



**Office of the Auditor General: Follow-up to the
2014 Audit of Specific Areas of the Infrastructure
Services Department, Tabled at Audit Committee
– June 14, 2018**

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Executive summary

The 2014 Audit of Specific Areas of the Infrastructure Services Department¹ (ISD) was presented to the Audit Committee and Council in 2016. Our original audit reviewed the adequacy and effectiveness of selected aspects of the management control framework within the ISD.

The key findings of the original audit were:

- Over the two-year period from 2013 to 2014, ISD awarded \$3.3 million in sole source contracts for engineering services. Our review of the rationale provided by ISD to the Supply branch for using a sole source process showed that the City applied the Purchasing By-law appropriately; however, we found that there is a lack of documentation related to the level of scrutiny applied in assessing whether sole source contracts were required.
- While ISD had identified key roles and potential successors, individual development plans supporting the succession plans were not consistently documented.
- The audit reviewed the unit prices paid by the City for major contract items (e.g. concrete and asphalt) and compared them to two other municipalities. We found that in general, the prices paid by the City were comparable to those paid by other municipalities with the exception of asphalt, which required further analysis.

Table 1: Summary of status of completion of recommendations

Recommendations	Total	Complete	Partially complete	Not started	No longer applicable
Number	3	1	2	-	-
Percentage	100%	33%	66%	-	-

¹ Effective 2016, Infrastructure Services is a branch of the Planning, Infrastructure and Economic Development Department.

Conclusion

Management has completed one of the recommendations and has made significant progress on the two partially complete recommendations. The original audit recommended that Infrastructure Services complete a unit price comparison of asphalt with comparable municipalities. Our work confirmed that Infrastructure Services has reached out to five municipalities, and it plans to conclude its analysis after receiving relevant responses.

We also recommended that Infrastructure Services monitor individual development plans for succession management. We confirmed that the Human Resources Services branch is in the process of rolling out a new approach for succession management. The new process however has not yet been rolled out down to the branch level where it will apply to the Infrastructure Services branch.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

Detailed report – Assessment of implementation status

The following information outlines management's assessment of the implementation status of each recommendation as of December 15, 2017 and the Office of the Auditor General's (OAG) assessment as of March 2018.

Recommendation #1

Table 2: Status

Management update	OAG assessment
Partially complete	Partially complete

Audit recommendation:

That the City conduct a further review of its unit prices paid for asphalt with comparable municipalities and benchmarked information to validate whether the prices paid by the City for such materials is best price/competitive.

Original management response:

Management agrees with this recommendation. Management will complete a review of unit prices for asphalt with comparable municipalities by the end of Q2 2017.

Management update:

Implementation of this recommendation is partially complete. Infrastructure Services has initiated a review of five to seven municipalities to obtain a comparison of asphalt prices. Staff have faced challenges in receiving pricing information from other municipalities, but expect to be able to complete the review by the end of Q2 2018.

OAG assessment:

OAG confirmed that Infrastructure Services has begun an asphalt price comparison study with five comparable municipalities in Ontario. Infrastructure Services plans to conclude this study once it has received responses from the selected municipalities.

Recommendation #2

Table 3: Status

Management update	OAG assessment
Complete	Complete

Audit recommendation:

That the City establish a process to enhance the level of justification provided by the Infrastructure Services Department when making sole source requests for professional engineering contracts over \$50,000. Consideration should be given to update Supply branch procedures to enhance analysis and file documentation when sole source requests are made.

Original management response:

Management agrees with this recommendation. The Supply branch will update its procedures manual to clarify the information required from Infrastructure Services to support a non-competitive purchase for professional engineering contracts over \$50,000, and how this information is to be documented in the procurement file. This update will be completed by the end of Q2 2017.

Management update:

Implementation of this recommendation is complete. Supply Services updated the Procurement Procedures Manual in July 2017 to clarify the information required to support a non-competitive purchase, and how this information is to be documented in the procurement file.

OAG assessment:

OAG confirmed that the updated Purchasing Manual and the Non-competitive Contract section is clear on the level of detail required for all non-competitive purchases. Supply Services is responsible for completing a Contract Approval Request. Supply Services retains the associated analysis and approval in the official procurement file. OAG was unable to confirm the new process however as there have been no sole source professional engineering contracts over \$50,000 issued since Supply Services updated the process in July 2017.

Recommendation #3

Table 4: Status

Management update	OAG assessment
Partially complete	Partially complete

Audit recommendation:

That Human Resources Services establish a corporate process to monitor the completion of development plans for individuals identified as succession candidates for key positions.

Original management response:

Management agrees with this recommendation.

Succession planning is an accountability that Council has given to the City Manager who is reviewing this topic with the Senior Leadership Team (SLT). Human Resources in consultation with the SLT will develop a new approach to the succession planning process, including monitoring the completion of development plans and employee progress, by Q2 2017. Development plans will be completed through a revised PDP process to be implemented by Q4 2017. In the interim, the current process will continue in which managers and employees are responsible for developing, monitoring progress, and ensuring completion of individual employee development plans, including those of potential successors.

Management update:

Implementation of this recommendation is partially complete. In 2017, Human Resources developed and piloted a new approach for succession management that included a new process and tools to help the organization design succession management strategies for critical positions. This approach incorporates a process for monitoring the completion of development plans for individuals identified as potential successors. Succession planning for the City Manager and General Manager-level positions is expected to be complete by Q1 2018, and finalization and implementation of the new process and tools is expected to be complete by Q3 2018.

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OAG assessment:

OAG confirmed that Human Resources Services began phase one of the succession management plan in 2017. Phase one consisted of creating pools of succession candidates for the City Manager and General Manager positions. Candidates work with their manager to create an individual development plan that is to be monitored annually. Phase two is scheduled to begin in 2018 and will develop succession plans for Director/Chief level positions.

Table 5: Status legend

Status	Definition
Not started	No significant progress has been made. Generating informal plans is regarded as insignificant progress.
Partially complete	The City has begun implementation; however, it is not yet complete.
Complete	Action is complete, and/or structures and processes are operating as intended and implemented fully in all intended areas of the City.
No longer applicable	The recommendation is obsolete due to time lapses, new policies, etc.