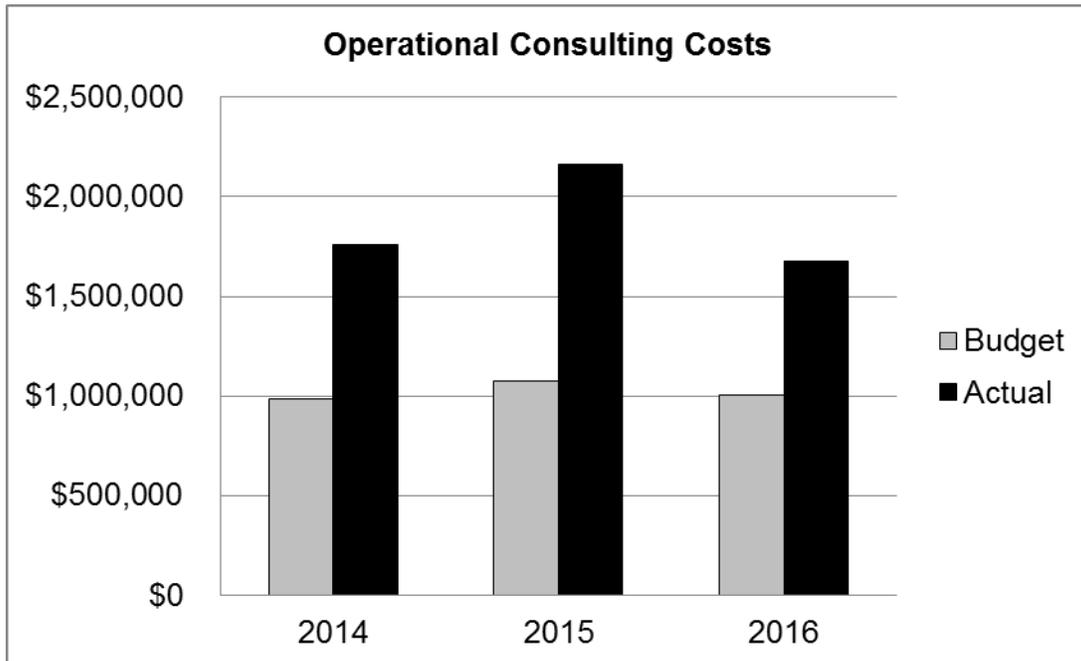


**CITY OF HAMILTON
PERFORMANCE AUDIT REPORT 2016-03
USE OF EXTERNAL CONSULTANTS**

INTRODUCTION

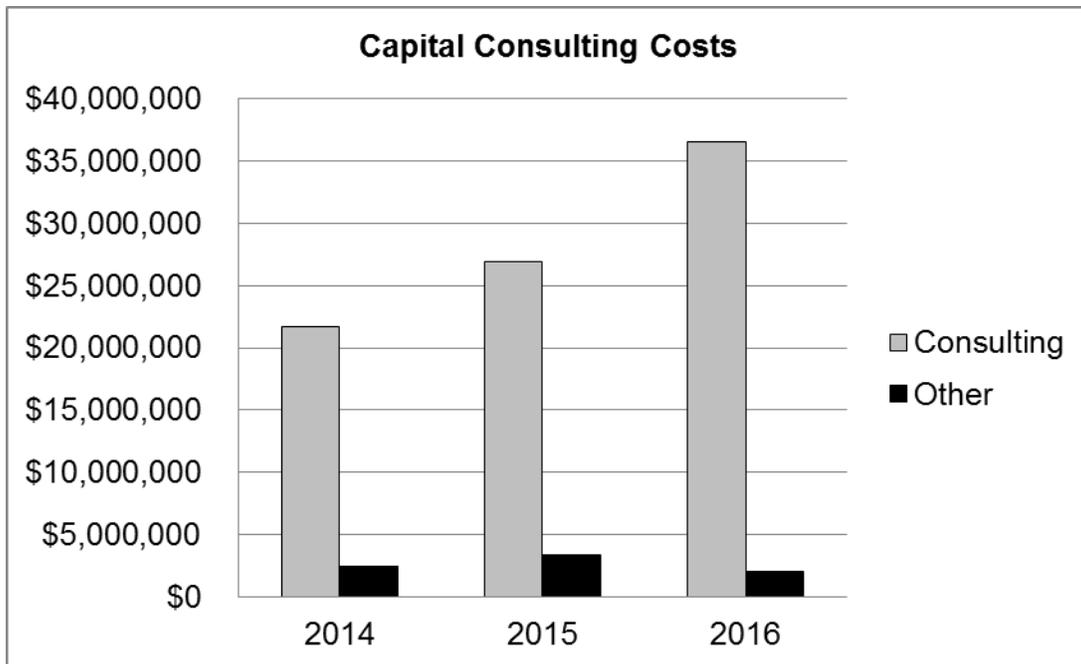
City departments engage external consultants to undertake a wide variety of projects. Generally, consultants possess a unique skill set and are used to obtain information, advice, training or direct assistance. Consultants may also be used when there are resource limitations in achieving specific objectives associated with daily operations and / or the completion of capital projects. This audit consisted of two parts; Part I focused on operational-related consulting activities and Part II on capital-related consulting activities. In 2016, the combined operating and capital consulting expenditures were \$40,300,000.

