

REPORT OF THE AUDITOR GENERAL OF THE VILLE DE MONTRÉAL

For the Year Ended **December 31, 2018**
to the City Council and to the Urban Agglomeration Council



**REPORT OF THE AUDITOR GENERAL
OF THE VILLE DE MONTRÉAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

TO THE CITY COUNCIL AND TO THE URBAN AGGLOMERATION COUNCIL

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Please note that this English report has been translated from the original French version. In case of doubt or difference of interpretation, the French version shall prevail over the English.

According to the *Charter of the French Language* and the *Office québécois de la langue française*, municipalities shall designate all official names, such as boroughs, departments, paramunicipal corporations as well as municipal and associated bodies by their French names alone, even in the English version.

This report is available on our website at:
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June 14, 2019

Mrs Valérie Plante
Mayor of the Ville de Montréal
275, Notre-Dame East
Montreal, Quebec H2Y 1C6

**Subject: Auditor General of the Ville de Montréal's Annual Report
for the year ended December 31, 2018**

Dear Mrs Mayor,

Please find enclosed my Annual Report, for the year ended December 31, 2018, as per Section 107.13 of the *Cities and Towns Act* (CQLR, chapter C-19), for deposit at the next ordinary meeting of the Municipal Council, that of 17 June 2019, and of the Agglomeration Council, that of 20 June 2019.

Yours truly,

Michèle Galipeau, CPA Auditor, CA
Auditor General

TABLE OF CONTENTS

1. OBSERVATIONS OF THE AUDITOR GENERAL	9
2. FINANCIAL STATEMENT AUDITS AND OTHER REPORTS	25
3. LEGAL AND REGULATORY COMPLIANCE	39
4. PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY	59
4.1. Business Interunit Services	61
4.2. Use of contributions for Park Purposes	101
4.3. Transportation Electrification Strategy	129
4.4. SÉCI, STOP+ and Gescour Application Management	177
4.5. GEM Application Management	209
4.6. Building Maintenance Management	231
4.7. Management of the Inclusion of Affordable Housing	279
4.8. Supplier and Contractor Performance Assessment	335
4.9. Municipal Building Security Management	371
4.10. Logical Penetration Tests	435
4.11. Cybersecurity Incident Management	439





5. FOLLOW-UP ON RECOMMENDATIONS OF PREVIOUS YEARS	443
6. OVERVIEW OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL	455
6.1. Financial Results	460
6.2. Number of Audit Reports Issued	461
6.3. Human Resources	462
6.4. Professional Service Contracts	468
7. REPORTING – ALLEGATIONS	469
8. STRATEGIC PLAN	475
9. APPENDICES	489
9.1. Appendix 1 – Excerpts from the <i>Cities and Towns Act</i>	493
9.2. Appendix 2 – Accounts Statement of the Bureau du vérificateur général of the Ville de Montréal	507



1.

OBSERVATIONS OF THE AUDITOR GENERAL



- 1.1. STRATEGIC PLANNING**
- 1.2. RISK MATRIX**
- 1.3. IMPACT OF NEW LEGISLATION**
- 1.4. SPECIAL REQUESTS**
- 1.5. SUMMARY OF 2018 AUDIT WORK**
- 1.6. ACKNOWLEDGEMENTS**

1. OBSERVATIONS OF THE AUDITOR GENERAL

In this chapter, I will discuss the various projects we have completed in 2018, provide some comments on topics of interest and review all the work that the Bureau du vérificateur général (the Bureau) has done in the last year and highlight the key elements.

1.1. STRATEGIC PLANNING

In 2018, we completed the reflection exercise aimed at providing the Bureau with a strategic plan to define the objectives that will guide our actions over the next five years. This plan is based on an approach taken by our organization in light of the many changes that affect both the management of Québec municipalities and the role and scope of the work performed by the offices of the Auditor General, such as ours.

Our mission is to “*provide city council and citizens with an objective and independent view of the quality of public funds management, including the economic, efficient and effective use of resources, legal and regulatory compliance, and the reliability of financial statements*”.

Our vision is to be “*a team recognized for its expertise, the quality of its work and its value-added reports*”.

Our values are independence, objectivity, respect and integrity.

The 2019-2023 Strategic Plan is focused on the following three major guidelines:

GUIDELINES	1	2	3
	Increase the Added Value of our Work Over the next few years, the Bureau du vérificateur général will take various steps to reassure elected officials and citizens that public funds are being managed economically, efficiently and effectively.		
		Introduce Innovative Practices to Produce High-quality Work The Bureau du vérificateur général will implement best practices to ensure audit quality and to incorporate sustainable management principles.	
			Ensure the Sustainability of the Teams' Skills In the coming years, the Bureau du vérificateur général will attract appropriate talent to meet its needs and maintain the expertise developed to date. It will also give them a stimulating work environment with opportunities to grow professionally.

We have set objectives for each goal with indicators and targets.

Reports on the fulfillment of commitments in this plan will be produced and included in the annual report starting next year.

The *2019-2023 Strategic Plan* is presented in Chapter 8 of this report.

1.2. RISK MATRIX

We are working with a new risk matrix to guide us in planning value-added audit engagements. This tool will be updated annually to reflect, among other things, the results of our audit work, any changes in the administrative structure of the Ville de Montréal (the City), but also in the City's normative and legislative environment.

I would like to thank the various stakeholders from the 25 departments and 4 boroughs that we interviewed during this project.

1.3. IMPACT OF NEW LEGISLATION

Bill 155 (PL 155) (*Act to amend various legislative provisions respecting municipal affairs*) adopted by the Assemblée nationale in the spring of 2018 has, among other things, redefined the role and scope of the Auditor General's work in cities with at least 100,000 inhabitants. The changes in the powers and responsibilities of the Auditor General introduced by this bill will require adaptations and new governance measures.

Bill 155 removes the Auditor General's obligation to perform a financial audit of the municipality and paramunicipal organizations, leaving it to the Auditor General's discretion to continue to do so if it is deemed appropriate. I had already indicated in the 2017 annual report that I considered it appropriate to pursue our financial audit work for the City and that our work for paramunicipal organizations would take related risks into account. This new provision was initially expected to be effective for financial statements ending December 31, 2019. However, we learned from a communication, issued by the Ministère des Affaires municipales et de l'Habitation on September 4, 2018, that it would apply instead to audits of financial statements as of December 31, 2018. We therefore had to quickly identify organizations for which we considered it appropriate to pursue our financial audit work, notify organizations of changes in procedures, obtain all necessary approvals from them, and coordinate our actions with the City's external auditor.

With respect to broadening the scope of the Auditor General's work to include a number of organizations now covered by sections 107.7 and 107.8 of the *Cities and Towns Act* (CTA), we continued our work to obtain clarifications on the concept of financing in order to clearly define them. As I indicated in the 2017 report, the difficulty resides in identifying these organizations and operationalizing the new provisions introduced by Bill 155. Because the City will have to take variable quantitative factors into account (the dollars

paid by a municipality and the total income of the organization), the list of target organizations may change from year to year. If the new Bill 16 (*Act mainly to regulate building inspections and divided co-ownership, to replace the name and improve the rules of operation of the Régie du logement and to amend the Act respecting the Société d'habitation du Québec and various legislative provisions concerning municipal affairs*) is adopted, this will allow us to go back two years with respect to total revenues. It should be noted that these organizations are not only now within the scope of the Auditor General's work in auditing accounts and affairs, they are also subject to a set of new rules, including rules on the awarding and monitoring of their contracts.

Finally, we have implemented the procedures needed to respond directly to various access to information requests involving the Auditor General. These requests were previously sent to the City clerk.

1.4. SPECIAL REQUESTS

On a few occasions in 2018, I received direct requests for special mandates that did not come from municipal council. It is important to bear in mind that any request for investigation submitted to the Auditor General must come from municipal council. Section 107.12 of the CTA indicates that the "Auditor General shall, every time the council so requests, investigate and report on any matter within the competence of the Auditor General. In no case, however, may the investigation take precedence over the primary responsibilities of the Auditor General."

1.4.1. PRE-ELECTION REPORT

For more than a year, the City has raised the possibility of producing a Pre-Election report on the state of finances. However, although the City still seems to want to produce such a report, the report had not been developed at the time of this writing. In addition, municipal council's formal request to give the Auditor General a special mandate to produce the report was not forwarded to her.

Evaluating the possibility of fulfilling this type of special mandate requires significant analytical work to be able to complete it without jeopardizing our main obligations as stipulated under the CTA.

If we were to fulfill this mandate, we would need to dedicate full-time resources to it, hire specialists to support us, and obtain an additional budget.

1.5. SUMMARY OF 2018 AUDIT WORK

9
FINANCIAL AUDIT REPORTS

11
PERFORMANCE AUDITS

1
MANDATE REGARDING STATUTORY AND REGULATORY COMPLIANCE

555 RECOMMENDATIONS WERE MONITORED

1.5.1. FINANCIAL AUDIT

I issued auditor's reports with no reservations for the City's consolidated financial statements as of December 31, 2017, and the breakdown of mixed expenditures. We did not consider it appropriate to continue our audit work on the aggregate taxation rate; it was audited by Deloitte.

After Bill 155 was adopted, we identified the other legal entities subject to the CTA for which, following our risk assessment, we considered it appropriate to continue to be the auditor and jointly produce an audit report on their financial statements with the external auditor appointed by the City.

At the time of this report, I had issued five reports from the independent auditor on the financial statements as of December 31, 2018 for the following organizations: Société de transport de Montréal (STM) (2 reports), Société d'habitation et de développement de Montréal, Société du parc Jean-Drapeau and Transgesco.

1.5.2. STATUTORY AND REGULATORY COMPLIANCE

LEGISLATIVE COMPLIANCE OF ORGANIZATIONS THAT RECEIVED A GRANT OF AT LEAST \$100,000 IN 2017

As of February 24, 2019, the Bureau had received the audited 2017 financial statements from 250 (98%) of the 255 organizations subject to this CTA requirement, for a total of \$187.5 million. Five organizations did not meet the requirements of the contribution agreement and the requirements of section 107.9 of the CTA because they submitted reviewed rather than audited financial statements.

I encourage the City to continue to educate organizations on the requirements of section 107.9 of the CTA and resolution CM13 1157.

1.5.3. PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY AUDIT

BUSINESS INTERUNIT SERVICES

The Charter of the Ville de Montréal allows a business unit to provide services on behalf of one or more other units, usually for economic or technical reasons. Business units are looking for quality, timeliness and a fair price when they need in-house services.

Based on our audit work on interunit services, we find that existing practices are not sufficient to ensure that these services meet requester quality, timeline and cost expectations. To improve customer service and enable business units to get value for money, it would be desirable to enter into service agreements between the parties to define management arrangements. In order to determine whether the City's internal service policy is fair to all parties involved, it would be important to compare the cost of services actually rendered by service providers with what the requesters had to pay. To enable service providers to evaluate their service delivery quality, a requester survey process should be implemented. The findings should then be evaluated and an action plan developed to improve customer satisfaction.

USE OF CONTRIBUTIONS FOR PARKS PURPOSES

The *Act respecting land use planning and development* (LUPDA) (CQLR, chapter A-19.1) sets out legal provisions that allow municipalities to require proponents to pay contributions for parks, playgrounds and natural areas when they have adopted by-laws for that purpose. The City boroughs have had these types of regulations for several years.

Despite these efforts, our audit work highlighted the lack of frameworks that would enable us to confirm compliance with all provisions regarding contributions for parks. The City should develop tools to make it easier to interpret and implement the legal provisions of LUPDA, in particular, by issuing a guideline on the procedure for implementing these provisions and a checklist.

It is important that all boroughs have a good understanding of the relevant provisions of the Act in order to reduce the risk of misinterpretation or misapplication.

TRANSPORTATION ELECTRIFICATION STRATEGY

The City has adopted a 2016-2020 Transportation Electrification Strategy, which is based on 10 guidelines to be achieved by various services or partners such as the STM or CDPQ Infra. Under this *Strategy*, which is based on other City policies and action plans,

the City wants to take 250 subcompact internal combustion engine vehicles off the road and replace them with all-electric vehicles, install charging stations for these vehicles in municipal building parking lots, and develop a network of 1,000 public charging stations in the 19 boroughs. We note that the City is on track to meet its targets by 2020. However, the lack of coordination in implementing the *Strategy* is attributable to an action plan that focuses more on what has been done so far, rather than everything that needs to be done to meet the 2020 targets. This lack of coordination is also reflected in the inefficient implementation of certain action items and the failure to report to decision-makers.

While the City is still in the early stages of transportation electrification, implementation of the *Strategy* raises issues, which are still minor, related to the division of roles and responsibilities between business units, especially from an economic standpoint. We believe that the City must now review its procedures and evaluate the quality of its service offering so that the electrification of transportation—when it becomes the standard for urban travel—is thoroughly planned and economically viable for the City.

SÉCI, STOP+ AND GESOUR APPLICATION MANAGEMENT

Reporting to the Service des affaires juridiques (SAJ), the municipal court of the City is one of the most important courts in Canada. It hears cases involving civil and criminal law. Every year, 2 million cases are filed, making it the third-largest court in North America.

The SAJ uses three applications to manage tickets: the electronic ticketing system (SÉCI), the criminal offence processing system (STOP+) and the Gescour application. These applications manage a major source of revenue for the City (\$172.8 million in 2017 and \$189 million in 2018).

Although the specialized teams of the SAJ and the Service des technologies de l'information (STI) are making significant efforts to ensure that these three applications are operational, the City has to cope with technologically obsolete applications, a lack of resources and human resource succession issues. Consequently, the STOP+ and Gescour applications are very difficult to adapt and cannot meet the fine collector's enforcement of judgment needs, which makes it difficult to recover amounts due to the City. Also, work to incorporate major changes arising from the new *Code of Civil Procedure* (effective January 1, 2016) is still ongoing.

GEM APPLICATION MANAGEMENT

The Service de l'évaluation foncière's (SEF) mission is to prepare, maintain and defend the real estate assessment rolls of municipalities in the Montréal agglomeration, in accordance with the provisions of the *Act respecting municipal taxation* (ARMT).

In this regard, the Gestion de l'évaluation municipale (GEM) application is used to establish and update the City's real estate assessment rolls. GEM provides the data needed

to produce the taxation that generated \$4.2 billion in revenue in 2017 and \$4.4 billion in 2018, the City's largest source of revenue, which represents more than 77% of total unconsolidated revenues.

Although the SEF and STI team of specialists are making significant efforts to keep GEM operational, the application is obsolete and there is a lack of human resources, all of which could eventually lead to data confidentiality and corruption risks as well as risks that the application could become unavailable.

BUILDING MAINTENANCE MANAGEMENT

The City owns a large building inventory that includes 1,500 buildings. However, maintenance budgets have been underfunded for years, making it difficult to keep buildings in good repair and operational. There are no impact studies demonstrating the effect this has on the degradation of buildings and therefore on the number of maintenance requests received, the time required to correct them and, ultimately, on customer service and the City's corporate image.

Because available resources are limited, building maintenance managers will have no choice but to re-evaluate procedures and take steps to implement appropriate controls in order to manage maintenance operations in an effective and economically profitable way for the City, which will promote the well-being and safety of the people who use these buildings.

MANAGEMENT OF THE INCLUSION OF AFFORDABLE HOUSING

Development of affordable housing within the City is one of the municipal administration's guidelines. In 2005, the executive committee adopted a *Strategy for the Inclusion of Affordable Housing* in construction projects (City Strategy) and adopted amendments in 2015. Some boroughs have also adopted local strategies for the inclusion of affordable housing since 2012. More recently, the municipal administration announced its 2018-2021 Strategy to develop 12,000 social and affordable housing units.

The City must ensure that all conditions are in place to promote compliance with the strategies and achieve established targets. Management practices should be improved to ensure consistent implementation of strategies within the City. The City should also take steps to obtain commitments from proponents that meet the requirements of these strategies and not make regulatory changes prior to obtaining these commitments. Also, to enable authorities to make informed decisions, a report should be produced on the results of the City Strategy and local strategies since their adoption, and a discussion must be initiated on the use of the financial contribution fund. Lastly, permanent mechanisms for reporting on the creation of affordable housing should be implemented to ensure that the objectives set out in the 2018-2021 Strategy to develop 12,000 social and affordable housing units are met.

SUPPLIER AND CONTRACTOR PERFORMANCE ASSESSMENT

After Bill 8 was adopted, the city's municipal council adopted a resolution calling for the assessment of the quality of contractor and supplier work. Subsequently, a "Supplier performance assessment guideline" was developed to guide these assessments and ensure that all business units follow it.

Although efforts have been made, implementation of provisions of the guideline for all contracts and the controls to ensure their implementation remain incomplete, which creates risks for the City and suppliers and contractors. The City must review certain provisions of its guideline to avoid any ambiguity in their interpretation. It must also refine its mechanisms and ensure that it thoroughly documents the whole performance assessment process. The City must make every effort to ensure compliance with the Act, and more specifically, the deadlines set out in the CTA and the guideline concerning the stages of the unsatisfactory performance assessment process.

Because the City has chosen to use this performance assessment process, it is important that all contracts covered by the guideline undergo a performance assessment to confirm compliance with its provisions, but also to provide decision-makers with reassurance on the qualification of firms that are awarded contracts for numerous work projects requested by the City.

MUNICIPAL BUILDING SECURITY MANAGEMENT

Legal provisions govern various aspects of municipal building security. The City is therefore required to implement a set of prevention, protection, response and emergency measures that respond to the risks characterizing each building, in accordance with previously established City policies designed to ensure the security of users, property and as well as the continuity of operations

In 2014, the City adopted the first policy (the Policy) regarding "Municipal building security". Through this Policy, the City recognizes that it is important to ensure the security of employees, citizens and visitors who use its facilities and to protect its critical infrastructure. In fact, the City says this is a strategic issue. However, the City's business units have essentially failed to implement this Policy, and many aspects of municipal building security should be re-evaluated or even strengthened.

Under the circumstances, we believe it is essential that the municipal administration establish the security policies it deems appropriate in order to better define the level of security it intends to put forward, and implement them by taking concrete steps to mitigate the risks in City buildings.

