AUDITOR GENERAL
Halifax Regional Municipality

Follow-up Review:
Reports Released from
March 2014 – January 2016

April 2018

April 18, 2018

Office of the Auditor General
Halifax Regional Municipality
Contract Management Audit

This **Follow-up Review: Reports Released from March 2014 – January 2016**, completed under section 50(2) of the Halifax Regional Municipality Charter, is hereby submitted to the Audit and Finance Standing Committee of Regional Council.

Respectfully,

Original signed by

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Auditor General
Halifax Regional Municipality

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Summary

Results

Only 46% of significant issues addressed

54% of known issues remain outstanding

Key Take-aways

Management needs to take action to correct known deficiencies.

Of the nine reports released between March 2014 and January 2016, 54% (14 of 26) of significant issues are outstanding two to four years later, including:

- No procedure manual for building permits and inspections
  - Detailed procedures would guide staff and promote consistency across inspections
- Lack of project management office for high-value, one-time capital projects
  - Ad hoc for each project rather than common approach
- No policy for the use of fuel fobs at HRM fueling locations
- Lack of monitoring of fuel cards and fobs by supervisors to confirm fuel purchases are reasonable

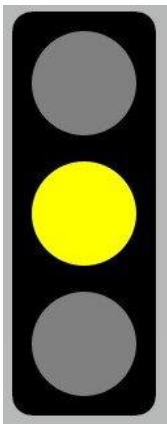Of the nine reports, three had minimal or no work done to address identified risks.

- Building Standards – Permits and Inspections
- Employee Absence Leave
- Equipment Fuel Program

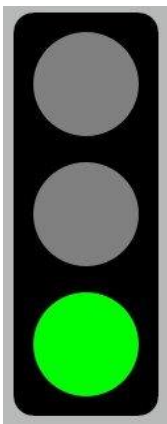| Follow-up Themes by Report	Addressed
Administration of Training Expenditures	**3/3**
No training strategy to develop courses	Yes
Confusion around training program	Yes
Issues with tuition reimbursement policy	Yes
Employee Absence Leave	**0/2**
No analysis of absence leaves	No
Leave entitlements not consistent across business units	No
Equipment Fuel Program	**0/2**
Lack of controls around the use of fuel cards and fobs	No
Inconsistent controls at fueling locations	No
Halifax Regional Fire & Emergency – Nonemergency Fleet Vehicle Allocation	**4/4**
No policy to allocate Halifax Fire's nonemergency vehicles	Yes
Lack of controls for Halifax Fire's nonemergency vehicles	Yes
Management does not have sufficient information to assign vehicles	Yes
HRM fleet guidelines not followed	Yes
Washmill Lake Court Extension Project	**1/3**
HRM could not confirm that Washmill met appropriate construction standards	Yes
Lack of project management and central responsibility	No
Lack of appropriate approvals and oversight	No
Risk Management: Fuel Spill at Halifax Transit	**1/3**
HRM has no corporate-wide risk management	No
No environmental protection framework	No
Fuel spill undetected due to incorrect inventory reconciliation procedures	Yes
Expenses: Mayor, Councillors, Senior Management and Staff 2013-14	**2/3**
Issues with expense policy controls	No
Allowable charges under expense and purchasing card policies may need to be updated	Yes
Less analysis possible with information provided by new credit card provider	Yes
Building Standards – Permits and Inspections	**0/3**
No procedures manual	No
Records management issues	No
Performance indicator not related to performance of division	No
Management of HRM's Reserve Funds	**1/3**
Lack of compliance with legislation and Administrative Order	No
Lack of documentation and transparency for reserve funding levels and planned usage	No
Issues with accounting controls (access to funds)	Yes
TOTAL	**12/26**

