



4.1.

BUSINESS INTERUNIT SERVICES

JANUARY 8, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Ensure that best management practices are in place to ensure that internal services meet requester quality, timeline and cost expectations.

RESULTS

In addition to these results, we have formulated various recommendations for business units.

The details of these recommendations and our conclusion are outlined in our audit report, presented in the following pages.

Note that the business units have had the opportunity to formulate their comments, which appear after the audit report recommendations.

The *Charter of Ville de Montréal* allows a business unit to provide interunit services on behalf of one or more other units, usually for economic or technical reasons. Based on our work, we believe that improvements should be made in the following key areas:

- Service providers generally do not have formal agreements with requesting business units regarding service delivery arrangements;
- Interunit services have not been approved by the authorities under sections 85 and 85.1 of the *Charter of Ville de Montréal*;
- Criteria supporting the allocation of the “interunit charges” budget for services provided are not documented and kept up to date;
- Procedures governing the sharing of budget variances arising from the activities targeted by internal services and their approval are not specified in existing administrative frameworks;
- There is no standard request form per activity to frame requesters’ statement of needs for maintenance services for lighting, signage and pavement marking in the Rosemont-La Petite-Patrie borough;
- Service providers do not produce a service delivery report (quantities and costs) for requesting business units to enable them to compare the value of services received with the “interunit charges” they incur;
- For one-time services, the current internal billing procedure is not stringently applied;
- A process for polling requesting business units and mechanisms to assess overall results have not been implemented to measure customer satisfaction;
- A cost-benefit study concerning services provided for lighting, signage and pavement marking maintenance as well as technical and logistics support services for facilities (Entrepôt Chauveau) was not completed, with a view to extending services to other boroughs.

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LIST OF ACRONYMS

DRF

delivery request form

GDC-GDT

Gestion des demandes clients-Gestion des demandes de travail

SGPI

Service de la gestion et de la planification des immeubles

SMRA

Service du matériel roulant et des ateliers

1. BACKGROUND

To complete the activities for which they are responsible, the central departments and boroughs of the Ville de Montréal (the City) sometimes require services from other City business units. The use of internal services is supported by an expert report from a business unit and the resources at its disposal. In this business relationship, there is a service requester (hereinafter the “requester”) and a service provider. From a legal standpoint, the concept of services rendered between two business units is provided for in the *Charter of Ville de Montréal*¹. Given that a business unit reports to either city council or a borough council, sections 85 and 85.1 stipulate the following:

The city council may, subject to the conditions it determines, provide a borough council with a service related to a jurisdiction of the borough council... (Sec 85)

A borough council may, subject to the conditions it determines, provide the city council with a service related to a jurisdiction of the city council... (Sec 85)

A borough council may, on the conditions it determines, provide to the council of another borough any service related to one of its jurisdictions.... (Sec 85.1)

From an accounting standpoint, there are two modes of accounting for interunit services. First, internal services can be accounted for through “interunit charges” and internal billing. The concept of “interunit charges” is intended to allocate the cost of services provided by a business unit between each beneficiary unit. Moreover, during preparation of the annual budget, the Service des finances issues instructions stating that a budget must be reflected in the accounting records of each unit benefiting from planned services. Service providers are responsible for establishing the amounts on which they and the other beneficiaries agree. During the exercise, a real expense representing 1/12 of the budget is agreed upon and charged to requesters monthly.

Internal billing is for transactions that have not been included in an “interunit charges” budget because the need arises during the fiscal year. The Service des finances developed a billing procedure for this type of internal transaction in November 2011, which has been in effect since January 2012.

As shown in Table 1, internal services for which an expense was recorded in the accounts of requesting business units totalled \$127.6 million in 2016 and \$91.7 million in 2017.

¹ *Chapter C-11.4 Charter of Ville de Montréal, metropolis of Québec.*

**TABLE 1 – INTERUNIT BUSINESS TRANSACTIONS RECORDED
(FOR THE YEARS 2016 AND 2017)**

TYPE OF TRANSACTIONS ^[A]	2016	2017
Office and vehicle rentals (leases)	\$35.9 million	\$39.6 million
Underground conduit rental fees – Commission des services électriques (under the <i>Charter of Ville de Montréal</i>)	\$8.8 million	\$9.4 million
Cost recovery and claims	\$9.6 million	\$9.6 million
Technical services and miscellaneous work ^[B]	\$50.2 million	\$9.3 million
“Interunit charges”	\$23.1 million	\$23.8 million
TOTAL INTERUNIT BUSINESS TRANSACTIONS RECORDED	\$127.6 MILLION	\$91.7 MILLION

^[A] The total amount excludes internal billing attributable to investment projects.

^[B] The difference is mainly due to the fact that services provided by the Service du matériel roulant et des ateliers have not been billed to business units since 2017.

Source: Data extracted from the Système Intégré Montréal (SIMON) and service providers.

Technical services and miscellaneous work as well as “interunit charges” refer more specifically to service delivery. They primarily include services provided by:

- Service du matériel roulant et des ateliers (SMRA);
- Rosemont–La Petite-Patrie borough for lighting, signage and pavement marking;
- Mercier–Hochelaga-Maisonneuve borough for technical and logistics support services for facilities (Entrepôt Chauveau) and for managing regional sports organizations’ partnership agreements;
- Service de la gestion et de la planification des immeubles (SGPI) for building development, maintenance, guard service and security.

Finally, regardless of the preferred accounting method for internal service delivery, requesters are entitled to receive quality services, at the agreed time and price. This Service à la clientèle guideline is very important, because customer experience has been of the city manager’s the top priorities for the last few years.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on interunit business services. We performed this mission in accordance with the Canadian Standard on Assurance Engagement (CSAE) 3001 described in the CPA Canada Handbook – Assurance, and other Canadian public sector certification standards issued by the CPA Canada Auditing and Assurance Standards Board.

The purpose of this audit was to ensure that best management practices are in place to provide internal services that meet requester quality, timeline and cost expectations.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion regarding the objectives of the audit. To do so, we collected a sufficient amount of relevant evidence on which to base our conclusion and to obtain a reasonable level of assurance. Our assessment is based on criteria we have deemed valid for the purposes of this audit. They are presented in Appendix 5.1.

The Auditor General of the Ville de Montréal applies the *Canadian Standard on Quality Control (CSQC) 1* of the CPA Canada Handbook – Assurance and, consequently, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with ethical guidelines, professional standards and applicable legal and regulatory requirements. The Auditor General also complies with regulations on independence and other ethical guidelines of the *Code of Ethics of Chartered Professional Accountants*, which is governed by fundamental principles of integrity, professional competence, diligence, confidentiality and professional conduct.

Our audit work focused on internal services provided in 2016 and the first nine months of 2017. Among all services rendered between business units, we specifically examined technical and logistics support services for facilities (Entrepôt Chauveau) provided by the Mercier–Hochelaga–Maisonnette borough and lighting, signage and pavement marking maintenance services delivered by the Rosemont–la Petite-Patrie borough. It should be noted that our audit work excludes management of partnership agreements with regional sports organizations. For some aspects, data prior to these years were also considered. Most of our audit work was performed between October 2017 and January 2018, but we also considered information sent to us until January 2019.

It is important to note that between completion of our audit work and publication of this report, the City reorganized some City departments. Given that our findings are limited to the period preceding this reorganization, the names of departments at that time are used in this report. Table 2 shows the concordance between old and new departments involved in this audit. The other departments, divisions or divisions targeted by this audit, but not mentioned in this Table, were not reorganized as at January 1, 2019.