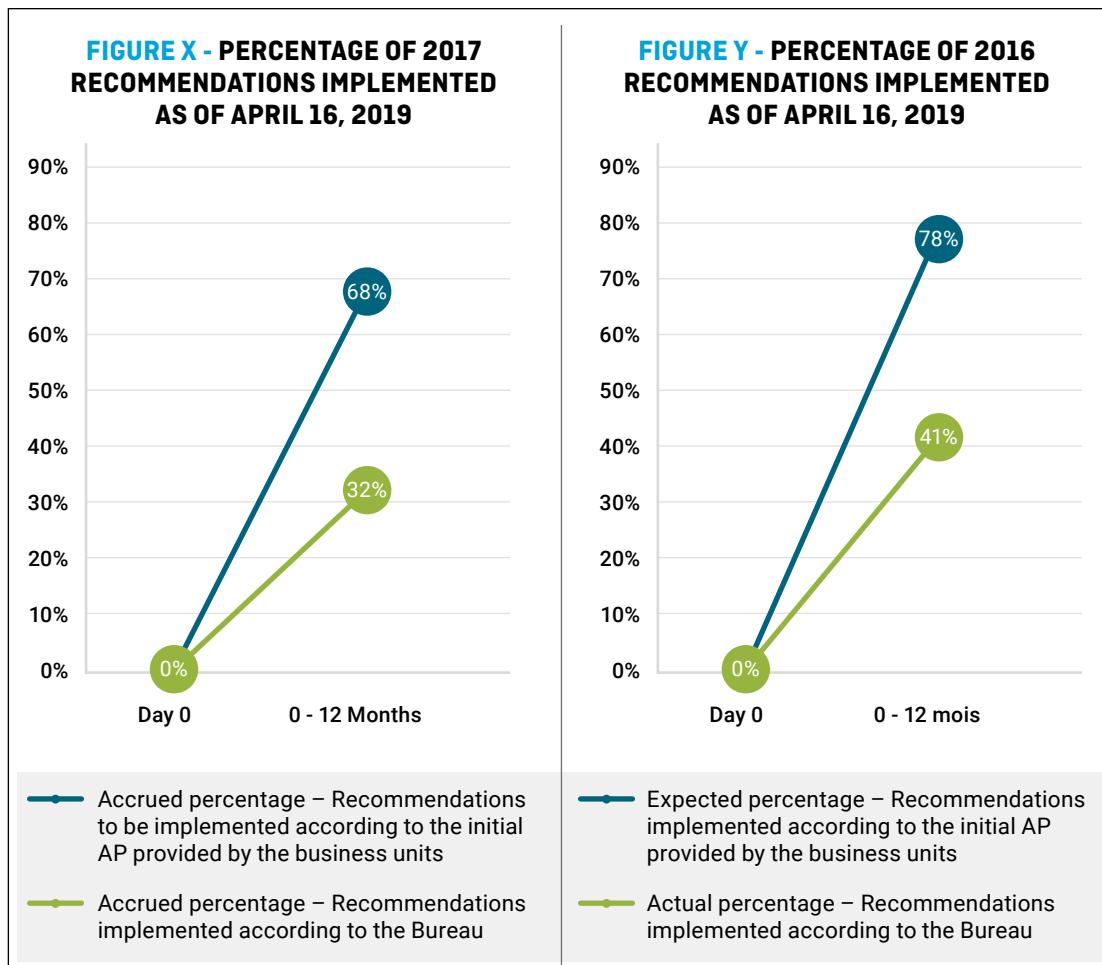
The municipal administration must report on the status of security in its municipal buildings, define the expected level of security within its facilities, and establish an action plan to make the necessary adjustments to existing security measures. It is also necessary to

clarify the division of roles and responsibilities and reassess the operational management of the various aspects of building security in order to optimize operational processes, related technological tools and the interrelation between stakeholders.

1.5.4 IMPLEMENTATION OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL'S RECOMMENDATIONS

Monitoring the implementation of recommendations made to the City's various business units is an important part of the Bureau's annual work plan. Recommendations made by the Bureau in performance audits, information technology (IT) audits or financial statement audits are intended to help the municipal administration fulfill its responsibilities, improve business processes and make better use of resources.

A standard part of the performance audit process for each engagement performed by the Bureau is to submit the draft report to the business units in order to validate the content and particularly the recommendations. Subsequently, they are asked to send us an action plan and an implementation deadline for each recommendation concerning them. It is safe to say that, overall, the audited business units follow almost all of the Bureau's recommendations. Nevertheless, I find that once again this year the percentage of recommendations that are implemented has continued to drop. With respect to performance audit and IT audit recommendations, since 2016, my annual report has presented the results of an exercise comparing the percentage of recommendations that the Bureau considered implemented with the percentage of recommendations that should have been implemented according to the action plans initially provided by the business units. However, again this year, I find that the business units do not meet the deadlines shown in the action plans they send us. This finding is reflected in Figures X and Y below for recommendations made in 2017 and 2016.



For recommendations made in 2017, I note that the status of a greater number of recommendations, i.e., 31 out of 210 recommendations (15%) versus 6 out of 100 recommendations in 2016 (6%)—for which the initial implementation deadline has expired—is still listed as “to be undertaken,” which indicates that the business units have not followed up on them. In addition, 9% of all “active” recommendations made in 2016 and 2017 were considered implemented by the business units, whereas the Bureau did not consider them implemented.

With respect to recommendations in financial statement audits, I note the same situation in which the percentage of recommendations that had been implemented when they were reviewed one year later decreased considerably.

I believe this situation deserves special attention. In this regard, I welcome the Direction générale’s decision to implement a process for implementing recommendations, including the recent recommendation to recruit a resource reporting to the general controller, who will monitor the implementation of recommendations addressed to the City’s business units. I also want to reiterate that the municipal administration should implement reporting mechanisms that support the implementation of recommendations in accordance with

the action plans submitted by the business units. The municipal administration should also establish performance indicators to measure the implementation rate of recommendations issued by the Bureau.

1.6. ACKNOWLEDGEMENTS

The 2018 report was produced by a competent multidisciplinary team that performs high-quality work. I would like to thank all the members of the Bureau's team for their excellent and support.

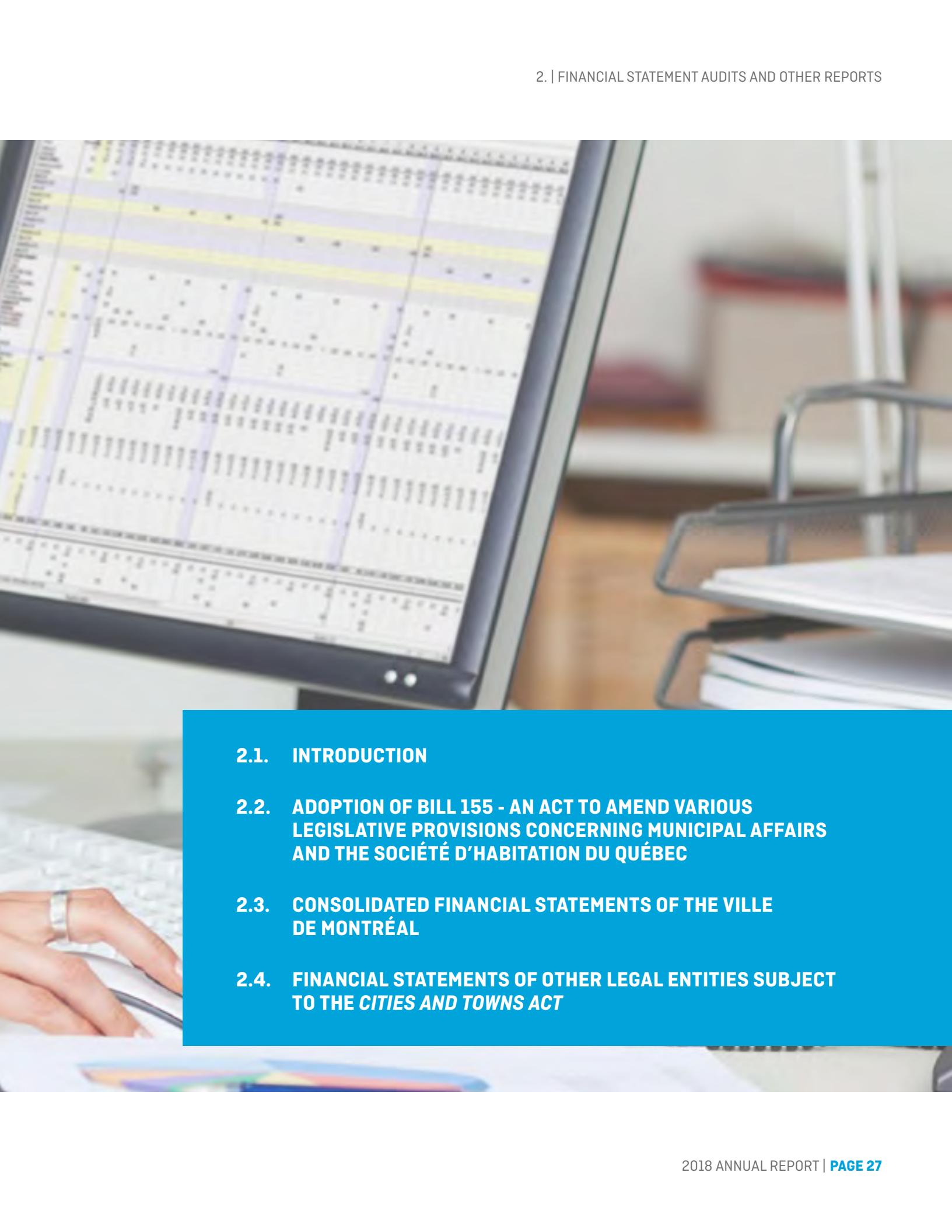
1. | OBSERVATIONS OF THE AUDITOR GENERAL



2.

FINANCIAL STATEMENT AUDITS AND OTHER REPORTS



- 
- 2.1. INTRODUCTION**
 - 2.2. ADOPTION OF BILL 155 - AN ACT TO AMEND VARIOUS LEGISLATIVE PROVISIONS CONCERNING MUNICIPAL AFFAIRS AND THE SOCIÉTÉ D'HABITATION DU QUÉBEC**
 - 2.3. CONSOLIDATED FINANCIAL STATEMENTS OF THE VILLE DE MONTRÉAL**
 - 2.4. FINANCIAL STATEMENTS OF OTHER LEGAL ENTITIES SUBJECT TO THE *CITIES AND TOWNS ACT***

2. FINANCIAL STATEMENT AUDITS AND OTHER REPORTS

2.1. INTRODUCTION

The Auditor General conducts its audits in accordance with Canadian generally accepted auditing standards. The audit is planned and performed to provide reasonable assurance that the financial statements are free of material misstatement. It involves implementing procedures to obtain evidence about the amounts and information provided in the financial statements. An audit also includes assessing the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as assessing the overall financial statements presentation.

The Auditor General's audit of the financial statements does not in any way relieve management of its responsibilities, because it is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable accounting framework and the internal control it considers necessary to enable the preparation of financial statements that are free of material misstatement.

The work done on the risk of fraud by the Bureau du vérificateur général as part of the audit of the financial statements does not relieve the Ville de Montréal (the City) management and the organizations subject to section 107.7 of the *Cities and Towns Act* (CTA) of their responsibility for the prevention and detection of fraud. Therefore, due to the limitations inherent in the financial audit, the risk that some material misstatements resulting from fraud are not detected remains despite the fact that the audit work has been planned and performed in accordance with Canadian Auditing Standards.

2.2. ADOPTION OF BILL 155 - AN ACT TO AMEND VARIOUS LEGISLATIVE PROVISIONS CONCERNING MUNICIPAL AFFAIRS AND THE SOCIÉTÉ D'HABITATION DU QUÉBEC

As mentioned in Chapter 1 of this report, Bill 155, which was passed in April 2018 by the Assemblée nationale, amended the sections regarding the Auditor General. The Auditor General no longer has the obligation to conduct the financial audit of the City, paramunicipal bodies, the breakdown of mixed charges and the overall tax rate, but he can continue to do so if he deems it appropriate. We have indicated that we consider it appropriate to continue our financial audit work in the City. For the paramunicipal bodies, we developed a risk assessment matrix to assess the entities for which the Auditor General deemed it appropriate to continue auditing and, consequently, to conduct a co-audit with the external auditor appointed by the City. Finally, we continue our audit work on the breakdown of mixed charges, but not on the overall tax rate.

2.3. CONSOLIDATED FINANCIAL STATEMENTS OF THE VILLE DE MONTRÉAL

In accordance with the provisions of the CTA in force on December 31, 2018, to the extent deemed appropriate by the Auditor General, we audited the City's financial statements.

The *Charter of Ville de Montréal, Québec's Metropolis* (Charter of Ville de Montréal) and the CTA both require the City to submit its financial statements to the Service du greffe by March 31 following the close of the preceding year and to the Ministère des Affaires municipales et de l'Habitation (MAMH) in the prescribed form, before May 15.

The audit of the financial statements was planned and performed jointly with Deloitte, the independent auditor appointed by the City. Doing this work together avoids duplication of work and costs for the municipality.

The consolidated financial statements include the activities of the organizations included in the City reporting entity. The inclusion of an organization in the reporting entity is based on the concept of control, that is, the power to direct the financial and administrative policies of another organization so that its activities will provide expected benefits to the municipal organization or expose it to a risk of loss. These organizations are: Société de transport de Montréal, Société d'habitation et de développement de Montréal, Technoparc Montréal, Société du parc Jean-Drapeau, Conseil des arts de Montréal, Office de consultation publique de Montréal, Anjou 80, Société en commandite Stationnement de Montréal, Bureau du taxi de Montréal and BIXI Montréal.

On April 11, 2019, jointly with Deloitte, issued an unqualified auditor's report on the consolidated financial statements of the City as at December 31, 2018.

The auditor's report on the City's consolidated financial statements and the report on mixed expenditures are included in the annual financial report filed with the City's Service du greffe on April 24, 2019.

Also, on April 16, 2019, jointly reports on the City's consolidated financial statements, on the breakdown of mixed expenditures were produced and recorded on the form required by MAMH. In accordance with the provisions of the CTA, the form required by MAMH, joint with the two above-mentioned jointly reports on the consolidated financial statements were filed with city council and the urban agglomeration council before being sent to MAMH on May 17, 2019.

ORGANIZATION AND GOVERNANCE OF PUBLIC TRANSIT IN THE MONTREAL METROPOLITAN AREA

On June 1, 2017, the *Act to modify mainly the organization and governance of shared transportation in the Montréal metropolitan area* came into force. The Act provides for a new sharing of powers to foster the mobility of persons. The Autorité régionale de transport

métropolitain (ARTM) which is in charge of the planning, development, pricing and financing of shared transportation services in the Montreal region. The Société de transport de Montréal (STM) and the ARTM signed an agreement in February 2019 that specifies the terms of application of this new governance.

For the year ended December 31, 2018, the status quo was maintained, in terms of the STM's governance given that the agreement between the parties was still under negotiation as of December 31, 2018. The management will have to assess the potential impacts of this new agreement.

MIXED EXPENDITURES

Under the *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), completed by the Montréal Agglomeration Order (order-in-council 1229-2005) as subsequently amended, expenditures incurred by the City in the performance by the municipal administration of an act that comes under both urban agglomeration power and another power are considered mixed expenditures. They are broken down between local and agglomeration powers in accordance with the criteria established by management pursuant to by-law RCG06-054 adopted by the urban agglomeration council on December 13, 2006, and its subsequent amendments.

Jointly with Deloitte, we conducted the audit of the table of mixed expenditures incurred by the City broken down by local and agglomeration powers. On April 11, 2019, we produced an unqualified jointly report indicating that the breakdown of mixed expenditures meets compliance requirements in all material respects.

OTHER REPORTS

On November 9, 2018, the Auditor General and Deloitte sent to the management and the City's audit committee a report, which consolidated deficiencies in internal control, as well as observations related to Information Technology General Controls (ITGCs) which are identified during the audit of financial statements as at December 31, 2017, and related to follow-up on deficiencies reported in previous years. Deficiencies in internal control and ITGCs identified during the audit of financial statements as at December 31, 2018, and the follow-up to previous deficiencies had not been presented to the audit committee, at the time of publishing this report.

2.4. FINANCIAL STATEMENTS OF OTHER LEGAL ENTITIES SUBJECT TO THE CITIES AND TOWNS ACT

Pursuant to sections 107.7 and 107.8 of the *Cities and Towns Act* (CTA), the Auditor General must, to the extent deemed appropriate, audit the financial statements of the other legal persons covered by the LCV who meet any of the following conditions:

- It is part of the reporting entity defined in the municipality's financial statements;
- The municipality or a mandatory of the municipality appoints more than 50% of the members of the board of directors;
- The municipality or a mandatory of the municipality holds more than 50% of the outstanding voting shares or units.

Table 1 on the following page identifies the other legal entities subject to the CTA for which, following our risk assessment, we have deemed it appropriate to remain an auditor and jointly produce an audit report on their financial statements with the auditor appointed by the City.

As of January 1, 2019, with the adoption of Bill 155, the potential scope of intervention of the Auditor General will also extend to any organization:

- whose budget is adopted or approved by the municipality;
- for which more than half of its funding is secured by funds from a municipality and its annual revenues are equal to or greater than \$1,000,000;
- that is a mandatory or agent of the municipality or is designated by the Minister of the MAMH as subject to municipal contractual regulations and has its main place of business on the territory of the municipality.

In the coming years, other organizations could undergo a financial audit or other by the Auditor General. We are assessing the new entities targeted by the amendments to the CTA through the adoption of Bill 155.

**TABLE 1 – LEGAL ENTITIES SUBJECT TO SECTION 107.7. OF
THE CITIES AND TOWNS ACT FOR WHICH THE
AUDITOR GENERAL HAS DEEMED IT APPROPRIATE
TO CONTINUE THE FINANCIAL AUDIT WORK AS
OF DECEMBER 31, 2018**

OTHER LEGAL ENTITIES SUBJECT TO THE CITIES AND TOWNS ACT	REPORTING ENTITY	DATE OF THE AUDITOR'S REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018
Société de transport de Montréal (Financial report and form required by MAMH)	●	April 4, 2019
Société d'habitation et de développement de Montréal	●	March 26, 2019
Société du parc Jean-Drapeau	●	March 28, 2019
Société en commandite Stationnement de Montréal	●	Underway, at the time of publishing this report
Société en commandite Transgesco	(1)	March 20, 2019

(1) Subsidiary of the Société de transport de Montréal.

SOCIÉTÉ DE TRANSPORT DE MONTRÉAL

The Société de transport de Montréal was incorporated under the *Act respecting public transit authorities* (CQLR, chapter S-30.01).

Until May 31, 2017, take responsibility, organize and provide the public transit in the territory of the agglomeration of Montréal. As of June 1, 2017, the STM has been subject to the Act to modify mainly the organization and governance of shared transportation in the Montréal metropolitan area (2016, ch. 8). This law provides for a new sharing of powers to foster the mobility of persons by abolishing the Agence métropolitaine de transport (AMT), which was replaced by two bodies, the Autorité régionale de transport métropolitain (ARTM), which is devoted to the planning, development, pricing and financing of shared transportation services in the greatest Montréal region, and the Réseau de transport métropolitain (EXO, formerly RTM), which is tasked with operating some shared transportation services, including the commuter train service.