In 2016, the City spent approximately \$1,700,000 on operational-related consulting activities that typically involve a report from the consultant with an analysis and / or recommendations. Budgets for operational-related consulting expenses are incorporated into departmental operating budgets on an annual basis. The following chart shows amounts budgeted and actually spent on external consultants in city-wide departmental operations in 2014 to 2016.



Operational consulting expenses consistently exceed budgets. Operational consulting budgets remained static while actual consulting costs exceeded budgets by 78%, 101% and 67% respectively from 2014 to 2016.

In 2016, the City spent approximately \$38,600,000 on capital-related consulting activities. In addition to the reasons provided above, capital consultants are often hired to provide design and contract administration services on construction projects. There is no correlation between capital consulting budgets and actuals for reasons further described in the findings of the report. The following chart shows amounts actually spent on capital consultants from 2014 to 2016. This also includes "other" accounts that were noted as possible consultant related costs (e.g. project management, design, feasibility studies etc.).



AUDIT OBJECTIVES AND SCOPE

The purpose of this audit was to assess if the processes used to procure, manage and use external consultants operated with due regard to economy, efficiency and effectiveness.

Phase I of the audit included all operational-related consulting activities paid from January 1, 2014 to December 31, 2014. Phase II included capital-related consulting activities paid from capital projects with the top ten consultant expenditures from January 1, 2012 to December 31, 2015 and costs of at least \$50,000 in 2014 or 2015. As required, Audit Services used historical information to carry out specific audit procedures and trend analyses.

Costs related to contractual services, construction and compliance with the City's purchasing policies were excluded from the scope of the audit. The Internal Audit Section of the Audit Services Division performs compliance audits in these areas each year.

METHODOLOGY

The work performed by Audit Services included:

- A. **Analyzing budgeted and actual consulting costs** by department, division and section to identify trends in the use of external consultants.
- B. **Identifying the cause and determining the source of funding for unbudgeted operational consulting expenses.**
- C. **Identifying the causes for specific sections consistently underutilizing operational consulting budgets.**
- D. **Performing vendor analyses** to identify misallocation of consulting costs amongst expense accounts.
- E. **Analyzing the appropriate use of the consulting and professional services roster.**
- F. **Analyzing documentation for a sample of consulting engagements** to determine whether the consultant and their work was utilized with due regard to economy, efficiency and effectiveness.

The sample consisted of 19 operational engagements accounting for \$760,000 or 43% of total operating consulting expenses in 2014. This sample also included 13 capital engagements accounting for \$39 million in consulting costs incurred to date spanning multiple years. All 13 capital consultants were hired by the Public Works Department.

Efficiency was assessed by understanding why the consultant was hired, and determining whether alternatives were considered, knowledge was transferred to staff and if the cost will recur in the future.

Effectiveness was assessed by determining whether deliverables were agreed upon before entering into the engagement, carried out by the consultant and used by management to provide benefit to the City. Change orders were analyzed as part of this review.

Economy was assessed by evaluating whether the consultant's work added value to the organization, was economically justified and identifying any instances of waste.

FINDINGS

Cost Allocations

Audit Services carried out this audit using costs reported in consulting expense accounts across all departments, divisions and sections City-wide. However, we found that consulting costs are not always being appropriately coded in the City's financials to consulting expenses.