TABLE 2 – EQUIVALENT DEPARTMENTS IN THE 2018 ORGANIZATION AND THE 2019 ORGANIZATION

2018 ORGANIZATION	2019 ORGANIZATION
Service des communications	Service de l'expérience citoyenne et des communications
Service des infrastructures, de la voirie et des transports	Service des infrastructures du réseau routier
Service des infrastructures, de la voirie et des transports Direction des transports	Service de l'urbanisme et de la mobilité Direction mobilité

Upon completing our audit work, we presented a draft audit report to managers of each audited business unit for discussion purposes. The final report was then forwarded to the Direction générale and to each of the business units involved in the audit in order to obtain action plans and implementation timelines. A copy of the final report was also submitted to the deputy director-general au Service aux citoyens, the director du Service de la concertation des arrondissements, for information purposes, the directors of boroughs not directly targeted by our audit, so they could implement recommendations if appropriate.

3. AUDIT RESULTS

3.1. DESCRIPTION OF SERVICES PROVIDED BY THE BOROUGHS OF MERCIER–HOCHELAGA-MAISONNEUVE AND ROSEMONT–LA PETITE-PATRIE

3.1.A. BACKGROUND AND FINDINGS

TECHNICAL AND LOGISTICS SUPPORT SERVICES FOR FACILITIES (ENTREPÔT CHAUVEAU)

Technical and logistics support services for facilities are provided by the Direction de la culture, des sports, des loisirs et du développement social of the Mercier–Hochelaga-Maisonneuve borough. Services primarily involve providing former Ville de Montréal boroughs² with support for holding events and maintaining sports facilities and parks.

² The boroughs of Ahuntsic-Cartierville, Côte-des-Neiges–Notre-Dame-de-Grâce, Mercier–Hochelaga-Maisonneuve, Le Plateau-Mont-Royal, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie, Le Sud-Ouest, Ville-Marie, Villeray–St-Michel–Parc Extension. This also includes the Service des communications.

The main services delivered are:

- Loaning equipment for events (e.g., Halloween, sports competitions), including transporting, assembling and dismantling equipment;
- Moving the equipment of organizations supported by the boroughs (transportation);
- Preparing the ice (arenas);
- Maintaining and delivering ice resurfacing knives;
- Repairing park and arena equipment;
- Delivering swimming pool products.

To deliver these services, the Mercier–Hochelaga-Maisonneuve borough has a warehouse of delivery vehicles and supplies and accessories for organizing events. 41 employees are assigned to operating this warehouse.

The Direction de la culture, des sports, des loisirs et du développement social of the Mercier–Hochelaga-Maisonneuve borough is also responsible for managing partnership agreements with organizations serving former Ville de Montréal boroughs (15 regional sports organizations). This management is considered services delivered to the boroughs mentioned above.

For the \$4.9 million of services delivered by the Mercier–Hochelaga-Maisonneuve borough³ in 2016 and 2017, an “interunit charges” budget equal to nearly all of this amount was allocated between requesting business units. Throughout the year, requesters transfer 1/12 of the annual budget amount monthly.

Although almost all services delivered by the borough are funded by the “interunit charges” budget, internal billing is also used in the following cases:

- Breakage or loss of loaned supplies;
- Requests for services requiring employee overtime;
- Work requiring the purchase of supplies.

In 2016, the overall amount billed internally was negligible.

LIGHTING, SIGNAGE AND PAVEMENT MARKING MAINTENANCE SERVICES

One of the teams of the Rosemont–La Petite-Patrie borough is responsible for meeting the safety needs of public road users by providing the resources and expertise required to

³ Includes delivery of nearly \$900,000 of services for managing regional sports association partnership agreements.

maintain lighting, signage and pavement markings. More specifically, the team performs the following tasks:

- Lighting and traffic signals:
 - Preventive patrol for lighting maintenance to take corrective action if required (approximately 17,000 responses annually);
 - 7-day-a-week patrol for maintaining and repairing traffic lights, in response to 3-1-1 calls and calls from the rapid response unit;
 - Maintenance of traffic lights control systems twice a year (approximately 1,800 controllers in all).
- Pavement marking and written signage:
 - Symbol marking (e.g., stop lines, school crossings, pedestrian crosswalks, arrows, speed bumps, school pictograms, disabled person pictograms);
 - Bicycle lane marking (e.g., pictograms, zigzags, stop lines, hatching);
 - Written signage (about 14,000 responses annually).

The borough has a team of about 179 employees reporting to the Direction des travaux publics to deliver these services. An “interunit charges” budget and internal billing are the two preferred accounting methods for this type of service delivery. In 2016, lighting, signage and pavement marking maintenance services were funded by a total of \$19.4 million in “interunit charges” and \$4.8 million works were invoiced. In 2017, the total annual “interunit charges” budget was \$17.4 million and as at September 30, total invoiced work was \$2.9 million⁴.

As with technical and logistics support services for facilities (Entrepôt Chauveau), an annual “interunit charges” budget is allocated to requesting business units, which are mainly former Ville de Montréal boroughs⁵. With regard to actual expenditures, requesting units transfer 1/12 of the annual “interunit charges” budget on a monthly basis. The monthly transfer is allocated to the various responsibility centres of the Rosemont–La Petite-Patrie borough.⁶ Services funded through the “interunit charges” budget are as follows:

- Marking and written signage in former Ville de Montréal boroughs: Planned work;
- Lighting and traffic signal maintenance in former Ville de Montréal boroughs: Planned work and work orders via Gestion des demandes clients-Gestion des demandes de travail (GDC-GDT) applications.

⁴ Based on work invoiced and recorded in SIMON.

⁵ The boroughs of Ahuntsic-Cartierville, Côte-des-Neiges–Notre-Dame-de-Grâce, Mercier–Hochelaga-Maisonneuve, Montréal-Nord, Le Plateau-Mont-Royal, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie, Saint-Laurent, Le Sud-Ouest, Ville-Marie, and Villeray–St-Michel–Parc-Extension.

⁶ Written signage maintenance; Lighting and signalling maintenance (allocated to Street lighting and Traffic signals).

An invoice is sent to the requesting business unit for new requests that have not been included in the “interunit charges” budget. In the case of lighting and traffic signals, this work is supported by projects involving new installations or traffic signal upgrades. In terms of marking, invoices are issued for any new streets or bike paths not scheduled at the beginning of the year. The bodies submitting these new requests are former Ville de Montréal boroughs and the Service des infrastructures, de la voirie et des transports. In addition, internal service billing also applies to pavement marking maintenance for the boroughs of Montréal-Nord and Saint-Laurent.

3.2. INTERUNIT SERVICE AGREEMENTS

3.2.A. BACKGROUND AND FINDINGS

First, we established that the concept of services rendered between two business units of the City is provided for in the *Charter of Ville de Montréal*. Sections 85 and 85.1 stipulate the following:

Section 85...the city council may, subject to the conditions it determines, provide a borough council with a service related to a jurisdiction of the borough council; the resolution of the city council shall take effect on passage by the borough council of a resolution accepting the provision of services.

A borough council may, subject to the conditions it determines, provide the city council with a service related to a jurisdiction of the city council; the resolution of the borough council shall take effect on passage by the city council of a resolution accepting the provision of services.

Section 85.1...a borough council may, on the conditions it determines, provide to the council of another borough any service related to one of its jurisdictions. The resolution offering such a provision of service becomes effective on the adoption of a resolution accepting the offer.

Thus, a central department may provide a service to a borough, and a borough may provide a service to a central department or to another borough. According to these sections of the *Charter of Ville de Montréal*, internal suppliers and requesters, as the case may be, must contact the decision-making body to whom they report to have their service offer approved or to accept the service offer.

From a management standpoint, the parties must have entered into a service agreement before the decision-making bodies can provide approval. Best practices suggest that an agreement must at least specify the following terms and conditions:

- Expectations of the parties (type of services provided, level of service, costs, etc.);
- Sharing of responsibilities;
- Method for evaluating services provided.