The new governance also provides that the shared transportation service established by the ARTM will be delivered by operators, including the STM, under service agreements. In keeping with these new requirements, the STM concluded on February 2019 a contractual agreement with the ARTM. Among other things, this agreement specifies the transportation offer, the performance and quality objectives for the services and the agreed compensation. Since June 1, 2017, the STM's mandate has been to provide shared transportation services and, at the request of the ARTM, to collaborate to the planning, coordination, development, support and promotion of shared transportation in its territory.

REPORT

On April 4, 2019, we issued an unqualified jointly auditor's report for this organization.

This is an extract from the report:

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Société de transport de Montréal as at December 31, 2018, and the results of its operations, changes in its net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

SOCIÉTÉ D'HABITATION ET DE DÉVELOPPEMENT DE MONTRÉAL

The Société d'habitation et de développement de Montréal is a non-profit organization that reports to the City, incorporated by letters patent on June 15, 2010, by the Government of Québec pursuant to chapter V of schedule C of the *Charter of Ville de Montréal* (CQLR, chapter C-11.4).

Its objectives are:

- to contribute to economic and social development through the enhancement of residential, institutional, industrial, commercial and cultural property assets in the City's territory;
- to acquire, renovate, restore, build, demolish, sell, lease or administer buildings in the City's territory;
- grant subsidies and administer programs for the construction, renovation, restoration, demolition and relocation of buildings in the City's territory.

REPORT

On March 26, 2019, we issued an unqualified jointly auditor's report for this organization.

This is an extract from the report:

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Société d'habitation et de développement de Montréal as at December 31, 2018, and the results of its operations, revaluation gains and losses, changes in its net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

SOCIÉTÉ DU PARC JEAN-DRAPEAU

The Société du parc Jean-Drapeau is a non-profit organization that was incorporated on August 9, 1983, under section 223 of the *Charter of Ville de Montréal*.

Its purpose is to operate, administer and develop Parc Jean Drapeau, which includes Sainte-Hélène and Notre-Dame islands in Montréal. It manages recreational, cultural and tourist activities and carries out any other mandate entrusted to it by the City.

REPORT

On March 28, 2019, we issued an unqualified jointly auditor's report for this organization.

This is an extract from the report:

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Société du parc Jean-Drapeau as at December 31, 2018, and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

SOCIÉTÉ EN COMMANDITE STATIONNEMENT DE MONTRÉAL

The Société en commandite Stationnement de Montréal was incorporated under a limited partnership agreement entered into on May 10, 1994.

Since January 1, 2015, it manages paid parking activities under an agreement with the City.

On June 15, 2016, the Ville de Montréal agglomeration council adopted the new parking policy, which includes the transfer of the activities of the Société en commandite Stationnement de Montréal to a new body.

REPORT

The auditor's report was underway at the time of publishing this report.

SOCIÉTÉ EN COMMANDITE TRANSGESCO

The société en commandite Transgesco was formed under a partnership agreement on July 2, 2003, within the meaning of the Civil Code of Québec.

Its purpose is to manage various partnerships with private sector stakeholders in connection with business activities related to the Société de transport de Montréal.

REPORT

On March 20, 2019, we issued an unqualified jointly auditor's report for this organization.

This is an extract from the report:

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Société en commandite Transgesco as at December 31, 2018, and the results of its operations, changes in its net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



3. **LEGAL AND REGULATORY COMPLIANCE**





**3.1. LEGAL COMPLIANCE OF ORGANIZATIONS HAVING RECEIVED
A SUBSIDY OF AT LEAST \$100,000**

3. LEGAL AND REGULATORY COMPLIANCE

3.1. LEGAL COMPLIANCE OF ORGANIZATIONS HAVING RECEIVED A SUBSIDY OF AT LEAST \$100,000

In accordance with section 107.9 of the *Cities and Towns Act* (CTA), «*any legal person who receives an annual subsidy of at least \$100,000 is required to have its financial statements audited*». This legal person's auditor must provide the Auditor General with a copy of its annual financial statements, its report on these statements as well as any other report summarizing the auditor's observations and recommendations to the board of directors or corporate officers of this legal person.

This auditor must also, when requested by the Auditor General, provide the latter with any document that relates to the audit works and their results, while also providing all information that the Auditor General considers necessary with regard to these audit works and their results. If the Auditor General considers that the information, explanations or documents obtained from the auditor are insufficient, he can arrange for any additional verification that he views as necessary.

In December 2013, the city council also adopted resolution CM13 1157 that requires, amongst other things, organizations having received a subsidy of at least \$100,000 to file an annual report each year.

Moreover, on June 20, 2018, a set of letters identifying the organizations having received subsidies adding up to at least \$100,000 in 2017 was provided by Direction générale to the concerned business units, asking them to provide it, as well as the Auditor General, with a copy of the audited financial statements of these organizations.

OBJECTIVE AND SCOPE OF THE MANDATE

Our mandate was, first, to ensure that any legal person that benefitted from a subsidy of at least \$100,000 from the Ville de Montréal in 2017 complied with the provisions of section 107.9 of the CTA concerning the submission of a copy of its audited financial statements to the Auditor General.

For all organizations, our procedures consisted of reconciling the amounts identified for the organizations in the letters sent to them by the Direction générale and the total subsidies in the Ville de Montréal financial statements. We reconciled the differences, where required, with the list produced by the Direction générale.

Since we had not received all the audited financial statements from the organizations, on September 10, 2018, and December 5, 2018, letters were transmitted as a reminder of the business units responsible for the follow-up.

3. | LEGAL AND REGULATORY COMPLIANCE

As of February 24, 2019, all organizations that received a grant of at least \$100,000 submitted a copy of their 2017 financial statements. However, the following five organizations did not meet the obligations of the contribution agreement signed by the parties since they did not submit audited financial statements.

ORGANIZATIONS	NON-COMPLIANT	AMOUNT RECEIVED
Service de la culture		
I'Atelier Circulaire	Review Engagement	\$193,997
Maison québécoise du théâtre pour l'enfance et la jeunesse (La Maison Théâtre)	Review Engagement	\$115,452
Villeray-St-Michel–Parc-Extension borough		
Centre communautaire Jeunesse Unie de Parc-Extension	Review Engagement	\$113,598
Mercier Hochelaga-Maisonneuve borough		
Centre des Jeunes Boyce-Viau (CJBV)	Review Engagement	\$104,483
Ville-Marie borough		
L'Auguste Théâtre	Review Engagement	\$101,000
TOTAL		\$628,530

Section 107.9 of the CTA requires audited financial statements. Two organizations have failed for a second consecutive year: the Centre des Jeunes Boyce-Viau and the Centre communautaire Jeunesse Unie de Parc-Extension.

The Bureau du vérificateur général (le Bureau) has established a new audit program for organizations subject to section 107.9 of the CTA. As set out in the CTA, the Bureau has expanded the scope of its work for a selection of chosen organizations based on certain criteria. The review of the auditor's files was underway at the time of publishing this report for the following organizations:

ORGANIZATIONS	YEAR END	AMOUNT RECEIVED
Société du Musée d'Archéologie et d'Histoire de Montréal Pointe-À-Callière	December 31, 2017	\$28,519,375
Partenariat du Quartier des spectacles	December 31, 2017	\$6,977,125
Société de développement commercial Destination Centre-Ville Montréal (SDC)	December 31, 2017	\$4,338,291
Institut de l'Électrification des Transports Intelligents (Jalons Montréal)	December 31, 2017	\$1,530,000
Société de développement commercial du Vieux-Montréal-Quartier Historique (SDC)	December 31, 2017	\$2,147,081
Concertation régionale de Montréal (CMTL)	December 31, 2017	\$2,125,000

CONCLUSION

In 2017, the City disbursed a total of \$213.5 million including \$188.1 million (i.e., 88.1%) to 255 organizations that received subsidies adding up to at least \$100,000 and to which the requirements of section 107.9 of the CTA apply.

By February 24, 2019, the Bureau had received the 2017 audited financial statements for 250 (i.e., 98%) of the 255 organizations affected by this requirement under the CTA, for a total of \$187.5 million.

We encourage the City to continue its work of educating organizations on the requirements of section 107.9 of the CTA and of resolution CM13 1157.

The table on the next page provides a detailed list of the organizations that received \$100,000 or more in 2017.

3.1.1. DETAILED TABLE – LEGAL COMPLIANCE OF ORGANIZATIONS HAVING RECEIVED A SUBSIDY OF AT LEAST \$100,000 IN 2017

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Conseil Local Intervenants Communautaires Bordeaux-Cartierville (C.L.I.C.)	\$253,911	x		
Prévention Du Crime Ahuntsic/Cartierville	\$213,568	x		
Entre-Maisons Ahuntsic	\$167,520	x		
Service Des Loisirs St-Martyrs-Canadiens De Montréal	\$149,570	x		
Loisirs De L'Acadie Montréal	\$143,166	x		
TOTAL AHUNTSIC-CARTIERVILLE BOROUGH	\$927,735	5	0	0
Loisirs Sportifs Côte -Des-Neiges - Notre-Dame-De-Grace	\$1,179,652	x		
Comite Jeunesse De Notre-Dame-De-Grace	\$693,880	x		
Société Environnementale Côte-Des-Neiges	\$470,671	x		
Prévention Côte -Des-Neiges Notre-Dame-De-Grace	\$429,894	x		
Centre Communautaire De Loisir De La Côte-Des-Neiges	\$335,811	x		
Centre Communautaire Mountain Sights	\$157,100	x		
Association De La Communauté Noire De Côte-Des-Neiges	\$145,855	x		
Centre De Ressources Communautaire Côte-Des-Neiges	\$140,000	x		
Maison Des Jeunes Côte-Des-Neiges	\$111,860	x		
TOTAL CÔTE-DES-NEIGES- NOTRE-DAME-DE-GRÂCE BOROUGH	\$3,664,723	9	0	0

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Groupe De Recherche Appliquée En Macroécologie (Grame)	\$121,257	x		
Festival De Théâtre De Rue De Lachine	\$115,000	x		
La Maison des Jeunes l'Escalier de Lachine Inc	\$113,287	x		
Les Concerts Lachine Inc	\$104,500	x		
TOTAL LACHINE BOROUGH	\$454,044	4	0	0
Centre Culturel et Communautaire Henri-Lemieux	\$302,181	x		
Société de La Salle Jean-Grimaldi	\$100,268	x		
Héritage Laurentien	\$333,491	x		
TOTAL LASALLE BOROUGH	\$735,940	3	0	0
Société de Développement Commercial Hochelaga-Maisonneuve	\$923,352	x		
CCSE Maisonneuve	\$583,563	x		
Y'A Quelqu'Un L'Aut'Bord Du Mur Inc.	\$574,938	x		
Table De Quartier Hochelaga-Maisonneuve	\$366,943	x		
L'Unité d'Intervention Mobîle l'Anonyme	\$291,501	x		
Hockey Quebec - Region De Montreal	\$244,000	x		
Solidarité Mercier-Est	\$220,644	x		
L'Antre-Jeunes De Mercier-Est	\$190,722	x		
Comite Musique Maisonneuve Inc	\$169,000	x		
Centre Communautaire Hochelaga (C.C.H.)	\$155,450	x		
Service Des Loisirs Ste-Claire	\$149,000	x		
La Maison Des Jeunes Magi De Mercier-Ouest Inc.	\$148,643	x		
Mercier-Ouest Quartier En Santé	\$128,973	x		
Gcc La Violence!	\$119,394	x		
Club Aquatique De L'Est De Montréal	\$114,100	x		
Association Régionale De Soccer Concordia Inc.	\$109,140	x		
Service des Loisirs St-Clement	\$108,300	x		
Service des Loisirs St-Fabien	\$105,444	x		

3. | LEGAL AND REGULATORY COMPLIANCE

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Corporation D'Animation des Places Publiques	\$105,000	x		
Centre Des Jeunes Boyce-Viau	\$104,483		x	
TOTAL MERCIER-HOCHELAGA- MAISONNEUVE BOROUGH	\$4,912,590	19	1	0
Un Itinéraire Pour Tous	\$318,620	x		
Econord	\$234,548	x		
Les Fourchettes de l'Espoir	\$224,260	x		
Programme Horizon Jeunesse	\$211,520	x		
Artistes En Arts Visuels Du Nord De Montréal : Aavnm	\$155,642	x		
Corporation de Développement Économique (Cdec) Montréal-Nord	\$117,000	x		
TOTAL MONTRÉAL-NORD BOROUGH	\$1,261,590	6	0	0
Lester B. Pearson School Board	\$227,126	x		
Action Jeunesse De L'Ouest-De-L'Île	\$232,221	x		
TOTAL PIERREFONDS-ROXBORO BOROUGH	\$459,347	2	0	0
Société Ressources-Loisirs De Pointe-Aux-Trembles	\$1,000,952	x		
Maison Des Jeunes De Pointe-Aux-Trembles	\$424,054	x		
Équipe R.D.P.	\$225,208	x		
Eco De La Pointe-Aux-Prairies	\$206,700	x		
TOTAL RIVIÈRE-DES-PRAIRIES- POINTE-AUX-TREMABLES BOROUGH	\$1,856,914	4	0	0
Société De Développement Environne- mental De Rosemont (Soder) Inc.	\$663,927	x		
SIDAC Promenade Masson	\$519,291	x		
Société Développement Commercial Petite Italie - Marché Jean-Talon- Montréal	\$316,719	x		
Loisirs Récréatifs Comm.Rosemont	\$193,156	x		

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Corporation Développement Communautaire De Rosemont Inc.	\$152,300	x		
Loisirs Angus-Bourdonnière	\$150,870	x		
Regroupement Des Tables De Concertation De La Petite-Patrie (Rtcpp)	\$116,716	x		
Les Loisirs Du Centre Père-Marquette Inc.	\$104,097	x		
TOTAL ROSEMONT-LA PETITE-PATRIE BOROUGH	\$2,217,076	8	0	0
Société de Développement Commercial de La Rue Jean-Talon à Saint-Léonard	\$371,572	x		
Concertation Saint-Léonard	\$338,647	x		
TOTAL SAINT-LÉONARD BOROUGH	\$710,219	2	0	0
Société de Développement Commercial Wellington	\$527,617	x		
Nature-Action Québec Inc	\$421,248	x		
Action Prévention Verdun	\$188,033	x		
TOTAL VERDUN BOROUGH	\$1,136,898	3	0	0
Société de Développement Commercial Destination Centre-Ville	\$4,338,291	x		
Société de Développement Commercial du Vieux-Montréal-Quartier Historique	\$2,147,081	x		
Société de Développement Commercial du Village	\$1,406,968	x		
Association Sportive Et Communautaire Du Centre-Sud Inc.	\$1,026,468	x		
Société de Développement du Quartier Latin	\$723,480	x		
Corporation Du Centre Jean-Claude Malepart	\$684,284	x		
MU	\$471,125	x		
Corporation De Développement Communautaire (Cdc) Centre-Sud	\$372,501	x		
Sentier Urbain	\$273,702	x		

3. | LEGAL AND REGULATORY COMPLIANCE

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Spectre De Rue inc .	\$194,854	x		
Soc Pour L'Action L'Éducation Et La Sensibilisation Environnementale De Montréal	\$190,156	x		
Société Écocitoyenne De Montréal	\$168,446	x		
Service Des Loisirs St-Jacques De Montréal (Nouvelle Convention)	\$153,981	x		
Fierté Montréal	\$145,264	x		
Association Les Chemins Du Soleil	\$109,937	x		
L'Auguste Théâtre	\$101,000		x	
TOTAL VILLE-MARIE BOROUGH	\$12,507,538	15	1	0
Le Patro Le Prévost	\$690,433	x		
Centre De Loisirs Communautaires La jeunesse inc.	\$483,601	x		
Vrac Environnement	\$266,407	x		
La Maison Des Jeunes Par La Grande Porte	\$213,463	x		
Corporation De Gestion Des Loisirs Du Parc	\$170,174	x		
Projet D'Aménagement Résidentiel Et Industriel (P.A.R.I.) De Saint-Michel	\$161,300	x		
Espace Multisoleil	\$135,499	x		
Loisirs Communautaires Saint-Michel	\$127,391	x		
Centre Communautaire Jeunesse Unie De Parc Extension	\$113,597		x	
L'Organisation Des Jeunes De Parc-Extension Inc.(Peyo)	\$109,920	x		
TOTAL VILLERAY-SAINTE-MICHEL- PARC-EXTENSION BOROUGH	\$2,471,786	9	1	0
Groupe Information Travail	\$185,684	x		
Centre Du Plateau	\$235,237	x		
Relance Des Loisirs Tout 9 inc.	\$190,550	x		
TOTAL PLATEAU-MONT-ROYAL BOROUGH	\$611,471	3	0	0
Developpement Economique Saint- Laurent	\$1,024,061	x		
Vertcite	\$264,038	x		

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Le Musee Des Maitres Et Artisans Du Quebec	\$155,364	x		
TOTAL SAINT-LAURENT BOROUGH	\$1,443,463	3	0	0
Centre Sportif De La Petite-Bourgogne	\$373,852	x		
Centre De Loisirs Monseigneur Pigeon	\$357,022	x		
SIDAC Plaza Monk	\$321,833	x		
Groupe Paradoxe	\$224,381	x		
Centre Récréatif Culturel Et Sportif St-Zotique (Crcs) inc.	\$191,786	x		
Club Aquatique Du Sud-Ouest (C.A.S.O.)	\$119,473	x		
TOTAL SUD-OUEST BOROUGH	\$1,588,347	6	0	0
Société Des Célébrations Du 375 ^e Anniversaire De Montréal	\$9,315,456	x		
Assemblee des Premieres Nations du Québec et du Labrador	\$100,000	x		
TOTAL BUREAU DES RELATIONS GOUVERNEMENTALES ET MUNICIPALES	\$9,415,456	2	0	0
OBNL Congres Métropolis 2017	\$650,000	x		
Montréal International (FODIM)	\$500,000	x		
TOTAL BUREAU DES RELATIONS INTERNATIONALES	\$1,150,000	2	0	0
Centraide Du Grand Montréal	\$201,500	x		
La Société Canadienne de La Croix-Rouge	\$251,500	x		
ICLEI	\$249,275	x		
Maison du Développement Durable	\$150,000	x		
Terres En Vues, Société Pour La Diffusion de La Culture Autochtone	\$140,739	x		
Cari St-Laurent	\$111,538	x		
TOTAL DIRECTION GÉNÉRALE	\$1,104,552	6	0	0