In all analyses carried out during the audit, Audit Services identified cost coding errors primarily from 2014-2015 unless otherwise noted:

- Twelve instances where \$34,160,000 in capital costs were incorrectly coded to consulting expenses:
 - \$30,900,000 in construction costs incurred on the Biogas Enhancement and Digester Upgrade project (2010 – 2016, with the majority of costs in 2011 and 2012);
 - \$1,820,000 in construction costs incurred on the Glanbrook Landfill project (2013-2015);
 - \$910,000 in construction costs incurred on the CNR Centennial Parkway Underpass project (2015);
 - \$370,000 in computer related costs on various projects; and
 - \$160,000 in contractual services on various projects.
- Eighteen instances where \$350,000 in capital consulting expenses were coded to other accounts such as contractual services and computer related costs;
- Twenty five instances where \$420,000 in operational consulting expenses were coded to other accounts such as contractual services. In many cases, the misallocation was intentional as a budget did not exist for consulting expense;
- Two instances where \$40,000 in operational computer-related costs were charged to consulting in error;
- Two instances where \$110,000 in consulting expenses were erroneously charged to the operating budget. These costs should have been absorbed in the capital project; however, the capital project was over budget and gapping was available in the operating budget to offset these costs;
- Two instances where consulting costs were split between operating (\$135,000) and capital (\$50,000) to take advantage of budgetary gapping; and
- One instance where consulting costs were split between two operating sections – consulting expense (\$60,000) in one section and legal fees (\$60,000) in the other section.

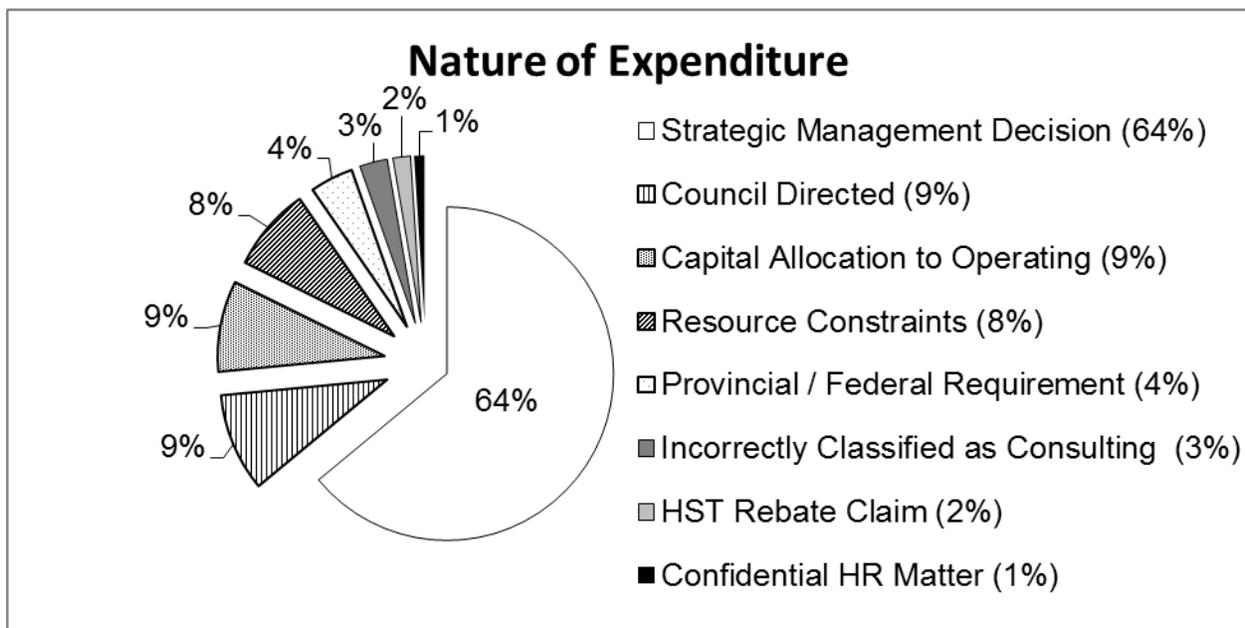
Miscoding and splitting of consulting costs amongst sections, projects and accounts makes it difficult to analyze consulting costs, reduces confidence in reporting and hinders transparency and management oversight. There is also no clear definition of what is considered a consulting expense. In addition, no direction is provided to staff on when and how such costs may be allocated through the operating or capital budget. This may impact the completeness of costs being capitalized. Staff and management are using their judgement to classify expenses which has resulted in inconsistencies. When amounts are not correctly allocated, financials are not accurate, creating difficulties in managing budgets and making informed decisions with respect to retaining and funding consultants.

Budget Overruns and Funding

Reasons for Operational Budget Overages

Operational consulting budgets are not being reviewed and adjusted annually to align to actual expenditures. From 2014 to 2016 consulting budgets remained relatively static and were significantly exceeded by 78%, 101% and 67% respectively.