As part of our audit work on target interunit services, we verified whether service agreements between the parties had been signed and approved.

SERVICE AGREEMENTS

First, we found that for most interunit services there were no formal and documented agreements between the parties defining the terms and conditions of service delivery.

Table 3 below shows that the accounting method primarily involves services provided in exchange for an “interunit charges” allocated to requesting business units. In the case of the Mercier–Hochelaga-Maisonneuve borough⁷, nearly 100% of services were delivered, whereas, in the case of the Rosemont–La Petite-Patrie borough⁸, nearly 80% of services were delivered. According to the people interviewed, these services were primarily delivered to former Ville de Montréal boroughs since the new City was created in 2002.

⁷ For technical and logistics support services for facilities (Entrepôt Chauveau).

⁸ For lighting, signage and pavement marking maintenance services.

TABLE 3 – SERVICE AGREEMENTS AND APPROVAL OF SERVICE OFFERS BY THE AUTHORITIES

SERVICE PROVIDER / SERVICE PROVIDED	ACCOUNTING METHOD	REQUESTING BUSINESS UNITS	SERVICE AGREEMENT	APPROVAL OF THE AUTHORITY'S REPRESENTATIVE	
				SERVICE PROVIDER	REQUESTER
MERCIER-HOCHELAGA-MAISONNEUVE BOROUGH					
Technical and logistics support services for sports facilities	Interunit charge	Former Ville de Montréal boroughs	No	No	No
Support program for regional sports associations	Interunit charge	Former Ville de Montréal boroughs	No	Yes	Yes
ROSEMONT-LA PETITE-PATRIE BOROUGH					
Lighting, signage and pavement marking maintenance	Interunit charge	Former Ville de Montréal boroughs	No	No	No
Lighting and signalling work (Agreement No. 1)	Internal billing	Service des infrastructures, de la voirie et des transports	Yes	No	No
Marking maintenance (Agreement No. 2)	Internal billing	Montréal-Nord borough	Yes	No	Yes
Marking maintenance (Agreement No. 3)	Internal billing	Saint-Laurent borough	Yes	No	Yes
Other one-time requests	Internal billing	Former Ville de Montréal boroughs and central departments	Yes ^[A]	No	No

^[A] Insofar as a cost estimate has been approved by the requester before the work is performed.

However, for the same services delivered by the Rosemont–La Petite-Patrie borough, but billed individually (20% of all services provided), we found that the following three service agreements had been entered into with requesters:

- One of the agreements was entered into in October 2016 with the Direction des transports of the Service des infrastructures, de la voirie et des transports (see Table 3 – Agreement No. 1) for work relating to lighting and signage as part of capital projects. Among other things, the agreement describes the type of work and level of service required by the Direction des transports, l'offre de services et les engagements of the Rosemont–La Petite-Patrie borough, monitoring arrangements and the term of the agreement;

- The two other agreements were entered into with the boroughs of Montréal-Nord and Saint-Laurent for pavement marking services (see Table 3 – Agreements No. 2 and 3). For services requested by each of these two boroughs, the Rosemont–La Petite-Patrie borough submitted a cost estimate that was approved by them.

For other one-time requests, the internal billing process stipulates that for each service request an estimate must be approved by the parties before the work is performed. This estimate is equivalent to an agreement between the parties.

Considering that a small percentage of interunit business services are covered by agreements, we find that the parties are unable to formally agree on their respective responsibilities. This also means that they are unable to formally agree on the type of services to be delivered, the level of service and the method of evaluating services to be delivered. In the event of disagreement between the parties, this could mean that services provided do not meet expectations. This would cause dissatisfaction and could lead a requester to withdraw from the partnership. To avoid possible disagreements, we believe that the parties must enter into service agreements covering all internal services.

APPROVAL OF INTERUNIT SERVICES RENDERED

Our work also revealed that technical and logistics support services for facilities (Entrepôt Chauveau) and lighting, signage and pavement marking maintenance services provided to business units were not generally approved by the decision-making bodies concerned in order to comply with sections 85 and 85.1 of the *Charter of Ville de Montréal* (see Table 3).

However, in the case of services provided by Rosemont–La Petite-Patrie borough that were billed internally during the year, we noted that the agreements were partially approved, because both bodies had not always provided their approval. Therefore:

- for the agreement entered into with the Direction des transports of the Service des infrastructures, de la voirie et des transports (Agreement No. 1): Although it was approved by the director of the Direction des transports (as the requester) and by the borough director (as the service provider), we were unable to obtain proof of approval by both of the authorities concerned in order to comply with section 85 of the *Charter of Ville de Montréal*;
- for agreements entered into with the boroughs of Montréal-Nord and Saint-Laurent (Agreements No. 2 and 3): both borough councils annually approve the service offer pursuant to section 85.1, as requesters. However, we did not obtain proof of approval by the Rosemont–La Petite-Patrie borough council, as the service provider;
- for services billed individually; Although the process stipulates that each service request must be authorized by officials representing each party, before the work is performed, which amounts to an agreement between the parties, they were approved by each decision-making body, representing either the service provider or the requester, in order to comply with section 85 or 85.1 of the *Charter of Ville de Montréal*, as the case may be.

Given that most interunit business services were not approved by decision-making bodies in accordance with sections 85 and 85.1 of the *Charter of Ville de Montréal*, either as service providers or requesters, we believe that procedures should be implemented to enable business units to comply with sections 85 and 85.1. We believe that service providers should make sure to obtain approval from the authorities concerned to comply with sections 85 and 85.1 of the *Charter of Ville de Montréal*, before they deliver their interunit services.

BUDGET ALLOCATION

Despite the fact that we did not identify any formal service agreements between service providers and requesters, an “interunit charges” budget is still allocated among requesting business units. Considering that most interunit business services are accounted for through this “interunit charges” budget, we searched for documentation of criteria supporting the allocation of “interunit charges”. For service providers, documentation of such criteria is needed to demonstrate that their budget has been allocated fairly among requesting business units. We therefore enquired about the budgetary allocation of “interunit charges” between requesters. We also examined the extent to which year-end budgetary allocations among requesters matched actual service delivery expenditures incurred by service providers.

For this aspect, our audit did not find any documentation supporting the initial cost allocation base⁹ used to allocate costs to requesting business units, for the Mercier–Hochelega-Maisonneuve borough. In the case of the Rosemont–La Petite-Patrie borough, we were given a 2004 study on cost sharing between former Ville de Montréal boroughs. This study focused specifically on lighting and traffic signal maintenance.

Our work indicated that Rosemont–La Petite-Patrie borough made annual adjustments to the “interunit charges” budget. We found that the “interunit charges” was indexed in two ways. First, payroll indexing is applied to all budgeted amounts. Second, indexing is applied more specifically to marking services to account for new requests submitted during the previous exercise. These are billed internally the first year, but in subsequent years, marking work is incorporated into planned service delivery and accounted for through “interunit charges”.

Although the method of allocating the “interunit charges” for indexations subsequent to the initial allocation seems appropriate to us in the case of Rosemont-La Petite-Patrie borough, we note that it had not been reviewed since the initial allocation for the two boroughs, despite the fact that the new services offered or those abandoned may have caused the needs to change and not necessarily proportionally to the share assumed by the participating boroughs. In this regard, managers interviewed for Mercier–Hochelega-Maisonneuve borough told us that the allocation of interunit service costs between business units was initially based on the volume of equipment delivery requests

⁹ Following the 2002 City merger.

submitted during one or several years. According to our information, the type and value of the applications were not taken into account in the initial budget allocation calculation.

