



AUDIT, FINANCE & ADMINISTRATION COMMITTEE REPORT 11-002

9:35 a.m.

Tuesday, February 17, 2011

Council Chambers

City Hall

71 Main Street West

Hamilton, Ontario

Present: Councillors B. Clark (Chair), B. Johnson (Vice Chair)
B. Morelli, M. Pearson, R. Powers

Also Present: Councillors C. Collins, T. Whitehead
C. Murray, City Manager
R. Rossini, General Manager, Finance & Corporate Services
T. Tollis, Treasurer
A. Pekaruk, Internal Auditor
P. Barkwell, City Solicitor
E. Filippone, Solicitor
D. Ciardullo, Senior Procurement Analyst
E. Brimley, Special Supports Program Manager
R. Male, Director, Financial Services
S. Paparella, Legislative Assistant, Office of the City Clerk

THE AUDIT, FINANCE AND ADMINISTRATION COMMITTEE PRESENTS REPORT 11-002, AND RESPECTFULLY RECOMMENDS:

**1. Reserve/Revenue Funds and Trust Accounts Statement of Investment
Policies and Procedures Review (FCS11008) (City Wide) (Item 5.1)**

That Report FCS11008, respecting Reserve/Revenue Funds and Trust Accounts
Statement of Investment Policies and Procedures Review, be received.

**2. Delegated Authority to Award Corporate Contracts (FCS10085(a)) (City
Wide) (Item 5.2)**

That Report FCS10085(a), respecting Delegated Authority to Award Corporate
Contracts, be received.

Council – February 23, 2011

3. Restructured Master Asset Vehicle (MAV) Notes and Asset Backed Commercial Paper (ABCP) (FCS11006) (City Wide) (Item 5.3)

That Report FCS11006, respecting Restructured Master Asset Vehicle (MAV) Notes and Asset Backed Commercial Paper, be received.

4. Monthly Status Report of Tenders and Requests for Proposals for September 11, 2010 to December 31, 2010 (FCS10017(g)) (City Wide) (Item 5.4)

That Report FCS10017(g), respecting Monthly Status Report of Tenders and Requests for Proposals for September 11, 2010 to December 31, 2010, be received.

5. Replacement of Green Bins that have not been Removed from the Hopper of the Waste Packing Trucks (6.1)

That the matter, respecting the replacement of green bins that have not been removed from the hopper of the waste packing trucks, be referred to the Public Works Committee for further review.

6. Grant Thornton, Report to the Audit, Finance & Administration Committee respecting the Initial Communication on Audit Planning, for the year ended December 31, 2010 (item 7.1)

That the Grant Thornton report, respecting the Initial Communication on Audit Planning, for the year ended December 31, 2010, be received.

7. 2010 External Audit Plan and Fees (FCS11019) (City Wide) (Item 8.1)

That the changes to the scope of audit work in the City of Hamilton 2010 External Audit Plan by Grant Thornton, as listed below, be approved:

- (i) Audits of Ancaster and Locke Street Business Improvement Areas;
- (ii) Audits of Province of Ontario programs - Child Care and Homelessness;
- (iii) Audits of Ontario Bus Replacement Program and Canada Strategic Infrastructure Fund Agreements;
- (iv) Audit work for changes to tangible capital assets; and,
- (v) Audit of a new municipal financial reporting model that incorporates full accrual accounting.

8. Hamilton Police Services Board – Theft of Gas Drive Offs (PSB10-101) (City Wide) (Item 8.2)

That the Hamilton Police Services Board Report PSB10-101, respecting Theft of Gas Drive Offs, be referred to staff for a report to the Planning Committee.

9. Audit Report 2010-09 - Facilities Maintenance and Administrative Controls (AUD11010) (City Wide) (Item 8.3)

(a) That Report AUD11010 respecting Audit Report 2010-09, Facilities Maintenance and Administrative Controls, be received; and,

(b) That the management action plans as detailed in Appendix “A” of Report 11-002 be approved and the General Managers of Public Works and Community Services direct the appropriate staff under their responsibility to have the plans implemented.

10. Citizen Appointments to the Hamilton Status of Women’s Advisory Committee (Item 9.2)

That the following applicants be appointed to the Hamilton Status of Women Committee for the 2010-2014 term of Council or until such time as successors are appointed by Council:

- | | |
|----------------------|---------------------------|
| 1. Adele Alfano | 8. Debbie Sanche |
| 2. Shirley Molinaro | 9. Michelle Poirier |
| 3. Heather Judson | 10. Liliana Maria Cardona |
| 4. Amirah Hassan | 11. Baldeep Virk |
| 5. Denise Spoelstra | 12. Denise Doyle |
| 6. Catherine Hughes | 13. Patti McNaney |
| 7. Catherine M. Pead | 14. Myra James |

11. Citizen Appointments to the Lesbian, Gay, Bisexual, Transgender and Queer Advisory Committee (Item 9.3)

That the following applicants be appointed to the Lesbian, Gay, Bisexual, Transgender and Queer Advisory Committee for the 2010-2014 term of Council or until such time as successors are appointed by Council:

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|----------------------|---------------------|
| 1. Kristen Sprague | 8. Marlon Picken |
| 2. Debbie Wooldridge | 9. Renee Wetselaar |
| 3. Ryan McComb | 10. Deirdre Dixon |
| 4. Rob Brown | 11. Lisa Morris |
| 5. Lillian Elliott | 12. Kerry Cranston |
| 6. Gord Jackson | 13. David A. Gunton |
| 7. Michelle Poirier | |

12. Citizen Appointments to the Committee Against Racism (Item 9.4)

That the following applicants be appointed to the Committee Against Racism for the 2010-2014 term of Council or until such time as successors are appointed by Council:

- | | |
|---------------------|-------------------------|
| 1. Wael Chuneim | 9. Nerene Virgin |
| 2. Mimoza Kajtazi | 10. Baldeep Virk |
| 3. Tyrone Childs | 11. Jovaune Rhodes |
| 4. Jessica Brennan | 12. Winston Morrison |
| 5. Yim Chung | 13. Ashok Kumar |
| 6. Ismail Baris Oz | 14. Taimur Qasim |
| 7. Michelle Poirier | 15. Roger-Wayne Cameron |
| 8. Amirah Hassan | |

13. Commercial Relationship between the City of Hamilton and 1389797 Ontario Inc. o/a Medical Centre Optical (FCS11020/LS11001) (City Wide) (Item 12.1)

- (a) That, to protect the best interest of the City of Hamilton and due to the impairment of the commercial relationship between the City of Hamilton and 1389797 Ontario Inc. o/a Medical Centre Optical, staff be directed to reject any current and future bids, proposals or quotations received from 1389797 Ontario Inc. o/a Medical Centre Optical or any of its related corporate or individual entities, until December 31, 2020;
- (b) That staff be directed to review the operations of 1389797 Ontario Inc. o/a Medical Centre Optical or any of its related corporate or individual entities, in the 10th year of the bid, proposal and quotation ban, and report back to the Audit, Finance & Administration Committee.
- (c) That the contents of Report FCS11020/LS11001 remain confidential.

FOR THE INFORMATION OF COMMITTEE:

(a) CHANGES TO THE AGENDA (Item 1)

The Clerk advised of the following changes to the agenda:

- (i) Added as Item 4.2 – a Delegation Request, submitted by David McLean, of 1389797 Ontario Inc., operating as Medical Centre Optical, respecting Contract #C5-02-10, Provision of Ophthalmic Services for the Special Supports Program, as and when needed, between the City of Hamilton and 1389797 Ontario Inc., operating as Medical Centre Optical.

- (ii) Item 9.1 – Citizen Appointments to the Seniors Advisory Committee, has been withdrawn from this agenda, and has been appropriately placed on the February 17, 2011 Emergency & Community Services Committee agenda.
- (iii) Item 9.3 requires a correction – the applicant name listed under number 10 should be changed from Michelle Poirier to Deirdre Dixon.

The agenda for the February 17, 2011 meeting of the Audit, Finance & Administration Committee was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(i) January 19, 2011

The January 19, 2011 Minutes of the Audit, Finance & Administration Committee meeting, were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

(i) Delegation Request, submitted by Keith Beck, KBConsulting, respecting a Proposal to Reduce the Fees Paid by the Municipality to the Fund Managers of the City's Reserves (Item 4.1)

The delegation request, submitted by Keith Beck, KBConsulting, respecting a Proposal to Reduce the Fees Paid by the Municipality to the Fund Managers of the City's Reserves, was approved.

(ii) Delegation Request, submitted by David McLean, of 1389797 Ontario Inc., operating as Medical Centre Optical, respecting Contract #C5-02-10, Provision of Ophthalmic Services for the Special Supports Program, as and when needed, between the City of Hamilton and 1389797 Ontario Inc., operating as Medical Centre Optical (Item 4.2)

The delegation request, submitted by David McLean, of 1389797 Ontario Inc., operating as Medical Centre Optical, respecting Contract #C5-02-10, Provision of Ophthalmic Services for the Special Supports Program, as and when needed, between the City of Hamilton and 1389797 Ontario Inc., operating as Medical Centre Optical, was approved.