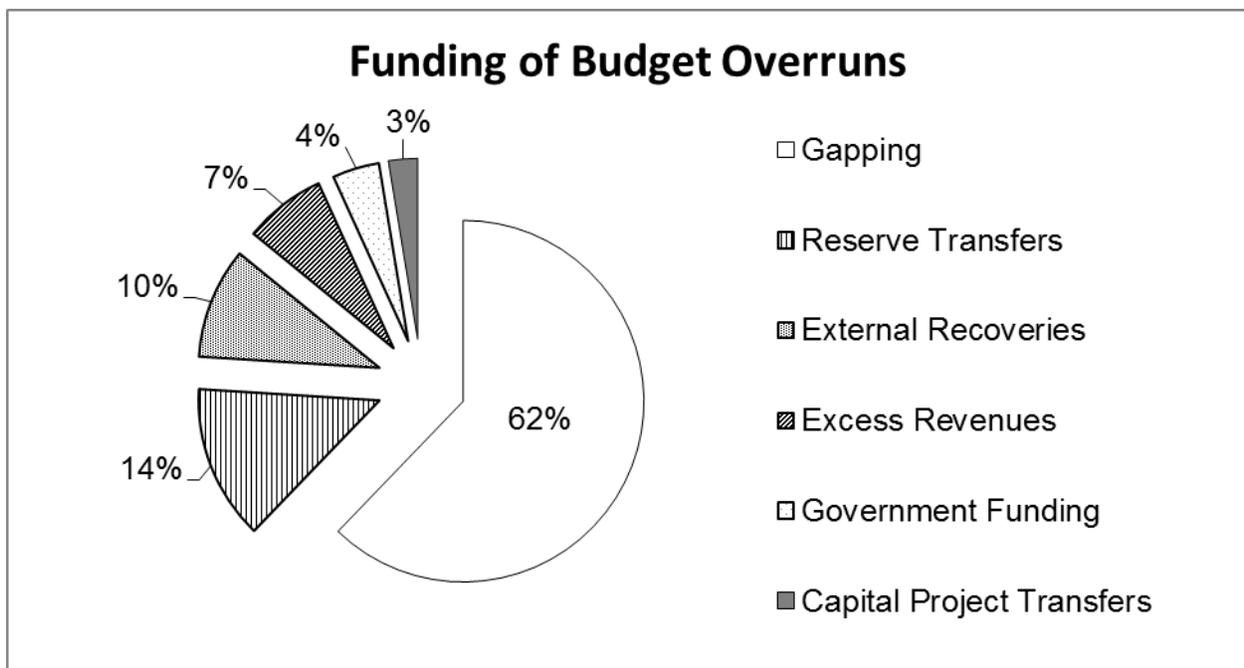
A significant amount of unbudgeted consultant work is being undertaken for operating purposes. In 2014, 79 sections overspent Council-approved operational consulting budgets by \$1.3 million. Audit Services reviewed consulting expenses for 29 sections which accounted for \$1.1 million or 85% of total budget overages. The following graph depicts the reasons why consultant expenses were incurred without an adequate pre-approved budget.



Approximately 64% or \$700,000 of operational budget overruns were incurred by management to hire consultants on an ad hoc basis to improve operations, increase revenues, identify efficiencies / cost savings or address specific areas of risk. These were in addition to and not part of the Council-approved operating budget. As a result, a significant amount of unanticipated, discretionary consulting work was undertaken resulting in budget overruns. Having budgets consistently exceeded discourages an optimal level of control and accountability.

Funding of Operational Budget Overages

Through management discussions and financial analyses, Audit Services investigated how the 29 sections funded \$1.1 million in operational consulting budget overruns. The following graph depicts funding sources used by management to absorb these shortfalls.



Approximately 62% or \$680,000 of operational consulting overruns were funded through gapping. For purposes of this discussion, gapping refers to positive variances (e.g. under budget) in other operating accounts for the section, division and/or department.

As no policies or procedures exist to guide the use of gapping savings, management has discretion on how budgets are managed and how funds are spent.

Although gapping may be used to fund operational budget overruns, management does not identify which accounts will provide available gapping, which results in over committing available gapping and overall budget overspending. For example, of the \$680,000 consulting cost ostensibly funded through gapping, no gapping savings were

actually available at the section, division or department level to cover \$180,000 or 26% of these consulting costs.

Due to staff turnover and lack of documentation, Audit Services was unable to identify how these costs were funded. The risk of incurring a budget overage increases if management does not verify and earmark available funds prior to entering into consulting engagements.

Reporting the Use of Gapping Savings

Each year the City budgets approximately \$4.5 million in gapping savings from employee-related costs. In 2014, staff reported a gapping shortfall of \$30,000. Audit Services was unable to determine whether employee-related gapping was used to fund consulting expense overruns due to inconsistent reporting across departments on how gapping savings are used.