Follow-up: March 2014 – January 2016
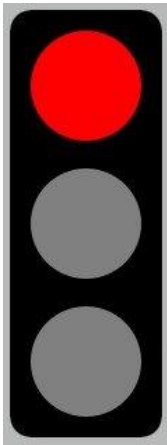
	Employee Absence Leave	**2 of 2 Outstanding**
	Equipment Fuel Program	**2 of 2 Outstanding**
	Building Standards – Permits and Inspections	**3 of 3 Outstanding**
	Washmill Lake Court Extension Project	**1 Addressed** **2 Outstanding**
	Risk Management: Fuel Spill at Halifax Transit	**1 Addressed** **2 Outstanding**
	Expenses: Mayor, Councillors, Senior Management, and Staff 2013-14	**2 Addressed** **1 Outstanding**
	Management of HRM's Reserve Funds	**1 Addressed** **2 Outstanding**
	Administration of Training Expenditures	**3 of 3 Addressed**
	Halifax Regional Fire & Emergency – Nonemergency Fleet Vehicle Allocation	**4 of 4 Addressed**

Given the large number of recommendations, we chose to group recommendations by theme. The numbers shown above represent the number of themes addressed versus outstanding.

Administration of Training Expenditures – March 2014

No training strategy to develop courses – Addressed

Steps taken:

- Created training strategy
- Implemented framework to review and develop training course offerings

Why does this matter?

- Should allow HRM to evaluate whether its training programs are effective

Confusion around training program – Addressed

Steps taken:

- Clarified all elements of the training program
  - Defined roles for Human Resources, other business units, training advisory committee
  - Updated employee learning and development policy
  - New education reimbursement policy
  - Simplified HRM's core competencies and integrated into courses

Why does this matter?

- Helps directors, managers and employees have a better understanding of their roles and available training options
- Allows management to set training expectations for employees

Issues with tuition reimbursement policy – Addressed

Steps taken:

- New education reimbursement policy
  - Outlines types of training eligible for funding
- Human Resources now keep denied and approved applications for reimbursement.

Why does this matter?

- Improved policy should allow greater consistency across HRM.
- Gives management information to monitor the policy

Employee Absence Leave – April 2014

No analysis of absence leaves – Outstanding

What was the issue?

- Employee absence data not compared to external benchmarks
- Few common absence codes across HRM makes internal comparisons difficult.

Steps taken:

- Identify employees with absences above average of the working group
- Created useful absence reports for management

What else needs to happen?

- Identify external source for benchmarking such as Statistics Canada or other municipalities.
  - Municipal Benchmarking Network Canada does not appear to report absence statistics.
- Define expected employee absence based on benchmarking
- Create and use common absence codes across HRM
- Conduct internal benchmarking between HRM employee groups

Leave entitlements not consistent across business units – Outstanding

What was the issue?

- Different leave entitlements across business units
  - Example: certain types of leave available to some non-union employees and not to others

What needs to happen?

- Determine appropriate leave entitlements for HRM's non-union workers and use in all business units.
- Determine if leave entitlements available to other HRM working groups need updating.

Equipment Fuel Program – September 2014

Lack of controls around the use of fuel cards and fobs – Outstanding

What was the issue?

- No policy on the use of fuel purchasing cards or fuel fobs for HRM's fueling locations
- Lack of monitoring by supervisors and procurement
  - Lack of data available for monitoring such as fuel tank size, fuel grade, location fuel purchased
- No monitoring of the use of override codes if fob does not work
- Halifax Regional Police maintained spare fobs

Steps taken:

- Created fuel purchasing card policy
- Stronger controls for overrides when fuel fobs not working
- Halifax Regional Police no longer use spare fuel fobs

What else needs to happen?

- Create policy for the use of fuel fobs at HRM's fueling locations, including:
  - Process to issue fuel fob and monitor usage
  - Require that fuel be purchased for HRM vehicles only
  - Process to find and disable unused fobs
- Collect sufficient data to fully monitor usage of cards and fobs
  - Example: data to detect if amount of fuel purchased is more than vehicle's gas tank will hold
- Inform business unit supervisors and managers monthly of all purchases made on fuel cards and fobs that did not comply with policy.

