



Hamilton

**CITY OF HAMILTON  
OFFICE OF THE CITY AUDITOR**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	June 16, 2021
<b>SUBJECT/REPORT NO:</b>	Roads Value for Money Audit (AUD21006) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Domenic Pellegrini, CPA, CMA, CIA (905) 546-2424 Ext. 2207  Charles Brown, CPA, CA, CPA (Illinois) (905) 546-2424 Ext. 4469  Brigitte Minard, CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107
<b>SUBMITTED BY:</b>	Charles Brown, CPA, CA, CPA (Illinois) City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Appendices “A” and “C” to Report AUD21006, respecting the Roads Value for Money Audit be received;
- (b) That the Management Responses, as detailed in Appendix “B” of Report AUD21006 be approved; and,
- (c) That the General Manager of Public Works be directed to implement the Management Responses (attached as Appendix “B” to Report AUD21006) and report back to the Audit, Finance and Administration Committee by December 2022 on the nature and status of actions taken in response to the audit report.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

## **EXECUTIVE SUMMARY**

At a replacement cost of over \$4B dollars, the City of Hamilton's investment in road assets or pavement is one of its largest. Obtaining optimal value for money in that investment requires a successfully coordinated and effective set of activities. These include asset management, planning, condition tracking, quality assurance, design, management of utility cuts, maintenance, preservation management, procurement, contract administration and financial management.

Our audit was focused on ensuring these basic components were in place, and on identifying opportunities for improvement. The scope included all these activities which we consider pertinent to value for money.

There was one exception however - we did not review matters pertaining to the management of skid resistance on City roads as that will be extensively covered by a Judicial Inquiry currently investigating events surrounding the Red Hill Valley Parkway.

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

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None.

Staffing: None.

Legal: None.

## **HISTORICAL BACKGROUND**

The Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) included the completion of a value for money audit in the area of Road Operations and Construction Programs. The results of this audit are attached as Appendices "A" and "B" to Report AUD21006.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

*Municipal Act - O. Reg. 239/02: Minimum Maintenance Standards for Municipal Highways.*

*Construction Act, R.S.O. 1990, c. C.30.*

## **RELEVANT CONSULTATION**

Appendix “B” to Report AUD21006 includes responses from management responsible for overseeing Roads within the City’s Public Work Department. This includes the General Manager’s Office, Chief Road Official, Enterprise Assessment Management Division, Engineering Services Division, and the Transportation Operations and Maintenance Division.

The Procurement Section in the Financial Services Division, and the Financial Policy, Planning and Administration Division were also consulted during this audit.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The overall objective of the audit was to assess the management of the City’s road assets in order to identify opportunities for improved economy, efficiency and effectiveness.

The Office of the City Auditor (OCA) interviewed staff, reviewed documents, conducted site visits, performed data analyses, benchmarked with other municipalities, and hired an independent third-party pavement design and management expert to assist with more technical issues.

Appendix “A” to Report AUD21006 contains a formal Audit Report containing the audit observations. The OCA made 25 recommendations to improve value for money in service delivery, strengthen controls, and improvement vendor management. These recommendations can be found in Appendix “B” to Report AUD21006.

The more significant areas or themes arising from our audit include:

- Bringing a more robust and mature approach to road or “right of way” asset management and pavement analysis.
- The need for a strategic plan that can act as the blueprint for improvement goals and strategies for sustainability.
- Developing more complete and effective systems of quality assurance and contractor management.
- Putting greater emphasis on preservation management as an asset management strategy.

Management agreed with 23 recommendations and disagreed with two recommendations. Management provided management responses for implementation, with completion anticipated by 2024.

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The Office of the City Auditor cautions that the acceptance of the two responses that management disagreed with by this Committee means that organization will continue to be exposed to risks in vendor selection and vendor management if action is not taken.

An infographic summarizing the key information for this audit can be found in Appendix “C” to Report to AUD21006.

**ALTERNATIVES FOR CONSIDERATION**

Not applicable.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Built Environment and Infrastructure**

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report AUD21006 – Roads Value for Money Audit

Appendix “B” to Report AUD21006 – Recommendations and Management Responses

Appendix “C” to Report AUD21006 – Roads Audit Infographic