(e) ADVISORY COMMITTEE MINUTES

The following Advisory Committee Minutes were received:

- (i) Committee Against Racism Meeting Minutes, dated September 28, 2010 (Item 5.5)

(f) DELEGATIONS (Item 6)

- (i) **Sergio De Feo, of De Feo's Auto Service, respecting the award of two tenders: Tender C12-05-10, Provision of Various Heavy Duty Truck and Equipment Services for Fleet Services; and, Tender C12-06-09, Provision of Various Car and Light Duty Truck Auto Services for Central Fleet and Transit Services (Item 6.1)**

Mr. De Feo's comments included, but were not limited to, the following:

- Mr. De Feo had sent an e-mail to staff on May 6, 2010 regarding his concerns and suggestions respecting the tender process.
- Subsequently, a delegation request to appear before the Audit, Finance & Administration Committee was submitted by Mr. De Feo.
- Mr. De Feo received an e-mail response advising him of the meeting date and process; and, also advising him that, pursuant to the Purchasing By-law he should first attempt to meet with staff to try to resolve his concerns.
- On January 21, 2011, Mr. De Feo met with staff to discuss his concerns and suggestions; and, at that time Mr. De Feo felt that he and staff were in agreement with respect to his concerns and how they would be addressed.
- Some of the concerns were:
 - Prequalification: prequalification was done for car and light duty, but not for the heavy truck duty and equipment tender. From a vendor's perspective, the prequalification method is preferred to ensure that any mandatory requirements set out by the City are in place at the time of tender.
 - One Ton Trucks: There is confusion with respect to which contract the one (1) ton trucks belong to. The car and light duty or the heavy duty and equipment tender.
 - The City currently does not have a standard for welding requirements; and, as there were two different departments that developed the specifications, there were differences in the welding requirements.

- Subcontracting: The ability/acceptability of sub-contracting is not clearly defined in the tender documents.
- Car and Light Duty Vehicle Tender: Mr. De Feo was confused as to how the tender was awarded. This matter has since been resolved.
- Heavy Duty Truck and Equipment: Concerns that the successful bidders did not meet the mandatory requirements.

Copies of Mr. De Feo's handouts (4) were provided to the Committee for their reference.

Mr. De Feo also advised Committee that he been told that City staff were replacing green bins, which had been caught in the hoppers of the waste packing trucks. Mr. De Feo stated that he did his own investigation and followed a City Waste truck where he observed a City vehicle following behind a City waste packing truck. Many of the green carts were getting caught in the hopper of the waste trucks, and rather than removing them or adjusting the valves, staff from the vehicle that was following the truck was just replacing the stuck green bins with new ones as they went along the route.

Mr. De Feo agreed to provide his comments regarding the green bins, in writing, to Councillor Powers who, in turn, will ensure that the document goes before the Public Works Committee for review.

The presentation by Sergio De Feo, of De Feo's Auto Service, respecting the award of two tenders: Tender C12-05-01, Provision of Various Heavy Duty Truck and Equipment Services for Fleet Services; and, Tender C12-06-09, Provision of Various Car and Light Duty Truck Auto Services for Central Fleet and Transit Services, was received.

Staff was directed to review the concerns and suggestions raised by Mr. Sergio De Feo, respecting the City's tender process and report back to the Audit, Finance & Administration Committee.

- (ii) **Delegation Request, submitted by David McLean, of 1389797 Ontario Inc., operating as Medical Centre Optical, respecting Contract #C5-02-10, Provision of Ophthalmic Services for the Special Supports Program, as and when needed, between the City of Hamilton and 1389797 Ontario Inc., operating as Medical Centre Optical (Item 6.2)**

Mr. McLean's comments included, but were not limited to, the following:

- He is the President of Medical Centre Optical.

- Mr. McLean alleged that the City wants him to dispense glasses, including sunglasses without U.V., glare or scratch protection.
- He had bid on the contract in 2006, but was disqualified because he “fixed” the contract. Mr. McLean stated that he was told that changes to the tender documents would be done for 2007, but were not complete until 2010.
- Mr. McLean stated that he believes he should not be disqualified, as he believes that the contract makes no sense.

The verbal presentation provided by David McLean, of 1389797 Ontario Inc., operating as Medical Centre Optical, respecting Contract #C5-02-10, Provision of Ophthalmic Services for the Special Supports Program, as and when needed, between the City of Hamilton and 1389797 Ontario Inc., operating as Medical Centre Optical, was received.

(g) Grant Thornton, Report to the Audit, Finance & Administration Committee respecting the Initial Communication on Audit Planning, for the year ended December 31, 2010 (Item 7.1)

Melanie Dugard, of Grant Thornton, addressed Committee and provided a brief overview of the Grant Thornton report to the Audit, Finance and Administration Committee respecting the Initial Communication on Audit Planning, for the year ended December 31, 2010.

The presentation, provided by Melanie Dugard of Grant Thornton, respecting the Grant Thornton report - Initial Communication on Audit Planning, for the year ended December 31, 2010, was received.

(h) Citizen Appointments to the Seniors Advisory Committee (Item 9.1)

This Item was removed from the February 17, 2011 Audit, Finance and Administration Committee agenda and appropriately placed on the February 17, 2011 Emergency and Community Services Committee Agenda (E&CS), as the Seniors Advisory Committee reports up to the E&CS Committee.