3. | LEGAL AND REGULATORY COMPLIANCE

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Fondation Espace Pour La Vie	\$250,000	x		
TOTAL ESPACE POUR LA VIE	\$250,000	1	0	0
Société Du Musée D'Archéologie Et D'Histoire De Montréal Pointe-A-Callière	\$28,519,375	x		
Bibliothèque et Archives Nationales du Québec	\$25,977,971	x		
Partenariat Du Quartier Des Spectacles	\$6,977,125	x		
Oratoire Saint-Joseph du Mont-Royal	\$4,000,000	x		
Le Festival International de Jazz de Montréal Inc.	\$2,661,745	x		
l'École de Cirque de Verdun	\$2,531,688	x		
Compagnie de Théâtre Le Carrousel	\$2,503,099	x		
Évènements Gpcqm	\$1,375,000	x		
La Société de Verdissement du Montréal Métropolitain	\$706,666	x		
TOHU	\$684,000	x		
Corporation Du Théâtre Outremont	\$640,000	x		
Festival Juste Pour Rire/Just For Laught	\$600,000	x		
Festival Montréal En Lumière Inc.	\$600,000	x		
Centre Canadien d'Architecture	\$500,000	x		
Vitrine Culturelle De Montréal	\$488,822	x		
Quartier Éphémère Centre d'Arts Visuels	\$477,557	x		
Montréal En Histoire	\$474,000	x		
Ateliers Créatifs Montréal	\$471,004	x		
Casteliers	\$470,000	x		
Les Francofolies De Montréal Inc.	\$355,000	x		
Festival Transameriques	\$353,148	x		
(Mai) Montréal, Arts Interculturels	\$350,000	x		
Musée des Beaux-Arts de Montréal	\$325,000	x		
Musée D'Art Contemporain de Montréal	\$300,000	x		
Société de La Place des Arts de Montréal	\$275,000	x		
Festival Solaire Nordique du Québec	\$250,000	x		

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Centre des Arts de La Scène Pauline-Julien	\$221,068	x		
Diversité Artistique Montréal	\$200,400	x		
Nuit Blanche À Montréal Inc	\$200,000	x		
l'Atelier Circulaire	\$193,997		x	
Orchestre Symphonique De Montréal	\$190,000	x		
Festival Du Nouveau Cinéma De Montréal	\$183,279	x		
Société des Directeurs des Musées Montréalais (SDMM)	\$162,146	x		
Productions Réalisations Indépendantes de Montréal (P.R.I.M.) Inc.	\$160,000	x		
Fondation Québec Cinéma	\$151,492	x		
Festival Mode & Design Montréal	\$150,000	x		
Montréal En Fêtes	\$150,000	x		
Vélo Québec Événements	\$150,000	x		
Société des Musées de Montréal	\$131,000	x		
Les Productions Nuits D'Afrique Inc.	\$121,680	x		
Maison Québécoise du Théâtre Pour l'Enfance et La Jeunesse	\$115,453		x	
Comité De La Fête Nationale De La Saint-Jean Inc.	\$105,000	x		
Société du Chateau dufresne Inc.	\$102,500	x		
Bureau Du Cinéma Et De La Télévision Du Québec	\$100,000	x		
Culture Montréal	\$100,000	x		
Festival Fantasia	\$100,000	x		
Les Productions Feux Sacres Inc.	\$100,000	x		
TOTAL SERVICE DE LA CULTURE	\$85,954,214	45	2	0

Tennis Canada-Stade Jarry	\$1,745,417	x		
Les YMCA Du Québec	\$1,154,997	x		
Altergo	\$816,000	x		
Comité Olympique Canadienne	\$800,000	x		
Fédération Québécoise de Hockey Sur Glace Inc.	\$505,000	x		
Centre De Prévention De La Radicalisation Menant A La Violence	\$500,000	x		
Intégration Jeunesse Du Québec Inc.	\$500,000	x		
Club Des Petits Déjeuners Du Canada	\$432,330	x		

3. | LEGAL AND REGULATORY COMPLIANCE

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Triathlon International De Montréal	\$430,000	x		
Ville En Vert	\$427,154	x		
Société De Développement Social De Ville-Marie	\$425,727	x		
Coopérative de Solidarité Les Serres du Dos Blanc	\$416,000	x		
Fondation du Dr. Julien	\$402,973	x		
Championnats Du Monde De Gymnastique Artistique 2017	\$401,553	x		
Comité des Organismes Sociaux de Saint-Laurent	\$363,734	x		
Nutri-Centre La Salle	\$354,009	x		
Vivre Saint-Michel En Santé	\$349,531	x		
Commission Sportive de Montréal Inc.	\$339,241	x		
Institut Pacifique	\$324,327	x		
Mission Old Brewery	\$323,150	x		
Excellence Sportive De L'Île De Montréal	\$290,000	x		
Prévention Sud-Ouest	\$266,142	x		
Concertation Ville Émard Cote St-Paul	\$241,540	x		
Accueil Bonneau Inc.	\$241,106	x		
Réseau Réussite Montréal	\$239,325	x		
Regroupement des Eco-Quartiers	\$235,945	x		
Montréal-Nord En Santé	\$222,145	x		
Rue Action Prévention Jeunesse	\$219,100	x		
Corporation de Développement Communautaire de Côte-des-Neiges	\$197,401	x		
Sports Montréal Inc.	\$191,395	x		
Conseil Communautaire Notre-Dame-de-Grâce Inc.	\$178,062	x		
La Mission Bon Accueil	\$175,000	x		
Moisson Montréal Inc.	\$175,000	x		
Comité de Revitalisation Urbaine Intégrée du Quartier Saint-Pierre	\$169,562	x		
CDC Solidarités Villeray	\$162,854	x		
Table de Développement Social de Lasalle	\$158,386	x		
Regroupement Des Magasins-Partage De L'Île De Montréal	\$157,950	x		

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Coalition Petite Bourgogne Quartier En Santé	\$157,690	x		
Maison Du Père	\$155,000	x		
Jeunesse Au Soleil Incorporée	\$151,839	x		
Jeunes Musiciens du Monde	\$144,000	x		
Mouvement Pour Mettre Fin À L'Itinérance À Montréal	\$140,000	x		
Centre d'Initiatives pour le Développement Communautaire - l'Unité	\$133,020	x		
La Rue des Femmes de Montréal	\$132,960	x		
Gai Écoute inc.	\$129,144	x		
Foyer Pour Femmes Autochtones de Montréal	\$128,685	x		
Maison de Jeunes de Lasalle	\$114,651	x		
Projet Ado Communautaire En Travail de Rue	\$111,698	x		
Cyclo-Club Lachine	\$105,100	x		
Cafe-Jeunesse Multiculturel	\$101,800	x		
TOTAL SERVICE DE LA DIVERSITÉ SOCIALE ET DES SPORTS	\$16,237,643	50	0	0
Centre De La Montagne	\$599,750	x		
TOTAL SERVICE DES GRANDS PARCS, DU VERDISSEMENT ET DU MONT-ROYAL	\$599,750	1	0	0
Montréal C'Est Électrique	\$8,301,065	x		
PME Mtl centre-ville	\$2,971,725	x		
Concertation Régionale De Montréal	\$2,125,000	x		
PME MTL Centre-Est	\$1,989,891	x		
Institut de l'Électrification des Transports Intelligents	\$1,530,000	x		
PME MTL Centre-Ouest	\$1,330,010	x		
PME MTL Est-de-l'Île	\$1,325,212	x		
PME MTL West-Island	\$1,251,341	x		
SIDAC Plaza Saint-Hubert	\$1,183,075	x		
Société de Développement Commercial du Boulevard St-Laurent	\$1,042,525	x		

3. | LEGAL AND REGULATORY COMPLIANCE

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Office Des Congres Et Du Tourisme Du Grand Montréal	\$1,040,000	x		
PME MTL GRAND Sud-Ouest	\$1,004,538	x		
Société de Développement de l'Avenue du Mont-Royal	\$916,053	x		
7 À Nous	\$718,546	x		
Société de Développement Commercial District Central	\$694,732	x		
Société de développement commercial du quartier du canal	\$685,880	x		
Pôle d'Excellence Québécois en Transport Terrestre	\$660,000	x		
S.I.D.A.C. La Promenade Fleury	\$498,550	x		
SDC pignons rue Saint-Denis	\$490,105	x		
l'Île du Savoir Inc.	\$425,000	x		
Carrefour du Plateau Mont-Royal	\$399,283	x		
S.A.T. Société des Arts Technologiques	\$344,362	x		
École Des Entrepreneurs	\$296,000	x		
Organisation Du Sommet Mondial Du Design (Osmd)	\$280,000	x		
C2.Mtl	\$250,000	x		
École de Créativité La Factry	\$250,000	x		
Printemps Numérique	\$250,000	x		
Communautique	\$241,353	x		
Accès Escalade Montréal	\$239,452	x		
Association des Commerçants Avenue Laurier Ouest	\$221,523	x		
Expo Entrepreneurs	\$200,000	x		
Mt Lab	\$200,000	x		
Fondation du Startup de Montréal	\$175,000	x		
Regroupement Des Producteurs Multimédia	\$164,358	x		
Association Des Gens D'Affaires De Gouin Ouest	\$155,731	x		
Fusion Jeunesse	\$150,000	x		
Société de Développement Commercial Quartier Fleury Ouest	\$142,190	x		
Chantier De L'Économie Sociale	\$117,000	x		

NAME OF ORGANIZATION	AMOUNT OF SUBSIDY IN 2017	AUDITED FINANCIAL STATEMENTS		MISSING FINANCIAL STATEMENTS
		COMPLIANT	NON- COMPLIANT	
Société Du Quartier De L'Innovation De Montréal	\$225,000	x		
TOTAL SERVICE DU DÉVELOPPEMENT ÉCONOMIQUE	\$34,484,500	38	0	0
Hydro-Québec	\$1,294,962	x		
École Polytechnique Montréal	\$534,048	x		
Regroupement Des Eco-Quartiers				
TOTAL SERVICE DE L'EAU	\$1,829,010	2	0	0
Vélo Québec Association	\$109,560	x		
TOTAL INFRASTRUCTURES, VOIRIE ET TRANSPORTS	\$109,560	1	0	0
TOTAL	\$188,094,366			
	255	250	5	-
	100%	98.04%	1.96%	0.00%

3. | LEGAL AND REGULATORY COMPLIANCE



4.

PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY



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.

TABLE OF CONTENTS

1. BACKGROUND	67
2. PURPOSE AND SCOPE OF THE AUDIT	69
3. AUDIT RESULTS	70
3.1. Description of Services provided by the boroughs of Mercier-Hochelaga-Maisonneuve and Rosemont-La Petite-Patrie	70
3.2. Interunit service agreements	73
3.3. Identification of needs by service providers	83
3.4. Implement audit controls	86
3.4.1. Services funded through the “interunit charges” budget	86
3.4.2. Services that are billed internally	89
3.5. Customer satisfaction	93
3.6. Advertising service offerings	96
4. CONCLUSION	98
5. APPENDIX	100
5.1. Objective and evaluation criteria	100



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

4.1. | BUSINESS INTERUNIT SERVICES

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-Maisonneuve 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–Hochelaga-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–Hochelaga-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 timeline 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-Maisonneuve 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. Actions 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–Hochelage-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).



4.2.

USE OF CONTRIBUTIONS FOR PARK PURPOSES

FEBRUARY 26, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Ensure that contributions received for parks have been used as intended, in accordance with the Act and administrative frameworks.

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.

RESULTS

Although efforts have been made to ensure compliance with the provisions of the *Act respecting land use planning and development* (LUPDA) regarding the use of contributions for park purposes, interpreting these provisions is complicated and tools are needed to facilitate its implementation.

Against this backdrop, we believe that improvements should be made with regard to the following key aspects:

- For two boroughs in our sample, controls used to ensure that all contributions for parks have been received need to be more stringent;
- Situations that raise doubt about compliance were noted in two selected boroughs;
- The roles and responsibilities for verifying compliance with the provisions of section 117.15 of LUPDA related to the use of contributions for park purposes are not clearly defined for the three selected boroughs;
- The process of verifying compliance with the provisions of LUPDA is not documented in the case of the three boroughs;
- The three boroughs do not have a guideline on the procedure to be followed for implementing the provisions of LUPDA;
- Decision-makers do not have all the relevant information before they authorize the use of contributions for park purposes for the various projects for all three boroughs;
- Reports do not give an overall picture of changes in the fund in terms of projects completed and whether expenditures were in compliance.

TABLE OF CONTENTS

1. BACKGROUND	107
2. PURPOSE AND SCOPE OF THE AUDIT	109
3. AUDIT RESULTS	110
3.1. Review of all contributions received	110
3.1.1. Monetary contributions	110
3.1.2. Land transfer contributions	113
3.2. Compliance with use of contributions requirements	115
3.2.1. Interpretation and implementation of the provisions of section 117.15 of the <i>Act respecting land use planning and development</i>	115
3.2.2. Borough council approval and information provided to decision-makers	121
3.3. Accountability	124
4. CONCLUSION	126
5. APPENDIX	127
5.1. Objective and evaluation criteria	127



LIST OF ACRONYMS

BC
borough council

LUPDA
*Act respecting land use planning
and development*

MAMH
ministère des Affaires municipales
de l'Habitation

SAJ
Service des affaires juridiques

SGPI
Service de la gestion et de la planification
immobilière

4.2. | USE OF CONTRIBUTIONS FOR PARK PURPOSES

1. BACKGROUND

The *Act respecting land use planning and development* (LUPDA) (CQLR, chapter A-19.1) sets out legal provisions that allow municipalities to require contributions for parks, playgrounds and natural areas when they have adopted bylaws for that purpose. The boroughs that we audited have such bylaws and have been implementing them for several years. These bylaws have also been amended by the Ville de Montréal (the City) city council and they have applied to all boroughs of the City since June 19, 2018.

LUPDA also sets out provisions regarding municipalities' use of contributions for park purposes, playgrounds and natural areas. More specifically, section 117.15 of LUPDA stipulates the following:

"Land transferred pursuant to a provision enacted under section 117.1 may be used only for the establishment or enlargement of a park or playground or for the preservation of a natural area for as long as it belongs to the municipality."

"Every amount paid pursuant to such a provision and every amount received by the municipality in return for a transfer of land under the first paragraph shall form part of a special fund."

"The fund may be used only to purchase or develop land to be used for parks or playgrounds, to purchase land to be used for natural areas or to purchase plants and to plant them on property of the municipality. For the purposes of this paragraph, the development of land includes the construction thereon of a building the use of which is inherent in the use or maintenance of a park, playground or natural area."

Thus, contributions for parks can be remitted either through a monetary payment or transfer of a parcel of land. Monetary amounts received must be deposited in an account provided for this purpose¹. As mentioned in the provisions of LUPDA, sums paid into this special fund or parcels of land transferred as contributions may be used only for the purposes provided for in LUPDA.

For the period from January 2014 to August 31, 2018, sums collected for all boroughs that appear in the account provided for this purpose concerning contributions for parks paid in money totalled nearly \$38.6 million, as shown Table 1. For the three boroughs that were audited, and for the same period, these amounts represent more than a quarter of contributions collected in money, as shown in Table 1.

¹ "Deferred income" line item.

**TABLE 1 – CONTRIBUTIONS RECEIVED
CONTRIBUTIONS FOR PARKS, PLAYGROUNDS
AND NATURAL AREAS
RECEIVED FROM JANUARY 1, 2014 TO AUGUST 31, 2018**

BOROUGHS	CONTRIBUTIONS RECEIVED	PERCENTAGE OF ALL CONTRIBUTIONS RECEIVED
Mercier-Hochelaga-Maisonneuve	\$3.3 million	8.5%
Le Plateau-Mont-Royal	\$5.0 million	13.0%
Rivière-des-Prairies–Pointe-aux-Trembles	\$2.1 million	5.4%
Other boroughs (16)	\$28.2 million	73.1%
TOTAL – 19 BOROUGHS	\$38.6 MILLION	100%

Source: SIMON (City accounting system).

As shown in Table 2, for all boroughs, and for the same period, the amounts used for various projects (expenditures) totalled nearly \$21.8 million. On their own, the three boroughs that were audited account for more than \$10 million of expenditures from the parks fund versus all expenditures by the 19 boroughs. This represents almost 50% of the use of these contributions.

**TABLE 2 – USE OF CONTRIBUTIONS
CONTRIBUTIONS FOR PARKS, PLAYGROUNDS
AND NATURAL AREAS
USED FROM JANUARY 1, 2014 TO AUGUST 31, 2018**

BOROUGHS	CONTRIBUTIONS USED	PERCENTAGE OF ALL CONTRIBUTIONS USED
Mercier-Hochelaga-Maisonneuve	\$2.99 million	13.7%
Le Plateau-Mont-Royal	\$5.28 million	24.2%
Rivière-des-Prairies–Pointe-aux-Trembles	\$2.66 million	12.2%
Other boroughs (16)	\$10.87 million	49.9%
TOTAL – 19 BOROUGHS	\$21.8 MILLION	100%

Source: SIMON (City accounting system).

With regard to land parcel contributions for the three boroughs, borough council approved only one third-party land transfer from January 2014 to August 31, 2018.

Under section 131 of the *Charter of Ville de Montréal*, city council has jurisdiction over provisions of sections 117.1 to 117.16 of LUPDA relating to contributions for parks, playgrounds and natural areas. However, the *By-law concerning the delegation of city council powers to borough councils* (02-002)² delegates to all borough councils responsibility for implementing bylaws relating to section 117.1 of LUPDA. Through this delegation of power, boroughs are therefore responsible for collecting the contributions for parks through these bylaws adopted by city council.

According to the information we obtained from the persons we interviewed in the business units, with regard to the use of sums deposited in the fund provided for this purpose, this is also the boroughs' responsibility. They use these funds for their local needs. Consequently, boroughs must apply the provisions of section 117.15 of LUPDA that we quoted previously.

With respect to parcels of land transferred as contributions for parks, playgrounds and natural areas, boroughs are also responsible for receiving this transfer when the borough council (BC) has chosen this form of contribution.

Ultimately, these contributions represent an additional funding tool for boroughs for implementing projects involving parks, playgrounds and natural areas.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on the use of contributions for park purposes. 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 contributions received for parks were used as intended, in accordance with the Act and administrative frameworks.

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, main-

² City council, bylaw no. 02-002, adopted on December 18, 2001.

tains 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. She also complies with the rules of independence and the other ethical rules of the Code of Ethics of Chartered Professional Accountants, which are based on the fundamental principles of integrity, professional competency and diligence, confidentiality and professional conduct.