Based on the current procedure, it is difficult for the parties to determine whether the budgetary allocation between requesting boroughs is fair and truly reflects the proportion of services that they receive. Therefore, as part of this audit, we are unable to determine whether or not the budget allocation is in line with the proportion of services provided to each requesting borough, because we do not know the allocation base that was initially used or updated. We believe that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie should make sure to document the criteria for allocating the “interunit charges” budget among requesters and periodically review these criteria to reflect their changing needs. These criteria should be objective and ultimately allow us to make comparisons with actual costs.

CALCULATION AND DISTRIBUTION OF BUDGET VARIANCES

During our audit work, we determined that budget surpluses had been generated by both service provider boroughs. Over a five-year period, technical and logistics support services for facilities delivered by the Mercier–Hochelaga-Maisonneuve borough generated more than \$2.3 million in budget surpluses from 2012 to 2016, while lighting, signage and pavement marking maintenance services delivered by the Rosemont–La Petite-Patrie borough generated over \$6.3 million in surpluses during the same period.

Since there were no service agreements specifying management arrangements in such situations, we wanted to know what the procedure was for using surpluses. As such, we reviewed section 144.1 of the *Charter of Ville de Montréal*:

Section 144.1... Subject to the terms and conditions determined in the by-law under section 186 of Schedule C, the amount, if any, by which revenues exceed the expenditures provided for in the borough budget adopted by the city council shall be for the exclusive use of the borough council.

We also read the C-RF-SF-D-09-002 *Utilisation des surplus, réserves et revenus excédentaires (GUIDELINE)*, administrative framework in effect since February 26, 2010, to identify the procedures to be followed. Adoption bylaws are listed according to whether the use involves allocating available surpluses when making the budget (e.g., use the surplus as a source of revenue in a balanced budget) or allocating surpluses to fund an expense. According to this guideline, the borough council has the power to approve the use of borough budget surpluses in all cases. However, the framework does not specify how surpluses are to be shared when interunit services are involved.

According to the current procedure, the decision to use surpluses ultimately lies with the boroughs. We therefore examined how surpluses were used by both boroughs covered by this audit.

During the period from 2012 to 2016, the Mercier–Hochelaga-Maisonneuve borough chose to retain all (\$2.3 million) of these surpluses and used some of these amounts to reinvest in upgrading the Entrepôt Chauveau (\$500,000). The borough used another part to balance its operating budget (\$944,000). The borough had not used the \$856,000 difference when we performed our audit.

The Rosemont–La Petite-Patrie borough chose to distribute surpluses¹⁰ accrued since 2014. Over \$1.2 million was returned to requesting boroughs as part of the City's surplus management allocation and distribution exercise for the fiscal year ended December 31, 2016. This amount represented the reimbursement of surpluses generated in 2014 and 2015 for lighting, signage and pavement marking maintenance services. We note that this was the first time such a reimbursement had been made and that this situation does not correspond to any of the scenarios outlined in the C-RF-SF-D-09-002 *Utilisation des surplus, réserves et revenus excédentaires (GUIDELINE)* administrative framework. We are of the opinion that the borough council should have first approved this guidance. We also believe that the C-RF-SF-D-09-002 *Utilisation des surplus, réserves et revenus excédentaires (GUIDELINE)* administrative framework should be revised to stipulate applicable procedures in the event that surpluses are returned to requesting business units. Similar procedures would also be required in the event of a budget deficit.

In conclusion, given the way in which the interunit services budget is allocated among requesting units and the fact that objective criteria have not been documented or revised, business units are unable to determine whether this allocation is fair. In addition, given that no clear guidelines have been communicated on identifying budget variances and allocating them to requesters, we are of the opinion that it is difficult to characterize the situation as fair to requesters.

Such a finding provides a further reason to enter into agreements that outline service delivery procedures, allowing each party to determine whether service costs have been allocated fairly. To guide business units in this assessment, we are of the view that internal rules should be established to provide guidance on developing these agreements. These rules should clearly define the method for assessing services provided, including the calculation of budget variances, as well as the allocation of these variances between requesters.

The benefit of maintaining shared services lies in the cost-benefit advantage for all participating boroughs. This is based on maintaining an administrative structure to manage operations. Because it cannot be demonstrated that everyone benefits fairly from services outlined in the budget, there is still a risk that some participants may feel aggrieved and wish to withdraw from the partnership. Such a situation would reduce the number of partners supporting the cost of running the administrative structure, thereby creating a financial imbalance for the service provider. For requesters, a greater financial burden could negate the advantage of proceeding this way, at least financially, and ultimately this could jeopardize the internal service.

¹⁰ In addition to the sum of \$300,000 kept in a surplus account as a reserve fund.

RECOMMENDATIONS

3.2.B. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie document and maintain the criteria supporting the allocation of the “interunit charges” budget assumed by requesting business units to facilitate the assessment of services provided and to reflect requesters’ needs.

3.2.C. We recommend that the Direction générale specify procedures in the *Utilisation des surplus, réserves et revenus excédentaires (GUIDELINE)* for sharing surpluses (deficits) generated by activities covered by internal services and have it approved to promote the standardization of practices and that each party assumes its fair share of the costs.

3.2.D. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie enter into service agreements with requesting business units to formally agree on service delivery arrangements. These agreements should include the type of services provided, the level of services, the duration, the budget allocation base and, if applicable, the budget variance sharing arrangement.

3.2.E. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie ensure that they obtain the approval of all relevant authorities before providing their interunit services in order to comply with sections 85 and 85.1 of the *Charter of Ville de Montréal* and to standardize the way of doing things.

BUSINESS UNITS’ RESPONSES

3.2.B. ***Mercier–Hochelaga-Maisonneuve borough***
[TRANSLATION] Given that the amount of the interunit charges for the requesting units was established in 2002 (creation of the new City) and that we do not have the data on which it was based, we must:

- 1. document the level of services received by each of the requesting units in recent years (2015–2018);*
- 2. assess the trends in terms of the level of services rendered during that same period;*
- 3. estimate the value of the services rendered for each requesting unit during that same period;*

4. compare the value of the services rendered to each requesting unit to the amount of the interunit charges expensed to it;
5. assess the feasibility of reviewing the distribution of interunit charges proportionally for all requesting units while still maintaining the current overall envelope for interunit charges;
6. present the outcome of this process to all the requesting units;
7. establish mechanisms and procedures for the independent management of the budget for the Division des services techniques et soutien logistique aux installations.

(Planned completion: February to June 2019)

Rosemont—La Petite-Patrie borough

[TRANSLATION] Currently, based on the information at our disposal, the Auditor wants, first of all, to carry out an inventory of all assets, in order to establish the basis for the distribution of the interunit charges. It will then establish the cost price for all the activities of the Division de l'entretien de l'éclairage, de la signalisation et du marquage sur la chaussée, in order to monitor the services rendered. Finally, using these data, it will generate the annual report on services rendered.

*Recommendations 3.2.B. and 3.4.1.B. require a major overhaul of the management model used by the Division de l'entretien de l'éclairage, de la signalisation et du marquage sur la chaussée. Currently, the borough team is not equipped to undertake a mandate of this scale with a significant accounting component. One of the first steps is to identify the simplest calculation method to use, such as quantities and obsolescence, and determine the team required to carry out this follow-up. Coaching from the Service de la performance organisationnelle for this process would be helpful. **(Planned completion: The action plan will be transmitted by the Service de la performance organisationnelle and the borough on June 30, 2019)***

3.2.C.