(i) PRIVATE AND CONFIDENTIAL (Item 12)

(i) Commercial Relationship between the City of Hamilton and 1389797 Ontario Inc. o/a Medical Centre Optical (FCS11020/LS11001) (City Wide) (item 12.1)

The Audit, Finance & Administration Committee moved into Closed Session, at 10:37 a.m., to discuss Report FCS11020/LS11001, respecting the Commercial Relationship between the City of Hamilton and 1389797

Ontario Inc. o/a Medical Centre Optical, pursuant to Section 8.1, Sub-sections (e) and (f) of the City's Procedural By-law 03-301, and Section 239, Sub-sections (e) and (f) of the Ontario Municipal Act, 2001, as amended, as the subject matters pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the City; and, the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

The Audit, Finance & Administration Committee reconvened in Open Session at 11:52 a.m., and provided its recommendation, shown as Item 13 above.

(j) AJOURNMENT (Item 13)

There being no further business, the Audit, Finance & Administration Committee adjourned at 11:18 a.m.

Respectfully submitted,

Councillor Brad Clark, Chair
Audit, Finance and Administration Committee

Stephanie Paparella
Legislative Assistant
February 17, 2011

**CITY OF HAMILTON
AUDIT REPORT 2010-09
FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS**

**Rec – Recreation
CF – Corporate Facilities**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Processing of Work Orders</u> The City uses an infrastructure & facility management system called Archibus to manage facilities. To process work orders, staff place requests online by remotely logging into Archibus or by direct work requests to the Facilities Helpdesk by phone, e-mail or fax.</p> <p>An analysis of work orders generated through Archibus indicated that staff in Corporate Facilities generally direct work requests to the Facilities Helpdesk or remotely process work requests through City-issued Blackberries. On the contrary, the extent of use of the Facilities Helpdesk and the Archibus system for processing work orders by the Recreation Division is extremely limited. Area Supervisors and their staff generally place orders directly with vendors. Such orders are not recorded in Archibus and there is no assurance that adequate investigation was carried out to obtain the best quality and price.</p> <p>In addition, there does not appear to be an adequate segregation of duties in those divisions because Recreation Area Supervisors who retain a vendor are also responsible for approving the vendor's invoice for payment.</p>	<p>That management in the Recreation Division enforce the requirement for all work requests to be directed to the Facilities Helpdesk.</p>	<p>Rec – Agreed. Upon completion of restructuring, Recreation management will institute procedures and protocols related to demand maintenance requests. Work requests will be submitted by designated staff and vetted through Archibus to be dispatched accordingly to either internal staff or external contractors. Workflow will be monitored with Archibus to make certain compliance of the procedures is being adhered to. Supervisors, through their District meetings, have been reminded by their Manager to initiate the work orders through the help desk.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Processing of Work Orders (Cont'd)</u> It is important that all facility and equipment maintenance work orders be channeled through the Helpdesk and recorded in Archibus. Recording all maintenance work in Archibus ensures that the system has a complete maintenance history for all the City's facilities and equipment. A complete and accurate maintenance history is vital for planning purposes and for providing a credible defense in the event of legal claims against the City.</p>	<p>That staff responsible for facility management in Recreation Division be provided with the necessary training on Archibus and be granted the requisite system access to enable them to fully utilize the Archibus work order processing system.</p>	<p>Rec – Agreed. In the 2nd quarter of 2011, Recreation management staff will ensure the necessary training on the Archibus system is provided for all supervisors who are responsible for maintenance. Management will ensure that all supervisors will be granted access to the Archibus system enabling them to process work orders.</p>
2.	<p><u>Preventative Maintenance (PM)</u> Sometime in 2009, the Facilities Division of the Public Works Department started developing preventative maintenance programs for its equipment and buildings. The schedules documented preventative maintenance frequencies, the trades people or vendor responsible for the maintenance and other details including the type and nature of maintenance required. The preventative maintenance programs have been uploaded into the Archibus system and are linked to the system's work order system such that, when the maintenance is due, a work order is automatically generated and forwarded to the responsible trades people with a copy to the Supervisor responsible for the facility.</p>		