Inconsistent controls at fueling locations – Outstanding

What was the issue?

- Concerns about the security of HRM's fueling locations
  - Corporate Security staff still concerned – some sites in remote and unsupervised locations, increasing risk of theft and vandalism

Steps taken:

- Two stations were identified as high risk and subsequently closed.

What else needs to happen?

- Clarify which business unit is responsible for the security of fueling locations
- Perform a risk assessment of the security of HRM's fueling locations
- Implement stronger security measures as necessary

Halifax Regional Fire & Emergency – Nonemergency Fleet Vehicle Allocation – September 2014

No policy to allocate Halifax Fire's nonemergency vehicles – Addressed

Steps taken:

- Halifax Fire's use of regional vehicles policy updated, includes:
  - Identified positions which are on-call 24/7 and assigned a vehicle
  - States vehicles must be parked at one of four fire stations outside working hours, only taken home while an employee is on-call
- Each division has a number of vehicles, division commander allocates

Why does this matter?

- Control to help ensure vehicles are only provided to employees who require for their job and not driven for personal use

Lack of controls for Halifax Fire's nonemergency vehicles – Addressed

Steps taken:

- Implemented automatic vehicle location system in most vehicles
- Track mileage for all nonemergency vehicles, either by vehicle locator system or manual monthly reporting
- Single inventory in HRM's new fleet focus system
  - Vehicles logged by fire station rather than by employee

Why does this matter?

- Mileage data can be used to help ensure compliance with HRM fleet guidelines and to manage fleet.
- Single inventory reduces likelihood of duplication or errors

Management does not have sufficient information to assign vehicles – Addressed

Steps taken:

- Maintain better information for nonemergency vehicles, including: mileage, vehicle identification information, inspection data, and maintenance costs

Why does this matter?

- Complete information is useful when deciding what to buy, where vehicles should be assigned, and when to dispose

HRM fleet guidelines not followed – Addressed

Steps taken:

- Policy now requires monitoring usage of all Halifax Fire's nonemergency vehicles.
- Halifax Fire reviewed and reduced the number of nonemergency fleet vehicles.
  - Many vehicles still do not meet utilization thresholds in HRM fleet guidelines but management told us there are operational reasons why these vehicles remain in service.
  - Corporate Fleet is looking at each business unit's fleet size which may include an update to utilization thresholds.

Why does this matter?

- Helps ensure Halifax Fire is using funds economically when it purchases and uses nonemergency vehicles

Washmill Lake Court Extension Project – January 2015

HRM could not confirm that Washmill met appropriate construction standards – Addressed

Steps taken:

- Received Bridge Certification Report from the contractor confirming the bridge meets appropriate standards
- Received confirmation from the Province of Nova Scotia that its staff inspected the bridge and agreed to take possession

Why does this matter?

- HRM capital projects must comply with relevant construction standards to help ensure safety.

Lack of project management and central responsibility – Outstanding

What was the issue?

- Lack of project management
- No central project management function or records management for high-value, non-recurring capital projects

Steps taken:

- Created the Corporate Information Management Administrative Order, outlining requirements for managing Municipal records
- For the current Cogswell Redevelopment project, management created a project office to manage the project

What else needs to happen?

- Create a standard approach to manage HRM's high-value, non-recurring capital projects
- Develop records management requirements for one common file for projects which involve multiple business units

Lack of appropriate approvals and oversight – Outstanding

What was the issue?

- Regional Council was not provided sufficient information to ensure appropriate oversight of large capital projects.
- Project scope and budget were changed without Regional Council approval
- Lack of accountability for information provided to Council and ensuring Council reports are accurate

Steps taken:

- Increases to project budgets must go to Audit and Finance Standing Committee, then to Regional Council for approval.
- Updated procurement policy requires Regional Council approval of increases to a single contract of more than 20 percent or $20,000 (whichever is greater)
- All Council reports must be approved by Director of Legal and Director of Finance.
- Section added to Council reports to discuss HRM Charter and policy requirements
- Improved capital budget reporting in the quarterly financial statements, including: budget to actual, commitments, and projected spending for the current year

What else needs to happen?