Direction générale

*[TRANSLATION] A reflection will be carried out in advance with the Service des finances and the Service de la concertation des arrondissements, to propose a way to share budget variances. After this reflection, the "Utilisation des surplus, réserves et revenus excédentaires (GUIDELINE)" administrative framework will be amended to specify the conditions for sharing the surpluses (deficits) generated by internally rendered service activities. **(Planned completion: June 2019)***

3.2.D. Mercier–Hochelaga-Maisonneuve borough

[TRANSLATION] In relation to the data gathered for Recommendation 3.2.B., we plan to:

- 1. develop and present a standard model agreement for requesting units;*
- 2. catalogue the full inventory of basic services offered by the Division des services techniques et soutien logistique aux installations to the requesting units;*
- 3. establish the value of each service;*
- 4. establish, in collaboration with each of the requesting services, the level and value of the services to be rendered and record this in an agreement;*
- 5. propose to all requesting units a sharing method for budget variances. (Planned completion: June to September 2019)*

Rosemont–La Petite-Patrie borough

[TRANSLATION] There are already agreements with some boroughs for pavement marking services, including the Montréal-Nord and Saint-Laurent boroughs. This year, sections 85 and 85.1 can be carried out. (Planned completion: May 2019)

In recent months, a formal pavement marking service offer was prepared and submitted to clients. It may be fine-tuned to take the form of sections 85 and 85.1 in 2020, but this will require an expansion of the mandate of the Service de la performance organisationnelle for a similar process already begun with pavement marking.

As mentioned at the time of the audit, budget surpluses are currently distributed proportionally to the interunit charges. This practice will be continued until Recommendation 3.2.C. is implemented, updating the Service des finances “Utilisation des surplus réserves et revenus excédentaires” guideline to specify the surplus sharing method for interunit charges. (Planned completion: December 2019)

3.2.E. Mercier–Hochelaga-Maisonneuve borough

[TRANSLATION] We propose to:

- 1. continue our service offer in 2019 on the historical basis;*
- 2. agree with the requesting units on a time line for implementing agreements in 2020 and on the terms (duration and scope of the delegation) for the adoption of sections 85 and 85.1 by the authorities in question;*
- 3. conclude the agreements and have them adopted no later than the December 2019 sessions of the councils in question, so they can come into effect on January 1, 2020. (Planned completion: February to December 2019)*

Rosemont—La Petite-Patrie borough

[TRANSLATION] Recommendations 3.2.B. and 3.2.D. must be carried out before sections 85 and 85.1 are drafted.

Then, nine decision-making files must be submitted to the borough council to bring the situation into compliance by formally offering (s. 85.1) the boroughs served to take charge of their lighting, signage and pavement marking maintenance activities. In each case, this offer must be accompanied by the corresponding service agreement (cf. 3.2.D.).

A model decision-making record for the acceptance of the offer and the service agreement will have to be drafted and proposed to the boroughs served. With regard to the time required to prepare a detailed service offer (3.2.D.), the files will require several months for data collection.

*For the boroughs of Montréal-Nord and Saint-Laurent, however, for which a service offer was recently produced, section 85.1 can be submitted to the authorities in April 2019. **(Planned completion: May 2019. One activity could be analyzed each year:***

- lighting;*
- traffic lights;*
- written signage.)*

3.3. IDENTIFICATION OF NEEDS BY SERVICE PROVIDERS

3.3.A. BACKGROUND AND FINDINGS

It is critical that service providers clearly understand customer expectations in order to meet them and reduce the risk of dissatisfaction. Mechanisms must be put in place to receive all necessary information in order to respond to requests promptly and satisfy customers.

As part of our work, we examined whether service providers had put mechanisms in place to ensure that requesters clearly state their needs.

TECHNICAL AND LOGISTICS SUPPORT SERVICES FOR FACILITIES (ENTREPÔT CHAUVEAU)

The vast majority of technical and logistics support services for facilities (Entrepôt Chauveau), provided through requests, involve lending equipment for events and providing technical services (e.g., transporting, assembling and dismantling equipment). To identify requesters' needs and follow up on their requests, the Mercier–Hochelaga-Maison-neuve borough has standardized a delivery request form (DRF) to be used by requesters. The information they contain includes the date of the event, delivery location, list of items and quantities ordered.

As part of our audit work, we examined the use of this form by requesters and examined a sample of requests received in 2016 and in the first nine months of 2017. We found that requesters had filled in the information boxes on the DRF, as stipulated in the process.

Other services include services provided on a recurring basis based on a delivery schedule. These services involve maintaining sports facilities managed by requesting boroughs (arena maintenance, ice resurfacing knife maintenance, chlorine and diatomaceous earth delivery).

For this type of services, the mechanisms implemented by the Mercier–Hochelaga-Maisonneuve borough, to identify requesters' needs, request that they provide an annual list of pools and arenas that require service. These data are used to produce a delivery planning schedule. In the course of our work, we confirmed that this schedule exists.

Generally, regarding internal services provided by the Mercier–Hochelaga-Maisonneuve borough, we believe that proper mechanisms are in place to identify requesters' needs.

LIGHTING, SIGNAGE AND PAVEMENT MARKING MAINTENANCE SERVICES

Some services provided by the Rosemont–La Petite-Patrie borough, through “interunit charges”, are recurrent (e.g. marking of all borough roads, preventive lighting maintenance patrols). The borough plans these services annually, according to its priorities. According to the information obtained, planning for marking activities also takes into consideration projects planned by requesting boroughs as well as special requests from some boroughs.

For other services, also funded through “interunit charges”, requests are transmitted through GDC-GDT applications. In this case, when submitting their requests, requesters indicate the type and location of the work. This mechanism is used to identify requesters' needs.

For services that are billed internally, the Rosemont–La Petite-Patrie borough has not put in place mechanisms to provide a standard framework for stating requesters' needs. We agree that when requesters submit their requests, they generally indicate the type and location of the work. However, we noted that:

- requesters could use multiple platforms to submit requests (by telephone, email to one of the employees) and the identification of requesters' needs was not documented consistently;
- requesters do not generally indicate the target date on their service requests.

This approach increases the likelihood that if information is missing, the service provider may not be able to properly identify requesters' needs. During our work, we also noted that after requesters had submitted their requests, it could take several emails between

the parties to clearly identify the type of the work and related constraints. When such a situation occurs, it may lead to delays in service delivery and requester dissatisfaction.

Generally, regarding internal services provided by the Rosemont–La Petite-Patrie borough, we believe that mechanisms should be developed to better identify requesters' needs. We believe that such mechanisms should be in place not only for scheduled services, but for service requests that result in internal billing. For requests involving internal billing, we believe that requesters should use a standard form, by type of activity, in order to provide complete information and standardize the type of information received.

RECOMMENDATION

3.3.B. We recommend that Rosemont–La Petite-Patrie borough take the steps needed to ensure that requesters use a standard application form (by activity), providing all required information (e.g., types of services requested and target date, location and other details) to facilitate request processing planning and improve customer satisfaction.

BUSINESS UNIT'S RESPONSE

3.3.B. *Rosemont–La Petite-Patrie borough*
[TRANSLATION] The form for pavement marking maintenance was developed in collaboration with the Service de la performance organisationnelle as part of the pavement marking mandate:

- *Form for signage maintenance activities;*
- *Form for traffic light activities;*
- *Form for street lighting activities.*

Could be developed based on the pavement marking model, in collaboration with the Service de la performance organisationnelle. Ideally, these forms will be digital and incorporated into the planned computer-assisted corporate maintenance management software. (Planned completion: June 2019)

3.4. IMPLEMENT AUDIT CONTROLS

3.4.A. BACKGROUND AND FINDINGS

Service providers must implement internal controls to ensure that services are provided as agreed, in terms of deliverables, costs and timelines. Controls in place should ensure that services requested are approved by a representative designated by the requester to prevent billing errors.

For the applicant, mechanisms must also be put in place to allow requesters to monitor the cost of services they incur either through “interunit charges” or charges billed to them during the year.

As part of this audit, we assessed whether both service providers and requesters had put such controls in place. We separately examined services provided according to accounting method since controls are adapted to each mode.

3.4.1. SERVICES FUNDED THROUGH THE “INTERUNIT CHARGES” BUDGET

3.4.1.A. BACKGROUND AND FINDINGS

TECHNICAL AND LOGISTICS SUPPORT SERVICES FOR FACILITIES (ENTREPÔT CHAUVEAU)

Given that services provided by the Mercier–Hochelaga-Maisonneuve borough that are funded through the “interunit charges” budget mainly involve lending equipment, we sought to confirm the existence of specific controls for delivery of services requested.

EQUIPMENT LOANS

Our audit work revealed that controls have been implemented to enable the borough to ensure, as a service provider, that services requested have been approved by a designated person and that services are provided as requested (items, quantities and compliance with scheduled date).

Depending on the process in place, requesters route their requests via a DRF, previously approved by a designated manager. Service providers use the equipment inventory control IT application to check whether items requested are available for the target date. An email is sent to the requester to confirm that the service will be delivered at the agreed time. The same IT application is used to produce a delivery slip to provide the requested services (quantities and delivery date). On the day of delivery, the requester’s representative checks the quantities delivered against the delivery slip and initials the slip to confirm delivery. This check confirms that the equipment has been delivered as planned.

As for controls that requesters may implement to monitor costs invoiced to them through the “interunit charges” budget, we find that they are non-existent. According to the information we obtained, the service provider did not establish the cost of services provided for each delivery, which makes it impossible to determine the value of services received by requesters. As a result, requesters do not receive a service cost statement periodically from the service provider to enable them to monitor the actual expenses they incur. We believe that such an exercise should be performed to monitor costs.

LIGHTING, SIGNAGE AND PAVEMENT MARKING MAINTENANCE SERVICES

Given the type of interunit services provided by the Rosemont–La Petite-Patrie borough that are funded through an “interunit charges” budget, we sought to confirm the existence of controls to ensure that services were provided to requesters as requested.

LIGHTING AND SIGNAGE MAINTENANCE

For this type of service, the borough responds to one-time requests sent by requesters and provides a preventive patrol. For one-time requests, requesters submit work orders via the GDC-GDT application. Once the Rosemont–La Petite-Patrie borough has implemented corrective measures, the work order is closed in the application. As a service provider, the borough seeks to ensure that requesters have received the services as requested, on time. When requests are submitted through the GDC-GDT application, this information can be monitored through management reports produced by this application.

In addition, preventive patrol services performed in the former Ville de Montréal area are planned by the Rosemont–La Petite-Patrie borough. Existing controls involve keeping a schedule of roads to be covered.

As for requesters, the GDC-GDT application can be used to monitor changes in service requests and ensure at the same time that the problem has been resolved. However, they must contact the Rosemont–La Petite-Patrie borough regarding preventive patrol services.

PAVEMENT MARKING

Road marking services are planned by the Rosemont–La Petite-Patrie borough and existing controls involve keeping a schedule of roads to be covered.

The Rosemont–La Petite-Patrie borough sends requesters weekly work progress reports from mid-April to mid-July to enable them to monitor services provided. However, this information does not tell requesters where the work was performed. It is therefore difficult for them to confirm whether the information reflects the work actually done, unless they submit a specific request.

There are no controls for monitoring the cost of all services provided through the “interunit charges” budget. According to the information we obtained, the service provider has not determined the average cost of services provided. As a result, requesters do not receive a service cost statement periodically from the service provider to enable them to monitor the actual expenses they incur. We believe that such an exercise should be performed to enable requesters to monitor costs.

In conclusion, we believe that, from a customer service standpoint, it is important that requesters be able to confirm the quantity and value of services received. For this reason, we are of the view that service providers should provide sufficiently detailed information to requesters to enable them to reconcile the value of services received with the “interunit charges” they have incurred.

RECOMMENDATION

3.4.1.B. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie produce an annual report of services provided (quantities and costs) to requesting boroughs to enable them to compare the value of services received against the “interunit charges” they have incurred.

BUSINESS UNITS’ RESPONSES

3.4.1.B. *Mercier–Hochelaga-Maisonneuve borough*

1. *[TRANSLATION] Produce a detailed report of the services rendered and their value for each requesting unit, on an annual basis;*
2. *Compare the value of the services rendered to the interunit charges expensed to each requesting unit, on an annual basis;*
3. *Assess the feasibility of reviewing the distribution of interunit charges. (Planned completion: Annually, before March 15)*

Rosemont–La Petite-Patrie borough

[TRANSLATION] Currently, based on the information at our disposal, the Auditor wants, first of all, to carry out an inventory of all assets, in order to establish the basis for the distribution of the interunit charges. It will then establish the cost price for all the activities of the Division de l’entretien de l’éclairage, de la signalisation et du marquage sur la chaussée, in order to monitor the services rendered. Finally, using these data, it will generate the annual report on services rendered.

Recommendations 3.2.B. and 3.4.1.B. require a major overhaul of the management model used by the Division de l'entretien de l'éclairage, de la signalisation et du marquage sur la chaussée. Currently, the borough team is not equipped to undertake a mandate of this scale with a significant accounting component. One of the first steps is to identify the simplest calculation method to use, such as quantities and obsolescence, and determine the team required to carry out this follow-up. Coaching from the Service de la performance organisationnelle for this process would be helpful. (Planned completion: The action plan will be transmitted by the Service de la performance organisationnelle and the borough on June 30, 2019)

3.4.2. SERVICES THAT ARE BILLED INTERNALLY

3.4.2.A. BACKGROUND AND FINDINGS

As with services provided through an “interunit charges”, we sought to confirm the existence of controls to ensure that services were provided as requested. It should be noted that for the purposes of our audit, we considered only internal services provided by the Rosemont–La Petite-Patrie borough. We did not consider services billed by the Mercier–Hochelaga-Maisonneuve borough because of their low volume and value.

The Service des finances produced the internal billing procedure that was described to us for the Rosemont–La Petite-Patrie borough. It allows service providers to demonstrate that they provide services as planned and requesters to monitor them effectively. Therefore:

- upon receipt of a service request, the service provider prepares a work cost estimate. The cost estimate is forwarded to the requester for approval by an authorized manager as provided in the delegation of authority bylaws;
- receipt of the cost estimate (prepared by the service provider) before the start of work and an accounting key from which services provided will be invoiced. This amounts to a service agreement;
- after the work is completed, an invoice is sent to the requester;
- the requester has 15 days to contest the invoice amount;
- after this period, the requester is deemed to have agreed to pay for the expense, and the service provider can prepare the journal entry and forward it to the Service des finances for entry into the books.

Pursuant to this procedure, the requester approves the cost of the work before it is completed. After the work is completed, the requester also has the opportunity to challenge the invoice before the journal entry is recorded.

As part of our audit work, we assessed compliance with this internal billing procedure, based on a selection of 24 service requests executed during 2016 and the first 9 months of 2017. For these 24 requests, we examined the application of the internal billing procedure, with regard to the following controls:

- cost estimate produced before the work was performed;
- approval obtained (by sending accounting key);
- entry into the books.

As a result of our work, we noted the results presented in Table 4 below.

TABLE 4 – APPLICATION OF THE INTERNAL BILLING PROCEDURE FOR LIGHTING, SIGNAGE AND MARKING MAINTENANCE SERVICES

RESULT	COST ESTIMATE PRODUCED	COST ESTIMATE PRODUCED BEFORE THE WORK WAS PERFORMED	ACCOUNTING KEY OBTAINED BEFORE THE WORK WAS PERFORMED	AMOUNT INVOICED ENTERED INTO ACCOUNT BOOKS
Yes	15	4	2	24
No	9	8	19	0
No evidence	0	3	3	0
	24	15	24	24

Here is the data analysis:

- We identified cost estimates for only 15 cases. We were able to confirm only 4 cases in which cost estimated had been prepared before the work was performed. This finding indicates that most cost estimates are prepared after the work has been completed and that an invoice is issued instead or that no cost estimate has been prepared. As a result, we find that in most cases that work is performed without a prior estimate having been prepared and approved, as required;
- We obtained evidence that the cost estimate had been approved and the accounting key obtained beforehand in only 2 of the 24 requests that we examined. In 3 cases, we were unable to determine whether the process was in compliance because we did not have documents indicating the date on which the work was performed. For the remaining 19 requests, the work was performed before the work was approved and the accounting key obtained;
- With respect to approval by a manager authorized by the requester, we were unable to confirm approvals because the approvers cannot always be identified, given that their signature is not always legible and their name is not printed;
- The invoiced amount was entered into the accounting books in all cases.

These findings indicate that the internal billing procedure is generally not followed. The urgency of the work is generally invoked to justify failure to comply with the procedure.

Also, in order to assess the impact of noncompliance with the procedure, we specifically examined 12 additional service requests, where the time between execution of the work and entry of the expense into the books seemed unusually long.

In 11 cases, we noted that it took requesters between 322 and 611 days to obtain payment approval (the accounting key). Case reviews revealed that the expense was entered into the books late because requesters had not approved the cost estimate before the work was performed and did not provide the accounting key required for billing. Several reminders had to be sent to the requesters before the transaction could be recorded in the accounting system. In the 12th case, we were unable to confirm the approval date because no documents could be provided.

As we mentioned in section 3.3. of this report, our audit work indicated that requesters could use multiple platforms to submit requests (by telephone, email to one of the employees). According to the persons interviewed, this explains why we could not identify any internal invoicing documents for four of the requests (out of 36 tests) that we examined, because they were filed in the emails of the employees who managed them. In two of these cases, the employees had left the City. In our view, this approach creates a risk that a request may not be processed on time if an employee is absent, which may adversely affect customer satisfaction. We are of the opinion that the borough should have an email box for all service request documentation so that more than one employee can access it.

In conclusion, our work has shown that for services billed internally, service providers are unable to demonstrate that provide services as planned and that requesters do not perform the required controls. Our work also showed that failure to comply with the procedure was directly linked to abnormally long delays in recording transactions. In order to reduce the time spent on reactivating requests and consequently optimize the time spent on operations, we believe that Rosemont–La Petite-Patrie borough should take appropriate steps to enforce stricter compliance with the procedure.

RECOMMENDATIONS

- 3.4.2.B. We recommend that Rosemont–La Petite-Patrie borough take the steps needed to stringently enforce existing internal billing procedures to recover budget credits for services provided.**

- 3.4.2.C. **We recommend that Rosemont–La Petite-Patrie borough review its request processing procedure to ensure that it documents requesters’ approval in order to obtain the accounting key to allocate the expense and clearly demonstrate that an authorized person obtained the approval.**
- 3.4.2.D. **We recommend that Rosemont–La Petite-Patrie borough set up an email box for requests and any associated documentation that is billed internally to improve customer service, regardless of staff transfers.**

BUSINESS UNITS’ RESPONSES

3.4.2.B. *Rosemont–La Petite-Patrie borough*
[TRANSLATION] The work estimate form will be amended to include the approval of the authorized person, and the entry of the accounting key (3.4.2.C.), which will be mandatory for the work to go ahead, will allow for better tracking of invoice payments. (Planned completion: December 2019)

3.4.2.C. *Rosemont–La Petite-Patrie borough*
[TRANSLATION] The work estimate form will be improved to clearly show who has authorized the work and the related expenditure.
The name in block letters and the job title will be added to the existing form and required for the execution of the work.
(Planned completion: June 2019)

3.4.2.D. *Rosemont–La Petite-Patrie borough*
[TRANSLATION] A request will be sent to the information technology department to create a special work request email inbox for each section of the division:

- Street and park lighting;*
- Traffic lights and light signalling;*
- Written signage;*
- Marking pavement.*

These will be used to receive requests from clients (boroughs and services), and an email inbox manager will be assigned to ensure the requests are processed.

An email inbox for internal billing (estimates and invoices) will be created. It will be administered by the administrative support staff.
(Planned completion: December 2019)

3.5. CUSTOMER SATISFACTION

3.5.A. BACKGROUND AND FINDINGS

Customer satisfaction surveys are conducted to assess various aspects of service delivery. They are used to:

- obtain feedback on services provided;
- confirm customer expectations;
- identify service improvement opportunities.

To ensure accurate data collection, a survey must ask relevant, neutral and clearly stated questions. Sampling can be used to select the client group to be polled. To be useful, the information gathered must be analyzed and enable users to make informed decisions that help improve service delivery. Action items to improve customer service should be reflected in an action plan.

Our work therefore involved assessing the extent to which the interunit services we audited had implemented customer satisfaction assessment systems.

TECHNICAL AND LOGISTICS SUPPORT SERVICES FOR FACILITIES (ENTREPÔT CHAUVEAU)

The Mercier–Hochelaga-Maisonneuve borough implemented a process to assess customer satisfaction with equipment loan services.

Based on DRF's for which services have been provided, weekly telephone surveys are conducted to measure requester satisfaction. This task was assigned to managers (operations managers), and improving customer service is one of the criteria used to assess their performance.

The survey forms we examined were designed to assess:

- customer service quality when reservations were made;
- delivery arrival time;
- courtesy of delivery employees;
- efficient delivery;
- quantities were correct and items confirmed and delivered;
- condition of equipment upon delivery.

We also noted that two form templates were used. The first form was used to enter the date of the call and name of the pollster (manager), as well as the number of the DRF,

and the contact information of the respondent (the requester). The second form was used to enter the manager's name, but there was no evidence that the survey was conducted by that person. Also, the survey date was not indicated. According to the information we obtained, telephone surveys are used to assess manager performance and measure customer satisfaction.

We were unable to identify any documents showing that the results had been analyzed to establish an action plan to improve the Service à la clientèle. However, since managers who fill out the forms, we believe that this approach presents a risk of obtaining biased results. To demonstrate that the process is transparent, we believe that managers should not be assigned to this task.

In conclusion, although the Mercier-Hochelaga-Maisonneuve borough has implemented a telephone survey process, we believe that it is not fully transparent and that survey implementation and documentation should be improved. In addition, we believe that conducting surveys without analyzing the results and taking corrective actions is an exercise that does not provide any real added value. We believe that a data analysis process should be implemented. Given that the existing process deals only with equipment loans, we believe that it could also be extended to all services provided.

LIGHTING, SIGNAGE AND PAVEMENT MARKING MAINTENANCE SERVICES

The Rosemont-La Petite-Patrie borough apparently conducted an online survey¹¹ in 2016 to assess the Service à la clientèle in terms of written signage. The purpose of the survey was to assess the following:

- Understanding customer needs;
- Customer communications;
- Service provider effectiveness, in terms of time;
- Introduction of the maintenance patrol in 2013;
- Overall performance of services provided by the service provider.

During our work, although we did obtain the survey questionnaire, we did not obtain evidence that it was performed in 2016. Nor did we have any evidence that the service provider had analyzed the survey results. Also, no other surveys were conducted in 2017.

In the opinion of the responsible manager, customer feedback is also obtained through comments received when service requests are processed. We recognize that service delivery can be adjusted based on these comments. However, we believe that the current

¹¹ Using the SurveyMonkey online survey platform, an online survey site that offers customizable polls and a series of statistical programs.

procedure is not completely impartial because comments are received on a voluntary basis and it is not the service provider who requested them.

In conclusion, although the Rosemont–La Petite-Patrie borough may have conducted surveys in 2016 on one of the services provided (written signage) and the borough would consider requesters' comments, we believe that a truly transparent customer satisfaction data collection and assessment process has not been implemented. We believe that surveys should be conducted and analyzed periodically. This exercise would measure customer satisfaction and, where appropriate, improve service quality. We also believe that the survey process could be extended to other interunit services provided by the borough.