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Preventative Maintenance (PM) (Cont'd)</u> Except for HVAC systems and overhead doors, facilities and equipment managed by the Recreation Division does not have documented preventative maintenance programs. Without a pro-active preventative maintenance program, the maintenance of equipment and facilities may be reactive and unsystematic. There could also be an increased deterioration in the condition of assets which directly impacts the repair costs of those assets. A State of the Infrastructure Report developed by an independent consultant in 2008 gave a 'D' rating to equipment and facilities managed by the Recreation Division. The report also stated that "the current situation is clearly unsustainable" and recommended that management start "developing long-term policies and implementation plans in a rational and strategic way" in order to "stop the slide".</p>	<p>That the Superintendent of Preventative Maintenance in Recreation Division develop and document PM programs for all equipment and facilities managed by the Division.</p> <p>That, once the programs have been developed, they be uploaded into Archibus and linked to the work order system to enable work orders to be automatically generated at pre-set times.</p>	<p>Rec – Agreed. During restructuring, further plans will be developed. Existing information on Rec HVAC equipment, including historical data for demand and preventative maintenance, will be migrated to Archibus in agreement already established with vendors in 2011.</p> <p>Rec – Agreed. Data collected by a consultant on arena refrigeration room and pool equipment will be uploaded into Archibus in 2011-2012.</p> <p>CF – Agreed. CF management will engage the Recreation group and form a task group to develop and improve standards. Target date: 2011-2012.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Preventative Maintenance (PM) (Cont'd)</u> Preventative maintenance schedules for Recreation's HVAC systems are quite comprehensive and were developed by an outside contractor. The programs are stored on the contractor's server and the City does not keep its own record of the schedules. While staff have remote access to this information through the contractor's web portal, it is vital that the City retains its own inventory of the equipment and the related preventative maintenance programs for internal use.</p> <p>The City owns high value facilities, some equipped with expensive equipment. Failure to proactively maintain such facilities results in an increased deterioration of the assets as well as more costly repairs or replacements.</p>	<p>That management in Corporate Facilities and the Recreation Division work collaboratively to ensure that a corporate standard for the maintenance of the City's facilities is developed and adhered to.</p> <p>That the Superintendent of Preventative Maintenance in the Recreation Division ensure that an electronic copy of HVAC PM programs are obtained from the vendor and integrated into the Archibus system.</p>	<p>Rec – Agreed. A consultant will establish a preventative maintenance protocol for all of this equipment.</p> <p>CF – Agreed. CF management will engage the Recreation group to form a task group to develop and improve standards. Target date: 2011-2012.</p> <p>Rec – Agreed. Existing information on Recreation HVAC equipment, including historical data for demand and preventative maintenance, will be migrated to Archibus in 2011 as already established with the vendor.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
3.	<p><u>Inventory of Assets</u> An inventory of buildings, yards, parks and other immovable property managed by the Facilities and Recreation Divisions has been compiled and uploaded into the Archibus system, showing such information as the facility's square footage, address, buildings contacts etc.</p> <p>However, other property such as each facility's equipment, furniture and fixtures has not been completely entered into Archibus. In most cases, items that have been recorded in the Archibus system are only those for which a preventative maintenance schedule has been developed. Further, there are some pieces of equipment that are included in preventative maintenance schedules but are not listed in the inventory list.</p> <p>Without a complete inventory of such movable assets, management cannot adequately safeguard the items. The replacement of such assets can be expensive.</p>	<p>That a complete inventory of all equipment, furniture and fixtures be developed, uploaded into Archibus and regularly updated to ensure that it remains current.</p>	<p>CF – Agreed. CF is working with the newly established Furniture Committee (created through Audit and Administration Committee). A process is being developed as part of the 2011 initiatives.</p> <p>Rec – Agreed. Recreation will address staffing and financial resources required and plans to develop a phased-in approach between 2011 and 2013.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
4.	<p><u>Full Utilization of the Archibus System</u> The Archibus system is a total infrastructure and facility management system (TIFM) with several integrated modules. Annually, the City pays approximately \$50,000 in license and training fees as well as internal payroll costs for staff to manage the system. Some modules included in the City's license include:</p> <ul style="list-style-type: none"> • Space Management and Floor Plan Management • Building Operations • Real Property and Lease Management • Condition Assessments • Furniture and Equipment Management • Capital Budgeting • Environmental Sustainability and Emergency Preparedness • Project Management • Reservations and Service Desk Management 		

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
4.	<p><u>Full Utilization of the Archibus System (Cont'd)</u></p> <p>The above modules are at varying levels of implementation. The Building Operations, Real Property and Lease Management and Space & Floor Plan Management modules are at advanced levels of implementation while others have only been partially implemented or not at all.</p> <p>For example, management may want to capture information such as the level of each facility's code and regulatory compliance, the location and procedures for handling hazardous material in buildings, the tracking of furniture and equipment assigned to employees and the tracking of asset conditions.</p> <p>Full implementation of the available Archibus modules will make information more accessible and will facilitate timelier and more informed decision making, therefore realizing the full benefits of the system.</p>	<p>That management of Corporate Facilities and the Recreation Division work with the Application & Systems Analyst to ensure that the City fully utilizes the Archibus modules covered by the existing license.</p>	<p>CF – Agreed. CF management will engage the Recreation group and have on-going training sessions. Target date: On-going through 2011.</p> <p>Rec – Agreed. Recreation will increase its use by a minimum of 5% annually of the associated Archibus modules to fully utilize its capability. A measurement method for Archibus systems will be developed. Further, Recreation will work with IT to allow access for vendors through a portal allowing them to update PM work in our system and provide close to real time reporting.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
5.	<p><u>Governance Structure</u> The City's facilities are managed by two departments, with the Transportation, Energy and Facilities division of Public Works (hereinafter referred to as "Corporate Facilities") managing City-owned and leased office buildings, town halls, fire halls and libraries and the Recreation Division of the Community Services department managing heritage & civic buildings, museums, community halls and recreation centres.</p> <p>While Corporate Facilities is the corporate lead on most issues related to facilities management, it does not have an overall oversight role to ensure that legislative standards are complied with and that consistent building maintenance policies, procedures and standards are developed and followed throughout the City. As such, there is no assurance that the City's inventory of buildings, equipment and other facility assets are maintained to the same standard.</p>	<p>That the General Managers of Public Works and Community Services review the existing governance structures with respect to facility management and ensure that responsibilities are aligned in a way that ensures that:</p> <ul style="list-style-type: none"> • A corporate standard for the management of the City's facilities is developed and implemented. • Staff and other resources are deployed in a way that ensures the best use of skills and avoids a duplication of roles and responsibilities. 	<p>CF – Agreed. As part of the 2011-2012 work plan, CF management will develop a service level agreement with Recreation to ensure the same standards and level of services are delivered consistently.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
5.	<p><u>Governance Structure (Cont'd)</u> Based on discussions with staff, the need for the Recreation Division to manage their own facilities is driven largely by the desire for better coordination of facility management with program delivery activities. In addition, to avoid program disruptions (as these facilities are used by members of the public mainly after hours and on weekends), there is a need to have staff on site in order to promptly attend to maintenance emergencies that may arise and affect programming.</p> <p>Management of the Recreation Division indicated that most of the issues raised in this observation are being addressed in a re-organization that is currently underway.</p> <p>An ineffective governance structure may result in a sub-optimal use of material and human resources demonstrated in a duplication of staff functions, the fast decline in asset conditions (as noted in the Recreation Division) and uncoordinated facility management efforts.</p>		

