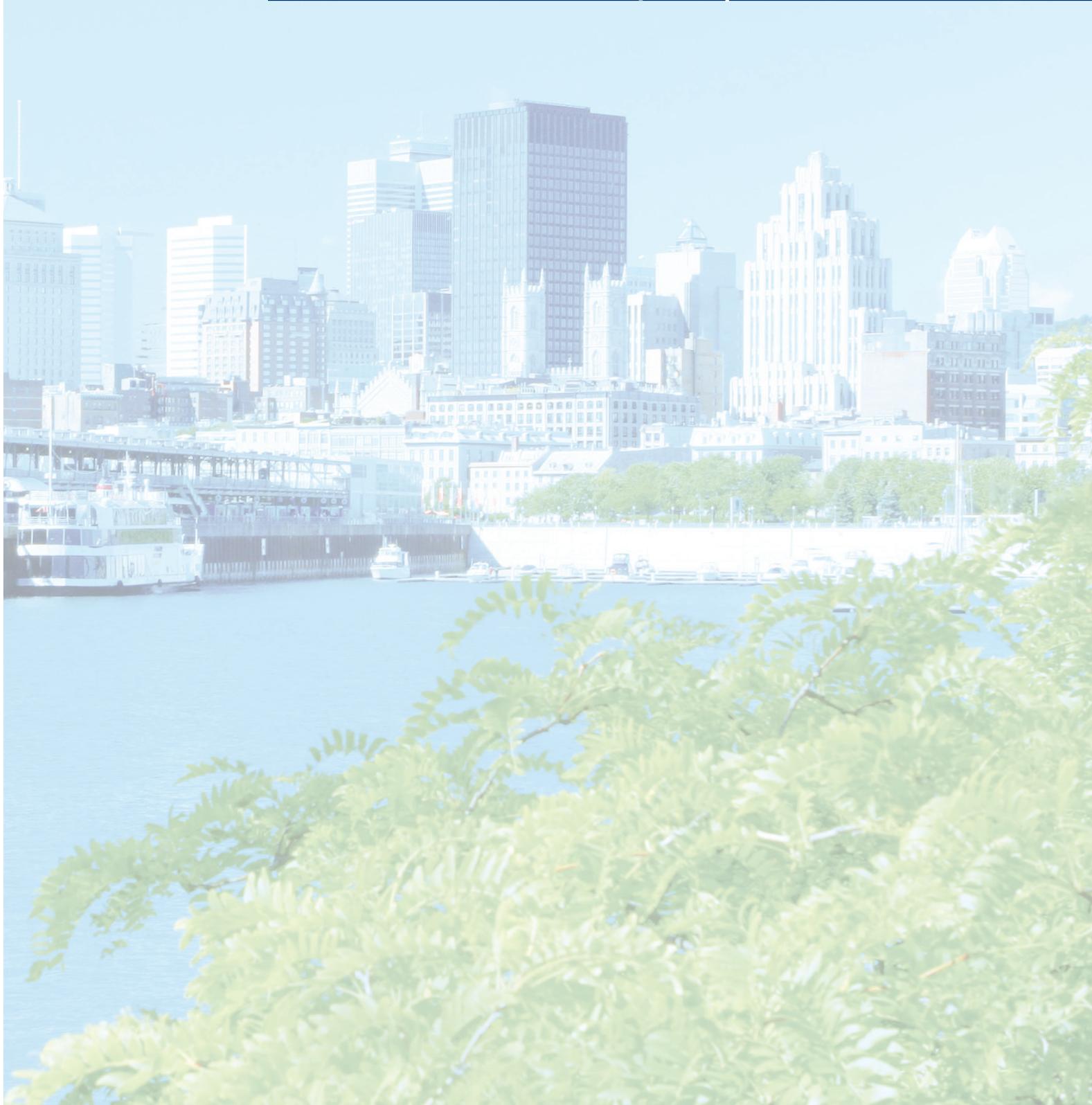


Bureau du
vérificateur
général

III. Auditor General's Ethics Hotline Accountability Report



III. AUDITOR GENERAL'S ETHICS HOTLINE ACCOUNTABILITY REPORT

BACKGROUND

On April 27, 2009, following the recommendation in the Auditor General's 2008 annual report, City Council adopted resolution CM09 0293 requesting the Bureau du vérificateur général (BVG) to set up an ethics hotline to help prevent fraud and waste. This same resolution requested the Executive Committee to approve, according to the law, any budgetary funds required by the Auditor General to diligently execute this assignment without interfering with the main duties as defined by law. When the Auditor General submitted a business case for the hotline, the Executive Committee approved an additional budget of \$650,000 for the year 2010 at its April 21, 2010 session.

The Auditor General's ethics hotline became operational on Monday, December 14, 2009. The BVG invested considerable effort to ensure the success of this initiative. Implementation of the ethics hotline required, in particular, an infrastructure to handle reports received, as well as preparing and launching an information campaign targeting city employees and suppliers. In addition, we prepared and distributed a management framework document entitled *[TRANSLATION] Process for use of the Montréal Auditor General's ethics hotline*. We also drafted and implemented an internal protocol for handling reports and changed the structure of our office accordingly by adding two staff positions for resources specialized in forensic accounting. These positions will be filled during summer 2010.

At its December 14, 2010 session, City Council approved the Executive Committee's recommendation to transfer responsibility for the Auditor General's ethics hotline to the Service du contrôleur général. This transfer actually took place on March 28, 2011.

Under these circumstances, it would seem an opportune time to address the following:

- Reminder of the principles, goals and features of the Auditor General's ethics hotline
- Status of reported cases as of March 31, 2011
- Cost summary of the Auditor General's ethics hotline
- Transfer of the ethics hotline to the Service du contrôleur général

REMINDER OF THE PRINCIPLES, GOALS AND FEATURES OF THE AUDITOR GENERAL'S ETHICS HOTLINE

The ethics hotline allows employees, elected officials, the mayor's staff and suppliers to anonymously and confidentially report any misconduct or unacceptable situation regarding the management of city business or any activities in violation of the *Guide de conduite*. Reportable wrongdoing includes any misuse, waste or violation of any law, regulation, contract, agreement, rule, practice or internal guideline involving the city or agencies under its control.

The ethics hotline is also designed to protect users from subsequent acts of retaliation. Because the hotline is anonymous, users' identities are protected. The existing audit and investigation process ensures the confidentiality of users, reported cases and parties who may be involved.

The main features of the system are:

- The hotline consists of a dedicated telephone line and secure website, both available 24 hours a day, seven days a week.
- The telephone line and website are managed by Clearview, an external firm operating independently of the Ville de Montréal that acts as the Auditor General's authorized agent for collecting information.
- On behalf of the Auditor General, Clearview ensures the confidentiality of the information submitted and the anonymity of ethics hotline users. It administers a system for compiling the reports after they are received. These reports are stored on a server that belongs to the firm and is not linked in any way to the city network. Clearview notifies the Auditor General's duly authorized representatives by email when any report is received.
- The authorized representatives then process all submitted reports, in an impartial and confidential manner, via direct access to the Clearview site, which is secured using proven encryption techniques.
- Once they submit a report, ethics hotline users receive a user ID and password that allow them to track the status of their file at any time and to respond to any requests from the Auditor General for additional information.

STATUS OF REPORTED CASES AS OF MARCH 31, 2011

From the time the ethics hotline became operational on December 14, 2009, to its transfer to the Service du contrôleur général on March 28, 2011, a total of 141 reports were received by Clearview.

As of March 31, 2011, 87 reported cases, or 62% of all cases received, were closed. The remaining 54 cases are currently under preliminary review by the BVG, some with other city administrative units. Some of these cases require more in-depth investigation or audits, which are currently under way.

A total of 86 cases (61%) were reported on Clearview's secure website. The other 55 cases were reported on Clearview's dedicated telephone line.

Table 1 shows the number of reports received by year and category.

Table 1—Breakdown of Reported Cases by Year and Category

Category of wrongdoing	Number			
	2009	2010	2011	Total
Unethical conduct or conflict of interest	10	48	7	65
Unauthorized manipulation or falsification of data	0	4	1	5
Theft, embezzlement, fraud	1	15	0	16
Breach of laws, regulations or policies	3	21	0	24
Others	7	22	2	31
Total	21	110	10	141

The category "Others" includes reported cases of wrongdoing that were not related to the management of city business, as well as those of an administrative nature related to the operations of the Auditor General's ethics hotline.

Table 2 shows the number of reports received by year and source.

Table 2—Breakdown of Reported Cases by Year and Source

Reporting source	Number			
	2009	2010	2011	Total
Employee	9	62	5	76
Supplier	0	3	0	3
Citizen	6	13	1	20
Other external source	0	2	1	3
Unknown	6	30	3	39
Total	21	110	10	141

Table 3 shows a breakdown of the 87 closed reports by reason for closure.

Table 3—Breakdown of Closed Cases by Reason

Reason for closure	Number
Beyond the scope of the ethics hotline	9
Insufficient evidence	26
Unfounded	10
Other reasons	42
Total	87

Reported cases that were beyond the scope of the ethics hotline were closed with a recommendation to the plaintiff to contact the appropriate authority. These included, among others, questions related to workplace relations, staffing concerns or harassment for which the reporting parties were invited to contact their union, the Public Service Commission or a human rights policy representative, respectively. Other plaintiffs were directed to the city's Ombudsman or the Service de police de la Ville de Montréal (SPVM).

