

**CITY OF HAMILTON**

**CITY MANAGER'S OFFICE**  
**Audit Services Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> October 4, 2012	
<b>SUBJECT/REPORT NO:</b> Audit Report 2012-05 – Long Term Contract Review - Recycling Collection Services (Blue Box Collection) (AUD12017) (City Wide)	
<b>SUBMITTED BY:</b> Ann Pekaruk Director, Audit Services City Manager's Office	<b>PREPARED BY:</b> Ann Pekaruk 905-546-2424 x4469
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Report AUD12017 respecting Audit Report 2012-05, Long Term Contract Review - Recycling Collection Services (Blue Box Collection), be received;
- (b) That the Management Action Plan as detailed in Appendix "A" of Report AUD12017 be approved; and
- (c) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Action Plan (attached as Appendix "A" to Report AUD12017) implemented.

**EXECUTIVE SUMMARY**

The 2012 Internal Audit work plan approved by Council included a review of the Recycling Collection Services (Blue Box) contract. The review assessed the City's management and administration of the contract as well as the contractor's compliance and the City's enforcement of key sections and schedules.

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The results of the audit are presented in a formal Audit Report (2012-05) containing contract narrative, observations, a recommendation and management response attached as Appendix “A” to Report AUD12017. Other than one recommendation regarding the verification of driver licensing, staff have adequately managed the contract with both parties adhering to its terms.

***Alternatives for Consideration – Not Applicable***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** None.

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

The audit was scheduled as part of the 2012 Internal Audit work plan approved by Council. The audit fieldwork was completed in June 2012. The results of this audit are attached as Appendix “A” of Report AUD12017.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

**POLICY IMPLICATIONS**

A well-managed recycling collection contract helps the City with the execution of its Solid Waste Master Plan.

**RELEVANT CONSULTATION**

Appendix “A” to Report AUD12017 includes an action plan which reflects the response of management responsible for the administration of the contract (Operations and Waste Management Division of the Public Works Department).

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

In 2007, a contract was entered into by the City of Hamilton and National Waste Services Inc. (now GFL Environmental East Corporation) to provide recycling collection services (Blue Box collection). The contract is in effect from April 2008 to March 2013.

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The current contract is comprised of 4 schedules (Schedules A through D) that define the specifications and terms of the contract. Internal Audit reviewed key sections and schedules of the contract including: performance security; performance review; permits, licences and approvals; insurance; meetings; collection requirements and compensation. As the terms of the Certificate of Approval from the Ministry of the Environment are the responsibility of the contractor, no detailed work other than the verification of a certificate in good standing was carried out.

A formal Audit Report (2012-05), attached as Appendix “A” of Report AUD12017, contains the observations, the one resulting recommendation and its management action plan. The recommendation made is as follows:

- That verification of driver licensing be added to the safety spot checks that are regularly conducted by the City.

Management and staff have agreed to implement this recommendation. The specific action plan can be found in the attached Audit Report.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ♦ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner.

***Environmental Stewardship***

- ♦ Reduced impact of City activities on the environment.

**APPENDICES / SCHEDULES**

Appendix “A” to Report AUD12017

ap:bm

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2012-05  
LONG TERM CONTRACT REVIEW  
RECYCLING COLLECTION SERVICES (BLUE BOX COLLECTION)**

**Background**

On June 7, 2007, a contract (the "Contract") was entered into by the City of Hamilton (the "City") and National Waste Services Inc. (the "Contractor") (now GFL Environmental East Corporation) to provide recycling collection services in conformance with the terms of the Contract.

The primary service provided by the Contractor for this contract is the collection of recyclables and their delivery to the City's Materials Recycling Facility (MRF). The Contract is effective from March 31, 2008 to March 31, 2013, and consists of five contract "Service Periods" that are each approximately one year in duration.

**Review**

As part of the 2012 Internal Audit work plan, Council approved the review of the terms of the contract for compliance by the City and the Contractor. The Contract is comprised of 4 schedules (Schedules A through D) that define the specifications and terms of the contract. Specific tests were designed by Internal Audit to review key sections and schedules of the Contract including: performance security; performance review; permits, licences and approvals; insurance; meetings; collection requirements and compensation. As the terms of the Certificate of Approval from the Ministry of the Environment are the responsibility of the Contractor, no detailed work other than the verification of a certificate in good standing was conducted by Internal Audit.

Based on Audit Services' review of records, related documentation and corroboration obtained from the management of the City's Operations and Waste Management Division, the operational requirements of the Contract have been met. The City's management and oversight over the contract appear effective. Some administrative matters were discussed with staff but since they represent low risk to the City due to the length of time that has already transpired in the term of the contract or due to the a pattern of good communication between the parties, these issues are not itemized in detail in this report.

The only item of relative significance to potential non-compliance lies in Section 15 of the Contract dealing with Permits, Licences and Approvals. Section 15 requires that all persons supplying services hold valid and current licenses required by law with respect to the services supplied by them. The City does not currently verify the licensing of drivers. Regular spot checks are conducted to verify safety items and proof of vehicle insurance but driver licensing is not included in these checks.

***It is recommended:***

***That verification of driver licensing be added to the safety spot checks that are regularly conducted by the City.***

***Management Response:***

***Agreed. Management will be amending the Spot Safety Check form to include operator's driver licence. Further, Staff will use the spot safety checks as an effective tool to ensure compliance with corporate and divisional regulation/requirements. This initiative will be expanded across the Operations and Waste Management Division. Implementation of the revised form and expanded rollout across the division is expected by the end of September 2012.***