

Auditor General's Office

Audit Committee Report

2010

**Audit of Greater Sudbury Transit
Services**

Transit Kiosk and Café Contract Management

Brian Bigger, C.G.A

Auditor General, City of Greater Sudbury

2010 Audit of Greater Sudbury Transit Services Transit Kiosk and Café Contract Management

Audit Overview

Fieldwork Complete Date: June 13, 2011
Draft Report Date: July 12, 2011
Final Report Date: October 5, 2011
To: Audit Committee
From: Brian Bigger, Auditor General
Audit Number: 2010GRTH07C

Summary

Attached is the Auditor General's report entitled "2010 Audit of Greater Sudbury Transit Services – Transit Kiosk and Café Contract Management". The Auditor General's 2010 Audit Work Plan included a program audit of the City's Transit Services Division. As part of the audit, we examined various contracts that were under the administration of Transit management. The observations, conclusions and recommendations in this audit directly relate to the administration's accountability for the quality of stewardship over public funds.

The objective of the audit was to evaluate the quality of stewardship over public funds relating to the issuance, renewal and administration of contracts. Due to the loss incurred by the City in the operation of the Transit Kiosk, the Auditor General also evaluated the risks and controls related to the management of all three contracts with 1211250 Ontario Inc.

While we recognize the initiatives introduced by the Finance Department and the Transit Services Division to improve controls over receivables and contract management, more work is required in order to address the recommendations in this report.

The Auditor General is providing this report to Council, in it's entirety.

The attached report contains twenty one recommendations along with a management response to each of the recommendations.

Recommendations

The Auditor General recommends that:

1. Recommendations in the attached Auditor General's report entitled "2010 Audit of Greater Sudbury Transit Services - Transit Kiosk and Café Contract Management" be adopted.
2. That the status of management responses and action plans be reviewed by the Audit Committee in April of 2012.

Comments

The role of the Auditor General is to encourage people to adopt good practices that are supportive of, or enhance the quality of stewardship over public funds, and the achievement of value for money through operations.

The main operational function of the Auditor General's Office is to complete audits, recommend improvements often with the advice of management, and to provide those reports to Council. The Auditor General assists Council Members by providing information that is intended to support their oversight role in accordance with the Municipal Act (2001)

(a) to represent the public and to consider the well-being and interests of the municipality;

(b) to develop and evaluate the policies and programs of the municipality;

(c) to determine which services the municipality provides;

(d) to ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of council;

(d.1) to ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality;

(e) to maintain the financial integrity of the municipality;

(f) to carry out the duties of council under this or any other Act. 2001, c. 25, s. 224; 2006, c. 32, Sched. A, s. 99.

In order to be effective, the Auditor General's Office is heavily reliant on the continued cooperation of council and management.

Audits, out of necessity, are limited in scope, and often reflect conditions that existed at a certain point in time or over a specific period of time. The Auditors have the unique opportunity to compile vast amounts of information related to a specific topic and evaluate that information through hindsight. Also out of necessity, the auditor's focus is on what in the auditor's opinion, can and should be improved. Observations, findings, and conclusions found in our report should NOT be interpreted to be a comprehensive appraisal of personal performance. They should not be used to place blame, for events that have occurred in the past, but instead to identify areas that can be improved in the future.

That said, it should be clear to the report reader, why the Auditors expanded the extent of their Transit audit review, when much of the following information became apparent.

As the contract with the City provided no legal basis for either the Company or any of its Directors to keep the proceeds of the sale of the City's transit tickets for themselves, the Auditor General has been unable to determine any equitable or legal basis for the Company Director(s) to claim that the City's money was theirs to spend. The Auditors have asked City management to explain why, if the Company Director(s) received the financial benefit of the contract personally, they should not also bear the contractual burden of repaying the Taxpayer's money. To date, no clear and compelling explanation has been received as to why the lawsuit against the Company was not expanded to include the Company Director who received the payments personally, or alternatively, why that individual was not sued in a separate lawsuit.

Ontario's Limitations Act imposes a statutory time limit within which to sue. It is 2 years after the cause of the lawsuit arises. After that date has passed, unless the City could prove that it was unaware that it had the right to sue, the City would likely have no further ability to sue the individual to recover its money. The cost to preserve the City's ability to recover the money through a civil claim is estimated to be approximately \$5,000.

In the Auditor General's opinion, delays in the receipt of management responses and the release of this report to Council may have greatly reduced the timely relevance and usefulness of this report.

Contact

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Signature



Brian Bigger, Auditor General

Attachments

Appendix 1: "2010 Audit of Greater Sudbury Transit Services - Transit Kiosk and Café Contract Management" Audit Report

Appendix 2: "2010 Audit of Greater Sudbury Transit Services - Transit Kiosk and Café Contract Management" Management Response