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
 AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>ReCAPP Condition Assessment Software</u> Annually, a consultant carries out a cyclical asset condition assessment on facilities and equipment managed by both the Corporate Facilities and the Recreation Division. The results of the assessment are entered into a software program called ReCAPP which records each asset's condition, its severity and urgency for repair, estimated repair costs and estimated year for repair. The database of asset conditions is accessible by facility Supervisors who use the information to schedule maintenance work and capital replacements.</p>		

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
AUGUST 2010**

Rec – Recreation / CF – Corporate Facilities

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>ReCAPP Condition Assessment Software (Cont'd)</u> Once an asset has been repaired or replaced, departments are supposed to provide feedback to the ReCAPP Technologist to enable him to update the system and drop the asset from the 'deferred maintenance' list. Although a "ReCAPP Facility Update Form" exists, departments do not always provide updates to the Technologist. As a result, items that have been repaired remain on the 'deferred maintenance' list, thereby overstating the value of the maintenance backlog.</p>	<p>That information contained in the ReCAPP condition assessment reports be linked to the budgeting process by ensuring that the identified defects are included in the operating and capital budgets.</p>	<p>CF – Agreed. To be developed for the 2012 budget process. Target date: September 2011.</p> <p>Rec – Agreed. Recreation management staff, on an annual basis, will review the ReCAPP condition assessments for each recreation facility. Renovation and repair items greater than \$50,000 will be submitted for consideration in the division's annual capital budget program. Renovation and repair items identified within the ReCAPP reports with a dollar amount lower than the \$50,000 capital threshold and deemed critical will be considered within the current year's operating budget. If the item cannot be corrected within the current year's operation budget, an enhancement will be submitted to the following year's operating budget for the facility requiring the repair.</p>

**FACILITIES MAINTENANCE AND ADMINISTRATIVE CONTROLS
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#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>ReCAPP Condition Assessment Software (Cont'd)</u> There is also no evidence that Supervisors use the detailed ReCAPP condition assessments when preparing operating and capital budgets. The full value of having the building assessments is therefore not being realized if the information is not incorporated in the budgeting process. In addition, the square footage of facilities in ReCAPP does not agree with the square footages recorded in Archibus.</p>	<p>That, upon completing the repair work, staff update the ReCAPP system by completing the ReCAPP Facility Update Form.</p> <p>That the correct square footage in each of the City's facilities be determined and used in both the ReCAPP program and Archibus.</p>	<p>CF – Agreed. CF management and CPI have put together a working group to ensure the best use of corporate systems, integration and synergy opportunities. The team is developing a project close out form to be updated into ReCAPP. Target date: 4th quarter 2011.</p> <p>Rec – Agreed. Upon completion of the repairs listed within the ReCAPP reports, staff will complete the facility update forms to ensure that the system will be updated.</p> <p>CF – Agreed. Working group from CPI and CF management will perform a quality assessment of information and ensure data in both systems is consistent. Target date: 4th quarter 2011.</p>

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#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>ReCAPP Condition Assessment Software (Cont'd)</u> As Archibus is the system through which all facility maintenance work orders are to be processed, staff indicated that there may be value in linking the two systems so that the ReCAPP system is electronically updated whenever a work order is processed.</p>	<p>That the Application & Systems Analyst continue to pursue the possibility of linking the ReCAPP reports to the Condition Assessment and the Work Order Processing modules in Archibus to enable ReCAPP to be electronically updated with details of completed work orders.</p>	<p>CF – Agreed. CF and CPI have put together a working group to ensure the best use of corporate systems, integration and synergy opportunities. Target date: 1st quarter 2012.</p>
7.	<p><u>Service Level Agreements</u> The Corporate Facilities Division provides facility management and related administrative services to other City agencies and departments that include Fire, Libraries, Culture, Recreation, HECFI and DARTS. Presently, Corporate Facilities does not have service level agreements with their client entities.</p> <p>Without service level agreements that clearly spell out the nature of services to be provided, the basis of cost allocations and the extent of each party's responsibilities, roles become ambiguous and accountability is reduced. This may also increase the likelihood of conflict.</p>	<p>That the Manager, Corporate Buildings & Technical Services finalize service level agreements with client departments for implementation by January 2011. Service levels should be mutually agreed upon and each party's responsibilities and the basis of cost allocations should be clearly defined.</p>	<p>CF – Agreed. The Service Level Agreement with Fire/EMS has been completed and was signed in 2008. A review and update is currently underway for 2010 and execution is expected in January 2011.</p> <p>The Service Level Agreement for DARTS is in its final stages with expected to be executed before December 2010.</p> <p>The 2011 work plan will focus on the Library and other client departments.</p>

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#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
7.	<p><u>Service Level Agreements</u> Corporate Facilities is in the process of developing service level agreements that are planned for finalization and adoption in 2011. It is important for there to be extensive consultation with client entities regarding the content of the agreements and the nature of their relationship with Corporate Facilities. Mutually acceptable agreements will clarify roles and reduce service level ambiguities.</p> <p>Management in Corporate Facilities has also indicated that, in the near future, the whole division's costs will be charged out to departments using an activity based costing system. When developing the costing system, it is important that discussions be had with clients in order to derive a mutually acceptable basis of allocating costs.</p>		

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8.	<p><u>Accuracy and Completeness of Information Stored in Archibus</u> Work order information that is recorded in the Archibus system is not always accurate. Some work orders remain open (i.e. issued and in progress) for considerable lengths of time (some in excess of 400 days), long after the work has been completed and the vendor paid. Staff stated several reasons for this occurring which include the following:</p> <p>a) The PeopleSoft/Archibus interface that is run each month to capture paid invoices and match work order information frequently does not function properly. Vendors do not always include the work order number on the invoice or the work order number format is different from that used in Archibus, making the electronic matching not possible.</p>	<p>That the Application & Systems Analyst investigate and resolve technical problems being experienced with the PeopleSoft/Archibus interface to ensure that the Archibus system captures the cost of all external work completed.</p> <p>That the management of Corporate Facilities and the Recreation Division regularly communicate to their staff the requirement to have all facility maintenance work orders processed through the Archibus system.</p>	<p>CF – Agreed. CF management will be developing an activity base costing strategy as part of the 2011-2013 work plan. Target date: 1st quarter 2012</p> <p>On-going training and orientation is available for all parties throughout 2011.</p> <p>Rec – Agreed. Rec will develop a communication and training plan for frontline and supervisory staff in all aspects of Archibus to ensure information is captured, costs identified and that invoices contain all pertinent information to be input for Archibus, ReCAPP and PeopleSoft.</p> <p>CF – Agreed. Ongoing training and orientation is available for all parties.</p> <p>Rec – Agreed. Recreation will develop a communication plan for frontline and supervisory staff in all aspects of Archibus in the 2nd quarter of 2011 with a completion date for supervisors to be trained by the end of the 3rd quarter of 2011.</p>

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8.	<p><u>Accuracy and Completeness of Information Stored in Archibus (Cont'd)</u></p> <p>b) Internal trades people do not always record the time spent on a project against the work order. Therefore, the work order remains open and costs are not allocated to the job or the facility.</p> <p>Periodically, the Application & Systems Analyst reviews open work orders and closes them. As there is no consultation with the responsible Supervisors, there is no assurance that the orders should actually be closed, the costs have been accurately reflected or that the work was actually performed.</p>	<p>That the management of Corporate Facilities and the Recreation Division reinforce with vendors the requirement to include Archibus work orders on all invoices to enable the PeopleSoft/Archibus interface to capture all invoice information.</p> <p>That trades people be regularly reminded to close work orders once the work has been completed and to include the numbers of hours worked.</p>	<p>CF – Agreed. CF management will send out letters to all vendors reminding them of the process. Target date: 1st quarter of 2011.</p> <p>Rec – Agreed. Recreation will develop a training plan for frontline and supervisory staff in all aspects of Archibus to ensure information is captured, costs identified and that invoices contain all pertinent information to be inputted for Archibus and PeopleSoft.</p> <p>CF – Agreed. CF will be developing an activity base costing strategy as part of the 2011-2013 work plan. Target date: 1st quarter 2012.</p>