Our audit work focused on the period from January 2014 to August 31, 2018. However, for some aspects, data prior to these years were also considered. It was primarily completed between June 2018 and January 2019.

This work was mainly performed with the following business units:

- Mercier–Hochelaga-Maisonneuve borough;
- Le Plateau-Mont-Royal borough;
- Rivière-des-Prairies–Pointe-aux-Trembles borough.

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 each business unit involved in the audit in order to obtain action plans and implementation timelines.

A copy of the final report was also submitted to the city manager, the assistant city manager of the Services institutionnels, the assistant city manager of the Service aux citoyens, the director of the Service de la concertation des arrondissements, and the directors of the 16 other boroughs not directly targeted by our audit, so they could implement recommendations if appropriate.

3. AUDIT RESULTS

3.1. REVIEW OF ALL CONTRIBUTIONS RECEIVED

3.1.1. MONETARY CONTRIBUTIONS

3.1.1.A. BACKGROUND AND FINDINGS

At this stage of our work, we wanted to know whether mechanisms in place to ensure that all monetary contributions have been received so that all sums received as contributions for parks, playgrounds and natural areas are deposited in the special fund (the deferred income account).

As mentioned before, contributions for parks, playgrounds and natural areas are required under a bylaw that is to be implemented by the boroughs. More specifically, for Mercier–

Hochelaga-Maisonneuve borough, the Direction de l'aménagement urbain et des services aux entreprises is responsible for implementing this bylaw. For Le Plateau-Mont-Royal borough, it is the Direction du développement du territoire et des travaux publics. And for Rivière-des-Prairies–Pointe-aux-Trembles borough, it is the Direction du développement du territoire et des études techniques.

In short, these directorates are responsible for determining whether the bylaw applies, and if so, they make sure to collect the monetary contribution. Under this bylaw, the contribution for parks, playgrounds and natural areas is therefore claimed from the third party before a subdivision or building permit is issued.

Once the amount is collected, the Direction des services administratifs is responsible for ensuring that it is deposited in the special fund (the deferred income account), i.e. the account provided for this purpose. Details of transactions in this account regarding cash receipts and the use of contribution amounts refer to various file numbers related to the decision-making process and permits. The Direction des services administratifs uses this information to monitor the source of cash receipts and whether the use of contributions is compliant.

This directorate is therefore responsible for the financial management and maintenance of the special fund, i.e. the sums of money deposited in the fund and the sums that are used. Ultimately, this directorate must see to it that mechanisms are put in place to ensure that all amounts are deposited in the special fund.

It is therefore important that there be close communication between the two directorates in order to facilitate the reconciliation of sums deposited by the directorates responsible for financial matters in order to identify possible gaps.

We have therefore examined existing mechanisms to ensure that all sums have been deposited in this fund. With respect to the Mercier–Hochelaga-Maisonneuve borough, our audit shows that when a contribution for parks is collected, the Division des permis et inspections send the Division des ressources financières et matérielles an email to confirm collection. Each quarter, the account is reconciled and any discrepancies are queried and corrected, if applicable. In our opinion, this approach provides reasonable assurance that all contributions for parks have been recorded in the deferred income line item.

In the case of Le Plateau-Mont-Royal borough, the Division des ressources financières periodically extracts data on the deferred income item from the business office database. Also, the extract is queried to identify decision-making records relating to the transactions that have been entered. Entries are monitored, however this does not provide assurance that all contributions have been recorded; permit or cash receipt data (source data) are not used to reconcile the account.

In addition, the person interviewed in this division indicated that at the time of our audit she was working to improve the existing procedure.

For Rivière-des-Prairies–Pointe-aux-Trembles borough, the Division des ressources financières periodically extracts data on the deferred income item from the business office database. The extract is then queried to identify related decision-making records in order to enter the required references when the account is analyzed. Our audit work reveals that entries are monitored, but this does not provide assurance that all contributions have been recorded. Data from permits or cash receipts that may be characterized as “source data” are not used to reconcile the account.

In conclusion, the control procedure put in place by the Division des ressources financières does not ensure that all contributions have been recorded in this account, because the inputs are not used. Missing amounts cannot be detected using this procedure.

In conclusion, we believe that the boroughs of Le Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles should review existing mechanisms for verifying that all sums have been deposited in the special fund (deferred income) in order to make improvements required to ensure the completeness of the recorded data by aligning amounts received with those recorded as contributions for parks and reconciling them with permit or cash receipt data (source data).

RECOMMENDATION

- 3.1.1.B. We recommend that the boroughs of Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles review existing mechanisms for verifying that all sums have been deposited in the fund provided for this purpose, in order to make controls more stringent and to ensure that all contributions have been recorded.**

BUSINESS UNITS' RESPONSES

- 3.1.1.B. *Le Plateau-Mont-Royal borough***

[TRANSLATION] In recent months, discussions have been initiated within the Division des ressources financières on implementing a park contribution management process. Finally, we concluded that the best way to track contributions is to send an action request to a member of the Division des ressources financières et matérielles on matters affecting the parks fund. (Planned completion: February 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] A financial action request regarding decision-making records (delegated decisions) for approval of park fees that identify the amount collected by the borough will be sent to the financial resources advisor responsible for monitoring the finances of the park reserve fund.

The financial resources advisor will compare the amounts deposited in the deferred income account with the collection records prepared by the borough's Division des permis et inspections in order to reconcile the amounts collected with those recorded.

With regard to land transfers (cases submitted to the borough council), the financial advisor will act as stakeholder. (Planned completion: April 2019)

3.1.2. LAND TRANSFER CONTRIBUTIONS

3.1.2.A. BACKGROUND AND FINDINGS

We also wanted to know whether land transfer contributions received by the boroughs are accounted for in full in the City's accounting books.

The land transfer contribution procedure is different from the monetary contribution procedure. Several transactions must be completed before the land becomes part of City property.

According to the documents and information we obtained, only one land transfer contribution was approved by the borough council between January 1, 2014 and August 31, 2018. The Rivière-des-Prairies–Pointe-aux-Trembles borough received this contribution.

Pursuant to a resolution adopted in 2015, the BC approved this land transfer contribution.³ The documents we obtained indicate that the parcel of land became a park and part of the public domain following the approval of the cadastral transaction in 2017 as indicated in the notarial deed dated June 1, 2018, of which we had a copy, which in turn indicates that the land is a park and is part of the public domain of the City.

The SGPI produced a property fact sheet for the lot received as a contribution. This sheet describes the lot and related parameters. The value of the lot indicated is entered on the real estate assessment roll.

For its part, the Service des finances included this lot in a document entitled "Inventaire des propriétés de la Ville". According to the information and documents obtained from the person contacted in this department, the amount entered in this inventory will be zero, because the lot has been transferred to the borough free of charge.

However, the Canada Public Sector Accounting Handbook states that "... *the cost of a contributed capital asset, including a capital asset in lieu of a developer charge, is its fair value at the date of the contribution*"⁴. In addition, the standard defines fair value as follows: "...*amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act*".

³ Resolution: CA15 30 11 035 (November 3, 2015 session).

⁴ Date of transfer of ownership formalized by a notarial deed.

With regard to the entry of the contribution received by the Rivière-des-Prairies–Pointe-aux-Trembles borough in the City's books of account, it required that the land value be appraised so that the Service des finances could record the land at its fair value when the City becomes the owner of the land, i.e. the date on which a notarial deed was drawn up for this purpose, as required by the Normes comptables and the Manuel de présentation de l'information financière municipale du ministère des Affaires municipales et de l'Habitation (MAMH)⁵.

In our opinion, because the Service des finances is responsible for financial reporting, as such, it is obliged to ensure that all transactions recorded are in compliance with accounting standards. It goes without saying that the book value for these lots must meet these requirements.

RECOMMENDATIONS

- 3.1.2.B.** **We recommend that the Service de la gestion et de la planification immobilière ensure that the land obtained as a contribution for parks, playgrounds and natural areas be appraised at fair value to enable the Service des finances to account for it in the City's books.**
- 3.1.2.C.** **We recommend that the Service des finances ensure that the registration of land obtained as a contribution for parks, playgrounds and natural areas in the City's books meets the requirements of Canadian public sector accounting standards and the Manuel de présentation de l'information financière municipale du ministère des Affaires municipales et de l'Habitation.**

BUSINESS UNITS' RESPONSES

- 3.1.2.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] *The Service de la gestion et de la planification immobilière undertakes to determine the fair market value of lots obtained as a contribution for parks, playgrounds and natural areas each time a borough receives lots as compensation. To implement this initiative, the Service de la gestion et de la planification immobilière will establish a process in conjunction with the boroughs and the Service des finances.*
(Planned completion: December 2019)

⁵ Page 4-163, December 2017.

3.1.2.C.***Service des finances***

[TRANSLATION] After obtaining the Service de la gestion et de la planification immobilière's share of the value of the lots received as contributions for parks, playgrounds and natural areas, the Service des finances will ensure that the registration of these lots in the city's books meets the requirements of Canadian public sector accounting standards and the *Manuel de présentation de l'information financière municipale du ministère des Affaires municipales et de l'Habitation*.

(Planned completion: April 2019)

3.2. COMPLIANCE WITH USE OF CONTRIBUTIONS REQUIREMENTS

3.2.1. INTERPRETATION AND IMPLEMENTATION OF THE PROVISIONS OF SECTION 117.15 OF THE ACT RESPECTING LAND USE PLANNING AND DEVELOPMENT

3.2.1.A. BACKGROUND AND FINDINGS

As previously mentioned, the provisions of section 117.15 of LUPDA regarding contributions provided as parcels of land, stipulate that:

"Land transferred pursuant to a provision enacted under section 117.1 may be used only for the establishment or enlargement of a park or playground or for the preservation of a natural area for as long as it belongs to the municipality."

Similarly, these provisions with respect to monetary contributions stipulate that:

"The fund may be used only to purchase or develop land to be used for parks or playgrounds, to purchase land to be used for natural areas or to purchase plants and to plant them on property of the municipality. For the purposes of this paragraph, the development of land includes the construction thereon of a building the use of which is inherent in the use or maintenance of a park, playground or natural area."

The MAMH website only provides a brief description of these provisions regarding use of the special fund for parks, playgrounds and natural areas.

We find that the provisions of section 117.15 of LUPDA are written in broader terms and therefore a legal interpretation is required for many projects or activities completed by a borough. These provisions therefore provide little detailed information on all cases concerning these projects and activities.

However, through our audit we obtained legal documents from the boroughs regarding the interpretation of these provisions. We were also able to identify legal documents produced

by MAMH. We also consulted documents produced by the City's Service des affaires juridiques (SAJ), including the boroughs' legal bulletins, which deal with the interpretation of these provisions in specific situations. Finally, we also found a 2017 Superior Court ruling concerning a dog park and the issue of limited access to dog parks.

In summary, the documents we consulted regarding the interpretation of these provisions state that sums from the special fund for parks, playgrounds and natural areas must not be used for:

- regular maintenance of a park or park equipment or plants (e.g., lawn mowing, cleaning, and painting);
- construction of an indoor ice rink, community centre or indoor pool;
- development or redevelopment of a community garden;
- development of a green traffic calming extension;
- construction of tree pits on public land;
- development of a green alley;
- development of a dog exercise area if access is limited (not accessible to all);
- street furniture not intended to be installed in a park or playground.

It should be noted that these are examples of situations related to the interpretation of the provisions of section 117.15 of LUPDA. This list is therefore not exhaustive and some aspects of this list could be interpreted differently in individual cases. However, this list demonstrates the complexity involved in interpreting and implementing these provisions.

With respect to land contributions, by making the necessary adjustments to what we have just described, land received as a contribution can only be used as indicated by the Act *"for the establishment or enlargement of a park or playground or for the preservation of a natural area"*. Land obtained as a contribution could not be used to develop a community garden, for example.

In view of these provisions and the various legal documents we consulted to interpret how they should be implemented, we wanted to know whether the various projects implemented by the boroughs we audited raised concerns regarding compliance with these provisions and their interpretation.

To this end, we reviewed disbursements related to the use of each contribution for the various projects. The directorate of the borough prepares a decision-making summary. The BC then adopts an approval resolution in order to implement the project.

We therefore reviewed decision-making summaries from January 1, 2014 to August 31, 2018, for each borough we audited.

Our audit work raised some doubts as to whether the boroughs of Mercier-Hochelaga-Maisonneuve and Rivière-des-Prairies-Pointe-aux-Trembles had complied with these provisions.

With regard to Mercier-Hochelaga-Maisonneuve borough, decision-making summaries mention fence repairs in parks and playgrounds, relocating a community garden and upgrading dog exercise areas, but the summaries do not specify whether these exercise areas have limited access.

In the case of Rivière-des-Prairies–Pointe-aux-Trembles borough, a decision-making summary reports that dog agility and exercise areas were developed, but the summary does not specify whether these areas have limited access.

Based on these findings, we wanted to ensure that there was a documented approach to verifying compliance with the Act for each project file or decision-making summary. However, our audit did not find any evidence of such a documented approach.

We also enquired about existing mechanisms and the tools used to ensure compliance with this requirement. Our work reveals that the boroughs we audited do not have a detailed written guideline on the procedure for ensuring that a project complies with the provisions of section 117.15 of LUPDA concerning disbursements from the special fund.

However, our work suggests that the boroughs have various legal opinions and documents regarding the interpretation of these provisions for specific cases and situations.

However, the number of these opinions and documents held by the boroughs and the subjects that are dealt with vary between boroughs. In other words, none of the boroughs we audited has all the legal documents that we consulted concerning disbursements from the special fund for different situations.

In addition, our audit revealed that only Mercier-Hochelaga-Maisonneuve borough has a checklist to facilitate the implementation of the provisions of section 117.15 of LUPDA. This is an initiative of an employee who recently started to work at the borough. This list was developed using legal documents and opinions that were obtained.

We believe that this is a good initiative to introduce best practices. However, we reviewed the checklist and found that it does not include all the situations we identified. In addition, it lists an “approved” status for dog exercise areas, but does not indicate that access to such an area must not be restricted.

Section 117.15 of LUPDA does provide clear, concise guidelines to deal with all cases regarding the use of sums from the special fund to complete projects.

Interpreting these provisions is difficult and complicated, and we believe that a legal approach is required to ensure compliance. Although a checklist is very useful and even necessary, we believe that it is in the borough's interest to produce a guideline on how to proceed to ensure compliance.

Based on the interviews we conducted in the three boroughs, our work reveals that the roles and responsibilities for verifying compliance with the provisions of section 117.15

of LUPDA are not clearly defined with respect to each project. However, preparation of projects related to parks, playgrounds and natural areas, which result in using amounts from the special fund, involves more than one directorate within the same borough. We therefore believe that an official within the borough's relevant departments must be formally designated to oversee compliance audits to ensure that they have been performed.

Only one borough has a more detailed checklist to facilitate implementation of these provisions. According to the information and documents we obtained, it is difficult to prepare a list because it is based on legal opinions and documents related to the interpretation of these provisions. Although cases and situations have been dealt with in legal bulletins available to all boroughs, all boroughs may not have easy access to all existing legal notices, documents and information. In fact, as we mentioned above, notices and documents held by boroughs vary from between boroughs, because a boroughs may have obtained legal advice or legal documents regarding a specific situation.

The SAJ prepares monthly legal bulletins for the boroughs. Situations concerning these provisions have been dealt with in these bulletins before. Given the difficulty of interpreting these provisions and the many situations related to the interpretation of the provisions that we have identified, we are of the opinion that the SAJ could produce a summary of all these cases and situations in its legal bulletins to allow all borough to develop a checklist for interpreting these provisions and reduce the risk of using sums from the special fund in a manner that fails to comply with the Act.

RECOMMENDATIONS

- 3.2.1.B.** **We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve, Le Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles adopt a guideline to identify the roles and responsibilities for implementing a documented compliance audit and to formalize the process for implementing the provisions of section 117.15 of the *Act respecting land use planning and development* related to the use of contributions for park purposes, playgrounds and natural areas.**
- 3.2.1.C.** **We recommend that the Service des affaires juridiques, as part of the production of its legal bulletins, examine the possibility of providing boroughs with a summary of all cases listed to date, related to the interpretation of the provisions of section 117.15 of the *Act respecting land use planning and development* relating to the use of the special fund for parks, playgrounds and natural areas, to enable the boroughs to develop a checklist for implementing these provisions.**

3.2.1.D. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve, Le Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles develop a checklist for interpreting the provisions of section 117.15 of the *Act respecting land use planning and development* relating to the use of contributions for park purposes, playgrounds and natural areas.

BUSINESS UNITS' RESPONSES

- 3.2.1.B.** *Mercier–Hochelaga-Maisonneuve borough*
- 1) [TRANSLATION] Prepare a document that defines individual roles and responsibilities and establishes the procedure for complying with the provisions of the “*Act respecting land use planning and development*”, chapter A-19.1. (**Planned completion: March 2019**)
 - 2) Maintain the information communication link via memos and ad-hoc information messages to staff. (**Planned completion: April 2019**)
 - 3) Meet with and inform all persons who may use the parks fund, complete purchase orders or validate them. (**Planned completion: May 2019**)

Le Plateau-Mont-Royal borough

[TRANSLATION] A discussion is already under way on this topic. The Bureau du vérificateur général's audit report will serve as a guide and inspiration for drafting a guideline for collecting contributions and using contributions for parks, playgrounds and natural areas within Le Plateau-Mont-Royal borough. This guideline will contain the process to be followed, the roles and responsibilities of the various stakeholders as well as any reference documents required for decision-making.

(**Planned completion: December 2019**)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The borough will issue a guideline on the use of contributions for parks, playgrounds and natural areas to enable officials to document the file and ensure that the project that we want to finance through this Fund complies with the provisions of section 117.5 of the *Act respecting land use planning and development*.

It will specify the roles and responsibilities of stakeholders in the process, the sources of information to be consulted and other mechanisms to achieve this goal. (Planned completion: October 2019)

3.2.1.C. Service des affaires juridiques

[TRANSLATION] A review of recent case law and legal opinions will be conducted. The lawyer who will take on this mandate will liaise with the Service de l'urbanisme et de la mobilité to ensure that the guide produced by this department is made available to the boroughs and that it can be amended, if deemed necessary, to ensure that the information provided is consistent. The summary prepared by the Direction des affaires civiles of the Service des affaires juridiques will be published in the September edition of the Bulletin juridique. (**Planned completion: when the September 2019 edition of the Bulletin juridique is published**)

3.2.1.D. Mercier–Hochelaga-Maisonneuve borough

- 1) [TRANSLATION] Update the eligible projects document to present it those involved. (**Planned completion: March 2019**)
- 2) Meet with and inform everyone involved. (**Planned completion: May 2019**)
- 3) Maintain the information communication link via memos and ad-hoc information messages to staff. (**Planned completion: April 2019**)

Le Plateau-Mont-Royal borough

[TRANSLATION] A checklist will be prepared and included in the financial response. A copy of this list will be available to all users in the finance shared folder on Le Plateau-Mont-Royal borough's network.
(Planned completion: December 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The borough will prepare a checklist to identify sources of regulatory information concerning the application of section 117.5 of the Act respecting land use planning and development.