Capital-Related Consulting Budgets

Unlike the operating budget there is no annual correlation between current year capital budget and actuals, for reasons that include:

- Consulting costs are not being consistently broken out of the overall project budget. Common capital expenses budgeted for include construction, contractual services and design engineering overhead;
- Capital budgets for multi-year projects are allocated over the life of the project while specific costs may only be incurred in one stage (i.e. consultants only needed in year one); and
- Annual maintenance project budgets are only reflected in the current year budget, although expenses may be incurred over multiple years.

In addition to the significant cost coding errors identified above, budgets are not being setup to align with actual costs. Consulting budgets in one Section are being allocated to design engineering overhead in error with actual costs being allocated to consulting. No further work could be done related to budget overages as capital budgets appear to be managed to the overall project expenditures and not to the specific account line (e.g. consulting expense) which includes a number of other costs (e.g. construction) that are not within the scope of this audit.

Effectiveness

Rationale for Consultant Acquisitions

Management does not consistently prepare a business case or document the analysis or rationale supporting the need to hire a consultant. Only four of the 19 operational consulting engagements and one of the 13 capital consulting engagements examined in

detail had a business case or similar type analysis. Management was unable to provide Audit Services with a business case or similar analysis for the remaining projects. With the exception of procurement policies, there are no corporate or departmental policies or procedures that speak to the selection or use of consultants. When individual operational management use discretion in hiring a consultant in excess of budget without a documented business case that considers corporate risks and priorities, the City may not be getting the best value for taxpayer dollars to best support overall corporate priorities.

Project charters are created for the overall capital project which often encompasses consulting activities. Capital projects are often complex in nature and involve staff from multiple areas of the organization. Project charters list all staff involved on a project but not their roles and responsibilities. Issues with coordination of information, roles or responsibilities between City groups resulting in delays, additional work and extra consultant costs were identified. Business cases or project charters should address any technical skills or assistance required on the project. This is especially important when consultants are hired to prepare drawings, tender packages and provide contract administration services. Sufficient time and resources should be dedicated to reviewing and providing feedback throughout the design phase to ensure a high quality tender package is prepared. This may assist in minimizing the number of change orders and delays during construction related to design work.

Difficulties and delays were encountered in obtaining information related to some consulting engagements. This often resulted from staff turnover, for example, the retirement of the Project Manager for consulting on the SCADA project with costs of \$12.4 million to date. The City needs to ensure good documentation and transfer of project knowledge to promote good project management practices.

Use of Terms and Deliverables

Audit Services assessed whether external consultants were used in an effective manner by determining whether terms were agreed upon before entering into the engagement (e.g. scope of work, cost and timeline), all work was completed by the consultant, and the results used by management to provide value to the City. Management and the consultant agreed to terms (e.g. scope of work, cost and timeline) for the majority of engagements.

In five cases, the original scope of work agreed to by the consultant was not completed for the following reasons:

- Three operating engagements had changes initiated by City staff and these scope changes were not documented;
- One capital engagements was not fully financially affordable and the resulting scope reduction was not documented; and

- One capital engagement was terminated due to poor quality deliverables and this was documented with the consultant.

The consultants proposed cost was exceeded for a number of engagements as follows:

- Two operating engagements exceeded the proposed cost as a result of additional work totalling \$30,000. Although verbally approved by management, the new cost and rationale were not documented;
- Eleven capital engagements exceeded the proposed cost as follows:

Reason	Amount	%
Scope changes or additions	\$13,140,000	96%
Scope removal	\$(3,130,000)	(23%)
Additional services (time) from delays / changes	\$2,570,000	19%
Unanticipated conditions	\$850,000	6%
External factors (i.e. environmental issues, meet third party requirements)	\$230,000	2%
Unknown	\$20,000	0%
Total	\$13,680,000	100%

The total proposed costs for the 13 capital engagements reviewed in detail are \$50,500,000. The changes to date reflect 27% of the proposed project costs, with two engagements ongoing. Four of the 13 had changes reflecting greater than 50% of the proposed cost.

The large amount for scope changes or additions includes:

- \$8,600,000 from the Woodward Upgrade project that was halted due to financial affordability and to investigate alternate technology. This represents 2.1% of the total approved project budget of \$415,000,000 (including construction costs); and
- \$3,400,000 from the SCADA project where additional sites were added to the project and additional work identified throughout the course of the project by the consultant.