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8.	<p><u>Accuracy and Completeness of Information Stored in Archibus (Cont'd)</u></p> <p>Further, because not all Supervisors place work requests through Archibus, work order information recorded in the system is not indicative of the true level of maintenance activity going on. As some maintenance work is not recorded, the usefulness of Archibus as a comprehensive database becomes limited. A well documented maintenance history may become a vital basis for defence against claims and litigation in respect of injuries and damages sustained by facility users. Without such a documented maintenance history it may be difficult for the City to demonstrate due diligence.</p> <p>In addition, although Archibus stores work order details, the system is not updated with the details of actual work done once the work has been completed. There is, therefore, no electronic trail of the actual service work done by vendors to enable management to track the repair hours put in, the type of replacement material used etc.</p>	<p>That the Archibus internal work order system be linked to the PeopleSoft Payroll system to ensure that actual hours worked by internal trades people are billed to facilities.</p> <p>That the Application & Systems Analyst continues to investigate ways of updating the Archibus system with the details of actual work carried out.</p>	<p>CF – Agreed. CF management will be developing an activity base costing strategy as part of the 2001-2013 work plan. Target date: 1st quarter 2012.</p> <p>CF – Agreed. CF management has established a southern Ontario Archibus user group to network and find "lessons learned" from other users.</p> <p>Fac – Agreed. Facilities has established a Southern Ontario Archibus User Group to network and find "lessons learned" from other users.</p>

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9.	<p><u>Help Desk Procedures</u> The Facilities Help Desk is the hub of all maintenance work request activity. From this starting point, trades people are assigned to particular jobs and work orders are issued.</p> <p>Although work request instructions are included on the divisional drive, the procedures are not current and lack detailed directions for processing such requests.</p> <p>When there are no detailed written procedures to refer to, the employee currently carrying on the process relies on personal understanding and experience, which could result in incorrect or inconsistent application. It would also be problematic and inefficient for the successor to commence his/her duties within a short period of time.</p>	<p>That detailed written procedures be prepared for the Help Desk function and they be reviewed on an annual basis and updated, as necessary.</p>	<p>CF – Agreed. The preparation of written procedures is part of the CF management 2010-2011 work plan.</p>

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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues, risks and inefficiencies and can address them appropriately.

1. Activity Based Costing

The management of Corporate Facilities has indicated an intention to adopt an activity based costing system through which the Division's costs will be cost allocated to user departments and individual facilities. It is anticipated that the activity based costing system will result in the Corporate Facilities Division charging out all of its operating costs and thus having no net tax levy impact for the Division. Presently, the cost of trades people, management and overhead are not cost allocated to individual facilities while the cost of capital project managers and the Help Desk in this Division are charged to user departments using a variety of methods. In 2009, the capital project managers' deptID had a surplus of over \$30,000 resulting from 'cost recoveries' from capital projects. These recoveries were based on 7% of a capital project's budget and, therefore, not directly related to the amount of time staff spend on the capital projects.

It is recommended:

That before implementing the activity based costing system, management develop a comprehensive and consistent methodology for allocating costs to user departments. Such methodology must be directly linked to the amount of staff time spent on the individual projects and facilities and must be mutually agreed upon with user departments.

Management Response:

CF - Agreed. This will be part of the 2011-2013 work plan. Under CF management, Facility Planning and Customer Services Business Unit will be taking the lead.

2. Archibus system

Work requests and work orders are sequentially generated from the Archibus system. In 2008, there were more than 13,000 work orders entered into the system. There were several instances noted during the testing when work order numbers were deleted by the Application and Systems Analyst due to system errors or duplication. No log was kept of deleted numbers. The integrity of the numbering system is compromised when all numbers in a sequence cannot be accounted for.

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It is recommended:

That the Archibus Application and Systems Analyst account for all instances where there is a gap in the sequential work order numbering and document the reasons for the missing numbers.

Management Response:

CF - Agreed. A change in practice has been implemented. As of the 2nd quarter 2010, all unwanted work orders (duplicates, errors, etc.) are archived rather than deleted. Additionally, an audit log on all work orders, leases and other key tables has been implemented. This audit will capture the date, time and identify if records are manually deleted for any reason.

3. Performance Measures

The Facilities Division has drafted expected performance measures for maintenance requests. For example, for a demand request, response time is expected within five business days ninety per cent of the time. There is currently no formal tracking mechanism to capture the data for these measures.

It is recommended:

That key performance indicators be measured at regular intervals for management analysis and corporate reporting.

Management Response:

CF - Agreed. CF management is currently working on an exercise to identify key performance indicators. An analysis of work requests differentiating from demand maintenance requests and preventative maintenance, internal versus external work orders, closure rates, time frames and work orders by building craft person and type have recently been completed. This information is compiled monthly and saved electronically on the CF management N drive and emailed to the CF management Senior Management Team.

CF management's intent is to expand reporting to other areas of the business which include key performance indicators relating to churn rates, space optimization, costing and budgeting. These initiatives are on-going with a completion date of the 3rd quarter of 2012. The end result will be a CF management score card presented to Senior Management and client groups.