This list will identify situations where funding is not permitted through the parks fund, based on available legal information.

It will also identify situations where funding is permitted according to legal opinions obtained to date.

*In case of doubt, a regulatory compliance notice (legal opinion) will be required. (**Planned completion: September 2019**)*

3.2.2. BOROUGH COUNCIL APPROVAL AND INFORMATION PROVIDED TO DECISION-MAKERS

3.2.2.A. BACKGROUND AND FINDINGS

At this stage of our work, we wanted to verify whether transactions involving disbursements from the special fund were recorded in a decision-making summary authorized by the borough council.

Our examination of the amounts from the special fund of the three boroughs for the period from January 1, 2014 to August 31, 2018 reveals that each transaction related to a project was recorded in a decision-making summary approved by a borough council resolution.

Based on the information we obtained from the City's Service des finances, these transactions are reviewed by this department during the year, and a decision-making summary is required for disbursements from this special fund.

However, our audit reveals that in some cases Mercier-Hochelaga-Maisonneuve borough uses a decision-making summary that includes a different procedure. It is approved by the borough council as usual. However, this decision-making summary indicates a general amount approved in advance by the borough council for the implementation of future projects. The approved sum is the maximum amount available, as it were. Subsequently, a transaction related to the use of fund money is authorized by a manager using a purchase order that refers to the latter.

The review of a decision-making summary for 2018 using this procedure indicates that it provides a list of proposed projects, including the purchase of plants, the addition of street furniture, fence installation work in various parks and upgrades for dog exercise areas.

In addition, our audit of purchase orders related to this decision-making summary reveals that several are for repair and maintenance work, including painting playground furniture in a park. The use of special fund money for these projects raises doubts as to compliance with the provisions of section 117.15 of LUPDA.

In our view, there is a risk that this approach—i.e. use of a pre-approved decision-making summary for the next disbursement from the special fund through purchase orders for specific projects—may not comply with the provisions of section 117.15 of LUPDA. There is a risk that the money in this fund may be used for purposes other than those authorized by the Act. It is therefore important that mechanisms be put in place to ensure compliance where this approach is used.

We also reviewed decision-making summaries and purchase orders to verify whether decision-makers had sufficient information to confirm that compliance reviews had been performed for each project and that this project complies with section 117.15 of LUPDA, indicating the reasons for such compliance, before approval is obtained for the expenditure.

Although each decision-making summaries usually indicates that the project submitted complies with the City's policies, bylaws and administrative frameworks, the review performed for the three boroughs did not allow us to identify evidence of more specific information on compliance with LUPDA, due to each project in relation to the provisions of the Act. As a result, the information provided to decision-makers does not allow them to make informed decisions for each project submitted to them involving disbursements from the special fund.

As mentioned previously, our audit did not identify evidence of a documented approach for verifying whether each project complied with these provisions, despite the fact that in some cases boroughs possess legal opinions, legal documents and other tools.

In our opinion, it is important that decision-makers (elected officials and managers) have relevant, accurate information on each file involving disbursements from the special fund for parks, playgrounds and natural areas, to enable them to make an informed decision before approving or authorizing use of the funds provided for in the Act. We believe it is important to reassure decision-makers in this regard.

RECOMMENDATIONS

- 3.2.2.B.** **We recommend that the Mercier–Hochelaga-Maisonneuve borough put in place mechanisms to ensure compliance with section 117.15 of the *Act respecting land use planning and development* when a decision-making summary is used to authorize a general expenditure with a maximum budget, to allow subsequent use of purchase orders in order to make specific disbursements authorized by officials.**
-
- 3.2.2.C.** **We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve, Le Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles ensure that they provide decision-makers with relevant information on compliance with the provisions of section 117.15 of the *Act respecting land use planning and development* for each file involving disbursements from the special fund, to promote informed decision-making.**

BUSINESS UNITS' RESPONSES

3.2.2.B.

Mercier–Hochelaga-Maisonneuve borough

- 1) [TRANSLATION] It was decided that this procedure would no longer apply. (**Planned completion: March 2019**)
- 2) Project leads has already been asked to complete their own decision-making summary for their respective projects (they will be able to group several similar projects together)
(**Planned completion: March 2019**)
- 3) A memo / information message will be sent to all those involved.
(**Planned completion: April 2019**)

In addition, the documents will be updated and available at any time for reference.

3.2.2.C.

Mercier–Hochelaga-Maisonneuve borough

- 1) [TRANSLATION] The project lead must verify and ensure that his project complies with the regulations of the Act respecting land use planning and development.
- 2) The project lead's decision-making summary must state that the project complies with legal requirements.
- 3) The financial resources management advisor must ensure that funding is clearly indicated in his financial response as well as in the financial section of the decision-making summary.
(**Planned completion: April 2019**)

Le Plateau-Mont-Royal borough

[TRANSLATION] Any records on the use of contributions for parks, playgrounds and natural areas are now accompanied by a certificate of compliance with the provisions of section 117.15 of the Act respecting land use planning and development. (**Planned completion: March 2019**)

Rivière-des-Prairies—Pointe-aux-Trembles borough

[TRANSLATION] Decision-making summaries involving the use of fund from the parks fund, playgrounds and green spaces to finance a park project will indicate that the borough has verified that it is in compliance with regulatory requirements.

*The tools developed for this purpose and the above guideline will specify the procedures. (**Planned completion: October 2019**)*

3.3. ACCOUNTABILITY

3.3.A. BACKGROUND AND FINDINGS

According to the information obtained from the persons interviewed in the three boroughs, reporting on contributions for parks can be summarized as follows:

- reconciliation account statements are sent to the borough director and the other directors of administrative units;
- some information is communicated during the year, on an ad hoc basis.

However, despite the efforts made, we did not identify evidence of periodic reports that provide an overall picture of changes in the fund in terms of projects completed and whether expenditures were in compliance.

In our opinion, contributions for parks represent an important source of funding for parks, playgrounds and natural areas for boroughs. These were monetary contributions or land transfer contributions from citizens.

RECOMMENDATION

- 3.3.B. We recommend that the boroughs of Mercier–Hochelaga-Maisonneuve, Le Plateau-Mont-Royal and Rivière-des-Prairies–Pointe-aux-Trembles implement a periodic and formal reporting mechanism for contributions for parks, playgrounds and natural areas, to inform decision-makers about changes in the fund and to support informed decision-making.**

BUSINESS UNITS' RESPONSES

- 3.3.B. Mercier–Hochelaga-Maisonneuve borough**
- 1) [TRANSLATION] Every time the parks fund is used, a reconciliation will be performed.
 - 2) Reconciliations will be improved in 2019. A tab with further details will be added to facilitate searches and to provide an overall picture of changes in the fund.
 - 3) The reconciliation will be sent to the directors and the borough director on a monthly basis.
 - 4) The deferred income analysis: parks and playgrounds (line item 25507) will be sent to the Service des finances on a quarterly basis.
(Planned completion: April 2019)

Le Plateau-Mont-Royal borough

[TRANSLATION] Le Plateau-Mont-Royal borough undertakes to file a report, at a regular meeting of the borough council, on the collection and use of the contributions for parks, playgrounds and natural areas. This filing should normally coincide with the filing of financial results.
(Planned completion: May 2019)

Rivière-des-Prairies—Pointe-aux-Trembles borough

[TRANSLATION] At every March meeting of the borough council, a report will be submitted to the parks reserve fund as of December 31 of the year just ended.

It will indicate the balance at the beginning of the year (January 1), cash receipts, disbursements, credit backs, if any, related to the closing of projects and the balance on December 31.

(Planned completion: December 2019)

4. CONCLUSION

Our audit shows that the boroughs have made efforts to comply with the provisions of the *Act respecting land use planning and development* (LUPDA) regarding use of sums from the special fund for parks, playgrounds and natural areas, including:

- the boroughs audited refer to legal opinions relating to the interpretation of the provisions of section 117.15 of LUPDA. They also consult certain legal bulletins produced by the Service des affaires juridiques;
- one borough developed a checklist for interpreting the provisions of LUPDA;
- controls for verifying whether all monetary contributions have been received are sufficient in one borough;
- disbursements from the special fund for parks are linked to a decision-making summary authorized by the borough council.

Despite these efforts, our audit work highlighted the absence of certain frameworks that would enable us to confirm compliance with all provisions of section 117.15 of LUPDA. Based on our audit findings, we therefore recommend that the boroughs:

- improve processes for ensuring that all contributions for parks have been received (two boroughs);
- put in place mechanisms to facilitate the interpretation and implementation of the provisions of section 117.15 of LUPDA, in particular, by adopting a guideline on the procedure for implementing these provisions and a checklist;
- provide a clearer, more formal definition of the roles and responsibilities for verifying compliance with these provisions;
- document the process of verifying compliance with these provisions (in the three boroughs);
- provide decision-makers with relevant information to make informed decisions before they authorize disbursements from the special fund for the various projects submitted to them;
- introduce more comprehensive reporting on both the receipt of contributions for parks and their use in various projects.

It is important that all boroughs have a good understanding of the relevant provisions of the Act in order to reduce the risk of misinterpretation or misapplication. The Ville de Montréal must have the assurance that contributions are used for the purposes set out in the Act.

5. APPENDIX

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Ensure that contributions received for parks have been used as intended, in accordance with the Act and administrative frameworks.

EVALUATION CRITERIA

- All contributions received by the Ville de Montréal under the *Act respecting land use planning and development* have been deposited in the account set up for this purpose (money and land);
- Contributions for parks are used in accordance with the Act and administrative frameworks;
- The use of contributions for park purposes is authorized by the decision-making bodies concerned;
- Decision-makers report on the amounts collected as contributions for parks and their use.

4.2. | USE OF CONTRIBUTIONS FOR PARK PURPOSES



4.3.

TRANSPORTATION ELECTRIFICATION STRATEGY

FEBRUARY 22, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Ensure that the implementation of the *Transportation Electrification Strategy*'s goals is supported by an action plan with specific objectives and timelines and appropriate coordination mechanisms

RESULTS

In addition to these outcomes, 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.

In 2016 the Ville de Montréal (the City) adopted a *2016-2020 Transportation Electrification Strategy* (hereinafter “*the Strategy*”) to help achieve the City’s greenhouse gas emission reduction targets within the community and within its own municipal operations. This *Strategy*, which involves several business units and external partners includes converting subcompact combustion engine vehicles to all-electric vehicles, installing charging stations for City vehicles and employee vehicles, and installing 1,000 public charging stations throughout the City. Although the business units are on track to meet their own targets by 2020, we believe that improvements should be made in the following key areas:

- Although a business unit is responsible for coordinating the implementation of the *Strategy*, this department primarily collects information on monitoring the steps to be taken, but it does not have the necessary authority for the implementation and to ensure that specific results are achieved;
- The *Strategy* is being implemented without a real action plan to have been developed initially, and a formal reporting system has not been established to date;
- Maintenance planning for public charging stations has not been developed;
- The boroughs are becoming responsible for the energy costs for charging City vehicles as well as those charging at public locations while fees are paid to the Central City;
- There has been no in-depth analysis of the use of City charging stations. As a result charging station use cannot be optimized, particularly since there is no link between City vehicles and charging station access cards;
- The City is replacing obsolete vehicles with all-electric vehicles without first confirming whether charging infrastructure can be installed at the building where the vehicle is to be parked;
- Transportation electrification is a rapidly evolving field, yet there is no structured technology watch at the City;
- The arrival of fast-charging stations in Montréal may call into question the need for the City to install up to 1,000 public charging stations;
- The City does not plan to obtain all available financial support for municipal vehicle charging stations.

TABLE OF CONTENTS

1. BACKGROUND	135
2. PURPOSE AND SCOPE OF THE AUDIT	137
3. AUDIT RESULTS	139
3.1. Implementation of the <i>Transportation Electrification Strategy</i>	139
3.1.1. Implementation coordination	139
3.1.2. Goal implementation roles and responsibilities	141
3.1.3. Monitoring the implementation of the <i>Transportation Electrification Strategy</i>	151
3.1.3.1. General review of the implementation of the <i>Transportation Electrification Strategy</i>	151
3.1.3.2. Monitoring the implementation of specific goals	154
3.2. Meet the targets and deadlines set out in the <i>Transportation Electrification Strategy</i>	162
3.2.1. Progress reports on the <i>Transportation Electrification Strategy</i>	162
3.2.2. Impact of the <i>Transportation Electrification Strategy</i> on reducing greenhouse gas emissions	165
3.3. Assessment of internal and external customer satisfaction with the <i>Transportation Electrification Strategy</i>	168
3.4. Accountability in relation to the implementation of the <i>Transportation Electrification Strategy</i>	170
4. CONCLUSION	173
5. APPENDIX	175
5.1. Objective and evaluation criteria	175



LIST OF ACRONYMS

CSEM

Commission des services électriques de Montréal

GHG

Greenhouse gas

km

kilometre

kW

kilowatt

kWh

kilowatt-hour

REM

Réseau électrique métropolitain

SGPI

Service de la gestion et de la planification immobilière

SIVT

Service des infrastructures, de la voirie et des transports

SMRA

Service du matériel roulant et des ateliers

SMVT

Service de la mise en valeur du territoire

STM

Société de transport de Montréal

V

volt

4.3. | TRANSPORTATION ELECTRIFICATION STRATEGY

1. BACKGROUND

In Quebec, in 2016, greenhouse gas (GHG) emissions associated with the road transport sector accounted for 34.4% of all greenhouse gas emissions in the province¹. While the Government of Quebec is committed to reducing GHG emissions to 20% below 1990 levels by 2020, GHG emissions from road transport sector surged by 52.3% between 1990 and 2016. Overall, Quebec GHG emissions in 2016 were 9.1% lower than in 1990, just under half the 2020 target². To reach the 20% target, emissions from the transport sector must be reduced.

In order to limit the rise in temperatures to less than 1.5°C and adapt to the unavoidable consequences of climate change, the Government of Quebec has adopted a (2013-2020) action plan on climate change³ composed of 30 priorities, one of which involves greening the vehicle fleet with more fuel-efficient and better maintained vehicles.

Beyond the impact of transportation on GHG emissions and climate change, road transport, due to the emissions of fine particulate matter, ground-level ozone, nitrogen dioxide, carbon monoxide and volatile organic compounds, also has significant adverse effects on human health, mainly in urban areas. According to Health Canada, in 2015, emissions from gasoline-powered vehicles were responsible for the premature death of 700 people across Canada, in addition to being linked to respiratory symptoms associated with conditions such as asthma and bronchitis⁴.

In 2015, the Government of Quebec adopted the *Plan d'action en électrification des transports* (2015-2020) to help achieve Quebec's GHG reduction target⁵. Through this plan, the government aims to reach the target of having 100,000 all-electric vehicles and plug-in hybrids registered in Quebec by 2020. To encourage this transition to electric transport, the government provides financial assistance to individuals, businesses, organizations and municipalities for the long-term purchase or lease of electric vehicles and plug-in hybrids and for installing charging stations at home or at the workplace (the Roulez vert - Volet roulez électrique and Branché au travail programs, administered by Transition énergétique Québec, a Crown corporation).

¹ Ministère de l'Environnement et de la Lutte contre les changements climatiques, 2018. Inventaire québécois des émissions de GES en 2016 et leur évolution depuis 1990. Québec, ministère de l'Environnement et de la Lutte contre les changements climatiques, Direction générale de la règlementation carbone et des données d'émissions.

² Reducing emissions to 20% below 1990 levels by 2020 is only an intermediate target, not an ultimate goal, because the Government of Quebec wants to reduce emissions to 37.5% below 1990 levels by 2030.

³ *Plan d'action 2013-2020 sur les changements climatiques- Le Québec en action vert 2020*.

⁴ Health Canada, 2017. Human Health Risk Assessment for Gasoline Exhaust.

⁵ Government of Quebec, 2015. *Plan d'action en électrification des transports 2015-2020 – Propulser le Québec par l'électricité*.

With respect to the Montréal agglomeration, in 2014, emissions associated with the community⁶ accounted for 14% of Quebec's total GHG emissions. Compared to 1990, emissions from the Montréal agglomeration had decreased by 23% in 2014 (versus 8% over the same period province-wide). In 2014, the transport sector accounted for 40% of GHG emissions within the Montréal agglomeration.

The latest report on GHG emissions from municipal operations in the Montréal agglomeration shows a 23% drop in emissions in 2015 versus 2002 (however, there was an 8% increase in emissions between 2010 and 2015). One third of these GHG emissions were associated with the Montréal agglomeration's rolling stock.

In 2013, the Ville de Montréal (the City) committed to reducing its municipal GHG emissions to 30% below 2002 levels by 2020. To this end, the City has adopted a 2013-2020 GHG emissions reduction plan under which boroughs and reconstituted municipalities will acquire lower GHG-emitting vehicles and equipment to achieve this target. In terms of community emissions, the City has also adopted a *2013-2020 Reduction plan* to cut emissions to 30% below 1990 levels by 2020. This plan presents possible solutions for achieving this GHG reduction target, particularly in the road transport sector. However, it does not contain any final and concrete actions.

In 2016, following the City's participation in the 21st United Nations Conference on Climate Change⁷ and the City's commitment to the *Déclaration du Sommet des élus locaux pour le climat*, the City adopted a *2016-2020 Transportation Electrification Strategy* (hereinafter "the Strategy") that is based on various existing City plans, strategies and policies, including the *2013-2020 Plan to reduce corporate GHG emissions* and the community's plan for the same period, the *Parking policy*, the *Rolling stock green policy* and the *City Transport plan*. As part of this *Strategy*, the City also committed to monitoring GHG reductions attributable to the implementation of policy measures. When the *Strategy* was adopted by the City's executive committee in June 2016, no implementation budget was submitted. The *Strategy*'s 10 goals are:

- Goal 1: Include transportation electrification needs in the planning and management of the City's building inventory (charging stations for the City's electric vehicle fleet);
- Goal 2: Convert the fleet of municipal combustion engine vehicles to electric vehicles;
- Goal 3: Implement an economic development action plan to develop a local transportation electrification and smart transportation sector;
- Goal 4: Establish an institute of electrification and smart transportation;

⁶ The Ville de Montréal periodically produces an inventory of GHG emissions for the entire agglomeration, which breaks down GHG emissions from the entire community, i.e., emissions associated with the activities of all residents and enterprises, businesses, industries, residual materials management and emissions specific to municipal activities.