RECOMMENDATIONS

3.5.B. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie implement a process for surveying requesters regarding all internal services, not involving staff directly assessed on this component, in order to ensure transparent and reliable results.

3.5.C. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve and Rosemont–La Petite-Patrie implement mechanisms for assessing the overall results of customer satisfaction surveys in order to develop action plans to address areas in need of improvement, if applicable.

BUSINESS UNITS' RESPONSES

3.5.B. *Mercier–Hochelaga-Maisonneuve borough*

1. *[TRANSLATION] Develop a standard questionnaire for each type of service offered by the Division des services techniques et soutien logistique aux installations;*
2. *Assess, in collaboration with the Services des technologies de l'information, the feasibility of setting up an automated survey system;*
3. *Launch the survey phase no later than August 1, 2019;*
4. *Compile the results of the surveys based on the different types of services;*
5. *Present the results to the requesting units with the annual report on services rendered. (Planned completion: February to December 2019)*

Rosemont–La Petite-Patrie borough

[TRANSLATION] The borough direction will approach the Direction générale to have lighting, signage and pavement marking maintenance services included in the overall satisfaction survey for services rendered by our internal partners, since the Direction générale has identified the following objective: “Satisfaction rate of internal clients by integrated survey: rate for each unit communicated by October 31, 2019” (Planned completion: June 2019)

3.5.C. Mercier–Hochelaga-Maisonneuve borough

1. *[TRANSLATION] Launch the survey phase no later than August 1, 2019;*
 2. *Compile the results of the surveys based on the different types of services;*
 3. *Conduct an analysis of the results in order to put in place the necessary measures required to improve the less efficient services.*
- (Planned completion: Quarterly beginning in fall 2019)**

Rosemont–La Petite-Patrie borough

[TRANSLATION] Have the division chief develop an action plan after receipt of the survey results on the recommended improvement measures. (Planned completion: December 2019)

3.6. ADVERTISING SERVICE OFFERINGS

3.6.A. BACKGROUND AND FINDINGS

Services are advertised to inform current and potential customers regarding services available to them. Advertising ensures that everyone has the same information (e.g., the type of services offered, the operating method, procedures, invoice prices).

During this audit, we assessed how clearly service providers described and communicated the service offer to requesters.

First, to ensure transparency and fairness, we would have expected that information on services offered by supplier boroughs be at least posted on the City Intranet site. For the two types of services that we examined, we found that the offer of internal services was not announced to all boroughs, because, historically, services were mainly provided to former Ville de Montréal boroughs. The offer of services is therefore primarily advertised in former Ville de Montréal boroughs, because (financial and human) resources were allocated to respond to this customer group’s needs, which is why the budget is allocated through “interunit charges”.

That said, for the Mercier–Hochelaga-Maisonneuve borough, information regarding service offerings is mainly disseminated at statutory meetings involving the division heads of culture, sports, recreation and social development of the concerned borough or by email.

All former Ville de Montréal boroughs are familiar with services provided by the Rosemont–La Petite-Patrie borough. The borough does not disseminate any information regarding service offerings.

At the time of the audit, the two supplier boroughs considered that existing resources were insufficient to respond to additional requests, and they were not looking for new customers to be included in the “interunit charges” partnership.

Considering the fact that services are mainly provided against an “interunit charges” with the requesting boroughs, adding new partners would require a budget allocation review. According to the Guide technique de la préparation du budget de fonctionnement, “interunit charges” allocated to client boroughs must be equal to those of the previous year’s budget, unless the provider borough and client boroughs enter into an agreement specifying a different level of services. Before considering expanding the customer base, we believe that both service providers must demonstrate proper management of target interunit services as well as customer satisfaction.

To measure potential and interest in creating a new partnership for the boroughs that are currently not receiving the two internal services, we believe that, if this is the administration’s policy, a study should be conducted to assess potential savings for the City. If benefits are identified, the study should also examine consideration such as operational logistics (in the event that a larger area is to be covered), the funding method, as well as management rules.

RECOMMENDATION

- 3.6.B. We recommend to the Direction générale, that, if this is the administration’s policy, the City Manager conduct a cost-benefit study to assess the possibility that internal services provided by the boroughs of Mercier–Hochelaga-Maisonneuve (Entrepôt Chauveau) and Rosemont–La Petite-Patrie are also available to the other boroughs in order to make an informed decision.**

BUSINESS UNIT’S RESPONSE

- 3.6.B. *Direction générale***
[TRANSLATION] Following the actions undertaken in response to recommendation 3.2.B., if this is the administration’s guideline, a cost-benefit analysis will be carried out in collaboration with the Service de la performance organisationnelle to assess the possibility that services rendered internally by Mercier–Hochelaga-Maisonneuve borough (Entrepôt Chauveau) and Rosemont–La Petite-Patrie borough can also be offered to other boroughs. (Planned completion: June 2020)

4. CONCLUSION

To perform certain activities within their jurisdiction, the City's central departments and boroughs sometimes use services provided by other business units rather than by external providers. Such decisions are made because they do not have the necessary expertise or resources. Business units are looking for quality, timeliness and a fair price when they need such services.

The concept of services provided between two business units is provided for in the *Charter of Ville de Montréal*. It implies that they must apply to the decision-making body to whom they report to have their service offer approved or to accept the service offer, as applicable.

This conclusion has to do with technical and logistics support services for facilities (Entrepôt Chauveau) provided by the Mercier–Hochelaga-Maisonneuve borough and lighting, signage and pavement marking maintenance services delivered by the Rosemont–la Petite-Patrie borough. Based on our audit work, we find that existing management practices are not sufficient to ensure that internal services meet requester quality, timeline and cost expectations. In this spirit, we recommend that the City take corrective action, including:

- entering into service agreements between business units, acting as a service provider or as requesters, to agree on service delivery arrangements;
- ensuring that all relevant authorities obtain approval before interunit services are provided;
- documenting and maintaining budget allocation criteria that support the interunit service budget allocated to requesting business units;
- specifying in an administrative framework, the terms and conditions for sharing and approval of budget surpluses or deficits generated by interunit services;
- providing a framework for stating the requesting business units' needs, mechanisms to standardize receipt of requests and to facilitate the planning of service requests in terms of quality and timeliness;
- produce an annual report of services rendered (quantities and costs) to compare the value of services received against the cost incurred by requesting business units;
- ensuring stringent application of the existing internal billing procedure;
- setting up a process for polling requesters on all internal services;
- assessing the overall results of requester surveys to develop an action plan to improve customer satisfaction, if applicable.

Interunit services reflect a policy direction that the Municipal Administration adopted when the new City was created (in 2002). The purpose of this decision was to achieve economies of scale and preserve internal expertise within the City. Nearly 17 years later, and given that delivering services to citizens is one of the administration's main priorities, it would be appropriate to assess whether such economies of scale have been achieved, while considering service quality. If this is still the administration's policy direction, it would be appropriate to perform a cost-benefit analysis to evaluate the possibility of extending the offer of services to all of the City's business units, in order to provide citizens with quality services at the best cost.

5. APPENDIX

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Ensure that best management practices are in place to deliver internal services that meet requester quality, timeline and cost expectations.

EVALUATION CRITERIA

- Internal suppliers clearly describe services offered and operating rules and communicate them to requesters;
- Mechanisms are in place for requesters to clearly state their needs (type of work and due date);
- The parties have entered into an agreement to specify the type of work, a cost estimate and a timeline, prior to the start of service delivery;
- Controls are used to ensure that services have been delivered according to specification;
- Mechanisms are in place to assess changes in internal services (quality and satisfaction).