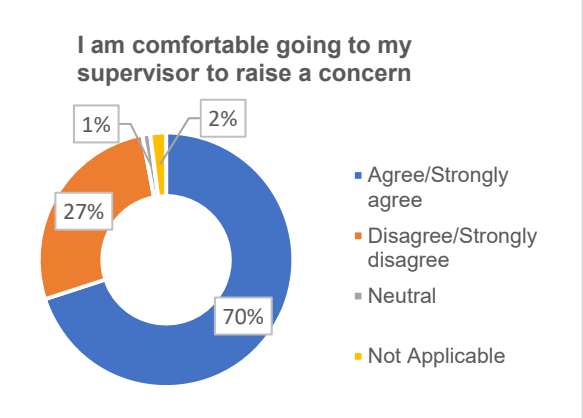


- The majority of the Branch employees are aware of policies and procedures related to stakeholders, and have a clear understanding of the City's values as well as the Branch's expectations of their behavior at work. Additionally, most of the respondents feel that employees take the time to teach each other how to perform their roles, and believe the Branch provides them the right opportunities and resources to complete their job in a safe, successful manner.
    - Promotion of City policies, values, and expected behaviors can assist in creating employee awareness and increase productivity. Furthermore, learning opportunities and teamwork can assist in employee development and create a positive working environment.

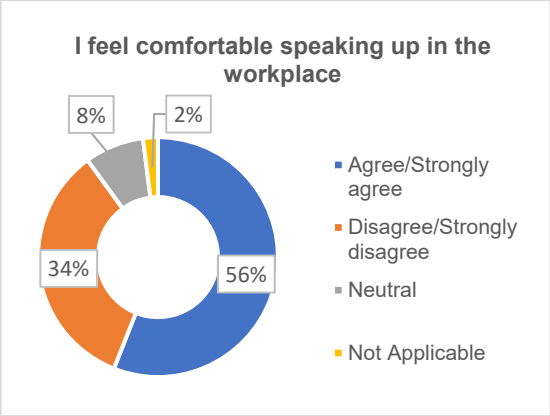
The workplace culture survey results that had both positive and negative responses are as follows[4]:

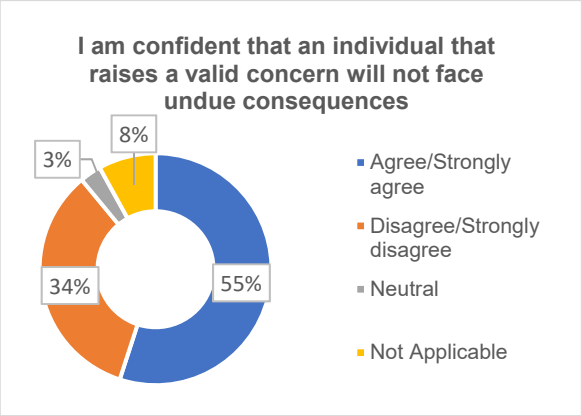
Courage:





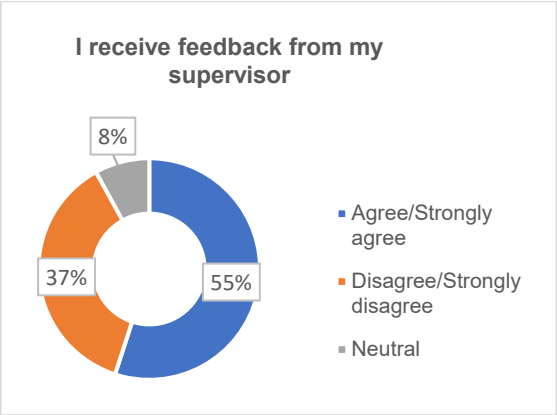
[4] The intent of the survey results is to provide insight and not to draw conclusions.