⁷ Also known as the Paris Conference held in December 2015.

- Goal 5: Société de transport de Montréal (STM) will replace diesel buses with hybrid vehicles, purchase 52 Azur trains, electrify the bus fleet and participate in the Cité Mobilité demonstration;
- Goal 6: Implement the Réseau électrique métropolitain (REM);
- Goal 7: Implement electrification measures outlined in the *Parking policy*;
- Goal 8: Install a charging station network (public charging stations);
- Goal 9: Introduce a framework to enable private industry to install a self-service electric vehicle network;
- Goal 10: Continue to work on electrification initiatives with partners.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on the *Transportation Electrification Strategy* in Montréal. 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 the implementation of the *Transportation Electrification Strategy*'s policies is supported by an action plan with specific objectives and timelines and appropriate coordination mechanisms.

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 2016 to 2018, the first years during which the *Strategy* was implemented. For some aspects, facts from before this period were taken into consideration in order to better understand a situation observed during the period covered by the audit. Our work was mainly performed from October 2018 to December 2018. However, we did consider information sent to us until the end of January 2019.

This work primarily involved the following business units:

- Service de la mise en valeur du territoire (SMVT) (Direction de l'urbanisme, division de la planification des transports et de la mobilité);
- Service du matériel roulant et des ateliers (SMRA) (division de la planification et du soutien aux opérations);
- Service de la gestion et de la planification immobilière (SGPI) (Direction du bureau de projet et des services administratifs, Division expertise-conseil);
- Service des infrastructures, de la voirie et des transports (SIVT) (Direction des transports, division du développement des transports);
- LaSalle borough;
- Ville-Marie borough;
- Villeray–Saint-Michel–Parc-Extension borough.

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. However, our recommendations are intended for departments based on this reorganization. Table 1 shows the concordance between old and new departments involved in this audit. Other departments, directions or divisions targeted by this audit, but not mentioned in this Table, were not reorganized as of January 1, 2019.

TABLE 1 – EQUIVALENT DEPARTMENTS AUDITED IN THE 2018 ORGANIZATION AND THE 2019 ORGANIZATION

2018 ORGANIZATION	2019 ORGANIZATION
Service de la mise en valeur du territoire (SMVT) Direction de l'urbanisme Division de la planification des transports et de la mobilité	Service de l'urbanisme et de la mobilité Direction de la mobilité Division de la planification des transports et de la mobilité
Service des infrastructures, de la voirie et des transports (SIVT) Direction des transports Division du développement des transports	Service de l'urbanisme et de la mobilité Direction de la mobilité Division de la fonctionnalité des transports
Service des infrastructures, de la voirie et des transports (SIVT) Direction des infrastructures Division de la conception des travaux	Service des infrastructures du réseau routier Direction des infrastructures Division de la conception des travaux

Upon completing our audit work, we presented a draft audit report to the managers of each audited business unit for discussion purposes. The final report was then forwarded to the city manager and each business unit involved in the audit in order to obtain action plans and implementation timelines. A copy of the final report was also submitted to the city manager, the deputy director-general, Mobilité et attractivité, the deputy director general of Services institutionnels, the deputy director general of Service aux citoyens, the manager of Service de concertation des arrondissements, and the directors of the 16 other boroughs not targeted by our audit, so they could implement recommendations if appropriate.

3. AUDIT RESULTS

3.1. IMPLEMENTATION OF THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.1.1. IMPLEMENTATION COORDINATION

3.1.1.A. BACKGROUND AND FINDINGS

All departments audited indicated that SMVT is responsible for coordinating the *Strategy*, mainly because SMVT gathers information on progress towards implementing the goals and asks the other departments to provide information on this topic. SMVT also drafted the *Strategy* in 2016 and prepared the decision-making summary that was submitted to the executive committee for approval. This summary indicated that SIVT, SMRA, SGPI, the Service de l'environnement and the city manager are partners in the *Strategy*.

Another factor indicating that SMVT plays a coordinating role is that in a July 2018 follow-up meeting on implementing the *Strategy*, SMVT presented a review of the *Strategy's* goals to the other departments and external partners for the last two years (2019-2020) because some goals had been implemented and others lacked the clarity required to be properly implemented.

However, this coordination is limited from SMVT's standpoint, because, initially, there was no real action plan for its implementation. SMVT's work is actually more focused on centralizing progress report data than overseeing the implementation of the *Strategy*.

Because of the type of stakeholders involved in the *Strategy*, it may be complicated for SMVT to play this role without having been formally assigned a coordinating role by the City Manager. The various goals to be implemented are the responsibility of departments in three separate associates city manager or external partners such as STM or CDPQ Infra⁸. For example, SMVT cannot make judgments or require changes regarding STM's choice

⁸ CDPQ Infra is a wholly owned subsidiary of Caisse de dépôts et de placements du Québec, which is responsible for implementing the Réseau électrique métropolitain (REM).

of buses or the rate at which it introduces new metro cars. Another example: during the presentation of the *Strategy* update, SMVT requested that each department concerned update the goal texts by mid-August 2018 so that an action plan can be produced by the end of September 2018. As of the end of November 2018, the action plan had not yet been produced because the departments had not completed the goal review that was due three months earlier.

This difficulty in coordinating the *Strategy* could become even more problematic in the near future. In September 2018, city council passed a resolution to create a paramunicipal corporation, the Agence de mobilité durable (hereinafter “the Agency”), which will aim to develop and manage parking and a network of charging stations for electric vehicles within the City. The decision-making summary supporting this resolution stated that the Agency will work in conjunction with SMVT and SIVT to install charging stations. In this context, questions may arise as to whether such an external entity can to be responsible and oversee the work performed by city departments pursuant to a municipal strategy. Because it is difficult for SMVT to coordinate the *Strategy* with other departments and external partners, there is reason to question whether a paramunicipal corporation can act as coordinator.

The difficulties in the coordination of the *Strategy* can also be observed by the delay of almost two years before the issue of whether City employees could access City charging stations for personal purposes was addressed pursuant to a request from a member of the City executive committee, and by the lack of answer from several departments to SMVT request for progress reports.

RECOMMENDATION

- 3.1.1.B. We recommend that the Direction générale officially appoint a leader to coordinate the implementation of the *Transportation Electrification Strategy* and give him the powers needed to deal with the departments and paramunicipal and external partners to ensure that the objectives of this strategy are achieved.**

BUSINESS UNIT'S RESPONSE

- 3.1.1.B. *Direction générale***

[TRANSLATION] The *Direction générale* will make the *Directeur du Service de l'urbanisme et de la mobilité*, Luc Gagnon, responsible for coordinating the implementation of the *Transportation Electrification Strategy*. At the last *Transportation Electrification Strategy* steering committee meeting, the representatives approved the document update exercise. The new version of the *Strategy* proposes an action plan, which identifies the budget, objectives, and indicators as well as the managers for each policy. (Planned completion: April 2019)

3.1.2. GOAL IMPLEMENTATION ROLES AND RESPONSIBILITIES

3.1.2.A. BACKGROUND AND FINDINGS

PURCHASE ELECTRIC VEHICLES (GOAL 2)

One of the goals of the *Strategy* is that SMRA will implement a 2016-2020 *Rolling stock green policy* action item, i.e., replace 250 subcompact vehicles with all-electric vehicles. Since January 1, 2017, pursuant to section 85.5⁹ of the *Charter of Ville de Montréal*, SMRA was made responsible for purchasing, maintaining and managing vehicles and equipment and managing fuel until December 31, 2018, and then until December 31, 2023. As a result, this department identifies vehicles to be replaced as they become obsolete and, after consulting with the boroughs and the central departments, buys replacement vehicles. When the vehicle to be replaced is a class 134 vehicle (subcompact vehicle), if the business unit finds that it still needs a vehicle for the same purpose¹⁰, SMRA replaces it with a class 140 vehicle (all-electric vehicle). In 2018, SMRA purchased 100 Nissan Leaf cars after issuing a call for tenders to replace obsolete subcompact vehicles. Once the vehicles are received, SMRA inspects them and delivers them to the requesting business unit.

INSTALL CHARGING STATIONS FOR THE CITY'S ELECTRIC VEHICLES (GOAL 1)

Charging stations are needed to charge the City's electric vehicles. In June 2017, SGPI had an order from the City to install about 50 charging stations, even before there was a structured, large-scale introduction of electric vehicles. In order to simplify installation and limit delays (all installations had to be completed within one month), it was decided that wall-mounted units would be installed¹¹ on City buildings. Several Service de sécurité incendie fire stations were identified.

The *Programme de développement durable dans les édifices municipaux*, outlined in the 2018-2020 three-year capital expenditures program (TCEP) administered by SGPI, aims to install charging stations for the City's electric cars. The TCEP project sheet states that SGPI is responsible for providing the necessary charging facilities in the buildings for vehicles acquired under the SMRA policy which provides for the replacement of 50 vehicles per year. The SGPI program for 2018-2020 aims to install 225 charging stations for City vehicles and 45 stations over 3 years for charging City employees' personal vehicles.

⁹ Section 85.5 of the *Charter of Ville de Montréal*, which allows city council to declare, in respect of all the boroughs and for a period it determines, that the exercise of a jurisdiction or power assigned by law to all the borough councils is within its jurisdiction.

¹⁰ A business unit may also chose, if its needs have evolved, to replace the obsolete vehicle by a most adapted one, or even chose not to replace the obsolete vehicle when it will be no longer in service.

¹¹ Wall-mounted units are easier to install than pedestal-mounted charging stations, which require outdoor civil engineering work to supply them with electric power via underground conduits.

SGPI is responsible for administering the program and authorizing reimbursements for business units for charging station installation costs. Reimbursements are capped in accordance with established rules and maximum amounts authorized. This information is provided to the units by means of an implementation guideline. SGPI is also responsible for submitting subsidy applications to the Government of Quebec *Branché au travail* program. Installing charging stations requires the co-operation of several stakeholders including property managers. If it is a building owned by the City or leased by a central department, SGPI property managers oversee the installation. If it is a building owned or leased by a borough, the borough's property manager is responsible for the file. SGPI monitors central department projects, but does not monitor borough projects. However, it does collect final information on the costs it assumes and information on the project implementation milestone dates. One of the boroughs has already completed charging station installations under the SGPI program. It confirmed that the borough is responsible for making arrangements with contractors and electricians to have them install the charging stations and that SGPI is responsible for managing the program.

SGPI is also responsible for managing the three-year master agreement (2018-2020), which was negotiated with a charging station provider to have similar, compatible stations in all buildings and to get a volume discount. However, access to this master agreement for the purchase of charging stations is limited to projects authorized by SGPI. In the case of Villeray-Saint-Michel-Parc-Extension borough, SGPI authorized the installation of 7 charging stations in a borough building because the same number of vehicles are replaced by SMRA. However, the borough wants to install 8 more stations (total of 15 stations) because it expects its fleet of electric vehicles to expand. SGPI provided the borough with confirmation that it could not buy the additional stations under the agreement, but that it could deal with the same supplier to obtain them. The borough obtained a bid from the supplier that made the agreement with SGPI for the 8 charging stations not covered by the program. A comparison between this bid and the master agreement with SGPI reveals that the supplier is charging a higher cost per unit for all components than under the agreement, that the supplier is charging for transportation while it is included in the agreement and that it is proposing items deemed nonessential by SGPI, which are therefore excluded from the agreement. Therefore, the borough will pay 31% more for the 8 charging stations not covered under the SGPI program than if they had been acquired under the master agreement.

Because the boroughs or central departments that wanted to assume the costs of additional stations themselves were not given access to the master agreement, the business units had to pay significantly higher charging station purchase prices (the borough will have pay \$9,400 more for the 8 charging stations).

RECOMMENDATION

- 3.1.2.B.** We recommend that the Service de la gestion et de la planification immobilière assist business units in purchasing charging stations for non-program projects and take steps to provide the City with a master agreement accessible to all business units to improve unit prices and ensure that charging stations are functional and compatible with one another.

BUSINESS UNIT'S RESPONSE

- 3.1.2.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] The supplier has been asked to offer the Ville de Montréal a preferential price for charging stations that are not covered under the Service de la gestion et de la planification immobilière's master agreement, i.e., charging stations installed at a business unit's initiative and not intended to charge electric vehicles from the Service du matériel roulant et des ateliers' fleet. This request is currently being studied by the supplier. For the time being, in the absence of a supply management framework, the supplier has agreed to grant a preferential price in response to all requests made within the framework of a Ville de Montréal project. Costs will be lower than those previously communicated to the boroughs, but higher than those in the framework agreement. (Planned completion: May 2019)
- An agreement will then be entered into with the Service de l'approvisionnement, which will cover all Ville de Montréal projects. Discussions will have to be held with the Service de l'approvisionnement to determine the best contractual framework to achieve this in accordance with existing statutes and regulations. (Planned completion: October 2019)*

INSTALL ON- OR OFF-STREET PUBLIC CHARGING STATIONS (GOAL 8)

The Central City has been responsible for installing on-street charging stations since 2016. This responsibility was renewed in 2018 for a period of five years under repatriation in accordance with section 85.5 of the *Charter of Ville de Montréal*.

In June 2017, following a work meeting between SIVT and SMVT, SIVT management sent an internal memo to all borough directors explaining the division of responsibilities between SMVT and SIVT in the public charging station installation program. SMVT is responsible for defining the overall charging station installation strategy and determining the number of charging stations to be installed per year in each borough according to its population and area. Once this annual strategy is developed, the Direction des transports within SIVT takes over. It manages the installation of charging stations, while the Direc-

tion des infrastructures du SIVT is responsible for installing the charging stations and coordinating the work with the Commission des services électriques de Montréal (CSEM), Hydro-Québec and an electrical contractor.

The Direction des transports du SIVT works with the Direction des infrastructures and the boroughs to identify the locations where the charging stations are to be installed, before instructing the Direction des infrastructures to perform the work. To this end, the Direction des transports first identified various locations where a charging station can be installed. This list is sent to the borough asking it to validate the sites or to propose others in accordance with criteria, including access to a nearby power source and a sidewalk at least 2.8 metres wide to allow pedestrians to walk behind the charging station. The Direction des infrastructures asks the boroughs to select 25% more locations than the number of charging stations to be installed because some locations could be ruled out after Hydro-Québec confirms whether the connection is technically feasible.

Overall, although two departments are involved, SIVT is considered responsible for the *Programme d'acquisition et d'installation des bornes de recharge publiques* according to the information presented in the 2017-2019 TCEP and the 2018-2020 TCEP.

However, it is not clear who is responsible for maintaining the charging stations. This internal memo sent to the boroughs in June 2017 specified that SMVT should operationalize the replacement and repair of charging stations while SIVT prepares a repair strategy. Two options were considered for this strategy at the meeting between the two departments to define their respective responsibilities. The options were to entrust maintenance to the boroughs as is the case with street lights and traffic lights or grant a maintenance contract to an outside company. However, this strategy has not actually been developed, and SIVT manages and monitors repairs with the charging station manufacturer. With the announcement of the creation of the Agency, the maintenance could be under its responsibility, but a final decision has not yet been made. According to SIVT, because these are high-voltage charging stations (240 volts), some maintenance or repair tasks must be performed by licensed electricians. Therefore, to ensure user and employee safety and to meet the terms and conditions of the warranty, it will be necessary to have a trained and certified workforce to maintain this type of equipment before maintenance is transferred to the boroughs or a paramunicipal corporation.

In addition, SIVT is not technically equipped to operationalize the maintenance of public charging stations. This is not a technical department like a public works department in a borough. It does not have a workshop or place to store equipment and spare parts. SIVT has initiated discussions with Rosemont-La Petite-Patrie borough's Division de l'entretien, de l'éclairage, de la signalisation et du marquage de la chaussée, which serves all former Ville de Montréal boroughs, to have it look after charging station maintenance. There was even possible to have the supplier of the charging stations certify one or more City electricians. However, the borough did not respond to this request. SIVT is therefore back to square one. It does not have a strategy for maintaining charging stations and has assumed this responsibility on its own. However, in the absence of such a strategy, there

may be a lack of planning in the maintenance of public charging stations, and the City may not be able to repair public charging stations quickly, which would adversely affect service quality.

Each business unit that uses the City vehicle charging stations that have been installed under the SGPI program is responsible for maintaining them. Although it is not the same model of charging stations as on-street public charging stations, these charging stations are from the same manufacturer. It may therefore be appropriate to examine the feasibility of managing the maintenance and repair of public charging stations and charging stations reserved for the City pursuant to a single strategy.

The charging stations supplier keeps 15%¹² of the residual value of each dollar paid by a public charging station user and the provincial and federal taxes. The supplier pays the City the remaining portion (just over 70% of the original dollar) as a quarterly fee. For 2018, SIVT has been authorized by city council to use this fee to cover repair costs. For subsequent years, city council decided to adjust SIVT's operating budget accordingly.

RECOMMENDATIONS

- 3.1.2.C. We recommend that the Service de l'urbanisme et de la mobilité develop a strategy for maintaining and repairing public charging stations that provides adequate preventive maintenance and quick maintenance response times in case of breakdowns, all the foregoing at the lowest cost.**
- 3.1.2.D. We recommend that the Service de l'urbanisme et de la mobilité and the Service de la gestion et de la planification immobilière jointly study the possibility of supervising the maintenance of public charging stations and stations reserved for City vehicles under a single strategy in order to centralize maintenance expertise for all electric vehicle charging infrastructure within the City.**

¹² The 15% retained by the supplier is a transaction fee for providing and managing an automated payment service at the charging station.

BUSINESS UNITS' RESPONSES

3.1.2.C. Service de l'urbanisme et de la mobilité

[TRANSLATION] The Centre de gestion de la mobilité urbaine, which reports to the Direction de la Mobilité, is now responsible for maintaining on-street charging stations. This operational centre is responsible for traffic lights and smart transportation system equipment and already has various field equipment maintenance procedures. Providing support for electric charging stations will enhance the Centre de gestion de la mobilité urbaine's service offering. (**Planned completion: repatriation to the Centre de gestion de la mobilité urbaine: completed**)

Upon the termination of the current maintenance agreement with the supplier (warranty period), the Centre de gestion de la mobilité urbaine team will issue a call for tenders in early 2020 to provide constant corrective and preventive maintenance for electric charging stations. The Centre de gestion de la mobilité urbaine team will work with the supplier to develop maintenance plans for each type of equipment.

It should be noted that after the maintenance strategy has been implemented, resource needs will be assessed in order to respond to requests and to cope with the aging charging station inventory. (**Planned completion: March 2020**)

3.1.2.D. Service de l'urbanisme et de la mobilité

[TRANSLATION] As recommended, the Direction de la mobilité will work with the Service de la gestion et de la planification immobilière and the Service de matériel roulant et des ateliers to review existing processes and propose a solution that promotes best practices.