A review of exceeded costs identified the following issues related to project changes:

- One capital engagement had change order forms and evidence of approval for only \$340,000 of the \$3,360,000 in net changes. The Project Manager is no longer with the organization and there was poor documentation, tracking and transfer of project knowledge, primarily from the financial side. Audit Services had to rely on information provided by the consultant for the remaining amounts and information related to project synergies. This information could not be verified against City records. The consultant proposed a number of synergies or extra work on this project outside of the terms of reference that they believed

would allow the City to achieve their goals in a cost effective manner. These synergies were included in the total purchase order amount for this engagement but required approval from the City prior to being undertaken. City staff were not aware of which synergies had been agreed to be completed. This information was not readily available and compiled by the consultant as a result of audit inquiries. Amounts were allocated from synergy work not completed to cover scope additions and additional services;

- Additional costs were observed on four projects that were covered through contingency amounts or purchase order extensions. However, no approved change orders or documented agreements of work were completed. The majority of these costs related to the SCADA project as identified above;
- One capital engagement did not have a reduction to costs and / or adjustment to the budget for scope reductions. This was not documented and management indicated the amount was used to cover other changes to the project; and
- Change orders, used to alter the original contract, were not approved by the City prior to work commencing on four of the 13 capital consulting engagements reviewed. This increases the risk of consultants performing unnecessary work or work outside of the City's expectations resulting in added project costs.

The consultants proposed timeline was exceeded for six of 19 operational consultants and 11 of 13 capital consultants. A review of timelines identified the following issues:

- Three operating and one capital engagement did not have a stated timeline which increases the risk that the consultant will not complete the work in a timely manner.
- The timeline was exceeded for six operating engagements and new timelines not documented, common reasons include:
 - Gathering additional information to provide better deliverables; and
 - Delays by City staff.
- For eight capital engagements, the consultant was over three years behind the proposed schedule. Three of these eight engagements were funded through the Infrastructure Stimulus Fund and delays were associated with rectifying deficiencies after substantial completion. New timelines are not documented as they are often dependent on construction and the contractor's timeline. Common reasons for the capital consulting delays are consistent with the reasons for extra costs outlined above and include:
 - Scope changes;
 - Funding constraints;
 - Coordination between City groups;
 - Aggressive timelines in the initial proposal; and
 - Project complexity, aging infrastructure and unknown conditions.

Changes to expected deliverables and project terms should be documented and agreed to by both City staff and consultants to ensure all parties are aware of and agree to the new project expectations.

Significant cost and timeline overages were observed on capital projects. Opportunities exist to improve project planning and management. Appropriate resources should be dedicated to planning to ensure that all possible factors (e.g. scope of work, financial affordability, staff resource requirements, etc.) are being considered up front and built into agreements with consultants to avoid changes, extra costs and delays later in the project. Unnecessary project delays increase the risk of the City paying for not only extra construction services but the City paying for additional time required for the consultants overseeing construction. Delays may also impact internal staff resource allocations and increase the risk of other projects being delayed.

Contingencies

Contingencies are intended to cover unanticipated conditions or unforeseen events that happen infrequently. Audit Services identified contingencies being used more or less on a regular basis to offset costs from scope additions or project delays. In addition, the City does not limit contingency amounts. Audit Services reviewed 86 capital purchase orders with 41% having contingencies that exceed 10% of the consultants proposed cost. A number of these projects were still in progress with 19% utilizing contingencies in excess of 10% to date. These amounts will likely increase by the time all projects are completed. When a contingency is used up and additional work still remains, an extension to the purchase order is required. Audit Services observed additional contingencies being setup on extensions.

In addition, consultants may include contingency amounts in their cost proposal, with the City adding its own contingency. Audit Services identified four instances where these were not broken out on the purchase order and the City setup additional contingency amounts with total contingencies ranging from 22% - 47% of the proposed cost. For example, the City stipulated a \$5 million contingency in one proposal and the City added an additional \$7.5 million contingency to the Purchase Order, for a total contingency of \$12.5 million or 40% of the proposed cost.

When contingencies are not limited by policy or prudently used it increases the risk that more is spent on consultant engagements than necessary. Large contingencies do not promote good planning, cost conscious project management and cost control to ensure that all work is included in the initial agreement with the consultant. It hinders accountability for cost management and also increases the risk of consultants lowering their bids to get contracts knowing that they can later charge more through change orders covered by contingencies. Vendors may become accustomed to billing and getting paid in excess of the contract amounts. The City risks paying more for work when a more competitive pricing can be obtained on the initial procurement process with better planning that includes all necessary work required, minimizing changes and excess costs.

Value for Money

One would naturally expect a consultant's work be fully utilized by management to provide value to the City. Of the 19 operational and 13 capital consulting engagements reviewed in detail, Audit Services identified the following nine projects where consulting was completed and paid for, but management was unable to provide evidence that the consultants work had been put to use.