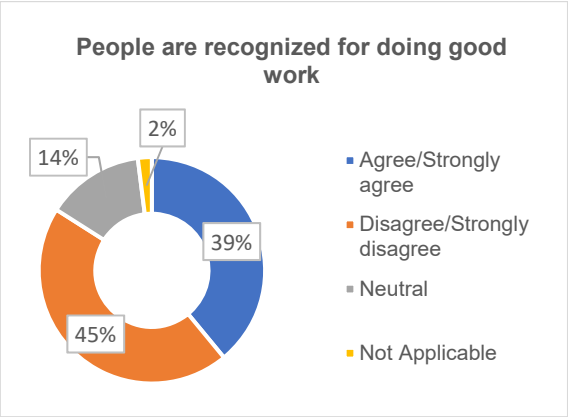


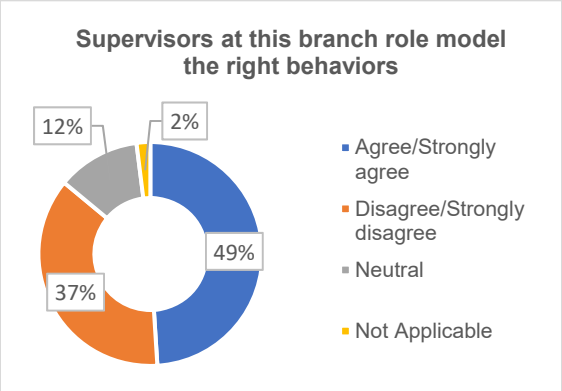


- The results indicate that the majority of the respondents know how to raise a concern and feel comfortable going to their supervisor. Additionally, more than half of the Branch employees are comfortable speaking up in the workplace and are confident that individuals will not face reprisal when raising a valid concern.
    - Open communication among employees and their supervisors can build trust and give confidence to employees knowing that their concerns will be addressed.
- For the 34% off all respondents that don't feel comfortable speaking up in the workplace, 50% of those were permanent employees. This was consistent for the 34% of all respondents who were not confident in raising a valid concern without facing undue consequences, as 50% of those respondents were also permanent employees.
    - When there isn't an effective speak up culture, incidents of misconduct and unacceptable behavior may go undetected, unchallenged and/or unaddressed. When potential complainants fear reprisal, they may feel helpless which may impact their productivity, engagement and ultimately their decision to stay within the Branch.

Commitment:





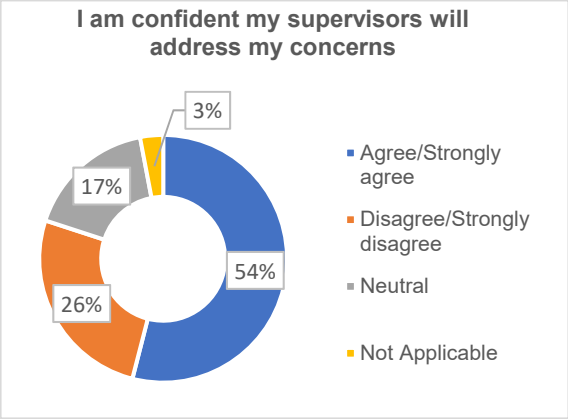


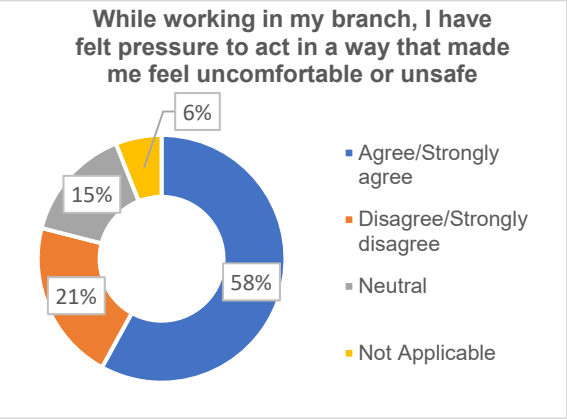
- More than half of the respondents stated that they receive feedback from their supervisors and almost half believe that supervisors model the right behaviors.
    - The benefits of providing employees feedback and modelling the right behaviors can increase motivation, improve relationships, and result in continuous learning and greater performance.
- For the 37% of all respondents who felt that they don't receive feedback from their supervisors, 57% of those respondents were permanent employees.
- For the 37% of all respondents that don't believe supervisors at the Branch role model the right behaviors, 54% were permanent employees who disagreed with that statement.
- Furthermore, 45% of all respondents don't feel that they are recognized for doing good work and of those respondents, 63% were permanent employees.
    - When leaders do not role model the right behaviors, it may signal to people within the Branch that poor behavior is acceptable and even encouraged.

