


Status Report on Previous Audit Observations and Action Plans		
	Presented To:	Audit Committee
	Presented :	Tues, July 10, 2018
	Report Date:	Mon, June 20, 2018
Type:	Report	

Background

The Auditor General's Office maintains an ongoing follow up process which consolidates management's self-assessments of the status of their action plans to address audit observations. Annual reports are provided to Council with the aim of documenting the actions taken to date and anticipated dates for completion.

The self-assessment reports are not evaluations provided by the Auditor General's Office and provide no assurance to Council. Instead, the self- assessments provided in the "Actions taken, results and /or actions planned" section are in management's own words and are unedited. The Auditor General's Office reserves its authority to conduct progress audits to independently validate the progress made in addressing audit observations.

Self-Assessment Follow Up Report Compiled by Auditor General's Office

The appendices attached to this report contain detailed self-assessment reports for the following audit reports:

- User Fees – Sports Fields
- Transit and Community Arena Advertising Agreement
- Competitive Procurement
- Environmental Service Waste Collection Contract
- Building Services, Building Permits & Committee of Adjustment
- Long Term Financial Planning
- Performance Audit of Risk Management Processes
- Value-For-Money Audit – Paramedic Services
- Value-For Money Audit – Fire Services
- Performance Audit of Capital Budgeting Process
- Performance Audit of Facilities Management
- Governance Audit of Greater Sudbury Housing Corporation (GSHC)

SUMMARY OF STATUS OF MANAGEMENT'S ACTION PLANS AT MAY 31, 2018

	Year Report Issued	Total # Of Action Plans	Fully or Substantially Implemented Including Alternative action	Action Plan Partially Implemented	No Substantial Action Taken
User Fees – Sports Fields	2012	9	9	0	0
Transit and Community Arena Advertising Agreement	2013	5	5	0	0
Competitive Procurement	2014	15	15	0	0
Environmental Service Waste Collection Contract	2014	10	10	0	0
Building Services, Building Permits & Committee of Adjustment	2015	11	11	0	0
Long Term Financial Planning	2016	5	1	3	1
Performance Audit of Risk Management Processes	2017	4	0	4	0
Value For Money Audit – Paramedic Services	2017	2	1	1	0
Value For Money Audit – Fire Services	2017	3	0	3	0
Performance Audit of the Capital Budgeting Process	2017	2	0	2	0
Performance Audit of Facilities Management	2018	3	0	1	2
Governance Audit of GSHC	2018	6	0	0	6
Total		75	52	14	9
% By Status		100%	69%	19%	12%

Conclusion

Approximately 69 percent of the above audit action plans have been fully completed whereas action plans have been partially implemented for 19 percent. No substantial action had been taken for 12% of the findings as two audit reports were just completed and endorsed by Council at the end of May. Another status report will be provided to Audit Committee a year from now.

AUDIT Follow Up Report

To : Audit Committee

From : Ron Foster, Auditor General

Re: User Fees – Sports Fields audit

Audit Report released	November 2012
Original # of Observations	9
# of Action Plans Previously Completed	5
# of Action Plans Now Closed	4
# of Action Plans on Next Follow Up	0
Status as of May 31, 2018	Complete

Observation and Summary of Progress <small>(Based on Self-Assessment conducted by Community Development)</small>	Self-assessed Status
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Observation 1

Evaluate whether the youth '*per participant rate*' should be replaced with an hourly rate. If any changes are required, it should be reflected within the User Fee By-law approved by Council.

**Substantially
complete**

Original Management Response

Review impact of any potential changes to minor sports playfield user fees and prepare a report to Standing Committee with options re: participant rates vs. hourly, etc. The review will be conducted in time for the 2014 playfield season.

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

The original deadline to submit a report to the Community Standing Committee as identified on June 30, 2013, was not realized. The analysis will be completed and presented to the Community Standing Committee for direction in early 2015.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

The analysis regarding youth participant rate vs. hourly rate charges will be presented to Council as part of the 2017 budget process.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

A business case will be prepared for the Executive Leadership Team regarding implementing an hourly rate vs. the existing per youth participant rate as part of the 2018 budget process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

At the Finance & Administration Committee meeting of May 15, 2018, Council received a report titled 2019 Budget Direction and 2019-2020 Two Year Financial forecasts. The report included a recommendation for changes to user fees that reflect the full cost of providing the program or services including capital assets, net of any subsidy approved by Council. Leisure Services will work with Finance to review user fees as directed by Council, including youth playfield rates.

Observation 4

If the City continues to charge a per participant fee for youth associations, Leisure Service should consider including a provision for participant number verification rights within the Facility Agreement for youth leagues similar to other revenue generating contracts within the City.

**Substantially
complete**

Original Management Response

Contingent on any decisions made from Observation #1. The requirements would have to be incorporated into the facility use agreement.

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

The department will be requesting a signed letter from each minor sports organization confirming the total number of registrations.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

At the beginning of each field season (June), each youth sports group must submit their confirmed registration numbers. Based on this figure, groups are billed their participant rate amounts for the current year. After the season is over in September/October, they are asked to confirm their numbers and a reconciliation process is performed based on any changes in participant numbers over the term of the season.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Minor sports associations are still required to confirm participant numbers in June of each season. The reconciliation process will still take place at the conclusion of the season (September/October). Sports associations will be asked for additional supporting documentation to confirm participant numbers (e.g. copies of information submitted to respective provincial sports governing body).

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Minor sports associations continue to submit numbers in June of each season. Reconciliation takes place at the conclusion of the respective sports season (usually September or October).

In addition to final numbers, sports associations are asked for supporting documentation (rosters, information submitted to PSOs, etc.)

Observation 5

A best practice for user fees is for the City to set a policy framework that provides transparency and clarity, promotes consistency, and makes cost sharing amongst users more equitable. Management should present user fee target recovery options to Council after performing a full cost analysis. Since the decision for establishing user fees rests with Council, full cost analysis will better inform Council of cost recovery target options as well as their impact on user fees. Management may want to consider implementing these Observations within Leisure Services prior to rolling it out to other departments within the City.

**Substantially
complete**

Original Management Response

The City's Base Budget Preparation Policy states "that when establishing user fee rates, the (a) Cost of service, including direct, indirect costs, allocation of capital costs etc. should be considered." In addition, policy #7 of the Long Term Financial Plan states "Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user fees)". In addition, there are a number of principles that provide guidance to management regarding user fees. For example, principle 3.3 states "Establish target proportions of program costs to be raised through user charges based on reviews of benefits received; Principle 3.6 states "Ensure both operating and capital costs are considered when establishing user fees (full program costing)".

Management agrees that the City should expand the use of the existing policy framework when setting user fees. As a first step, the Finance and Leisure Services department will prepare a report to Finance and Administration Committee which discloses the current and historical user fee recovery percentages for the larger programs in Leisure Services, and to seek the committee's direction regarding increasing user fees to address the City's infrastructure shortfall or to reduce the tax levy.

In addition, as part of the 2013 budget planning session, Council requested a detail breakdown on the operational costs for the following programs:

- a) camp Sudaca / Wassakwa
- b) summer playground programs
- c) fitness facilities
- d) trailer park operations

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

The fitness fees are currently being reviewed and an observation will be presented to CS Standing Committee in 2015. The department is using the City's base budget preparation policy as a guide in establishing user fee rates. In addition the Parks, Open Space, Leisure Master Plan review as part of the implementation strategy have identified an action plan on user fees &

cost recovery. The plan recommends that Staff regularly assess rates and fees for Leisure programs and facilities to ensure that they represent a fair and equitable balance between true costs and public benefits. It is recommended also to include annual capital requirements within the cost recovery targets to provide a true indication of the balance between user fee contributions, taxation, and other funding sources. The master plan review provides Observations on developing an Affordable Access to Recreation policy in order to bolster universal access to physical activity and recreation opportunities based on an ability -to-pay model. The draft Parks, Open Space, Leisure Master Plan review will be presented to CS Standing Committee on June 16th, 2014.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

As part of the 2013 budget planning process, a user fee strategy was presented for summer programs and adopted by City Council. A similar strategy was presented for fitness facility fees, however was rejected by Council. The Director of Leisure Services will be resubmitting a user fee strategy for fitness fees and an overall user fee strategy to the Community Services Committee in late 2016, early 2017.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Leisure Services Division has researched user fee frameworks from other municipalities including Barrie. The user fee framework developed by Northern Leadership Project participants has been piloted by Finance in other areas. Leisure Services to work with Finance to develop a user fee framework for review by the Finance and Administration Committee.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

At the Finance & Administration Committee meeting of May 15, 2018, Council received a report titled 2019 Budget Direction and 2019-2020 Two Year Financial Forecast. The report included a recommendation for changes to user fees that reflect the full cost of providing the program or services including capital assets, net of any subsidy approved by Council. Leisure Services will work with Finance to review user fees as directed by Council, including rates associated with summer day camps, playground programs, fitness centers and trailer park operations.

Observation 9

Ensure the Joint Use Agreements are updated in a timely fashion with all school boards participating in this agreement. Ensure they accurately reflect the current understanding amongst all the parties in regards to field maintenance, usage and restrictions.

**Substantially
complete**

Original Management Response

Leisure staff have been working on renewing the joint use agreement since the fall of 2011. A number of meetings have been held with representatives from all Boards of Education in order to revise and update the Joint Use Agreement. A draft agreement will be circulated to senior

staff and will be presented to Council for feedback. The objective is to finalize the agreement by year end 2013.

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

The draft is being reviewed by the respective boards and legal departments. The draft agreement is scheduled to be completed and presented to Council for their review by September 2015.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

This Observation is ongoing. This is a complex issue which the Director of Leisure Services has taken the lead on. It is the goal of Leisure Services to provide an update to the Community Services Standing Committee in late 2016 or early 2017.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

In order to determine the value of services provided and received through joint use arrangements, Leisure Services staff are calculating the following:

- Value of arena ice time provided to school boards, Sudbury District Secondary School Athletic Association (SDSSAA)
- Value of play field time provided
- Value of pool time provided
- Value of ski hill lessons provided
- Value of other maintenance services provided through Parks Services as per joint use arrangements
- Value of school board facilities used by City of Greater Sudbury recreation programs

Information to be finalized by August 2017. Once collected, information will be shared with school boards to help frame future joint use agreement discussions. Discussions with school boards to commence in Fall 2017.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The value of services provided to school boards through the Joint Use Agreement has been calculated.

Meetings with the SDSSAA (Sudbury District Secondary School Athletic Association) held to review ice time allocated and modifications made to the Ice Allocation Guidelines for High School Hockey. The changes provide for more usage of ice time by minor sports associations (paying customers) that was traditionally used by SDSSAA.

Updates to the complete Joint Use Agreement will be part of the Leisure Services 2019 workplan.

Re: Transit & Community Arena Advertising Agreement

Audit Report released	August 2013
Original # of Observations	5
# of Action Plans Previously Completed	4
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	0
Status as of May 31, 2018	Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Transit)	Self-assessed Status
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Observation 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.

Substantially complete

Original Management Response

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.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

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.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The agreements will be unbundled prior to issuing and awarding a new Transit and Community Arena Advertising Agreement in the fall of 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The agreements will be unbundled prior to issuing and awarding a new Transit Services and Community Arena Advertising Agreements.

Re: Competitive Procurement

Audit Report released	June 2014
Original # of Observations	15
# of Action Plans Previously Completed	12
# of Action Plans Now Closed	3
# of Action Plans on Next Follow Up	0
Status as of May 31, 2018	Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Procurement section)	Self-assessed Status
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Observation 2.2

Currently, operating staff place reliance on manual off-line processes and workarounds instead of using automated functionality and features of the PeopleSoft system.

Substantially complete

- Reliance on manual off-line purchase order processes has persisted for the past three years
- Auditors estimated that 75% of dollars or 88% of transactions were supported by freeform references in description fields. Those references were to various forms of manual purchase orders and agreements. Only 25% of dollars or 12% of transactions were supported by a PeopleSoft Purchase Order.
- Greater use of electronic, PeopleSoft Purchase Orders could provide the basis for efficient, economical and effective oversight of procurement by management as suggested by the 2nd line of defense of “The Three Lines of Defense Model”.
- As was previously noted in examples listed in observation 1, this audit revealed significant internal control exceptions that could have been identified and remediated on a timely basis or reported to Council for approval, if automated functionality of PeopleSoft was used for all purchase orders.

Original Management Response

The City has made progress on the foundational pieces to improve the City’s procure to pay cycle. These foundational pieces include: Purchasing By-Law, business process review / policy development and expansion of PeopleSoft functionality. Once the foundational pieces are complete, and resources are identified in operating departments, management plans to amend City policies to make the use of electronic purchase orders mandatory. Managing the pace of change in the organization has been top of mind to the Chief Financial Officer, and Senior Management Team. The Finance Strategic plan outlined the required action items to achieve the goals, in a balanced approach, at a pace that the organization can manage with the resources it has.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Request for Quotation functionality planned based on assessment of available options.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Further improvements have been made, with assistance of an ERP Project Manager, in the City's use of PeopleSoft to track spending on Multi-Year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in the PeopleSoft Procurement Contracting Module.

The pilot project is underway to start using internal PeopleSoft POs for one-time contracts for processing progress payments through PeopleSoft and tracking change orders on capital projects where currently it is a manual process. Request for Quotation functionality will not be pursued through PeopleSoft enhancements. Instead, the new and more robust systems for e-Tendering have emerged that can accommodate many of the features contemplated with quotation functionality. Those systems may be offered to municipalities free of charge as the providers model it on vendors subscription models. City's Purchasing, together with other departments, is evaluating potential e-Tendering solutions for the City to enable not only posting the bids electronically but receiving and evaluating bids electronically as well. The work is currently underway in this respect.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The lessons learnt from the pilot project will be used while integrating and implementing the project in consultation with the user departments and identifying training needs for various users.

Observation 2.4

Application of an appropriate effective internal control framework over procurement activities may continue to be negatively impacted until all purchase orders across the City are issued from PeopleSoft.

Substantially complete

Original Management Response

As outlined above in 2.2.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

In progress.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress per the above update in 2.2

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

As outlined in 2.2 above, improvements to PeopleSoft and the results of lessons learnt from the pilot project will be used while integrating and implementing the project in consultation with the user departments and identifying training needs for various users.

Observation 2.6

In 2012, Finance informed staff that PeopleSoft Commitments Control would be implemented in 2013. In September 2013, the Finance Division reported to Council that the PeopleSoft Purchasing Contracts functionality had been implemented in 2012. However, during the audit, we noted that testing continued for certain contract types during fall of 2013 (e.g. notifications and progress payments).

**Substantially
complete**

During the audit, we were advised that the PeopleSoft program still did not allow for all contracts to be entered (e.g., Revenue Bearing, Multiple Account #s, and Blanket Purchase Agreements).

Original Management Response

As above in part 2.2 above.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Various improvements are planned subject to resource availability.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress per the above update in 2.2

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Further improvements have been made, with assistance of an ERP Project Manager, in the use of PeopleSoft “non-receipt PO” functionality to enable tracking the actual spend on multi-year contracts, including Standing Offer Agreements. The multi-year contracts used by the City are now routinely setup and maintained in the PeopleSoft Procurement Contracting Module. As of 2016, Purchasing is able to automatically track renewal and expiry dates of multi-year contracts and provide automatic notifications by Contract for timely renewal and/or re-tendering of procurement requirements. A separate pilot project is underway with several departments to start using internal PeopleSoft POs with non-receipt PO functionality to process progress payments on one-time contracts through PeopleSoft and track change orders on capital projects where currently it is a manual process.

Re: Environmental Service Waste Collection Contracts

Audit Report released	July 2014
Original # of Observations	10
# of Action Plans Previously Completed	9
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	0
Status as of May 31, 2018	Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Infrastructure and Growth)	Self-assessed Status
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Observation 4.2

In light of restrictions imposed by most cities in Ontario on the quantity and frequency of bulk item collected curbside, opportunities for cost reduction may be explored.

Substantially complete

Original Management Response

The unlimited weekly collection of defined bulk items is an approved service level. A change in service level would require the consent of Council.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

A change in service level would require the consent of Council which approved continuation of the current program with a new 'Call in/E-mail in' service. Opportunities for cost reduction will be explored as new programs are developed under the new Waste Free Ontario Act.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Council supported the continuation of the current bulky (Furniture & Large Items) program in 2016. The frequency of this program will be reduced once garbage collection changes from weekly to every other week in 2021. Opportunities for cost reduction will be explored as new programs are developed under the Waste Free Ontario Act.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The collection frequency for Furniture and Large Items will be reduced to every other week commencing in February 2021. Additional opportunities to reduce cost in this area may become available once the Minister of the Environment and Energy designates materials such as mattresses and furniture under producer responsibility regulations (timeline of 2021 identified in the "Strategy for a WASTE-FREE ONTARIO – Building the CIRCULAR ECONOMY" document. In the meantime, staff have conducted a mattress & box spring recycling pilot in order to be prepared to divert this material before or after funding programs become available.

Re: Building Services, Building Permits & Committee of Adjustment

Audit Report released	June 2015
Original # of Observations	11
# of Action Plans Previously Completed	9
# of Action Plans Now Closed	2
# of Action Plans on Next Follow Up	0
Status as of May 31, 2018	Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Building Services)	Self-assessed Status
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Observation 2.1

The Building Services department relies on multiple systems relating to information such as Building Permits, inspection notes, cash collections, taxes and tracking of issued 'Orders to Comply'. These systems are not integrated and contain limited information about a property that may be more meaningfully used if they were integrated. Integration of multiple systems would be beneficial and may be attempted considering the information need, workflow and privacy provisions.

Substantially complete

Original Management Response

We agree that having a single property database inclusive of all these various legal, departmental interests, impediments or requirements to be dealt with at permit review so they may be conveyed to owners and consultants would be beneficial. This is why we have committed to the development industry to move forward with a new integrated land and property management system. This is why we have committed to the development industry to move forward with a new integrated land and property management system. This would be a City-wide, property centric system that provides a comprehensive history for all properties and land in the City. A scoping study has already been initiated with staff, Information Technology and an outside consultant including a financial budgeting program, for this Land Property Management System (LPMS). A report was provided to Council on May 12, 2015, on the project. The LPMS would replace a number of pre-existing solutions, simplifying the current complex systems environment and providing key functions.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

Although the scoping document for the Land Property Management System software was completed, the financial budget commitments for the larger scope of project with additional

departments was not available. However, recently the “Gearing Up For Growth” Advisory Panel of Council Resolution (June 14, 2016) identifies Land Property Management System (LPMS) as key step for the City to become a more development friendly community. As well, the development of a LPMS software package forms part of Council's Strategic Plan passed earlier this year. A Business Plan is to be presented to Council later this year to assign budget dollars from Building Services' Reserve funds, to accomplish the smaller scoped project, including Planning and Compliance & Enforcement.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The Building Services Reserve Fund to accomplish the smaller scaled project including Planning & Compliance & Enforcement has been established for the Land Property Management System (LPMS). Staff are currently working on project charter, governance model and allocating staff to core project team, Directors Steering Committee and Business team. A contract project manager's job description and selection are to be completed by the 4th Quarter of 2017. Currently a process rationalization review is underway for all Planning Act processes scoping and Business Plans for site plan control, rezoning, Committee of Adjustment and the Consent process within the building permit regime in anticipation of the LPMS tender call.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

- Process rationalization and mapping of Planning Act process of Site Plan Control Agreements have been undertaken by Colliers Consulting.
- The hiring of a Project Manager will occur in the next quarter of 2018, who will initiate a Business Plan review for the larger project, which has been prioritized as part of the larger Corporate Information Technology Strategic Plan to be presented to Council shortly by the Perry Group Consultants.

Observation 4.3

Building inspections are scored a 'Pass' or a 'Fail'. While the current “Inspectors Plus” system has functionality to record reasons for failure this functionality was not always being used. Recording results of inspection areas that partially pass (or fail) would facilitate a subsequent follow-up inspection. For example, reasons such as “Work-in-Progress”, “Work Not Started”, “Work Suspended”, “No Access to inspect”, etc. can all be documented and acted upon during a follow- up inspection. Such an analysis could potentially result in savings by avoiding repetitive inspections of an area, and a database of such analysis would identify particular weakness of contractors in objectively assessing performance.

**Substantially
complete**

Original Management Response

InspectorPlus has the functionality to record reasons for failure. It includes ability to field print out inspection notices documenting those deficiencies for the information of the contractor/owner and follow-up inspections. The base document is electronically stored in the building permit database and time stamped. With respect to an analysis of particular contractor weakness by having a database of our most frequent deficiencies, we agree that this would be useful and will be built into our Request for Proposal (RFP) for new Land Management Property (LMPS) software discussed in Observation #2.

Actions Taken, Results and /or Actions Planned - As of June 30, 2016

See response for 2.1 on the Land Property Management System (LPMS)

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

See response for 2.1 on the Land Property Management System (LPMS).

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Project Manager for LMPS project will work with the Director of Building Services and the Director of Information Technology to prepare a Business Case for the LMPS project to be presented to Council as a 2019 Budget Option.

Re: Audit of Long Term Financial Planning

Audit Report released	September 2016
Original # of Observations	5
# of Action Plans Previously Completed	1
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	4
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 2

The City should ensure its boards and wholly-owned corporations have established appropriate LTFPs if they are dependent on the City for financial support of any type.

No Substantial Action Taken

Original Management Response

Not specifically addressed.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

The City will request that the Outside Boards and GSHC consider developing Long Term Plans. This does not extend to the GSU or SACDC as these entities do not receive financial support from the City.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The City recently received the updated Long Term Financial Plan from KPMG that identified the status and forecast of the 12 financial indicators. Staff will be reaching out to our business partners (Conservation Sudbury, Public Health Sudbury & District and Police Services) to encourage them to develop long term plans for their operations.

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Observation 3

Specific, measurable, action-oriented, and realistic goals should be developed to support achievement of the principles and policies within the new LTFP currently under development and incorporated into annual budgets.

Partially
Implemented

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Staff will identify goals, priorities and issues in the 2018 Budget. In addition, staff will recommend changes to policies as identified in the LTFP.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Based on the updated LTFP, the General Manager of Corporate Services presented to the Finance and Administration Committee the status of the 12 financial indicators in comparison to the City's peer municipalities. Staff will identify priorities and issues for the Finance and Administration Committee's consideration in the 2019 Budget based on the updated LTFP.

Observation 4

Progress toward the principles and policies within the new LTFP should be reported to Council within the annual budgeting process.

Partially
Implemented

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Progress in achievement of the principles and policies identified in the LTFP will be reflected in the 2018 Budget document under the Financial Section of the Overview tab.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Staff are currently updating the Purchasing By-law to incorporate new thresholds as recommended by KPMG. It is also being updated to include provisions under the trade agreements (CETA & CFTA) and electronic tendering provisions. Improvements have been made in capital budget reporting, which will be formalized in the updated Capital Budget Policy. Staff will also be reviewing other financial policies to ensure alignment with the principles identified in the LTFP.

Observation 5

Staff should provide Council with current information on the City's financial condition with the annual budget and any presentations on major capital project proposals.

Partially
Implemented

Original Management Response

Previous annual budgets included a section on "Toward Fiscal Sustainability" which was based on the LTFP to illustrate the challenges facing the City along with the key principles and action items.

The annual budget document, as well as the City's annual financial report in conjunction with the City's audited financial statements, has included key financial information such as reserves and reserve funds, total debt, and key performance indicators. Also, the annual capital budget includes an unfunded list that illustrates the significant unfunded capital needs by service area.

Management has implemented several financial policies, processes and by-laws approved by various City Councils to manage the City's financial condition now and for the long-term. This includes the Operating Budget Policy, Capital Budget Policy, Debt Management Policy and the Reserves and Reserve Fund By-Law.

Management agrees with the limited progress made with the infrastructure deficit. Since 2002, management presented various City Councils with an option for a capital levy in accordance with the Observations of the LTFP to assist with the growing infrastructure deficit. Previous City Councils approved a capital levy in the following years: 2005 of \$3.2M; 2006 of \$3.3M; 2007 of \$0.8M; 2008 of \$3.7M. This was partially offset by a permanent reduction to the capital envelopes of \$5M in the 2010 Capital Budget.

Actions Taken, Results and /or Actions Planned - As of May 15, 2017

Financial indicators will be included in the 2018 Budget as deemed appropriate.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Financial indicators will be included in all future budget documents and annual updates of the LTFP.

Re: Performance Audit of Risk Management Processes

Audit Report released	May 2017
Original # of Observations	4
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	4
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by CAO)	Self-assessed Status
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Observation 1

According to the CSA Standards, risk management is the identification, assessment, and treatment of "risks" that may affect an organization, business or municipality, negatively, including those which can occur through accidents, disasters, natural causes, legal or financial liabilities or opportunities, or positively, such as new technologies, business ventures or continual improvement.

Partially implemented

A risk management policy has not been developed to define risk management terms and responsibilities for risk management within the City. As a result, responsibilities for risk management are not clear.

A formal risk management policy should be developed to codify risk management terms and to clarify responsibilities for risk management.

Original Management Response

We agree. The recommended policy will be developed and presented to Council by the Chief Administrative Officer for approval before the end of the third quarter.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

This action is still on track for presentation to Council by the end of the third quarter. A policy has been created by the CAO and is in draft form and being scheduled for a review and decision by ELT at a June ELT meeting.

Observation 2

A risk management process has not been developed to identify a standard approach for risk identification assessment, mitigation and reporting. As a result, responsibilities for risk management are not clear and different approaches to risk management have been adopted within the City.

Partially
implemented

A formal risk management process should be developed to standardize enterprise risk management (ERM) processes in the City. The ERM process encompasses risk identification, assessment, mitigation and reporting processes to ensure that significant risks are managed effectively. When reporting on implementation progress, the criteria within Attachment 1 should be referenced. Attachment 2 illustrates the ISO 31000 risk management process which is a component of CSA 31000 which is Canada's national standard for risk management.

Original Management Response

We agree. Management's view is the capacity to understand risk begins with a clear understanding about the services, work processes and projects staff are responsible for delivering. Starting in 2017, an enterprise-wide process and related technology applications will be introduced to facilitate the creation of a "common language" describing the corporation's programs and services. In parallel, Greater Sudbury's participation in the Municipal Benchmarking Network Canada will provide important contextual data to help identify both the factors that influence performance and, where Greater Sudbury may be an "outlier", prompt consideration of whether some change may be needed. These will inform the Executive Leadership Team's judgment in discussions designed to identify and assess risks, which are anticipated to occur as part of the annual business planning process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

A formal ERM process is well developed at this point and meetings with Executive Leadership Team and Directors have taken place to introduce the concept, tools and scope. The framework and tool are aligned with measurements of risk in our new Asset Management Policy and related Capital Budget prioritization tool. The AG has attended Executive Leadership Team, presented the approach and delivered an initial enterprise level risk register for review by ELT based on feedback from ELT and Directors.

Observation 3

Other than legal risks, Council does not receive an annual report on the major risks faced by the City, how they are currently being managed and what steps, if any, are recommended to further mitigate them.

Partially
implemented

To complement the periodic reports to Council on significant legal matters, an annual report on non-legal risks should be prepared for Council in conjunction with the annual budget and business plans.

Original Management Response

We agree. Discussions about major risks are likely most effective at the start of the annual business planning process. Beginning in 2018, staff will incorporate the recommended report into a meeting about 2019 budget directions.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

A summary was included in the 2019 budget directions and staff continue to work with the AG on reporting relating to the enterprise risk registry. This will be a great asset to assist with upcoming strategic planning with a newly elected Council.

Observation 4

The City has a moderate level of readiness to implement ERM processes as members of the Executive Leadership Team are already employing various risk management techniques within their daily management activities.

**Partially
implemented**

An implementation plan that is tailored to the readiness of the City to adopt standardized risk management processes and to integrate them with other management processes should be developed.

Original Management Response

We agree. The recommended policy will be developed and presented to Council by the Chief Administrative Officer for approval before the end of the third quarter.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The work to date is on track to meet or exceed this deadline for a presentation of our approach and initial outcomes for Council.

Re: Value-For-Money Audit Paramedic Services

Audit Report released	May 2017
Original # of Observations	2
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	1
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Emergency Services)	Self-assessed Status
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Observation 3

Paramedic Services currently operates from 11 stations, eight of which are cohabitated with Fire services. Condition assessments prepared by CCI in 2013 and 2014 indicate that maintenance programs over the last 20 years have not kept up with the pace of deterioration in the City's stations which on average are over 40 years old. Some maintenance was also postponed pending the outcome of the optimization project that was recently completed.

Partially Implemented

Coordinate with facilities maintenance and finance staff to develop a multi-year program to catch up on essential station maintenance that has been deferred.

Original Management Response

We concur with the Auditor General's recommendation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Community Safety are coordinating with facilities staff in carryout building condition assessments and air quality assessments to assist in developing a prioritized plan to catch up on building maintenance requirements.

Observation 4

The Division's senior staff, operational support staff and administrative staff presently operate from the Lionel E. Lalonde Centre in Azilda.

At least 4,000 hours are incurred annually driving ambulances between the City and Azilda where operational staff control the medical supplies and re-stock the ambulances. Relocating the Division to the City core would result in operational efficiencies that may outweigh the costs for the relocation.

Substantially
complete

Prepare a business case to determine if the benefits exceed the costs for relocating the Division to the City Core, including the eligibility for 50% cost sharing with MOHLTC.

Original Management Response

The 4,000 hours are accumulated by the majority of paramedics starting and ending their shifts at the Lionel E. Lalonde Centre located in Azilda outside of the core deployment response area. Relocating Headquarters to a more centralized location would increase deployment and realize additional significant efficiencies. We would be amenable to preparing a business case that would demonstrate value for money and operational effectiveness by investing in a central headquarters that not only benefit the delivery of Paramedic Services but also all of Fire and Paramedic Services.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Paramedic Services submitted a business case to develop a new Headquarters for Community Safety located in the city core as part of the 2018 Capital Budget. Council did not support this business case.

Re: Value-For-Money Audit Fire Services

Audit Report released	May 2017
Original # of Observations	3
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	3
Status as of May 31, 2018	In progress

Observation and Summary of Progress (Based on Self-Assessment conducted by Emergency Services)	Self-assessed Status
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Observation 1

The GSFS presently operates with 95 career firefighters that are assigned to the Van Horne, Minnow Lake, Leon Avenue and Long Lake Stations. The Val Therese composite station has 9 career firefighters and 18 volunteers. Nineteen other stations operate across the City with 10 to 20 volunteers each.

Partially complete

The City's By-Law 2014-84 establishes and regulates the GSFS but does not set out service level standards to allow management, Council and the public to assess the performance of the City's firefighting services. Most fire services use the standards of the National Fire Protection Association to measure performance.

Significant risks that associated with the GSFS' firefighting service arise from the number and location of fire stations and number and mix of firefighters presently assigned to each station.

In 2016, the GSFS conducted a review of risks to people and property in response to IBI's comprehensive review of fire services that identified potential gaps in the existing response capacity of the GSFS outside of the City core. The potential gaps relate to the number and location of stations outside the City core and the level and type of staff in each station. Our review of service levels indicated that 45% of the responses to fire calls from the volunteer stations in 2016 took greater than 9 minutes while 24% of the responses took less than 6 minutes. This compares to 16% and 67% in the City core.

Our review of the skill sets of staff identified gaps in the GSFS' capabilities for technical rescue such as auto extrication, ice and water rescue, confined space, trench and hazardous material (HAZMAT). The depth of expertise in technical rescue currently varies from one community to the next and is not commensurate with the community risk profiles. Staff currently only has an awareness level for HAZMAT response which is insufficient for communities with a large industrial economy and major networks of railways and roads.

Our assessment of the participation rates of volunteer staff in training programs and response rates to fire calls identified significant concerns. The response rates per volunteer in training indicated that the average rate of participation was only 37 percent.

In 2013, the City agreed to pilot the 24-7 hour shift for its career firefighters. We noted that the City has not yet evaluated the effectiveness or efficiency of this shift. Our audit identified risks to both staff and the public from the adoption of this shift as well as concerns about its efficiency between 2300 hours and 0700 hours when the volume of fire calls is significantly lower.

Recommendations:

- i. Establish reasonable and attainable service level targets for responding to fire calls, formalize them within the Establishing and Regulating Fire Services By-law, communicate them to the public and report annually to Council on them;
- ii. Prepare a business case for specialized training and equipment to bolster the GSFS' technical rescue capability as well as HAZMAT response capability;
- iii. Establish minimum participation rates of 65% for volunteers for training to improve their effectiveness;
- iv. Develop revised fire call response protocols and provide improved communications tools to facilitate improvements to call response rates for volunteer staff;
- v. Establish minimum call response rates of 50% for volunteers to improve their reliability and effectiveness; and
- vi. Continue to pilot the 24-7 shift and, in conjunction with staff from Human Resources and Organizational Development, assess its costs and benefits relative to other shifts.

Original Management Response

We concur with the Auditor General's (AG's) findings. It should be noted regarding the 24 hour shift recommendation that the fulltime fire firefighters association and fire administration are subject to interest arbitration as per the provisions of the Fire Protection and Prevention Act and as such it would not be prudent to comment on this recommendation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

- i. The Community Safety Department is continuing to develop for implementation a suite of department business analytics both Fire and Paramedics Services based upon current service levels and regulatory requirements that will provide both situational awareness and performance monitoring capabilities through a set of dashboard metrics and analytic tools. These analytics should be in place by 3rd quarter of 2018. In addition, the Ministry of Community Safety and Correctional Services has adopted Public Reporting regulations that will come into force on January 1, 2020 that mandates specific performance reporting for the fire service. A report on the current enabling by-law and service levels will be developed and presented to the Emergency Services Committee by 3rd quarter 2018. *Any additional resources required to meet regulatory requirements will be identified at that time as well as in the budget for 2019.*

- ii. Any additional training or equipment required to meet regulatory requirements will be identified following the establishment of service level metrics in Q3 of 2018.
- iii. “The City negotiated a minimum training attendance rate of 1 weekly training night per month or 12 per year as part of the 2017-2019 collective agreement with CLAC Local 920 for volunteers. The adequacy of this rate will be reassessed relative to the new regulatory requirements for training that are being phased in commencing July 2019.
- iv. The Fire Service is reviewing fire call response protocols and will make changes in an effort to optimize service levels within current approved budgets. The Fire Service continues to review our communications and paging systems in order to identify opportunities for improvements.
- v. The City negotiated a minimum 25% attendance rate for incidents as part of the 2017-2019 collective agreement with CLAC Local 920. The adequacy of this rate will be reassessed following the establishment of service level metrics in Q3 of 2018.
- vi. The interest arbitration award that the City received last August imbeds the 24 hour shift into the agreement.

Observation 2

The GSFS has operated 24 stations across the City with few changes for the last 16 years since amalgamation. Condition assessments prepared by CCI in 2013 and 2014 indicate that maintenance programs and budgets have not kept up with the pace of deterioration in the City’s stations which on average are over 40 years old. Our analysis indicated that essential station maintenance has been deferred over the last several years due to budget constraints as well as recommendations to rationalize the number of stations from IBI’s comprehensive fire services review. Our analysis indicates that budgets for fleet have also not kept pace with the annual cost increases for front line vehicles which include pumpers, aerials, bush trucks and other rescue equipment.

Partially
complete

Research on fire master plans and fire location studies indicated that residents and property owners would very likely benefit from a modest relocations of the stations when they reach the end of their useful lives. Research also indicated that the most effective locations for replacement stations can be determined by modeling techniques which examine actual fire call volumes. Modeling techniques also show the potential benefits to response times that can be achieved by placing stations in alternative locations.

Recommendations:

- a) Coordinate with facilities and finance staff to develop a program for essential station maintenance;
- b) Prepare a business case for a fire station location study to effectively plan for the replacement of stations that are approaching the end of their useful service lives; and

- c) Where budgets are insufficient to maintain existing service levels, prepare a business case for the replacement of front-line equipment that has reached or is about to reach the end of its useful service life.

Original Management Response

We concur with the Auditor General's observations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

- a) The coordination with facilities and finance is currently underway as we await the follow-up on building condition assessments including designated substance assessments and air quality testing that will help determine a longer term plan to replace, renew and repair those stations based on priority needs.
- b) As above
- c) The business case for equipment that was tabled as part of the 2018 budget was not approved by Council. The requirements for equipment will be revisited in conjunction with the development of a long- term capital plan.

Observation 3

Prevention, Training and Support section provides prevention, training, mechanical, business improvement, and administrative services and had a \$4.5 million budget for 2017. It includes the Chief Mechanical Officer, Chief Prevention Officer, Chief Training Officer, two Training Officers as well as 8 technical and 4 administrative staff.

**Partially
complete**

Section 2 of the FPPA states that, "every municipality shall, establish a program in the municipality which must include public education with respect to fire safety and certain components of fire prevention. Our analysis also indicates that the number Public Safety Fire Educators is insufficient for a municipality of our size.

One additional Fire Education Officer is required to provide sufficient coverage across the broader City.

Our audit analysis also indicated that the current complement of training staff is insufficient to develop and deliver an adequate firefighter training program that responds adequately to significant risks that stem from the City's unique geography and industrial properties. An additional trainer is required to provide technical rescue and Hazmat response training. Another trainer is required to help develop and deliver a more robust training program to the volunteers.

Administrative staff monitor overtime for the GSFS which has averaged \$640K over the last 4 years and is comparable with most of our peer municipalities. Our analysis indicates that overtime costs for career firefighters account for approximately 76% percent of the total

overtime for the GSFS. The amount of overtime incurred annually for career firefighters is directly impacted by the timing of retirements and vacation of existing Value for Money Audit of the Operations of the Greater Sudbury Fire Services staff, timing of new staff hires and the size of each platoon of firefighters which is currently specified within the collective bargaining agreement. We also noted that overtime costs were 1.5 times higher than average in 2015 as a result of the hiring freeze during the P6M project. Over the last 4 years, monthly overtime costs averaged \$30K for the first half of the year and \$50K for the second half.

Recommendations:

1. Prepare a business case for an additional Fire Prevention Officer and Public Safety Officer to ensure compliance with the FPPA;
2. Prepare a business case for two additional training officers to ensure all firefighters are trained and able to participate in a meaningful way that best serves the needs and circumstances of the community;
3. Revise the timing of the annual recruitment of career firefighters to Q1 to ensure that new recruits are available to work when the peak vacation period begins in Q3.

Original Management Response

We concur with the AG's findings and, if warranted, will provide business cases for Council's consideration for the 2018 budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

1. A business case submitted for additional Fire Prevention Officers was not supported by the Council in 2018. Resource requirements will be reviewed annually to ensure continued compliance with regulations.
2. As above.
3. Career retirements are being reviewed to determine potential over compliment staffing needs. The timing of hiring of new staff will be reviewed as well to ensure we are properly managing our OT costs.

Re: Performance Audit of Capital Budgeting Process

Audit Report released	Oct 2017
Original # of Observations	2
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	2
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 1

During the annual capital budgeting process, insufficient funding is allocated to the capital envelopes to maintain the City’s tangible capital assets which have an estimated replacement cost of \$7.2 billion. Funding levels for the reserves also do not cover the replacement costs of these assets. As a result, the City will be required to issue debt or employ alternative financing techniques to replace its aging tangible capital assets which have deteriorated significantly over the years. Unless steps are taken to extend their lives, over 40% of these assets will be approaching the end of their useful service lives over the next 10 years.

Partially Implemented

According to KPMG, an estimated infrastructure funding gap of \$3.1 billion will exist by 2026. Approximately \$1.9 billion is required to replace the tangible capital assets that are presently operating beyond their useful lives and an additional \$1.2 billion of investment will be needed by 2026. To address these gaps, KPMG recommended that the City implement a 2% special levy, rationalize its service levels and tangible capital assets and use debt to finance major capital projects.

Our audit indicated that the funding gap has been growing for some time because of insufficient funding of annual capital budgets relative to current levels of service. Despite periodic as well as small annual increases to capital budgets, the City’s tangible capital assets have continued to age and deteriorate to the point that higher taxes and debt are likely required to maintain the City’s current level of services.

Our analysis indicated that raising taxes via a special annual levy is unlikely to raise sufficient funds to meet the \$3.1 billion of infrastructure funds that KPMG projected would be required by 2026. As shown below, less than one tenth of the required funds would be raised by a 2% annual special levy. Given the size of this funding gap, raising taxes and issuing debt or employing alternative financing techniques such as public private partnerships to replace the City’s aging assets will not resolve this growing problem on their own.

Special Levy	10 Years	20 Years	30 Years	40 Years
2%	0.30 billion	1.28 billion	3.17 billion	6.28 billion

Unless the City experiences significant growth in the future or receives significant funding assistance from the upper tiers of government, it will be unable to replace all its tangible capital assets at the end their useful service lives. To ensure financial sustainability, steps must be taken to develop formal asset management programs, rationalize capital assets and service levels, and shift funding from operating to capital budgets. These steps will align the annual capital budgeting process with the long-term financial plan and asset management plan.

Recommendations:

1. Continue to seek additional funding from upper tiers of government to address the City’s infrastructure funding requirements;
2. Continue to move forward with plans to develop a financially sustainable asset management program to rationalize the City’s tangible capital assets and manage their lifecycle costs more effectively;
3. Identify options to increase the capital budget to help address the \$3.1 billion of infrastructure funding requirements that were identified by KPMG in the City’s asset management plan;
4. Initiate a core service and service level review program to rationalize service levels to allow funding to be directed from operating budgets to capital budgets;
5. Examine the potential merits of using alternative financing strategies such as public private partnerships when planning for the replacement of the City’s aging tangible capital assets; and
6. Require business cases to be prepared for all new infrastructure projects to demonstrate their need as well as their affordability within the long-term financial plan.

Original Management Response

City management and staff understand the pressures facing the City of Greater Sudbury and its capital infrastructure funding requirements since the first long term financial plan completed in 2002. It is important to note that all municipalities are experiencing the same pressure with its capital infrastructure. For example, the President of the Association of Municipalities of Ontario has been quoted relating to understanding Canada’s municipal infrastructure deficit by saying:

“The infrastructure underinvestment problem has emerged over the last two decades. In the early 1990s, the federal government transferred a significant portion of its operating deficit to provinces and territories by drastically cutting funding transfers. In Ontario, in turn, the provincial government downloaded part of its operating deficit to municipalities by downloading costs for programs such as welfare, social housing, ambulance services and 5,000 kilometers of provincial highways and related bridges. The results are clear. Federal and Provincial historical budget deficits have been transformed into a municipal

infrastructure deficit. As a result of the massive shift in financial responsibilities, municipalities have had to increase taxes year after year, reduce services in the community, and defer infrastructure rehabilitation to later in its lifecycle.”

Staff has presented options for past and current Councils for a special capital levy during the annual budget process. As stated by the Auditor General, past City Councils have approved a special levy to improve the capital budget during the years of 2005, 2006, 2007, 2008 and 2012 which have been partially offset by permanent reductions in years 2010 and 2015.

In addition, staff agrees with the recommendations from KPMG within the Asset Management Plan that was presented to City Council in December 2016. The recommendations include the following:

- a) Establishing service levels that consider employment of assets beyond the end of their useful lives
- b) A multi-year program of affordable tax increases (e.g. 2%) that would be restricted to capital (special capital levy)
- c) The increased use of debt for the financing of major capital projects
- d) The realignment of the City’s capital envelopes to ensure appropriate balancing
- e) A focus on asset rationalization
- f) Service rationalizations

These recommendations will be reviewed by staff and presented to Council(s) for consideration of any changes to service levels, use of debt financing (such as for the large projects) as well as special capital levy to improve the infrastructure requirements. Also, staff is preparing a revised Capital Budget Policy which will have one capital envelope that will be used to fund capital projects based on ranking of certain criteria/ranking system. This will ensure that the capital funds are allocated to the capital projects with highest priority for the overall City as opposed to by department/division. This new Capital Budget Policy will also include recommendations from the Asset Management Coordinator, which was a new position that City Council approved during the 2017 Budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The first draft of the new Capital Budget Policy will be presented to the Executive Leadership Team (ELT) on June 21, 2018. Based on feedback from ELT, the Policy will be updated and presented to Council in early fall. Consistent with previous years, the consideration of a capital levy was provided in the 2018 Budget.

Observation 2

The current capital budgeting process employs capital envelopes to allocate funding to program areas and requires individual departments to prioritize their capital projects each year. While some departments, such as roads, employ sophisticated methodologies to prioritize capital projects, important projects are deferred every year as the envelopes are not sufficiently funded and an enterprise-wide approach is not used to prioritize these projects.

Partially
Implemented

Finance staff has identified the need to change the capital budget policy and is working towards the development of a new capital budget approach that would evaluate projects using common criteria that align with the City's corporate strategic plan and enterprise risk management program. Our review of best practice literature from the Association of Municipalities of Ontario and the Federation of Canadian Municipalities indicates that this change would be prudent as it would support a move to more financially sustainable infrastructure.

Recommendations:

Discontinue the capital envelope system in 2019 and adopt a funding model that is similar to the one shown at Attachment 1 which would allow funding to be directed to capital projects which align with strategic and operational plans, facilitate the delivery of core services, and address significant risks.

Original Management Response

Currently, each department has a different priority setting approach/criteria due to the unique nature of capital assets in their respective area. The existing Capital Budget Policy authorizes an amount to each department and then each department Management decides on the prioritization of required capital projects based on available capital funding.

Staff has identified that a change should be implemented with respect to the capital budget and envelope system. Staff is proceeding with updating the capital budget policy along with establishment of an appropriate criteria and ranking system to prioritize all capital projects with funding from the overall capital envelopes.

Meetings have been held during 2017 with each department (Growth and Infrastructure, Community Development, and Community Safety) that included Executive Leadership Team members, Directors and Managers to discuss and obtain their feedback for these principles along with possible criteria that should be considered to properly evaluate each capital project. As departments have unique nature of capital assets, additional criteria may relate to one section than another (ie. specific legislation).

As a result of staff's progress on changing the policy and capital envelope system, staff requested the Auditor General to provide his opinion of possible ranking criteria for us to consider. Staff prepared a preliminary listing of criteria along with possible system of ranking and this was provided to the Auditor General as part of his review. However, the criteria are a work in progress which has not been approved by the Executive Leadership Team until all

concerns are considered for respective capital projects (ie. health and safety, legislation, asset condition/beyond useful life, resident enjoyment, economic development, etc) from meetings with departments. Staff will work with the Auditor General on our process moving forward.

The overall goal is to have a new capital budget policy along with approved criteria with an appropriate ranking system for use in the 2019 Budget. Staff will continue to work and refine criteria to ensure each asset class evaluated properly relative to other asset classes to determine which is in the greatest need of rehabilitation. This will ensure that the City will properly assess and invest in the capital projects with the highest priority and importance for the overall City and its residents.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Staff have developed and vetted through the Business Leadership Group, a priority ranking tool for capital budgeting in an attempt to ensure that investments are made in capital assets that receive the highest priority rankings.

The priority ranking tool will be used for the 2019 Capital Budget.

Re: Performance Audit of Facilities Management

Audit Report released	May 2018
Original # of Observations	3
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	3
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 1

The Asset Management Plan (AMP) prepared in November 2016 pointed out that the City has ageing infrastructure with estimated replacement costs of \$7.2 billion including \$3.1 billion which is operating beyond or near the end of its useful life. According to KPMG, approximately 43% of the City's facilities are now either at or near the end of their useful lives and will require an investment of approximately \$325 million to replace within the next 10 years unless the City rationalizes its facilities and service levels or takes significant steps to extend their useful lives.

No Substantial Action Taken

The report entitled "Asset Management Strategy" that was presented to Council in October 2017 identifies the City's legislated requirement to prepare an asset management plan and sets out the steps that will be taken to prepare an asset management strategy. A draft enterprise asset management policy was also recently developed to address the risk of failure of the City's ageing infrastructure assets. Once staff obtain condition assessments for all City facilities, they can finalize the asset management strategy. Until the strategy is complete, however, the service level, cost and risk implications associated with the City's ageing facilities and other infrastructure will remain unclear.

Recommendations

To ensure the corporate strategic goal of sustainable infrastructure can be met, it is recommended that staff move forward expeditiously with the development of the asset management strategy and provide Council with annual updates on how the service levels, costs and risks associated with the City's ageing facilities and other infrastructure are being managed.

Original Management Response: Agreed

- Staff has advised Council that the City is moving forward with the production of comprehensive asset management plans that will have defined service levels, asset condition data and risk considerations.

- Staff has outlined the new legislative requirements and deadlines for asset management in a report to the Finance Committee on April 17, 2018. Included in this report is the City's completed Asset Management Policy. The deadline for completion of this policy is July 1, 2019. The City is well ahead of schedule.
- Staff will continue to work towards meeting and/or exceeding the legislated deadlines while ensuring Council is kept apprised of the status of this work and any implications resulting from it.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

In progress

Observation 2

While recent steps have been taken to improve the coordination of maintenance services within the Assets & Fleet Services Section of the Corporate Services Division, many of the responsibilities for maintaining the City's facilities continue to be dispersed between various operational departments. This service delivery model which includes both centralized and decentralized functions presents the following risks:

Partially
Implemented

- Lack of integration increases the risk of completing work that extends the life of individual building components past the residual life of the buildings/structures;
- Lack of expertise in managing facility maintenance requests initiated by operating departmental managers with authority over operating budgets; and
- Missed opportunities to build internal capacity and to achieve economies of scale for maintenance work that may currently be outsourced.

Recommendations

Consider establishing a matrix reporting relationship between operational department heads and the Director of Assets & Fleet to ensure that effective communication and coordination occurs for asset maintenance and management initiatives.

Original Management Response: Agreed

- Management has adopted an approach which will, over time, centralize the management of facilities in Corporate Services. Staff favour and have created a structure which has a single point of accountability for delivery of each city service, including those services such as facilities and fleet management with a business partnership approach within the operational departments. The risks you have identified will be minimized over time with an evolution to centralized facilities management which respects the continuity of services and operational realities.

- The Facilities Management section implemented a formal work management system in 2016, which has enabled the section to exploit scheduled preventative maintenance on facility assets thereby reducing reactive and often more costly repairs. The use of this work management system could be expanded to include other facilities across City of Greater Sudbury (C.G.S).
- In the past, Leisure Services staff has maintained libraries and museums in the City. In December of 2017, the Facilities Management section accepted responsibility for the maintenance of 3 libraries and 2 museums. This revision has allowed staff to further expand the use of internal skilled labour and expertise to prevent costly repairs and minimize downtime of facility assets. This expertise will also allow the City to benefit from lower costs over the long term as proper maintenance treatments are provided for in a timely manner.
- The Capital projects section currently assists Citizen and Leisure services in designing and delivering the facility portion of their capital program. The Capital projects section can add value and efficiency to other departmental facilities via the knowledge of buildings systems, and ensuring high quality work through a consistent approach.
- The Asset Management Coordinator that was authorized by Council for the 2017 budget will be assisting all departments in designing, developing and delivering on formal asset management plans that will assist in ensuring capital dollars are allocated to the highest priority projects identified in the capital budgeting process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

In progress

Observation 3

The Facilities Management section employs skilled tradespersons in electrical, plumbing and HVAC (heating, ventilation and air conditioning). These tradespersons have been utilized amongst the most sophisticated equipment that C.G.S. owns and operates. The attention to and familiarity with these systems has led to a reduction in overall cost of ownership and reduced downtime.

**No Substantial
Action Taken**

Notwithstanding the above achievements, our analysis indicated that the City spent almost \$1.4 million in 2017 compared to \$522K in 2016 on contractors that provide specialized facilities maintenance services including electrical, plumbing, millwright and HVAC services. With such a large increase in the annual volume of work being contracted out and so many facilities that will be approaching the end of their useful service lives in the next ten years, opportunities may exist to perform additional work in-house using skilled trades people.

Recommendation

Prepare a business case to examine the opportunity to create additional specialized facilities maintenance positions to reduce the City's reliance on contractors.

Original Management Response: Agreed

- The Assets and Fleet section will work with operating departments to convert contract services budgets and expenditures to internal skilled labour where possible. Business cases will be produced where and when it would be advantageous to the City.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

In progress

Re: Governance Audit of the Greater Sudbury Housing Corporation

Audit Report released	May 2018
Original # of Observations	6
# of Action Plans Previously Completed	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	6
Status as of May 31, 2018	On Schedule

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 1

The Shareholder Declaration & Operating Framework is dated and requires formal review and updating.

No Substantial Action Taken

Recommendation

The City should review and update the Shareholder Declaration & Operating Framework to ensure there is a shared understanding of the respective roles, responsibilities and authorities of the GSHC and the City. The position of General Manager, Economic Development and Planning Services should be revised to General Manager, Community Development.

Original Management Response: Agreed

CGS will look at best practices in the industry and make recommendations to the Community Services Committee on any proposed changes.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Observation 2

The City's orientation process for new and returning City Councillors does not provide sufficient content with regard to the role of the GSHC or sufficient context with respect to the role and obligations of Councillors participating on the GSHC Board.

No Substantial Action Taken

Recommendation

The City's Orientation processes for Councillors should be updated to increase the content related to the GSHC and to focus on the general role and obligations of Councillors when acting as Board members of the GSHC.

Original Management Response: Agreed

At a Corporate Strategic Planning session held in January 2018, discussion took place regarding the content of Councillor Orientation and areas for improvement. External Boards will be given additional consideration with respect to orientation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Observation 3

The GSHC's orientation process for new Board members does not provide sufficient context with respect to the duties and obligations of Councillors as Board members, in particular, the potential conflict between the interests of a Councillor as a representative of the City and as a member of the GSHC Board.

**No Substantial
Action Taken**

Recommendation

The GSHC's Board Orientation process should be updated to focus on the general role and obligations of Councillors when acting as Board members of the GSHC.

Original Management Response: Agreed

The GSHC accepts the findings and will work with City staff to implement the recommendations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Observation 4a

The monthly reporting package to the GSHC Board provides significant information but a formal, comprehensive Performance Management Framework – including specific Key Performance Indicators (KPI) – is not in place.

No Substantial
Action Taken

Recommendation

To improve their alignment the GSHC should consider developing a formal Performance Management Framework that incorporates Key Performance Indicators and use it when reporting to the Board.

Original Management Response: Agreed

The GSHC accepts the findings and will work with City staff to implement the recommendations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Observation 4b

Neither the City's oversight process nor the performance monitoring practice include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Operating Framework.

No Substantial
Action Taken

Recommendation

The performance monitoring practices of the Board should include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Service Agreement.

Original Management Response: Agreed

The City will review the alignment of the GSHC Strategic Plan as it relates to the CGS Strategic Plan and the Provincial Service Agreement.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Observation 5

The governance audit of the GSHC was performed to evaluate the effectiveness of the design of oversight structures and processes and was not intended to assess whether the oversight processes are operating as designed.

No Substantial
Action Taken

Recommendation

An operational review is recommended to be undertaken. This review would allow the City's Manager of Housing Services, in consultation with the General Manager of Community Development, to evaluate the effectiveness of the current oversight structure and processes and to recommend changes to better align the strategic objectives, initiatives and budgets of the GSHC with the City's objectives and plans.

Original Management Response: Agreed

The GSHC accepts the findings and will work with City staff to implement the recommendations.

The CGS has begun the procurement process of hiring a third party to complete an operational review of Greater Sudbury Housing Corporation. The operational review will assess the oversight processes, and evaluate the effectiveness of the current organizational structure and reporting relationship.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.