



Audit Follow Up Report

May 31, 2014

To: Pre Audit Sub Committee

From: Brian Bigger, Auditor General

Re: Transit Advertising Agreement

	Audit Report Released	August 2013
	Original # Of Recommendations	5
	# Of Action Plans Previously Completed	0
	# Of Action Plans Now Closed	4
	# Of Action Plans On Next Follow Up	1
Status As Of May 31, 2014		On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Transit)	Self-assessed Status
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Action Plan 1

Meet with the Contractor in order to develop a proper sales tracking tool described as a "Yearly Statement" in paragraph 5.(1) of the agreement.

- Alternate Action Taken

Management Comment - Action Plan Lead – Timing

Comment - Management agrees with the recommended action plan and the plan has already been initiated.

Action Plan Lead – Manager of Transit Administration

Timing - Staff has already contacted the Contractor regarding a proper sales tracking tool as described in paragraph 5.(1). Further meetings will take place in order to finalize the appropriate format.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

As a follow-up to the audit staff presented a report to the operations Committee on November 18, 2013 which included recommended changes to the Advertising Contract. All recommendations were accepted and implemented. These recommendations fulfill all actions required in the audit with the exception of action item #5

The key amendments are as follows:

- Amend the contract and remove the obligations set out in Section 5 relating to the Confirmation of

Revenue effective January 1st, 2103. To further simplify reporting and auditing process for both parties the obligations outlined in Section 15 Annual Gross Billings and Section 5 and 6 of Schedule B would have no application to payment obligations arising in the 2013 or 2014 calendar year or in any extension term.

- Amend the Minimum Annual License Fee for transit advertising to reflect the increased guarantee of \$125,000 plus HST for 2013 and \$130,000 plus HST for 2014-05-12
- That the annual fee represents advertising on Buses, Benches and Transit Shelters;
- Any new advertising initiatives will be negotiated with terms and conditions and revenues established for each; and
- That BK will place benches at up to 10 locations requested by the City on an annual basis.

Action Plan 2

Monitor sales reported on this basis for the remainder of the base agreement period, and re-evaluate settlement minimums and formulas.

- Alternate Action Taken

Management Comment – Action Plan Lead – Timing

Comment - Management agrees with the recommended action plan and the plan has already been initiated.

Action Plan Lead – Manager of Transit Administration

Timing - The new sales tracking tool will then be used to compare against the “Annual Statement”.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

See response in Action Plan #1

Action Plan 3

Assign staff responsibilities for key elements of contract administration and develop an internal procedure whereby the Contractor’s performance of agreement terms and conditions is monitored for compliance and evaluated for accuracy and completeness.

- Fully or Substantially Implemented

Management Comment – Action Plan Lead – Timing

Comment - Management agrees with the recommended action plan and the plan has already been initiated.

Action Plan Lead – Manager of Transit Administration

Timing - The Manager of Transit Administration has been assigned the task of reviewing the terms and conditions of the contract for compliance, accuracy and completeness.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The responsibility for contract administration resides with the Manager of Transit and Fleet Administration. As recommended, contracts are monitored for compliance and evaluated for accuracy and completeness.

Action Plan 4

Eliminate the deduction for direct sales expense at the City’s earliest opportunity and establish an appropriate percentage of gross billings and minimum annual license fee amount.

- Fully or Substantially Implemented

Management Comment – Action Plan Lead – Timing

Comment - Management agrees with reviewing the terms of the agreement as it relates to direct sales expense.

Action Plan Lead – Director of Transit and Fleet Services

Timing - Discussion will occur with the Contractor and Legal Services immediately.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

See response in Action Plan #1

Action Plan 5

Transit advertising services should be separately contracted out (unbundled). Revise the process for issuing and awarding Transit and Community Arena Advertising Agreement with the objective of maximizing competition and potential advertising revenues for the City.

- **No Substantial Action Taken**

Management Comment – Action Plan Lead – Timing

Comment - Management agrees with the unbundling of the agreement.

Action Plan Lead – Director of Transit and Fleet Services – Manager of Arenas

Timing - At agreement renewal or new RFP

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The agreements will be unbundled prior to issuing and awarding a new Transit and Community Arena Advertising Agreement with the objective of maximizing competition and potential advertising revenues for the City.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury