

V.2. Life Safety and Building Security Contracts

V.2. LIFE SAFETY AND BUILDING SECURITY CONTRACTS

1. INTRODUCTION

To ensure the protection of individuals, buildings and property inside the City's buildings, the various administrative units retain the services of municipal security guards or private security agencies.

The municipal security guards are grouped under the Division sécurité of the Service des immeubles et des systèmes d'information. One of this division's duties is to provide security-related consulting services, patrol services, guard services and central monitoring units to boroughs and corporate departments. Municipal security guards are responsible for providing guard services to the boroughs and corporate departments that made up the City of Montréal prior to the municipal amalgamations. They protect several buildings, including city hall, the water supply plants and the municipal court building located on Gosford Street.

As for private security agencies, they work under guard service contracts with boroughs and corporate departments. They address specific security needs in other buildings, including the headquarters of the Service de police, the wastewater treatment plant, points of service of municipal courts (with the exception of the municipal court located on Gosford Street) as well as some parks and libraries in certain boroughs.

The private security agencies are subject to the *Act Respecting Detective or Security Agencies*, its regulations and the *Decree Respecting Security Guards*. The Act and regulations provide, among other things, that security agencies and security guards must hold a valid permit that is granted only under certain specific conditions. Essentially, the Ministère de la Sécurité publique investigates all applicants and issues a permit to those who possess the required qualifications and meets the conditions prescribed by the regulations. As for the *Decree Respecting Security Guards*, it stipulates that the collective agreement entered into between the Association provinciale des agences de sécurité and the Union des agents de sécurité du Québec must apply to all guards. It also mandates, among other things, the minimum hourly rates and benefits that guards are entitled to.

Municipal contracts must be awarded pursuant to section 573 of the *Cities and Towns Act*. This section deals with the requirement to proceed by way of public tenders for contracts of \$100,000 or more and by way of written invitations to tender for contracts with a value between \$25,000

and \$100,000. It also sets out the rules concerning, in particular, the announcement of public tenders, bid submission deadlines and the opening of bids.

2. AUDIT SCOPE

The purpose of this audit was to ensure that contracts with private security agencies were awarded in compliance with the provisions referred to in section 573 of the *Cities and Towns Act*, that the required authorizations were obtained in due time and that the contractual terms have been respected.

Our audit was conducted in various corporate departments, including the Service de police de la Ville de Montréal (SPVM), the Service des affaires juridiques et de l'évaluation foncière (Direction des affaires pénales et criminelles) and the Service des immeubles et des systèmes d'information (Direction des immeubles). While most of our data collection was deliberately limited to 2008 and 2009, we occasionally had to include information from previous years to fulfil our mission.

3. FINDINGS, RECOMMENDATIONS AND ACTION PLANS

3.1. SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

The SPVM retains the services of a security agency for the surveillance of three buildings: its headquarters at 1441 Saint-Urbain Street, the 750 De Bonsecours Street building and the 2620 Saint-Joseph Boulevard East building.

Surveillance in these buildings ensures the safety of people and property, including the SPVM's computer equipment. Moreover, in the case of 750 De Bonsecours Street, the security guards are responsible for meeting and escorting detainees to Montréal's municipal court.

Guard contracts provide for security duties, some of which must be performed around the clock. In addition to access control and metal detection, these services may include escorting detainees, frisking visitors and acting as first responders in case of alarms related to the safety of people and buildings, e.g., fire alarms. These duties must be carried out by trained individuals, and therefore can only be entrusted to security guards or police officers. Given the existing salary of police officers, these tasks are generally assigned to security guards.

The 1441 Saint-Urbain Street and 750 De Bonsecours Street buildings are the SPVM's responsibility. Accordingly, their guard service costs are provided for in this department's operating budget. However, the 2620 Saint-Joseph Boulevard East building, which houses the SPVM's equipment and computer system, is under the responsibility of the Direction des systèmes d'information (DSI) that assumes the guard service costs for that building. Invoice verification is therefore divided between the SPVM for 1441 Saint-Urbain Street and 750 De Bonsecours Street, and the DSI for 2620 Saint-Joseph Boulevard East.

3.1.1. 2004 TO 2007 GUARD SERVICE CONTRACT AND ONE-YEAR EXTENSION

3.1.1.A. Background and Findings

On October 6th 2003, a call for tenders was issued for the renewal of the guard service contract pertaining to the surveillance of the SPVM buildings over a four-year term from January 1st 2004 to December 31st 2007. On October 23rd 2003, the received bids were opened. However, the executive committee only approved this public call for public tenders on November 12th 2003. Subsequently, the Direction de l'approvisionnement of the then Service des ressources matérielles et informatiques prepared a decision report for the purpose of awarding this guard service contract. On December 17th 2003, the City's executive committee awarded the contract for the surveillance of these buildings to Agency "A" for a period of four years (from 2004 to 2007). This contract was valued at \$2,323,219 plus taxes.

Our review of the documentation pertaining to the allocation of this guard service contract indicated that it was awarded to the lowest compliant bidder, as reported in the executive summary drafted by the Direction de l'approvisionnement.

Following the awarding of the contract, this agency carried out its security operations in the required buildings, but on August 16th 2006, it advised the Direction de l'approvisionnement that it had relinquished some of its assets and all of its guard service contracts to agency "B." This new agency was to keep the existing employees from Agency "A" on staff to provide the agreed-upon guard services in the three buildings. Agency "B" took over these guard services on September 3rd 2006.

On January 10th 2007, the executive committee of the City approved the transfer of the rights and obligations under the four-year contract signed with Agency "A" for the surveillance of buildings to Agency "B" until December 31st 2007. The resulting decision report included the recommendation of the director of the SPVM dated December 13th 2006, the decision summary prepared by the SPVM's Section gestion des immeubles as well as the input from the Direction

du contentieux of the Service des affaires corporatives (at the time). This department indicated that the transfer could be made by virtue of section 11 of the document entitled *Instructions au soumissionnaire et clauses générales d'appel d'offres*.

Section 11 mentions that the successful bidder cannot transfer its rights and duties under the contract without the prior written consent of the director. According to section 1 of these instructions, the term "director" refers to the director of the Service des ressources matérielles et informatiques of the City (in 2003, this department included the Direction de l'approvisionnement) or his/her representative.

FINDING

It should be noted that the only written document from a director regarding the transfer of the rights and obligations under the contract that we found was the recommendation from the director of the SPVM as part of the executive summary, which was dated December 13th 2006, more than three months after Agency "B" took over.

In addition, this contract stipulated that its duration could be extended by one year (for 2008) with the authorization of the successful bidder and the executive committee. In other words, this extension had to be approved by the executive committee. In the event that the City opted to extend this contract by one year, giving the original contract a term of five years, the bidder had indicated in its bid that it would increase its hourly rates by 2.75%.

On December 6th 2007, Agency "B" informed the Section gestion des immeubles of the SPVM that it would implement a 2.75% increase in its hourly rates beginning January 1st 2008 since it had not received any information as to the status of the contract. On February 19th 2008, the head of this section indicated to this agency that the contract extension was accepted. Thus, in 2008, Agency "B" continued its operations, and the proposed 2.75% increase in the hourly rates was applied.

FINDING

We did not find any executive summary supporting the approval of the contract extension from January 1st to December 31st 2008 by the executive committee.

This approval process should be revisited in light of the current legal framework of the City that provides for the existence of the agglomeration council since 2006.

The total guard services fees for the year 2008 were \$833,118 broken down as follows: \$667,846 for 1441 Saint-Urbain Street and 750 De Bonsecours Street, and \$165,272 for 2620 Saint-Joseph Boulevard East.

3.1.1.B. Recommendations

We recommend that the Direction de l'approvisionnement implement a mechanism to pre-authorize the transfer of the contractual rights and obligations of successful bidders as a way to clearly demonstrate its consent and ensure that these transfers comply with the initial contractual conditions.

We recommend that the Section gestion des immeubles of the SPVM prepare, in due time, an executive summary to help municipal authorities decide whether contract extensions under consideration should be approved.

3.1.1.C. Action Plan for the Business Unit Involved

- **DIRECTION DE L'APPROVISIONNEMENT**

[Translation] "As part of the ongoing initiative for the harmonization of call-for-tender documentation at the Direction de l'approvisionnement, some new provisions have been drafted to eliminate any ambiguities. Our recommendations are currently awaiting the endorsement of the Direction du contentieux. These provisions will be included in call-for-tender documentation following the approval of the Direction du contentieux." (Planned completion: June 2010)

- **SERVICE DE POLICE**

[Translation] "We will involve the Direction de l'approvisionnement in our decision-making process for contract extensions to ensure that all of the procurement parameters are carefully considered."

The Section gestion des immeubles will monitor contract expiry dates with an information system that will issue reminders nine months prior to their expiration. This will provide sufficient time for drafting GDD documents and obtaining any required input." (Planned completion: March 2010)

3.1.2. GUARD SERVICE CONTRACT RENEWAL

3.1.2.A. Background and Findings

When a contract due for renewal, steps must be taken in due time to allow for all of the contract awarding stages to be completed. This includes obtaining the required authorizations prior to the expiry date of the original contract.

FINDING

The option for extending the guard service contract pertaining to the SPVM buildings ended on December 31st 2008. However, the executive committee did not authorize the solicitation of bids until April 29th 2009 and the agglomeration council actually awarded the contract on September 24th 2009, more than nine months after the end of the contract extension option.

Here is the sequence of events that led to the awarding of this contract by the agglomeration council in September 2009:

- Authorization by the executive committee to solicit bids April 29th 2009
- Launch of the call for tenders May 11th 2009
- Opening of the bids..... May 27th 2009
- SPVM's decision summary July 23rd 2009
- Recommendation of the SPVM's director.....September 3rd 2009
- Recommendation of the executive committee September 16th 2009
- Decision of the city council September 21st 2009
- Awarding of the contract by the agglomeration council..... September 24th 2009

According to the people we interviewed at the Direction de l'approvisionnement and the Section gestion des immeubles of the SPVM, contract renewal discussions began in February 2008. **However, these individuals did not seem to agree on the unfolding of events thereafter. As a result, we could not precisely ascertain why the call for tenders was not launched earlier and the contract was not awarded before the end of December 2008. Moreover, the executive summary that was prepared to obtain the executive committee's authorization to solicit bids does not shed any light on this matter.**

FINDING

We found the wording of the subject of the executive summary and the agglomeration council's resolution for the awarding of this contract to be misleading as it referred to the awarding of a two-year contract valued approximately at \$1,751,990, including taxes. In reality, this amount included the costs of a one-year contract extension. The cost breakdown, including taxes, was \$1,169,557 for the two-year contract and \$582,433 for an optional year.

Our review of the minutes of the opening of bids indicated that the contract was in fact awarded to the lowest bidder.

Following the awarding of the contract by the agglomeration council, the procurement officer responsible for this file at the Direction de l'approvisionnement tried to arrange a meeting with the selected agency in order to plan the start of operations. During discussions that were held to schedule this meeting, the agency is said to have indicated (on October 29th 2009) that it could not abide by the conditions of its bid. However, it never formally advised the City about this. Following several attempts to obtain a written confirmation from the agency, the Direction de l'approvisionnement considered its failure to respond as a withdrawal and took the necessary steps to cancel the awarding of the contract to this bidder. It subsequently recommended awarding the contract to the second lowest compliant bidder for an amount of \$1,825,798, including taxes, for the two-year contract plus one optional year. As of February 2010, this executive summary was still awaiting its submission to the agglomeration council for approval.

Section 4 of the *Instructions au soumissionnaire et clauses générales d'appel d'offres* states that the City shall seize the bid guarantee when the bidder refuses to carry out the contracts or is unable to supply, within the allotted timeframe, the documentation or the information requested in the tender documents or by the director. This guarantee is used to pay the difference between the amount of the winning bid submitted by the lowest bidder and the amount of the contract that the City must sign with another supplier as well as any damages resulting from the bidder's withdrawal or the bid rejection, depending on the circumstances. The bid guarantee requested for this contract was equivalent to 2% of the bid value.

Meanwhile, Agency "B" agreed to continue providing guard services in the SPVM buildings until the new contract was awarded.

FINDING

This agency had agreed to provide interim services under the same conditions that prevailed in 2008. However, this was a verbal agreement without any official documentation.

Consequently, no executive summary was prepared for obtaining the approval of the executive committee, city council or agglomeration council. In 2009, the guard service costs for these buildings totalled \$926,987 (\$690,235 for 1441 Saint-Urbain Street, \$63,109 for 750 De Bonsecours Street and \$173,643 for 2620 Saint-Joseph Boulevard East).

Moreover, the lack of any written agreement prevented us from assessing the relevance of an hourly rate increase due to a change in the *Decree Respecting Security Guards*. On June 30th 2009, the hourly rates for security guards were increased by \$0.80. As a result, Agency “B” increased its hourly rate by \$1.12, which included the basic \$0.80 increase in the hourly rate of security guards, the costs of employee benefits as well as administrative and other fees. The SPVM and the DSI agreed to pay this rate increase.

In a nutshell, major expenses were incurred in 2009 for building guard services without any call for tenders being issued, without any written agreement clearly specifying the contract terms and payment conditions and without any authorization from the executive committee, city council or agglomeration council.

It should be noted that the rates submitted by the second-lowest compliant bidder for the 2009–2011 contract are, in some cases, lower than those currently being paid (as of December 31st 2009).

Table 1—Comparison between the 2009 Hourly Rates and Those of the Second Lowest Compliant Bidder

Buildings	Positions	Hourly rates paid		Hourly rates of the 2 nd lowest compliant bidder	
		2009-01-01 to 2009-06-30	2009-06-30 to 2009-12-31	Anticipated for 2010–2011	Anticipated for 2012
1441 Saint-Urbain Street and 750 De Bonsecours Street	Guard	\$20.57	\$21.69	\$20.26	\$20.68
	Officer	\$20.87	\$21.99	\$20.59	\$21.01
	Captain	\$26.93	\$28.05	\$27.04	\$27.46
2620 Saint-Joseph Boulevard East	Guard	\$17.52	\$18.64	\$20.26	\$20.68

FINDING

Our audit of the bid form (2009–2011) revealed that the number of hours allocated to the 1441 Saint-Urbain Street building for the two years of the contract totalled 36,992 hours, or 18,496 hours per year. Given that this building requires three security guards for the formation of the fire brigade as per municipal regulations, the number of hours to be allocated annually should have been 26,280. In short, there was an annual deficit of 7,784 hours in meeting the municipal requirements.

FINDING

Finally, we should mention that the individuals we interviewed at the Direction de l'approvisionnement and the SPVM had diverging opinions about their responsibilities in terms of initiating the bidding process and negotiating the 2009 agreement with the supplier.

In fact, according to the Direction de l'approvisionnement, this responsibility is incumbent upon the SPVM in its capacity as the requesting party, whereas the SPVM feels that it is the responsibility of the Direction de l'approvisionnement, given its expertise in this field. This situation clearly demonstrates that the administrators involved should be informed of their responsibilities as far as initiating calls for tenders and negotiating agreements.

3.1.2.B. Recommendations

We recommend that the Section gestion des immeubles of the SPVM properly reflect the contractual provisions in the wording of the subject of the executive summaries being prepared for the purpose of awarding contracts so that the municipal authorities have the correct information to make informed decisions.

We recommend that the Section gestion des immeubles of the SPVM, together with the Direction de l'approvisionnement, take the steps required to conclude a timely renewal of the guard service contract. This will ensure that it can be awarded before the end of the existing contract and that the selected bidder can begin its operations on the prescribed date.

Where, for exceptional reasons, the bidding process cannot be initiated in due time and special measures must be taken, we recommend that the Section gestion des immeubles of the SPVM take the necessary measures to reach a written agreement, specifying the contract execution and payment terms. This agreement should be the subject of an executive summary that explains the reasons for this situation with a view towards having it approved by the appropriate authorities.

We recommend that the Section gestion des immeubles of the SPVM, together with the Direction de l'approvisionnement, take the appropriate steps to collect, where applicable, the guarantee deposit provided for in the contract in order to minimize the costs associated with the withdrawal of the bidder.

We recommend that the Section gestion des immeubles of the SPVM review the impacts of underestimating the number of hours of guard services at 1441 Saint-Urbain Street on the awarding of the contract to ensure compliance with the regulations in force.

We recommend that the Section gestion des immeubles of the SPVM and the Direction de l'approvisionnement inform the administrators involved of their respective responsibilities with regard to the steps to be taken when issuing calls for tenders and negotiating agreements so as to ensure they will be undertaken in due time.

3.1.2.C. Action Plan for the Business Unit Involved

- 1) *[Translation] "The Section gestion des immeubles will ensure consistency in the drafting of all decision report documents. That obviously includes the wording of the subject. (Planned completion: March 2010)*
- 2) *We will establish a contract monitoring committee comprised of representatives from the Section gestion des immeubles of the SPVM and the Direction de l'approvisionnement. Among others, this committee will be responsible for planning the renewal of agreements, establishing implementation schedules and determining the roles and responsibilities of the various stakeholders. Moreover, under the present circumstances, we will initiate contract renewal steps in the nine months preceding the end of an agreement to achieve a smoother transition. (Planned completion: June 30th 2010)*

- 3) *The establishment of the contract monitoring committee will prevent the re-occurrence of this scenario.*

The Section gestion des immeubles will draft an agreement in accordance with the recommendations and guidelines of the Direction de l'approvisionnement in the event that special measures have to be initiated. (Planned completion: March 2010)

- 4) *The Section gestion des immeubles has already asked the Direction de l'approvisionnement to take the measures necessary for cashing the guarantee deposit stipulated in the contract. (Planned completion: February 2010)*

Steps to this effect have already been taken concerning the current contract. The Direction de l'approvisionnement is waiting for the official response from the surety company. Moreover, our current practices have been adapted in agreement with the Direction du contentieux in order to comply with recent jurisprudence. (Planned completion: May 2010)

- 5) *The Section gestion des immeubles has already assessed the actual hours anticipated for 1441 Saint-Urbain Street and has requested a provision in the unit's own budget to compensate for the undervaluation and ensure compliance with the regulations in force. (Planned completion: February 2010)*

- 6) *We will establish a contract monitoring committee comprised of representatives from the Section gestion des immeubles of the SPVM and the Direction de l'approvisionnement. Among others, this committee will be responsible for planning the renewal of agreements, establishing implementation schedules and determining the roles and responsibilities of the various stakeholders. Moreover, under the present circumstances, we will initiate contract renewal steps in the nine months preceding the end of an agreement to achieve a smoother transition." (Planned completion: June 30th 2010)*

3.1.3. BACKGROUND INVESTIGATIONS

3.1.3.A. Background and Findings

In order to become security guards, individuals must possess a security guard permit issued by the Ministère de la Sécurité publique. In this regard, they must complete a form and send it to that ministry who will perform an investigation to determine whether the applicants possess the

required qualifications and meet the conditions prescribed by the regulations. The guard permit is valid for one year or less (depending on the regulations) and must be renewed.

Even though the Ministère de la Sécurité publique conducts an investigation, the SPVM feels it must conduct its own investigation based on the information in its possession. Consequently, one of the special clauses in the call for tenders for the surveillance of the SPVM buildings stipulates that, for any contract over 12 months in duration, active employees of the successful bidder will be investigated every 12 months from the anniversary date of their previous background investigation and that the successful bidder must hire the staff already assigned to these buildings as long as they possess the required qualifications to perform the work described in the specifications. In our opinion, it is definitely important that investigations be conducted whenever security guards are assigned to the SPVM buildings and that these investigations be conducted at regular intervals to ensure that nothing has changed in the situation of these guards and that they still meet all of the criteria established by the SPVM.

We have conducted several audits to ensure that the required background investigations were actually carried out as planned in regard to the security guards employed in January 2010 in the SPVM buildings. **These audits revealed that a background investigation had been carried out for each of these guards and for the agency's administrator.** These investigations were conducted from 2003 to 2009 (two investigations in 2003, ten in 2004, three in 2005, one in 2006, one in 2007, two in 2008 and four in 2009). A file was prepared for each security guard, including information needed to determine his/her reliability, and a letter was sent to the person who requested the investigation indicating that the individual was recommended. We should mention that the investigation form provides for the verification of completed forms by a third party.

FINDING

In the majority of the cases we examined, this third-party verification was not performed. In our opinion, this verification is particularly important since the elements of the investigation can be subject to interpretation. It should be noted that, at the present time, there are no guidelines on conducting background investigations.

Among others, these guidelines could explain the steps to take and the required authorizations to obtain, depending on whether it is an initial investigation or an annual investigation review.

The individuals who passed the background investigation receive an access card providing access rights to one or several buildings and their name is recorded on a list along with an

investigation review date set for one year later. Approximately two months prior to this date, the Section des normes professionnelles of the SPVM sends the list of people for whom a background investigation has been requested to the Section gestion des immeubles of the SPVM to determine whether they can maintain their current building access rights.

FINDING

If the answer is yes, the review date is deferred to the following year without any background investigation being conducted despite specific provisions to this effect in the call for tenders.

3.1.3.B. Recommendations

We recommend that the Section des normes professionnelles of the SPVM develop guidelines for investigating suppliers. These guidelines should explain the steps that need to be taken and the authorizations to be obtained, depending on whether it is an initial investigation or an investigation review.

We recommend that the Section gestion des immeubles of the SPVM request background investigations to be conducted as scheduled (every 12 months) on the employees of the security agency assigned to guard duties at the SPVM buildings as stipulated in the specific provisions of the call for tenders. This will ensure that employees and administrators meet the predetermined security criteria.

We recommend that the Section des normes professionnelles of the SPVM have all completed background investigation forms reviewed by a third party to ensure that all pertinent elements have been considered and that the investigation findings are accurate.

3.1.3.C. Action Plan for the Business Unit Involved

- 1) *[Translation] "Further explanations will be provided through the wording of the specifications and the call-for-tender documentation. Ensuing changes to the requirements will be communicated to the contract monitoring committee as well as the Direction de l'approvisionnement."*

The Service des normes professionnelles et des affaires internes of the SPVM will draft a procedure with regard to our suppliers' background investigations under Procedure Number 419-14. (Planned completion: September 2010)

- 2) *Further explanations will be provided through the wording of the specifications and the call-for-tender documentation. Ensuing changes to the requirements will be communicated to the contract monitoring committee as well as the Direction de l'approvisionnement.*

The Section gestion des immeubles will have to change certain provisions in the calls for tenders:

- *remove the stipulated 12-month frequency for background investigations of security agency personnel. Such investigations will be carried out at the time of hiring or when we are informed of any allegation concerning an employee or an administrator;*
- *note that a security agent permit is renewable every year, and criminal records are checked prior to such a permit being issued by the Sûreté du Québec;*
- *add a special provision in the calls for tenders requiring the administrator and majority shareholder of the company to undergo a background investigation and to advise the SPVM (Section gestion des immeubles) of any change in the management of the said company (sale, new partner or partners) as these new managers will also be subject to a background investigation. (Planned completion: September 2010)*

- 3) *Further explanations will be provided through the wording of the specifications and the call-for-tender documentation. Ensuing changes to the requirements will be communicated to the contract monitoring committee as well as the Direction de l'approvisionnement.*

The organization of background investigations will be changed by appointing a supervisor to the review of each background investigation file." (Planned completion: June 2010)

3.1.4. SECURITY BRIGADE

3.1.4.A. Background and Findings

Invoices are authorized by the Section gestion des immeubles of the SPVM for the 1441 Saint-Urbain Street and 750 De Bonsecours Street buildings, and by the DSI for the 2620 Saint-Joseph Boulevard East building.

The accounts payable clerks must ensure that the hours billed correspond to the hours actually worked. They must also ascertain that the number of hours and the hourly rates match those set out in the contract.

The security agency prepares a weekly invoice for the hours worked by its staff during the week. This invoice is accompanied by a time sheet showing the names of the employees as well as the hours worked and the total of these hours for each day of the week. This time sheet is signed by an authorized agency representative. The invoice and the time sheet are sent by e-mail to the Section gestion des immeubles of the SPVM or to the DSI, as the case may be, for approval. Once approved, they are sent to the Service des finances for payment.

The contract stipulated that the hourly rates were to remain the same as those indicated in the bid for the years 2004 to 2007, and that they would be raised by 2.75% in 2008. For 2009, according to the information and documentation we consulted, Agency “B” agreed to continue its operations under the same terms as 2008. However, we found no written agreement to this effect. Consequently, we were unable to determine whether the negotiated conditions included the increases set out in the *Decree Respecting Security Guards*.

The table below outlines the number of hours and rates indicated in the bid of the agency that won the contract for 2004 to 2007:

Table 2—Number of Hours and Rates Indicated in the Winning Bid

Buildings	Positions	Number of hours per week	Hourly rates
1441 Saint-Urbain Street	Guard	268	\$16.65
	Sergeant	128	\$16.90
	Captain	40	\$21.90
750 De Bonsecours Street	Guard	50	\$16.65
2620 Saint-Joseph Boulevard East	Guard	168	\$16.65

It should be noted that for 1441 Saint-Urbain Street, the number of hours per week for security guards was changed in 2006. Indeed, a notice of non-compliance issued by the Service de sécurité incendie on May 11th 2006 indicated that there had to be three security guards at all times for compliance with the regulations regarding the formation of a fire brigade. This situation entailed supplementary costs under the guard service contract for this building as there were only two guards assigned to certain shifts. The rationale for requiring an additional security guard was to eliminate the need to evacuate the building immediately following an alarm. Essentially, the presence of a fire brigade allows for the validation of every alarm through the dispatch of two

guards to the location of the alarm to determine whether an immediate building evacuation must be ordered.

FINDING

At that time, the cost of adding one extra guard was determined to be \$108,800 per year. This sum represented approximately 18.7% of the annual budget set out in the contract. Following the addition of one person, the number of hours billed increased in September 2006 from approximately 268 hours per week to approximately 360 hours per week. Our audit revealed that no executive summary was drafted in regard to this change for approval by the executive committee.

3.1.4.B. Recommendations

We recommend that the Section gestion des immeubles of the SPVM obtain approval for significant cost increases that arise during the term of a contract. The intent is to obtain the required authorization and to allow for better monitoring of the expenses related to the contract execution.

3.1.4.C. Action Plan for the Business Unit Involved

[Translation] "The Section gestion des immeubles will ensure that any change with respect to cost that may occur during the course of the contract is submitted to the appropriate authorities for approval.

Following a major change or when a new contract is awarded with the approval of municipal authorities, the Direction de l'approvisionnement will draft an agreement promptly to keep track of the SPVM's commitments in relation to this contract." (Planned completion: March 2010)

3.1.5. HOURLY RATE

3.1.5.A. Background and Findings

The special provisions in the call for tenders for the contract awarded in December 2003 stated, in section 1.1, that the prices listed in the bid were to be firm for the entire duration of the four-year contract (from 2004 to 2007). As for section 1.2.1, it provided for an optional clause for bidders to indicate their percentage of increase of the hourly rates in the event that the City opted to extend the contract by one year (2008). For this fifth optional year, the winning bidder proposed an increase of 2.75%.

FINDING

Under section 1.4, potential bidders had to consider the fact that the quoted prices were firm for the entire duration of the four-year contract, regardless of increases brought on by the *Decree Respecting Security Guards*. However, our audit revealed that the hourly rates billed exceeded those indicated in the contract.

To ascertain the hourly rates that were set out in the bid and those that were billed, we reviewed the bid from the agency that obtained the contract for the years 2004 to 2007 as well as its invoices and those sent by the agency that took over the contract.

In the following tables, we have recorded the hourly rates indicated in the bid from the winning agency as well as the hourly rates cited on its invoices and those from the agency that took over the contract beginning in September 2006.

Table 3—Hourly Rates Billed for the 1441 Saint-Urbain Street and 750 De Bonsecours Street Buildings

Positions	Hourly rates indicated in the 2003 bid	Hourly rates indicated on the invoices					
		2004	2005 ¹	2006-03-01 15% ²	2007-07-01 \$0.40 ³	2008-01-01 2.75% ⁴	2009-06-30 \$1.12 ⁵
Guard	\$16.65	\$16.65	\$17.06	\$19.62	\$20.02	\$20.57	\$21.69
Officer	\$16.90	\$16.90	\$17.31	\$19.91	\$20.31	\$20.87	\$21.99
Captain	\$21.90	\$21.90	\$22.44	\$25.81	\$26.21	\$26.93	\$28.05

Table 4—Hourly Rates Billed for the 2620 Saint-Joseph Boulevard East Building

Position	Hourly rate indicated in the bid	Hourly rates indicated on the invoices					
		2004	2005	2006	2007-07-01 \$0.40 ³	2008-01-01 2.75% ⁴	2009-06-30 \$1.12 ⁵
Guard	\$16.65	\$16.65	\$16.65	\$16.65	\$17.05	\$17.52	\$18.64

¹ In 2005, we observed an increase of \$0.41 in the rates for the guards and the officer and \$0.54 for the captain's rate. However, we were not able to obtain any justification for this increase.

² The March 13th 2006 invoice includes a note stating that a 15% hourly rate increase had been authorized as of March 1st 2006, following an agreement. According to the information we obtained, there was no written agreement to this effect and this increase was granted following discussions between representatives of the Section gestion des immeubles of the SPVM and the Direction de l'approvisionnement at the time.

³ The September 20th 2007 invoice includes a note stating that, for the period beginning July 1st, there is an adjustment reflecting the increase in the Decree of July 1st 2007.

⁴ The contract stated that there would be an increase of 2.75% in the rates for the optional year.

⁵ A letter from the agency providing services, dated July 9th 2009, reports an increase of \$1.12 in the hourly rate in view of the changes to the *Decree Respecting Security Guards* that came into effect on June 30th 2009.

Following our examination of the invoices from 2004 to 2008, we noticed that the hourly rates varied for the three buildings, even though the contract applied to all of these three buildings.

For the 1441 Saint-Urbain Street and 750 De Bonsecours Street buildings, with the exception of the 2.75% adjustment in hourly rates, the preceding increases were granted even though the contractual provisions stated that the quoted prices were firm. According to the information we obtained, it appears that the administrators at the time were unaware that the increases resulting from the decree were included in the price of the contract and that they did not have to grant an increase of 15% in the hourly rates. Moreover, we found correspondence (dated November 5th 2007) from the Direction de l'approvisionnement to the Section gestion des immeubles of the SPVM about the adjustment in the hourly rates following the modification of the Decree that occurred in July 2007. Essentially, this document indicated that there was no problem in paying the invoices that included an increase in hourly rates.

With respect to the 2620 Saint-Joseph Boulevard East building, only one increase was made to the hourly rate, that being the one following the July 2007 amendment to the *Decree Respecting Security Guards*. However, as in the case of the other SPVM buildings, the contract prices were firm and that increase should not have been granted.

As for the 2009 increase of \$1.12 in the hourly rate, we are unable to ascertain its relevance given the lack of any written agreement on the contract execution terms.

A major portion of the increases in hourly rates was granted before September 2006, the time when the contract was transferred from Agency "A" to Agency "B". The executive committee approved this transfer in January 2007 based on the executive summary prepared by the Section gestion des immeubles of the SPVM. This summary included a statement from the Direction de l'approvisionnement indicating, among other things, that Agency "B" would abide by the terms of the contract, as well as the same hourly rates agreed upon with Agency "A". The Direction de l'approvisionnement attached to its statement a note from Agency "B" stating that Agency "B" would comply with the terms of the contract and the current hourly rates (referring in this case to the July 2006 invoices from Agency "A").

FINDING

This statement and the executive summary did not include any clear acknowledgement that the hourly rates in the July 2006 invoices had already been increased in comparison with the hourly rates indicated in the original contract. Essentially, the executive committee had no way of knowing that the hourly rates had been increased.

When considering the additional disbursements made with regard to the contract awarded in November 2003 by the executive committee for the period from January 1st 2004 to December 31st 2008, and those made during the course of 2009 (without taking into consideration the increase of the Decree of June 30th 2009), we estimate that the additional fees for the security guard services from 2004 to 2009 amounts to \$665,000, as detailed below:

- \$656,100 for 1441 Saint-Urbain Street and 750 De Bonsecours Street buildings.
Of this sum, an amount of \$332,200 is attributable to the changes in the hourly rates in 2005, 2006 and 2007, whereas the remaining \$322,900 is attributable to the formation of the security brigade as of September 3rd 2006.
- \$8,900 for the 2620 Saint-Joseph Boulevard East building.
This amount results from the increase in hourly rates in 2007.

FINDING

We observed that no one at Section gestion des immeubles verified the accuracy of the hours billed by the security guards.

In fact, all of the security guard time sheets are authorized by an officer of the agency executing the contract and it is assumed that they are accurate. We decided to perform a random check of the arrival and departure times of employees working in buildings equipped with a key card access system that records the time they use their card to enter and leave the building. Our review revealed that the hours indicated on the time sheets were accurate.

3.1.5.B. Recommendations

We recommend that the Section gestion des immeubles of the SPVM, together with the Direction de l'approvisionnement, indicate in executive summaries all of the key elements that could impact the cost of contracts so that municipal authorities can make informed decisions while considering all of the relevant factors.

We recommend that the Section gestion des immeubles of the SPVM and the Direction des systèmes information determine the exact costs brought about by the increases in hourly rates not stipulated in the contract and examine the possibility of recovering these costs, thereby ensuring that only the amounts stated in the contract are paid.

We recommend that the Section gestion des immeubles of the SPVM and the Direction des systèmes d'information verify that the hourly rates invoiced correspond with the established hourly rates. It should also perform random checks to verify that the arrival and departure hours of the security guards are consistent with the established schedules and accurate.

3.1.5.C. Action Plan for the Business Unit Involved

1) [Translation] "The awarding of the new contract will be based on the tender price for the duration of the contract. Call for tenders 09-10995 does not allow for changes in price, since prices are firm for the first two years of the contract. Should the Section gestion des immeubles of the SPVM wish to avail itself of the option for the third year as set out in the call for tenders, the costs for that year are already known since they have been stipulated in the bid schedule. We must also be clear and plan for the variations stipulated in the Decree, as well as the overlap in agreements when issuing calls for tenders." **(Planned completion: June 30th 2010)**

2a) SERVICE DE POLICE

[Translation] "The SPVM will meet with the Service des affaires juridiques et de l'évaluation foncière of the City of Montréal to examine the possibility and pertinence of taking steps for recovering the amounts (\$0.40 per hour) from Agency "B" for the period beginning July 1st 2007 and terminating at the end of the contract on December 31st 2008." **(Planned completion: June 30, 2010)**

2b) DIRECTION DES SYSTÈMES D'INFORMATION

- [Translation] "We will collect all of the invoices issued during the period from July 2007 to 2009 to compile the number of hours affected by the application of the increase in the Decree, which represents \$0.40 per hour;
- We will calculate the repercussions of this rate increase on the 2008 and 2009 payments;
- Given that the portion to be recovered by the DSI from the supplier represents only about 1.3% of the total amount, evaluated at \$665,000 in this report, we will send all of

the information to the Section gestion des immeubles of the SPVM so that the collection file can be presented in its entirety to the supplier.” (Planned completion: April 15th 2010)

3a) SERVICE DE POLICE

[Translation] “The Section gestion des immeubles will attach a copy of the hourly rates set out in the agreement to the file so that the administrative assistant in charge of paying invoices ensures that the invoiced rates correspond to the agreement. Moreover, we will draft an internal procedure for sampling the hours invoiced on a sporadic basis and the actual hours agency employees were on site as recorded by the access control system. (Planned completions: March and September 2010)

Verification of the hourly rates invoiced: As part of the budget tracking exercise on August 31st of each year and in the results analysis on December 31st of each year, the Division de la planification, suivi budgétaire et approvisionnement will study all the acknowledgements of receipt issued by the Section gestion des immeubles of the SPVM for services rendered and will verify the hourly rates noted on the acknowledgement of receipt to ensure that the rates were those authorized by municipal authorities.” (Planned completion: May 2010)

3b) DIRECTION DES SYSTÈMES D’INFORMATION

[Translation] “Given the current situation described in this report in respect to the contract extension and the awarding of the next contract, the DSI ought to inquire, through written confirmation from the holder of the file, about the rate currently in effect before paying the invoices received up to now in 2010.” (Planned completion: April 15th 2010)

3.2. SERVICE DES AFFAIRES JURIDIQUES ET DE L’ÉVALUATION FONCIÈRE

As part of its daily operations, the municipal court must ensure the security of judges during hearings, the administrative staff and the clientele that frequent its establishments, as well as the buildings and property under its responsibility. Currently, the security of the municipal court located at 775 Gosford Street (main courthouse) is provided by municipal security guards and the security at other points of service is provided by private agencies whose services are retained by the City.

Therefore, a master agreement was concluded to supply, upon request, the services of security guards at four of the municipal court’s points of service, excluding the main courthouse.

The Direction de l'approvisionnement of the Service des affaires corporatives (at the time) prepared the executive summary for the purpose of awarding this guard service contract. On October 28th 2008, the agglomeration council authorized the conclusion of a master agreement ending on October 31st 2012, for the supply, upon request, of the services of security guards in the municipal court's points of service, excluding the main courthouse. This contract was awarded for an amount of \$1,687,929, taxes included.

Our review of the documentation pertaining to the allocation of this guard service contract allowed us to observe that a call for public tenders was made and that the contract was awarded to the lowest compliant bidder. Moreover, the executive summary prepared by the Direction de l'approvisionnement testifies to this.

3.2.1. GUARD SERVICE CONTRACTS FROM 2008 TO 2012

3.2.1.A. Background and Findings

The accounts payable clerks must ensure that the hours billed correspond to the hours actually worked. They must also ascertain that the number of hours and the hourly rates match those set out in the contract.

The security agency prepares a weekly invoice for the hours worked by its staff during the week. This invoice is accompanied by a time sheet on which the names of the employees, the hours worked and the total of these hours are recorded. This time sheet and the invoice are forwarded to the Service des affaires juridiques et de l'évaluation foncière, which verifies the accuracy of the hours worked and the rates billed. Finally, the invoices are approved by this department and sent to the Service des finances for payment.

Our audit revealed that the number of hours indicated on the time sheets corresponded to the number of hours billed.

Section 11 of the special provisions of the call for tenders provides for an adjustment in hourly rates. In fact, section 11.2 states that *[Translation] "any variation in the hourly rate, change in the decree or change ordered (as an increase or decrease) by the provincial or federal government, as well as under certain contractual provisions of the City, will directly affect by the same percentage the hourly rates submitted by the successful bidder."* Section 11.3 also mentions that the percentage for administrative fees and profit shall remain the same for the duration of the contract.

At the beginning of the contract, the agency billed at the hourly rate set out in its bid. Afterwards, in June 2009, the hourly rates were changed subsequent to a new *Decree Respecting Security Guards* and the agency changed its hourly rates accordingly. The Service des affaires juridiques et de l'évaluation foncière made sure that this change properly corresponded to the percentage increase set out in the Decree and approved the payment. **We examined the calculations carried out by this department and we observed that they did in fact correspond to the percentage increase set out in the Decree.**

FINDING

In our opinion, the wording of section 11.2 is ambiguous. It mentions that the variation in the hourly rate can be affected by three elements: changes to the Decree, changes ordered by the provincial or federal government and certain contractual provisions by the City. However, there is no indication as to whether these changes are cumulative or if one of these elements must be prioritized.

The Service des immeubles et des systèmes d'information, which also awards a contract to a security agency and whose specifications include a comparable section (section 4), dealt with the adjustments to the hourly rate in a different manner. For the agency's security officers, it considered the salary increases granted by the City to its managerial personnel. For a comparable section dealing with adjustments to the hourly rate, one department took the *Decree Respecting Security Guards* into account whereas another took salary increases granted by the City into consideration. Thus, the wording of this section should be clarified to allow administrators to apply the provisions set out in this respect in a uniform manner.

3.2.1.B. Recommendations

We recommend that the Direction de l'approvisionnement, in conjunction with the administrative unit involved, clarify the wording of the section dealing with the adjustment to the hourly rate of security guards to avoid any misinterpretation and promote its consistent application.

3.2.1.C. Action Plan for the Business Unit Involved

[Translation] "We will specify the interpretation of the rate adjustment provisions in current contracts with the departments concerned."

To avoid any ambiguity and eliminate the need to interpret price adjustment provisions, these contracts will be renewed on the basis of a fixed term and the firm prices indicated on the bid schedule.” (Planned completion: May 2010)

3.3. SERVICE DES IMMEUBLES ET DES SYSTÈMES D’INFORMATION

Security guard duties on the territory of the former City of Montréal are currently performed by unionized blue-collar employees from the Division sécurité. As part of its daily operations, this division must occasionally resort to a private agency when its staff is unable to meet the demand or during exceptional circumstances, such as a labour dispute. This contract allows the Division de sécurité to take all the necessary steps to ensure the safety of people, buildings and property under its responsibility.

The Service de la mise en valeur du territoire et du patrimoine prepared an executive summary for the purpose of awarding a guard service contract to meet its needs and those of boroughs who may request the services of security guards.

On October 25th 2007, the agglomeration council authorized a five-year master agreement ending on October 31st 2012 with respect to supplying on-demand security guard services. It also authorized to grant the contract to the bidder with the highest final score for a maximum amount of \$1,084,217, taxes included.

Our examination of the documentation surrounding the awarding of the guard service contract revealed that an evaluation grid was developed for the purpose of awarding this contract and that it had been approved by the executive committee when the call for tenders was issued in July 2007. Moreover, a selection committee was appointed and completed the established evaluation grid. Our audit of the evaluation grid summary revealed that the contract had been awarded to the bidder who obtained the highest score.

3.3.1. GUARD SERVICE CONTRACT FROM 2007 TO 2012

3.3.1.A. Background and Findings

The accounts payable clerks must ensure that the hours billed correspond to the hours actually worked. They must also ascertain that the number of hours and the hourly rates match those set out in the contract.

The security agency prepares a weekly invoice for the hours worked by its staff during the week. This invoice is accompanied by a time sheet on which employee names, hours worked, the total number of these hours and the signature of an authorized agency representative are recorded. The invoice and the time sheet are sent to an authorized representative from the Division sécurité, who verifies the accuracy of the hours and the hourly rates indicated and approves the invoices. These documents are then sent to the Service des finances for payment.

Our audit revealed that the number of hours indicated on the time sheets corresponded to the number of hours billed.

Section 4 of the specifications of the call for tenders provides for an adjustment of the hourly rates comparable to that in section 11 of the special provisions of the call for tenders for the contract of the Service des affaires juridiques et de l'évaluation foncière. At the beginning of the contract, the agency billed the hourly rate indicated in its bid. Afterwards, at the beginning of 2008 and 2009, the Division sécurité adjusted the hourly rate of the security agency officers to take into account salary increases granted to managerial personnel.

FINDING

We observed that the Service des affaires juridiques et de l'évaluation foncière modified the hourly rates on the basis of the new Decree instead. The wording of the section dealing with the adjustment of hourly rates should be clarified to allow administrators to apply these provisions in a uniform manner.

3.3.1.B. Recommendations

We recommend that the Direction de l'approvisionnement, together with the administrative unit involved, clarify the wording of the section dealing with the adjustment of security officers' hourly rates to avoid any misinterpretation and promote its consistent application.

3.3.1.C. Action Plan for the Business Unit Involved

[Translation] "We will specify the interpretation of the rate adjustment provisions in the current contracts with the departments concerned." (Planned completion: May 2010)