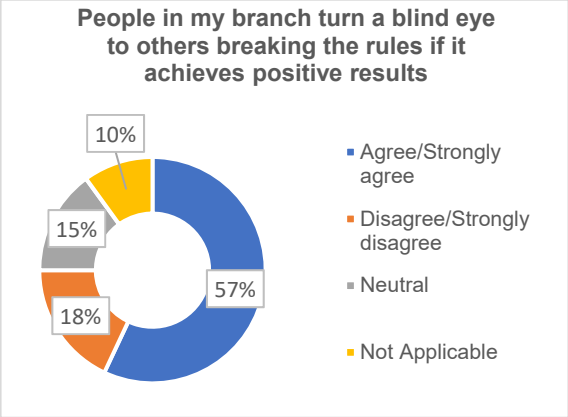
- People who feel ignored and underappreciated at work are more likely to be disengaged, unmotivated, and engage in unacceptable behavior due to lower levels of commitment.

- Management informed us that annual performance reviews are consistently completed for Technical Services; however, they are not for Operations. This is because of issues related to PeopleSoft. Corrections are pending and the Supervisor of Operations will be assisting the Foremen in completing evaluations for their staff in 2022.
- We were advised that pandemic restrictions in the workplace presented temporary challenges whereby in-person meetings, discussions, and communications to offer feedback, including recognition of good work, were limited particularly for front-line staff.

Risk & Governance:



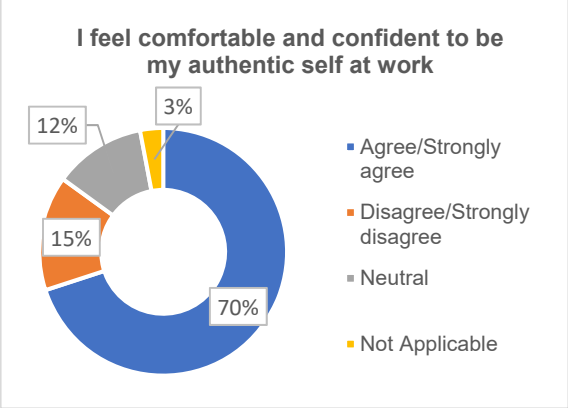


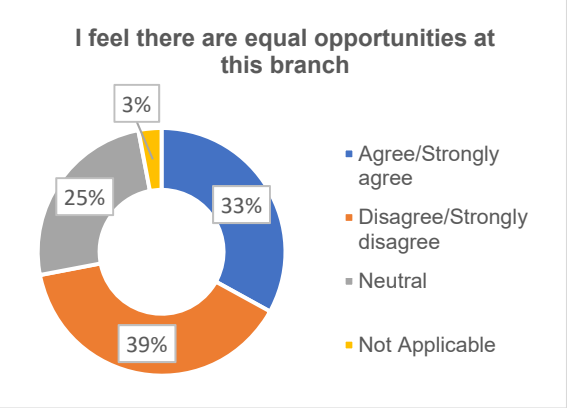


- More than half of all respondents were confident that their supervisors would address their concerns.
  - Listening to employees can boost employee engagement and job satisfaction.

- However, 58% of all respondents felt pressured to act in a way that made them feel uncomfortable and/or unsafe and 57% felt that people within the Branch turn a blind eye to others breaking the rules if it achieves positive results.
    - When people feel pressure to act in a way that makes them uncomfortable and/or unsafe, they are more likely to do it. Further, when there is not a strong speak-up culture, people are less likely to stand up to this pressure.
    - When people in the Branch turn a blind eye to misconduct, it wrongly signals that this behavior is tolerated and/or even accepted within the Branch.
- It should be noted that we did not receive any specific examples through the survey that we could investigate and/or substantiate.

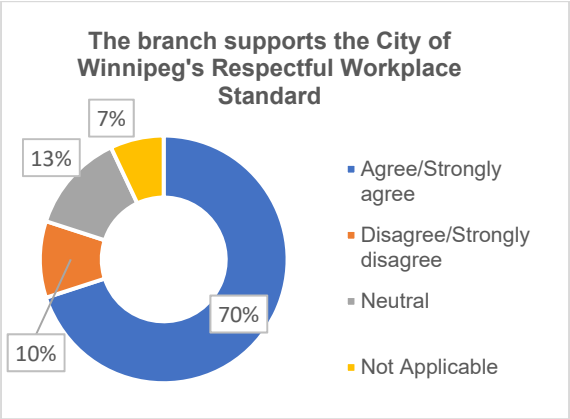
Diversity, Equity & Inclusion:

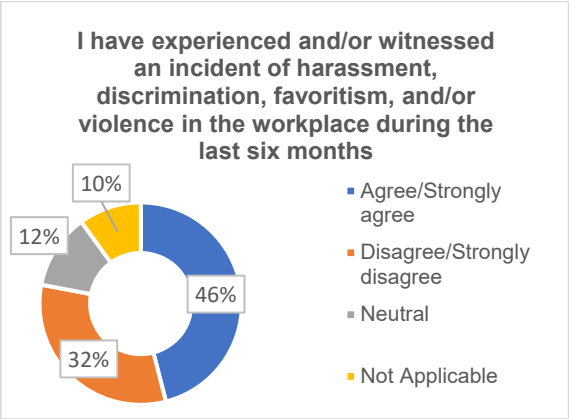




- The majority of all respondents felt that they could be their authentic self at work.
    - This can increase employee engagement, team performance and innovation.
- However, 39% didn't feel that there are equal opportunities at the Branch. Of the 39% respondents, 53% were permanent employees who did not agree with the statement.
    - When the playing field is not equal, or when there is a perception of it not being equal, people may feel unmotivated to succeed in their roles. A subjective playing field may also encourage people to engage in unacceptable behavior and compete against one another (rather than working as a team). Additionally, if people do not feel like there is an opportunity to grow within the Branch, they may choose to leave.
- The Branch advised that due to the high-risk nature of work in the Branch some opportunities are limited by the collective agreement and specific job qualifications.

Workplace Violence & Harassment:





- Most of the respondents agree that the Branch supports the City's Respectful Workplace Standard.
    - Awareness of these standards help educate staff on their rights and responsibilities that are necessary in the workplace.
- However, 46% of all respondents have experienced and/or witnessed an incident of discrimination, favoritism, and/or violence in the workplace during the last six months from the time of the survey. Of those respondents, 62% of them were seasonal/temporary staff.
- The results received from these two statements appear to contradict each other and have been identified to management for additional analysis. We did not receive any specific examples through the survey that we could investigate and/or substantiate.
    - High rates of harassment, discrimination, favoritism and/or violence in the workplace signal that this behavior is accepted in the workplace. These types of incidents of represent significant human capital, reputation, brand and legal risk for the Branch.

Workplace Culture Survey Follow-up:

- Inquiries were sent to the UFB management to determine whether there were any recent employee complaints that were consistent with the survey results.
- Management informed us that there were 16 employee complaints within the Branch for 2021. These complaints coincided with the survey indices of commitment, diversity, equity and inclusion, risk and governance, workplace violence and harassment and external orientation. We did not review the employee complaint files.

- Management communicated that supervisors at the Branch work through and resolve concerns with their employees on a regular basis.
- We were advised that management and Public Works Human Resources were taking the necessary steps to address these complaints**.**

RECOMMENDATION 4			
We recommend that the Branch perform annual performance reviews for all Branch employees.			
RISK AREA	Human Resources	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Inconsistences in completing annual performance reviews can create lack of awareness for staff in regards to where they excel and areas for improvement.		
MANAGEMENT RESPONSE			
Performance reviews are completed on the anniversary dates of employees entering their current position or are conducted prior to lay off for temporary/seasonal staff. Notifications for annual performance reviews are provided to relevant supervisors via PeopleSoft HR. Management will ensure performance reviews are conducted accordingly across the Branch.			
IMPLEMENTATION DATE	Q4 2022		

2.5 Workplace Relationships – Fraud and Waste Hotline Reports

Observations

- There is lack of guidance within City policies related to workplace relationships.
- There is a conflict of interest within the Branch.

Analysis

- We received a Fraud and Waste Hotline report regarding allegations of an unfair work environment due to a workplace relationship. Appropriate levels of management were informed about the allegations.
- The City of Winnipeg's Code of Conduct (COC) Policy states that *an employee is in a conflict of interest situation when private or personal interests improperly influence, provide benefit to, could reasonably be perceived or be foreseen to improperly influence the performance of their duties.*
- The City's Conflict of Interest (COI) Policy provides additional information as *employees must declare any potential conflict of interest on an annual basis, even if it was declared in prior years, to ensure ongoing documentation and mitigation where applicable.* It further states that *when employees find themselves in an actual or a perceived conflict of interest, they have an obligation to be transparent and to protect themselves and the City by working through the disclosure process.* The responsibility lies with the employee, supervisor and Human Resources, who work with the Directors and employees to resolve the disclosed conflict.
- We reviewed external guidance from universities, human resources, and payroll related to workplace relationships. We noted that there is no legislation that prohibits workplace relationships. However, employees who engage in personal relationships should be aware of their professional responsibilities and management should take appropriate actions to ensure controls are in place to address issues such as lack of segregation of duties, favoritism, ethics and conflict of interest.
- External guidance also indicated that there should be a clear policy setting out what is expected of employees when they enter into consensual relationship to help alleviate concerns. Such a policy should address when a relationship must be reported and to whom, and address how conflicts of interest, or perceived conflicts of interest will be managed. The policy should also set out that discipline will follow from a breach of the policy.
- Public Works Human Resources stated that the relationship in question within the Branch was reported annually. It was mainly communicated verbally and documented in 2021. This reporting aligns with the City's guidance.

- The Branch's organization chart confirms two layers of supervision for the individuals involved in the workplace relationship. However, there were instances where only one layer of management was approving the employee's transactions (i.e. procurements, acting pay). This presents a perceived COI and may place the supervisor in a difficult position (i.e. potential intimidation, pressure). The perceived conflict of interest may also impact employee morale, staff turnover, and result in the perception of an unfair work environment if appropriate controls are not in place.
- We did not find any evidence of unfair behavior (i.e. favoritism, lack of discipline, limited career advancement opportunities) and/or violation of City policies through discussions with management and Public Works Human Resources or during the testing performed.
- Management has informed us that they are working with the supervisor to address any concerns and Public Works Human Resources indicated that Corporate Human Resources is working on updating the COI Policy.

RECOMMENDATION 5			
We recommend that the Branch work with Public Works Human Resources to ensure sufficient controls are in place for financial transactions and general human resource practices related to personnel in the workplace.			
RISK AREA	Human Resources	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Procurement and other transactions within the Branch can be significant in dollar value and can have an impact on the work environment. Proper controls in place can help ensure a fair work environment and address concerns other staff members may have.		
MANAGEMENT RESPONSE			
When a conflict or perceived conflict is identified, Human Resources will support the Branch to ensure that there is a documented mitigation plan to ensure sufficient controls are in place for financial transactions and general human resource practices.			
IMPLEMENTATION DATE	Q4 2022 and ongoing		

RECOMMENDATION 6			
We recommend that Corporate Human Resources develop additional guidance within City's COI Policy specifically related to workplace relationships. The Policy should include specific disclosure requirements (written confirmation), the process to address the conflicts of interest or how perceived conflicts of interests will be managed, employee support, and disciplinary actions if the policy is breached.			
RISK AREA	Human Resources	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	The current City guidance does not provide sufficient guidance related to workplace relationships. This can result in confusion and insufficient procedures to address any perceived or actual conflict of interest.		
MANAGEMENT RESPONSE			
Corporate Human Resource Services accepts this recommendation and will be updating the City of Winnipeg Conflict of Interest Policy.			
IMPLEMENTATION DATE	Q4 2022		

2.6 Tree Pruning Service Contracts

Observations

- Based on the information obtained and explanations received by the Public Service, we have concluded that the contracts were awarded in compliance with existing City policies and procedures.
- The current procurement guidance does not allow departments to effectively and efficiently respond in an emergency.

Analysis

- A review was conducted for all contracts awarded to tree pruning service providers from October 2019 to December 2021 as directed by Council. The contracts consisted of single source and bid opportunities (tenders).
- The review was to ensure that the contracts were awarded in accordance with City regulations (policies and procedures). It consisted of reviewing information provided by City departments and/or divisions and assessing it against applicable City policies and procedures as well as leading practices. Discussions also took place with various City staff.