Six operational consulting engagements were not utilized by management in a timely manner:

- Three projects have been placed on hold as staff await direction on if and how to move forward;
- One project is under re-evaluation;
- One project will not move forward due to lack of funding; and
- The value of one project could not be verified due to lack of documentation from management.

At the time of our fieldwork management could not demonstrated value for the \$280,000 spent on these operational consulting engagements and there were no plans to action or make use of these consultant reports.

Two capital consulting engagements had portions requiring rework and one resulted in waste and amounts paid to consultants not resulting in deliverables used to provide value to the City:

- Audit Services identified approximately \$5.6 million in rework from consultants on the Woodward Avenue Wastewater Treatment Plant expansion project. This was mainly associated with determining project affordability, decoupling the original objectives of this project, restarting the project after a three year hiatus and switching to a different secondary / tertiary system. This was fuelled by the need to find a way to fund the project when anticipated water usage revenue was not realized. Although it was prudent to stop and reassess rather than carry on with a project that the City could not afford, starting up the project three years later resulted in rework;
- Audit Services identified approximately \$400,000 in rework from consultants on the Hillcrest Reservoir. Based on the consultants design, contractor bids came in higher than anticipated. One third of the work was removed from this contract and later awarded under a separate contract for redesign and tendering due to budget availability. All work was initially expected to be completed under the original contract. The consultants total contract price for the redesign portion is \$600,000 with \$400,000 being incurred to date; and

- Audit Services identified approximately \$170,000 in waste from consultants on the Osler Drive and Garner Road Pumping Stations. A poor design product was provided by the consultant. This led to significant confusion and the City did not award the tender and terminated the contract with the consultant. Although prudent to stop and not risk inflated pricing or significant contractor change orders on the project this resulted in waste. A vendor incident report was filed with Procurement.

There are no requirements to document the intended objectives for hiring a consultant and anticipated outcomes as part of the engagement planning process prior to hiring the consultant. In addition, management is not required to formulate a response or action plan to address the recommendations or deliverables provided by the consultant, where applicable. This increases the risk that management will not be held accountable to ensure consultants are retained when necessary to carry out work, and that the work being done is competently performed and will be used to add value to City operations.

Vendor Evaluations

From the files we reviewed, most vendor evaluations are not being completed. Generally, there is no method of tracking consultant performance for consideration in evaluating proposals for future engagements. In addition, there is no requirement to perform vendor evaluations for consultants hired through the consulting and professional services roster at the end of the two year contract period. The accuracy of two vendor evaluations was questionable based on the detailed review performed; however, these are not currently being utilized by the City and do not have any impact on future hiring at the present time. When evaluations are not consistently completed and accessible it is difficult to assess the contribution of value to the organization and ensure that poor performers are not rehired in the future.

Efficiency

Audit Services assessed whether external consultants are used in an efficient manner by determining whether alternatives were adequately considered and whether knowledge was transferred to staff and if this cost will recur in the future. Some form of knowledge transfer occurred between the consultant and City staff on operating engagements with the exception of those where consultants were hired to provide capacity in areas where staff already had the required skills. In most cases, consultants were hired to perform specific projects and management indicated consultants would not be hired in the future to perform similar work.

Consultants were hired for a wide variety of skill sets and expertise in the operating engagements reviewed. Capital engagements had a number of consultants hired for various engineering related services. Due to a lack of a business case or other planning documents, Audit Services was unable to assess or corroborate whether management considered using existing staff to carry out the project instead of hiring a consultant. Management was unable to show if necessary skills were sought in other departments or if efforts were taken to analyze capacity and reallocate resources to enable those

with the skills to take on the project. In addition, the City does not currently have a skills inventory. Without this information, it is difficult to determine if there was a more efficient or cost-effective way to staff these engagements.

Audit Services sought out information to evaluate whether consultant hiring was necessarily justified or could be better served by more in house expertise given the frequency of certain types of consulting. A business case was observed by one Section that identified an opportunity for cost savings with internal staff being able to provide at least three to four times the amount of projects than a consultant at a reduced cost, resulting in \$220,000-\$400,000 in savings annually. This would allow for a more efficient and cost effective way of delivering an increased capital program. This was not approved as no additional full time employees were to be added through the budget process.

The consulting and professional services roster is currently used to hire consultants with similar skills under 41 roster categories. An annual roster report is prepared for Council detailing amounts spent by roster category, however no analysis is provided to identify opportunities to hire staff and / or build skills in house at a lower cost when similar services are being continuously hired for through the roster process.