Some of the reported cases that were closed due to insufficient evidence contained too little information or details that were not specific enough to enable us to conduct a preliminary analysis with reasonable effort. Other reported cases were closed because the plaintiff did not respond to our requests for additional information. Without this additional information, we were unable to continue our investigation.

The "Unfounded" category includes reported cases in which our preliminary analysis or investigation did not uncover any basis for allegations of wrongdoing.

The "Other reasons" category contains reported cases:

- unrelated to the business of Ville de Montréal
- related to the administration of the ethics hotline
- for which satisfactory action was taken after our investigation
- that merited a broader investigation because they concerned a high risk of slipping
- dealing with areas of concern that might lead to more general management audits but did not pose any risk requiring immediate action

COST SUMMARY OF THE AUDITOR GENERAL'S ETHICS HOTLINE

Table 4 shows the costs incurred for implementing and operating the Auditor General's ethics hotline.

Table 4—Costs Incurred by the Ethics Hotline

Expense	Amount (\$)			
	2009	2010	2011	Total
Communications	37,837	4,639	0	42,476
Infrastructure, furniture and equipment	140	59,484	0	59,624
Management costs for compiling reported cases ¹	51,510	42,260	0	93,770
Professional fees – External resources	8,562	218,429	60,361	287,352
Salaries – Internal resources ²	0	63,214	0	63,214
Total	98,049	388,026	60,361	546,436

¹ These costs relate to the services provided by Clearview, whose contract covers the period from November 26, 2009 to November 25, 2012. The annual cost is payable in 12 instalments; however the current practice of the Service des finances is to charge the entire amount to our budget at the time of the first payment in December. The \$42,260 charged for 2010, therefore, covers the period from November 26, 2010 to November 25, 2011. Consequently, the BVG is being charged with costs that should be assumed by the Service du contrôleur général as of the date of transfer of responsibility for the ethics hotline to the Service.

² Salaries consist solely of the amount paid to the two specialized staff members hired by the BVG in summer 2010 and assigned full-time to the ethics hotline. This expense does not appear for 2011, since one of the staff members joined the Service du contrôleur général in early January of this year, while the other is on maternity leave.

It should be noted that the costs incurred for the year 2011 cover the period ending in March. As mentioned in Chapter 1 of this report, the BVG had to assume additional expenses to finish processing the reported cases under way at the time of the effective transfer of the ethics hotline to the Service du contrôleur général, as well as the investigations. These costs cannot be included in the Auditor General's current operating budget without negatively affecting execution of the main duties set out in the *Cities and Towns Act* (C.T.A).

TRANSFER OF THE ETHICS HOTLINE TO THE SERVICE DU CONTRÔLEUR GÉNÉRAL

We will not dwell here on the cavalier manner in which we were informed of the Direction générale's decision to recommend the transfer of the ethics hotline to the Service du contrôleur général. We expressed our concerns to City Council in a letter dated December 6, before the recommendation was approved.

It is clear that when City Council approved this resolution at its December 14 session, the prerequisites to this transfer and its operational impact had not been assessed. In our usual spirit of professionalism, we collaborated closely with the Service du contrôleur général to ensure that the transfer of the ethics hotline was carried out in the most harmonious and way possible to minimize costs to the city.

The issues that especially needed to be resolved concerned contractual arrangements with Clearview, the independent firm entrusted with compiling reported cases, security of the data related to the reports held by the Auditor General, processing reported cases during the transition period, providing the Auditor General with access to Clearview's database system to finish processing the cases under way at the time of the transfer of the ethics hotline, and the operational organization of the Service du contrôleur général to allow it to begin processing new reports.

The ethics hotline was effectively transferred on March 28. All reports received prior to that date will be handled by the BVG. According to the terms and conditions reached between the Service du contrôleur général and Clearview, the BVG will be given a temporary profile in the Clearview system, which will be created for its exclusive use from March 28 to June 27, 2011. This temporary profile will allow the BVG to access historical data collected prior to March 28, 2011, and to process reports that are still active as of that date.

As mentioned on our website, this temporary profile will enable parties that reported a case prior to March 28, 2011 to track the status of their file by going to www.clearviewconnects.com and entering the user code and password that they were given when they submitted their report.

Since the costs associated with this temporary profile are the result of a decision beyond the control of the Auditor General, they will be assumed by the Service du contrôleur général. Also, as mentioned above, the expenses to finish processing the reported cases currently under way, as well as the expenses of investigations and audits that may result from them, cannot be assumed under the Auditor General's base operating budget for 2011.