Single Source Contracts:

- In October 2019, the City of Winnipeg declared a state of local emergency related to a snowstorm. The snowstorm impacted a significant number of trees, which required crews to clear and remove downed trees and fallen branches city-wide. This isolated incident resulted in the award of nine single source contracts to assist with the storm response.
- Key observations noted for the contracts were as follows:
    - All contracts were requested and approved in compliance with the *Materials Management Policy F1-003, Section B4.1 (j) Single Source Negotiations* on single sourcing in the case of emergencies.
    - No cost-benefit analysis was performed for the contracts greater than $75,000 as required per Section B4.4.1 of the Materials Management Policy. This is not in compliance with current guidance, and therefore, the City should update the policy to document specific procedures to be followed in emergency situations.
    - The Materials Management Manager approved all nine contracts as the proper-delegated authority for initial award amounts of $100,000 or lower

in accordance with the *Delegation of Authority – With Respect to Contracting.*

  - Purchase orders issued as formal contracts were approved appropriately within the PeopleSoft Financial System. The purchase orders were not sent to the contractors as this is not required per existing City policies and/or practices. Leading practices for contract procurement indicate this should be completed to allow the contractor to confirm the applicable terms and conditions as well as the scope of the contract.
  - For eight of the nine contracts initially awarded for a total of $700,000, over-expenditures totaling $1.8 million were authorized through email by the Interim Chief Financial Officer. However, the General Administrative Report/Over Expenditure Form was not utilized until three months later.
- The City's guidance does not provide alternate processes for administration to follow in the event of an emergency (e.g. performing a cost-benefit analysis).

Bid Opportunities:

- Four bid opportunity contracts were reviewed for the period[5].
- Key observations included:
  - The Contract Officer[6] (CO) reviewed all final tender documents before they were posted on the procurement website.
  - The Contract Administrator[7] (CA) reviewed the bid opportunity documents and performed the qualification process.
  - For one of the bid opportunity files, concerns were raised by bidders that additional time was given by the CA to other contractors for providing supporting documentation. The Branch, Materials Management Division and Legal Services Department undertook an assessment of the qualification process. It was noted that the CA had contacted the lowest bidder to request documents to verify qualification pursuant to section B13. Follow-ups for more information were requested by the CA after the initial three-business day period provided for in section B13 had expired. Through discussions with Materials Management, it was noted that

[5] Bid opportunities from October 2019 to December 2021 were reviewed as directed by the Council motion.
[6] The Materials Management Division noted that the Contracts Officer is a position held within the Division and the term contracts officer is a working/operational title.
[7] The City's Project Management Manual defines the Contract Administrator as the City's representative for the administration of contracts.

extensions to submit evidence of qualifications should not have been granted as section B13 in the bid opportunity states “shall”. Extensions are rare and only applicable when all bidders cannot comply because the City’s document was unreasonable for the type of work involved. However, the CA confirmed that the additional information supplied after the three-business day period had expired was not required to verify qualifications, and that they were satisfied the lowest bidder was qualified based on the information available to the CA within the three-business day window. As such, the Legal Services Department advised us that the extension in this case did not amount to a material deviation from the evaluation criteria of the tender. We reviewed the information provided to us by management and have relied on the expert opinion of the Legal Services Department that the extension did not amount to a significant deviation for the qualification process.

- For three of the bid opportunities, the successful bidder was the second lowest bidder. In one instance, the second lowest bidder was selected after consideration of capacity of resources of the lowest bidder. In two other instances, the lowest bidder requested to withdraw their bid due to a misunderstanding of scope. These selections were made in accordance with current City processes as bids are also evaluated using other criteria. Additionally, there was sufficient support that Materials Management reviewed and approved the second lowest bidder for the contract award.
- The summary of evaluation matrix was included in the Award Reports and the Award Reports were reviewed by Materials Management and the Legal Services Department before going to the Department Head for final approval.