- Management should give Regional Council information on risks for each capital project.
- The quality of capital budget cost estimates should be defined.
  - Currently, each project is assigned a rating, but there is no definition of the reliability of the estimate for each rating.
- Supporting documentation for cost estimates should be maintained.

Risk Management: Fuel Spill at Halifax Transit – May 2015

HRM has no corporate-wide risk management – Outstanding

What was the issue?

- No corporate-wide risk management and risks not formally identified
  - Fuel not identified as a risk to the Municipality, generally a high-risk item

Why does this matter?

- A robust risk management program helps identify, and develop plans to deal with, possible future events that could negatively impact HRM's ability to deliver services to its citizens.

Steps taken:

- Created an enterprise risk management program and risk register
  - Captures high-level strategic risks, not operational level
  - Insufficient to address fuel spill risks

What else needs to happen?

- Operational risks, such as fuel-related risks and others, should be identified.

No environmental protection framework – Outstanding

What was the issue?

- No framework to identify environmental risks

Steps taken:

- Plan to develop an environmental protection framework presented to Regional Council in June 2016
- No further progress made to finalize the plan
- Environmental risks currently identified informally within the Energy and Environment division

What else needs to happen?

- Implement a framework to identify, monitor, and mitigate, as appropriate, environmental risks

Fuel spill undetected due to incorrect inventory reconciliation procedures – Addressed

Steps taken:

- Improved fuel inventory reconciliation process
- Per Halifax Transit staff, Nova Scotia Environment reviewed and approved the process.

Why does this matter?

- Unusual fuel variances should be easier to detect.

Expenses: Mayor, Councillors, Senior Management and Staff 2013-14 – May 2015

Issues with expense policy controls – Outstanding

What was the issue?

- Location information missing from travel expense forms
    - Policy states employees should claim travel from their residence or place of work, whichever is less
- No comment on when Council members may claim mileage from their place of residence
    - Some members claimed, others did not

What needs to happen?

- Update the local travel expense form to include location travelling from
- Define when Council members can claim mileage from their place of residence

Allowable charges under expense and purchasing card policies may need to be updated – Addressed

Steps taken:

- Purchasing card policy revised in January 2017
- Processes to help ensure charges for hotels, rental cars and other travel-related expenses are reasonable
    - Out-of-town travel approval forms must include estimated expenses.
    - Flights booked through approved travel agent

Why does this matter?

- Should help ensure value-for-money when reimbursing employee expenses
- Outlines reasonable expenses so employees know what to expect

Less analysis possible with information provided by new credit card provider – Addressed

Steps taken:

- Finance staff have access to sufficient information to analyse compliance with the purchasing card policy.
  - Drawback – process is now more manual and prone to error

Why does this matter?

- Management needs information to monitor compliance

Building Standards – Permits and Inspections – September 2015

No procedures manual – Outstanding

What was the issue?

- No documented procedures for building inspections and issuing building permits
- Inconsistent practices among building inspectors

What needs to happen?

- Create a procedures manual for building inspections and permits (Key position was vacant for a year but enough time has passed for this to have been addressed.)
  - Issuing building permits and inspections is an important municipal responsibility.
  - Lack of manual increases potential for differences among staff

Records management issues – Outstanding

What was the issue?

- No records management policy
- No standards for file documentation, inconsistencies throughout files
- No process to manage a file from open to close resulting in substantial open files (as of September 2014 almost 15,000 open files, 4,600 over five years old)

What needs to happen?

- Develop file standards and records management procedures from file opening to closing, including if files should be electronic or paper.

Performance indicators not relevant – Outstanding

What was the issue?