Audit Services identified the roster being used year over year to hire for annual inspection work. Annual roster work and projects with multiple phases were observed being split into multiple assignments to fall within roster limits. An opportunity may exist for better value for money through a competitive procurement process and / or a multi-year contract.

Procurement

Although not a focus of this audit, various procurement issues were identified in addition to those indicated above:

- The consulting and professional services roster is being used when a non-competitive procurement (policy 11) appears more appropriate. This provides an incomplete picture of work being sole sourced through annual reporting;
- New purchase orders are being issued, instead of an extension, when adding work to previous roster assignments. There is no way to track the extension or P.O. additions;
- Consultant and professional services roster procedures require a proposal to be submitted. Instances of consultant proposals not being obtained for annual work were observed, resulting in non-compliance; and
- Instances of the consulting and professional services roster being inappropriately used to procure other services, for example computer software and licensing, were observed.

RECOMMENDATIONS

The implementation of the following recommendations will improve systems that support accountability, transparency and align consultant-related decisions with corporate priorities.

1. That the Senior Leadership Team (SLT) identifies roles and responsibility to set policy and oversee the use of consultants. This should include:

The development of policies and procedures relating to the hiring of outside consultants, in conjunction with the procurement Policy. These policies should include the following:

- A clear definition of consulting;
- Guidelines on the preparation of business case justification and financial thresholds;
- Approval processes with specified dollar thresholds;
- Documentation and transfer of project knowledge;
- Documentation and approval for changes (e.g. scope, cost, timeline or deliverables);
- Performance measurement / vendor evaluation requirements;
- Action plans as a result of recommendations; and
- Reporting requirements (i.e. annual reporting to Council).

The development of a standard business case template for completion prior to engaging a consultant as part of the procedures. The business case should promote improved planning to minimize change orders for consulting engagements. The template should include a description of:

- Why the project is necessary;
- How the project aligns with the strategic plan;
- All staff and resource requirements;
- The expected deliverables and how they will be used;
- Explanation of the benefit that will be received by hiring a consultant;
- Skills required and why the project cannot be completed by internal staff;
- Any transferable skills or tools to be provided by the consultant to City staff; and
- Proposed budget and funding source.

Policies, procedures and business case template requirements should recognize program versus project requirements and indicate at which point in the project lifecycle steps are captured.

Improved corporate tracking of the use of consultants for annual reporting to Council. This should detail the actual costs, type of spending and benefits received by the City

- 2. That Procurement ensure that policies and procedures relating to contingencies be developed and investigate methods of automating contingency limits.**
- 3. That Procurement investigates methods tracking vendor performance and incorporating past performance into the awarding of future contracts.**
- 4. That SLT assign responsibility to investigate a method of electronically tracking change orders for improved reporting and monitoring capabilities.**
- 5. That Procurement provide guidance to staff on procurement issues identified on page 14 and incorporate oversight into random checks performed throughout the year.**
- 6. That Finance develops policies and procedures relating to the use of gapping. These documents should include a definition of gapping, approval requirements and how the use of gapping will be reported to the Senior Leadership Team and Council.**

The implementation of the following recommendation will improve the efficiency of consultant use at the City.

- 7. That SLT ensure that a skills inventory is developed as part of the City's planned Talent Management System to support the People and Performance Plan. Guidance should be provided on business case analysis to identify potential opportunities to access services in more cost effective ways.**
- 8. That SLT identify opportunities for insourcing and cost savings.**
- 9. That Roster Captains with support from Procurement, work to identify opportunities to obtain better value for money for consultants hired with similar skills and / or to perform the same work year over year.**

The implementation of the following recommendations will improve the accuracy of the City's financials and assist management in making informed business decisions.

- 10. That Finance create a standard dictionary for all project and account codes to ensure consistent classification of charges across the organization and that Finance staff ensure that invoices are allocated accordingly. This should outline when to allocate costs to an operating versus capital account.**
- 11. That Finance work with operating groups to appropriately plan for consulting expenses through the budgeting process.**
- 12. That Budgets assign consulting budgets at the department level. With the exception of consulting costs to cover staffing resource limitations, General Manager approval should be obtained for use of the consulting budget.**

CONCLUSION

Audit Services identified a lack of corporate governance over the hiring and management of consultants. Individual service areas utilize consultants in ways that meet their individual business needs. Based on the audit findings, opportunities exist to improve overall project management, financial management and budgeting processes and the alignment of spending to overall corporate priorities. Significant cost miscoding, unbudgeted expenditures, cost overruns, project changes, delays, and non-value added activities do not demonstrate good management practices. Management should be held accountable to demonstrate best practices in these areas and operate with appropriate due diligence to ensure the best use of taxpayer dollars.