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RECOMMENDATION 7			
We recommend that the Chief Financial Officer review requirements for departments to undertake sole source procurements in an emergency, including without limitation an act of God. This includes determining what processes are mandatory and tailored to ensure a timely, effective and efficient response to emergencies while still preserving core controls.			
RISK AREA	Business Processes	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	City policies and/or procedures should provide sufficient guidance in emergencies to assist in improving the overall organizational performance. This can be accomplished by ensuring everyone has a consistent understanding when it comes to expectations and achieving organizational goals.		
MANAGEMENT RESPONSE			
Corporate Finance will update Administrative Standard FM-002 to provide additional guidance in emergencies.			
IMPLEMENTATION DATE	Q2 2023		

RECOMMENDATION 8			
We recommend that the Materials Management Division monitor exceptions (i.e. deviations from acceptable practices) and communicate them on an annual basis through emails and training sessions for all contract administrators.			
RISK AREA	Business Processes	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	City policies and practices provide guidance related to contract management and should be followed by all contract administrators. Communicating deviations can serve as a reminder of what is required as well as unacceptable behavior.		
MANAGEMENT RESPONSE			
The next update to the Contract Administrator training manual will include an Appendix to communicate deviations with supporting language on how to interpret various situations.			
IMPLEMENTATION DATE	Q2 2023		

Appendix 1 – Project Methodology

The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor is independent of the Public Service and reports directly to Executive Policy Committee, which serves as the City's Audit Committee.

The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

Once the report has been communicated to Council, it becomes a public document.

Scope

The scope of this project focused on contract analysis, internal procurement practices from to 2016 to 2020, inventory processes, workplace relationships, and an assessment of the Branch's cultural environment.

The work performed also included reviewing and testing the allegations from the Fraud and Waste Hotline reports.

There is a limitation in scope as the observations were restricted to the documents received from management, and therefore, completeness could not be confirmed.

Approach and Criteria

This project entailed two main components: investigation of the Fraud and Waste Hotline reports and the compliance audit for the contract analysis as directed by Council.

The investigation performed in relation to this project does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The work performed does conform to Audit Department standards for independence, objectivity and quality. We believe we have performed sufficient work in satisfaction that the evidence obtained provides a reasonable basis for our findings and conclusions.

The contract analysis compliance audit was conducted in accordance with GAGAS. The standards require that we plan and perform the engagement to obtain sufficient appropriate evidence to provide a reasonable basis for our observations and conclusions; based on our objectives. We believe the evidence we have obtained provides a reasonable basis for our observations and conclusions.

Procedures for this project consisted of:

- Evaluating contracts against existing City of Winnipeg policies and/or procedures and leading industry practices.
- Obtaining an understanding of the Branch's procurement practices related to purchase orders and purchasing cards and testing a sample of items to determine whether in accordance with City policies and/or practices.
- Performing walk-throughs of existing inventory processes through discussions and site visits to determine whether sufficient controls exist.
- Administering a workplace culture survey to all Branch employees and analyzing the results.
- Reviewing internal and external guidance related to workplace relationships to determine what is in place for existing relationships.
- Addressing Fraud and Waste Hotline allegations through inquiries and obtaining adequate support to determine if misconduct or wrong-doing has occurred.

Appendix 2 – Culture Indices Evaluation Framework

Culture Indicator	Definition
Collective Focus	The degree to which an organization/department emphasizes collaboration, teaming, and cooperation in its operations.
Risk & Governance	The degree to which an organization/department emphasizes compliance, quality, and structure in its operations (includes safety considerations).
External Orientation	The extent to which an organization/department emphasizes a focus on customers and/or stakeholders, and the external environment.
Commitment	The degree to which employees feel a sense of pride and ownership to the success and brand/identity of the organization/department.
Change & Innovation	The extent to which an organization/department emphasizes embracing ambiguity, change, and risk to drive change and innovation.
Courage	The degree to which employees exhibit resolution and resilience when confronting adversity, ethical dilemmas, failures, or opposition.
Diversity, Equity, and Inclusion	The degree to which an organization/department accepts and promotes diversity, uniqueness, and bringing one's "authentic self" to the workplace.
Shared Belief	The degree to which employees demonstrate commitment to organization specific core values / beliefs.
Workplace Violence and Harassment	The degree to which the organization acts to prevent incidents and mitigate risks relating to occurrences of violence and harassment in the workplace.

Appendix 3 – Culture Indicator Risk Summary