- One of the municipal compliance division's key performance indicators was not related to the division's performance.
- Staff were not sure of the quality of the data used to calculate the indicators.

What needs to happen?

- Determine appropriate key performance indicators for the municipal compliance division.
- Confirm reliability of the data used to calculate indicators
  - Management told us HRM will participate in municipal benchmarking across Canada, which will include building permits and inspections.

Management of HRM's Reserve Funds – January 2016

Lack of compliance with legislation and Administrative Order – Outstanding

What was the issue?

- Some reserves did not have approved business cases as required by the Administrative Order.
- The business case for certain reserves did not include all Administrative Order requirements.
- Lack of controls to confirm that transfers to and from reserves complied with HRM Charter

Steps taken:

- Reduced the number of reserves from 52 to 20
- Have an approved business case for all 20 reserves
- Better controls implemented to help ensure reserve funding and transfers comply with HRM Charter

What else needs to happen?

- Establish minimum/ maximum funding for all reserves, as required by Administrative Order

Lack of documentation and transparency for reserve funding levels and planned usage – Outstanding

What was the issue?

- Not all reserves had approved minimum and maximum funding levels
- No guidance to follow if a reserve became under or overfunded
  - One reserve with approved minimum and maximum funding levels was overfunded for two years before a recommendation to Regional Council to use the extra funds to cover the 2014-15 general rate deficit.

What needs to happen?

- Establish approved minimum and maximum funding levels for all reserves.
- Develop guidance to provide direction when a reserve becomes under or overfunded

Issues with accounting controls (access to funds) – Addressed

Steps taken:

- All reserve business cases now have standard approval process for accessing reserve funds
  - Includes review by Finance staff to ensure funds are available and the expense is appropriate
- Improved tracking of reserve activity to help ensure only funds approved by Regional Council are transferred to and from reserves

Why does this matter?

- Reserves are created under Regional Council authority and should only be used as approved by Regional Council.

Background

Since the Office of the Auditor General, Halifax Regional Municipality was established in 2009, we have released 41 reports examining various HRM programs and services. These reports provided recommendations for improvements in effectiveness, efficiency and economy.

When the Office was first established, we did not have a regular follow-up process. Follow-up work was completed on certain reports released between 2009 and 2013. We decided not to follow up the remaining reports from that time period since they are at least five years old. We will consider the issues identified in our future audit planning.

Going forward, we have established a new follow-up process. We will revisit all recommendations in each report 18 months after the audit results are released to determine whether management has corrected the issues we identified. We will publicly report follow-up results.

Objectives and Scope

We completed a follow-up review of reports released between March 2014 and January 2016. Since we have limited resources and must balance follow up of previous work with new audits, we decided to combine the key issues and recommendations from the nine reports into significant themes to follow up.

Our objective was to provide review level or limited assurance on HRM's implementation of key recommendations and themes from these reports. A limited assurance engagement provides a lower level of assurance than an audit. Conclusions are based on reasonability of what management tells us, rather than detailed testing as would be found in an audit.

Nine reports were released between March 2014 and January 2016.

- Administration of Training Expenditures
- Employee Absence Leave
- Equipment Fuel Program
- Halifax Regional Fire & Emergency – Nonemergency Fleet Vehicle Allocation
- Washmill Lake Court Extension Project
- Risk Management: Fuel Spill at Halifax Transit
- Expenses: Mayor, Councillors, Senior Management and Staff, 2013-14
- Building Standards – Permits and Inspections
- Management of HRM's Reserve Funds

Our approach included discussing implementation with staff; reviewing applicable legislation, policies, guidelines and processes; and other procedures we considered necessary.

This limited assurance engagement was conducted in accordance with the *Canadian Standard for Assurance Engagements (CSAE) 3001 – Direct Engagements* published by the Chartered Professional Accountants of Canada.

We apply the Canadian Standard on Quality Control 1, and our staff follow the Chartered Professional Accountants of Nova Scotia Code of Conduct.

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