(**Planned completion: December 2019**)

Service de la gestion et de la planification immobilière

[TRANSLATION] The Service de la gestion et de la planification immobilière and the Service du matériel roulant et des ateliers will work together to implement a structure to oversee the maintenance and repair of charging stations in the City's private network (vehicle fleet). It should be mentioned that the Service du matériel roulant et des ateliers will be responsible for charging station maintenance and repair, while the Service de la gestion et de la planification immobilière provides support, because it will look after connecting and disconnecting charging stations that need to be replaced or repaired. The Service du matériel roulant et des ateliers will be responsible for work on charging stations.

Employees in charge of maintaining the charging station network will receive remote access to view the FLO portal, which displays the status of the private network's (vehicle fleet) charging stations.

(**Planned completion: July 2019**)

BOROUGHS' RESPONSIBILITY

As part of Goal 2 regarding the replacement of subcompact vehicles by electric vehicles, the boroughs are consulted by SMRA to identify replacement vehicles, as mentioned above. As part of Goal 1 on the installation of charging stations for municipal electric vehicles, boroughs are responsible for identifying buildings where charging stations are to be installed, obtaining bids from contractors, obtaining confirmation from property manager that the installation is feasible in the case of a lease, and finally to have the work done. Boroughs, like other business units, are also responsible for the maintenance of municipal vehicle charging stations. However, no framework has been put in place to define the required maintenance and the approach.

When boroughs use electric vehicles, they have a responsibility that they do not have when they use combustion engine vehicles. While SMRA is responsible for fuel costs until December 31, 2023 pursuant to the City's declaration of jurisdiction under section 85.5 of the *Charter of Ville de Montréal*, boroughs are responsible for electrical costs for municipal vehicle charging stations. Admittedly, the electricity costs significantly less than gasoline. SMRA estimates that annual gasoline costs are between 4.6 and 7.2 times higher than electrical costs depending on the type of combustion engine vehicle considered for identical use. With the eventual increase in the number of all-electric vehicles in central departments and borough, costs will increase for these business units. In addition, when technology will allow heavy-duty electric vehicles to be used, if the City chooses to convert its fleet of trucks to electricity, the business units' electrical consumption will increase considerably. We therefore believe that it would be wise to address the issue of energy cost sharing proactively, before the impact of transportation electrification significantly modifies the rules and procedures that prevailed before this transition to all-electric vehicles.

For Goal 8 on public charging stations, the boroughs have responsibilities in both charging station installation and use phases. In installation, in addition to assisting SIVT in identifying charging station locations, the boroughs are responsible for providing charging station signage (a NO PARKING sign except for electric vehicles or plug-in hybrids that are recharging) and removing parking meters if the space required by the charging vehicle replaces a metered parking space¹³.

In the operation phase, boroughs are responsible for paying for the electricity used by the vehicles. The impact of this responsibility is discussed in the section of the *Strategy* related to the sharing of responsibilities.

¹³ Only parking spaces in the Ville-Marie borough that are part of the zone defined as downtown Montréal within the meaning of the *Act to amend various legislative provisions concerning Montréal* retain parking meters even if they become locations for charging electric or plug-in hybrid vehicles.

OTHER RESPONSIBILITIES

The other goals of the *Strategy* are under the responsibilities of departments that were not within the scope of this audit or external organizations such as STM and CDPQ Infra. Their responsibilities are therefore not discussed in this audit. This applies to the Service de l'environnement, which is responsible for assessing the environmental benefits of implementing the *Strategy*. This action item is discussed later in this report, not from the standpoint of this department, but from the standpoint of departments audited as generators of information required for the Service de l'environnement's work.

ISSUES RELATED TO THE CURRENT MODE OF SHARING RESPONSIBILITIES IN IMPLEMENTING THE TRANSPORTATION ELECTRIFICATION STRATEGY

Based on the sharing of responsibilities between SGPI, SIVT, SMRA and SMVT, as well as the boroughs, we consider it important to highlight some issues that may justify reviewing this mode of sharing responsibilities.

As previously mentioned, boroughs are now responsible for electric vehicle energy costs, and SMRA is responsible for combustion engine vehicle fuel costs. In the course of our work, we did not identify any budget allocations for this transfer of responsibility to the boroughs.

Boroughs are also responsible for the cost of the electricity used by public charging stations. According to the agreement between Hydro-Québec and the City¹⁴, the income from charging vehicles on the Circuit électrique Québec inc. (hereinafter Circuit électrique)¹⁵ for charging stations purchased by the City¹⁶ are the exclusive property of the City after taxes have been paid and transaction fees¹⁷ have been paid to the charging station supplier selected by Hydro-Québec (AddÉnergie).

Table 2 shows the income that the City receives per charge (depending on whether it is an on-street station at a rate of \$1.00 per hour or an off-street station¹⁸ at a flat rate of \$2.50 per session) as well as the amount it pays for the electricity used during charging. It should be noted that Hydro-Québec sets prices for the use of public charging stations. It sets the maximum rate that can be charged for charging stations on the Circuit électrique and, under the agreement, this rate must cover the price of the electricity used. Based on one month of charges in November 2018, SIVT estimated an average \$30 electricity cost per charging

¹⁴ There was an initial 2013-2016 agreement between Hydro-Québec and the City, which was renewed for 2017-2020.

¹⁵ Circuit électrique, which is owned by Hydro-Québec, is the largest network of public charging stations in Quebec and Eastern Ontario.

¹⁶ Companies and organizations located in the Ville de Montréal, such as Rona, Rôtisseries St-Hubert and educational institutions, also have charging stations in their parking lots that are part of Circuit électrique. The City does not receive any income from the use of these off-street charging stations.

¹⁷ The transaction costs retained by AddÉnergie are equivalent to 15% of the net income, or charging revenues minus taxes. Taxes are also applicable on transaction fees.

¹⁸ Off-street charging stations are installed for example in borough library or sports complex parking lots.

station. Based on this average monthly cost per station, the 1,000 on-street charging stations that the City aims to have under the *Strategy*, the boroughs could have to pay \$360,000 in annual electricity costs. This amount may rise as charging station use increases.

On a City-wide basis, the hourly rate for use of on-street charging stations is high enough for the City to collect a fee covering the cost of electricity, even at the full power of the charging station (a fee of \$0.72 / h versus an energy cost of \$0.706 / h). However, central departments collect the fee (in 2018, SIVT used the fee to pay for charging station maintenance), whereas the boroughs pay for electricity costs. It is therefore a net expense for the boroughs. For off-street charging stations that use a per session fee, cost-effectiveness will depend on how long it takes to charge the vehicle. For charges that take from up to 2.5 to 3 hours, the fee received by the City (\$1.799 regardless of the duration of the session) is higher than the cost of the electricity. However, beyond this charge time, the cost of the electricity paid by the borough exceeds the amount of the fee. In addition to being also borne by the boroughs, overall, such charges are unprofitable for the City.

According to the report on charging stations installed in the City as of December 5, 2018, there are more on-street (556 installed including 480 in operation) than off-street charging stations (82 installed including 78 in operation). Off-street charging stations in operation represent only 14% of City charging stations.

TABLE 2 – INCOME AND EXPENSES RELATED TO PUBLIC CHARGING STATION USE

	ON-STREET CHARGING STATION	OFF-STREET CHARGING STATION
INCOME		
Charge fees paid by users (gross income)	\$1.00/h	\$2.50/session
Taxes to be paid on charging income	\$0.13/h	\$0.326/session
Transaction fee (15% of income minus taxes) for AddÉnergie (taxes apply to these fees)	\$0.15/h	\$0.375/session
Fee paid to the City		
Borough expense (\$0.0981/kilowatt hour) for charging based on the capacity of the electric vehicle's charger	7.2 kilowatts (maximum power of an on-street charging station)	6.2 kilowatts (maximum power of an off-street charging station) ¹⁹
1 hour charge	\$0.706	\$0.608
2.5 hour charge	\$1.767	\$1.521
3 hour charge	\$2.119	\$1.825

¹⁹ All-electric vehicles like the Chevrolet Bolt or Tesla S have built-in 7.2-kilowatt (kW) and 11.5-kW chargers respectively. They therefore use the full power of on-street and off-street charging stations. However, vehicles like the Nissan Leaf are equipped with 6.2-kWh chargers. They therefore do not use the full power of on-street charging stations, but they do use the full power of off-street charging stations. Some vehicles are equipped with 3.3-KW chargers.

If a user has to charge his electric vehicle for longer than 2.5 hours, it is cheaper for him to use a flat rate off-street charging station than an hourly rate on-street charging station. We reviewed charges for the third quarter of 2018. We found that 91% of on-street charges took less than 2.5 hours, whereas this percentage decreased to 75% at off-street stations. When long-term charging is required, users seem to prefer off-street charging stations.

From the City's standpoint, with a \$1.799 flat fee for an off-street charging session and an electricity cost of \$0.0981/kilowatt-hour (kWh), a charge needs to use more than 18.33 kWh for the fee to be less than the electrical cost (an unprofitable charge for the City). In the third quarter of 2018, only 5.5% of on-street charges were over 18.33 kWh versus 15.4% for off-street charging stations, three times more. We concluded that, in 15% of cases, off-street charging stations are not cost-effective for the City in terms of electrical consumption.

Because only a small percentage of charging stations are off-street charging stations (82 off-street charging stations installed versus 556 on-street charging stations installed), we would not have considered it appropriate to raise this finding of increased use of off-street charging stations for lengthy charges that are not profitable for the City. However, SIVT considers it is increasingly difficult to find street locations to install charging stations that meet the established criteria, such as sidewalk width, or potentially high-demand location. SIVT also indicates that boroughs are sometimes opposed when the location that has been identified is in front of a park or residence. That is why the decision was made to allow the installation of off-street charging stations for 2019 and 2020 to reach the target of 1,000 charging stations. SIVT provided us with confirmation that the rate for these new off-street charging stations to be installed in 2019 and 2020 will be \$2.50 per session, as is currently the case. This decision by the City will exacerbate a situation that may be unfavourable for it and for the boroughs.

It should be noted that boroughs have no control over the cost of electricity to be paid for charging vehicles at public charging stations. On the one hand, the Central City sets the number of charging stations to be installed within boroughs. On the other hand, users decide how much energy will be used at charging stations. We believe that the City and the boroughs should reach an income and expense sharing agreement (infrastructure and operating costs) related to public charging stations before the cost of energy used by charging stations becomes too high due to the increasing popularity of all-electric vehicles.

RECOMMENDATION

- 3.1.2.E.** We recommend that the Service de l'urbanisme et de la mobilité develop an income and cost-sharing model between the Central City and the boroughs for all aspects of transportation electrification, which includes both infrastructure acquisition costs and energy costs for charging City vehicles (the City's charging stations), costs for charging public vehicles (public charging stations) and maintenance costs for all these charging stations to ensure the various business units are treated fairly.

BUSINESS UNIT'S RESPONSE

- 3.1.2.E.** ***Service de l'urbanisme et de la mobilité***
[TRANSLATION] Charging station fees are used to maintain charging stations. It should be understood that the Central city invests \$3 million per year to purchase and install charging stations. Finally, it is our understanding that the boroughs are responsible for paying electricity bills, whereas the Central city is responsible for installing and maintaining charging stations. A revised revenue and cost sharing model must involve jurisdictional arbitrage.

It is recommended that the Service des finances be put in charge of this matter, in conjunction with the Service de l'urbanisme et de la mobilité, to review the revenue sharing model, because all the foregoing will have an impact on the fees that the Central city pays to the boroughs.

(Planned completion: June 2020)

3.1.3. MONITORING THE IMPLEMENTATION OF THE TRANSPORTATION ELECTRIFICATION STRATEGY

In this section of our audit, we looked at whether audited departments were monitoring the steps to be taken to ensure that the expected outcomes of the *Strategy* were being achieved.

3.1.3.1. GENERAL REVIEW OF THE IMPLEMENTATION OF THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.1.3.1.A. BACKGROUND AND FINDINGS

The entire *Strategy* is reviewed twice a year by the *Strategy* directors committee, which consists of the department heads of SMVT, Service de l'environnement and SMRA, branch directors or division heads of SIVT, SGPI, SMVT and the Service du développement

économique, a representative of the Service des ressources humaines (new since the July 2018 meeting), a representative of STM, a member of the City executive committee responsible for transportation and the Directeur général adjoint des Services institutionnels. All leaders of the 10 goals of the *Strategy* except for Goal 6 (Implementation of REM) are represented in the composition of the directors committee. February 2018 meeting minutes indicate that "*because of the many recent amendments to the [REM] project, it was deemed appropriate to wait before including it in our discussion*". At the July 2018 meeting, SMVT made a proposal to update the last two years of the *Strategy* (2019-2020), including removal of the REM goal in order to include it in a new goal entitled "*Sustained co-operation with partners to promote transportation electrification*".

Directors committee meetings provide a forum where each department responsible for a goal provides a progress report on the work for which it is responsible. They also provide a forum for initiating discussions on City positions related to transportation electrification and to mandate one or more departments to explore these topics in greater depth. This is the case for charging stations for City employees' personal vehicles. Given that it is in the SGPI program, but that the City does not yet have a clear position on this subject, the transportation leader of the City executive committee asked SMVT, at the July 2018 meeting, to submit "*proposals to frame City employees' use of charging stations*" for their personal vehicles.

The directors committee uses a table to monitor the steps to be taken in each goal. SMVT, the *Strategy* coordinator, asks the departments concerned to update this table before each committee meeting. This table is considered the *Strategy* action plan. However, SMVT does not consider that there is a real action plan for implementing the *Strategy* although its own monitoring document is called an action plan.

This monitoring table, which is used as an action plan, presents for each goal: action items, a calendar, a responsible unit, the financial implications, and monitoring on whether the action item was completed. Our main findings regarding this tool are:

- Some action items are not clear and specific enough for them to be considered a real action plan or they are just too similar to the goal they are responding to. For example, the table mentions "*setting up an eco-friendly vehicle and equipment integration program*" or "*installing charging stations for the City's fleet of vehicles*";
- Financial information, when available in the table, provides an overview of the budget allocated for the action item, but there are no progress reports on the use of this budget;
- Between the February 2018 and July 2018 versions, there are no progress reports on some action items (in particular goal 8 on public charging stations);
- Action items are added from one version to another of the table, which is not typical of an action plan. Between the February 2018 and July 2018 versions, SMRA added an action item to increase the number of plug-in hybrid vehicles by 25%, and increase the number of all-electric vehicles and equipment by 10%;
- Some deadlines presented in the action plan are not actual deadlines, but rather starting points quantifying the situation at a moment in time. So rather than saying which

target should be achieved and when, the table states the indicator's starting point at an earlier date. SMRA indicates in the July 2018 version of the document that the timeline for the action item for replacing 50 combustion engine vehicles per year from 2016 to 2020 with all-electric vehicles, "As of January 1, 2018 is 129 compact and subcompact all-electric vehicles"²⁰.

As mentioned earlier, SMVT started updating the *Strategy* for 2019 and 2020 and, with the co-operation of the departments concerned, had to produce a new action plan to complete the implementation. However, at the time of our audit, in November 2018, work on this update was several months behind schedule.

RECOMMENDATION

3.1.3.1.B. We recommend that the Service de l'urbanisme et de la mobilité adopt a real action plan for implementing the *Transportation Electrification Strategy*, including each concrete action item, targets, progress indicators, a timetable and a budget, in order to monitor progress on implementing the *Transportation Electrification Strategy*.

BUSINESS UNIT'S RESPONSE

3.1.3.1.B. Service de l'urbanisme et de la mobilité

[TRANSLATION] At the last *Transportation Electrification Strategy* steering committee meeting, the representatives approved the document update exercise. In addition to reviewing the policies, the new version of the *Strategy* proposes an action plan, which identifies the budget, objectives, and indicators for each policy.

The updated version of the *Strategy* will be submitted to the steering committee in the spring of 2019. It will subsequently be validated, if necessary. (Planned completion: December 2019)

²⁰ Textual excerpt from what is written in the action plan for implementation of the *Strategy* for an action item deadline.

3.1.3.2. MONITORING THE IMPLEMENTATION OF SPECIFIC GOALS

3.1.3.2.A. BACKGROUND AND FINDINGS

MONITORING TOOLS

We focused on the mechanisms that SGPI, SMRA, and SIVT used to monitor 1, 2 and 8 of the *Strategy*, respectively. We find that each department uses tools (mainly Excel files) to monitor action items required to implement the policy for which they are responsible. We noted various discrepancies in the information contained in these files, which in our opinion shows a need for better control and better use of these monitoring tools. For example, we noted that:

- the SGPI file for monitoring the implementation of the City's vehicle charging stations contains several tabs for overall project monitoring, calendar monitoring, and monitoring each project's budget. None of these tabs have the same total number of charging stations (164 charging stations under the financial monitoring tab, 165 charging stations under the calendar monitoring tab, and 161 charging stations under the overall project monitoring tab);
- the file for monitoring electric vehicles ordered by SMRA contains only 95 vehicles, while 100 Nissan Leafs were purchased in 2018 according to quote 14017E11;
- the file used by SIVT to monitor public charging stations monitors the total cost of installing charging stations, but it does not provide all the information on charging station purchase costs and installation costs;
- technical information regarding public charging stations in the SIVT monitoring file (fleet number, physical address, charging station serial number) differs in several cases from the information available from Circuit électrique. Among the differences noted, one charging station is in Rosemont-La Petite-Patrie borough according to SIVT, but a serial number for a similar charging station is recorded in Ville-Marie borough according to Circuit électrique. Also, the correspondence between fleet numbers and charging station serial numbers is incorrect in about 20 cases. As a result, we doubt that a problematic charging station can be properly identify and that the situation can be corrected promptly.

CHARGING STATION USAGE DATA ANALYSIS

SGPI has installed charging stations for City vehicles and SIVT has installed charging stations for public vehicles. As a result, the City can now access a large amount of data from the supplier on charging station use. Data are available on each charge, including the charge date, amount of energy used, length of the charge, the price the user paid for charging at a public charging station and the access card number used to charge a vehicle at a City charging stations.

Every month, SIVT produces a table showing the total number of charges per double station (one double station has two charging station) and by the borough. This file is sent to all boroughs for information purposes. SIVT also indicated that it could also use this information to examine the locations where charging stations could be installed based on use of existing charging stations. However, the analyses do not go any further regarding this matter.

SIVT provided us with confirmation that it does not analyze quarterly use of public charging stations to ensure that the fee from the charging station supplier is consistent with the gross income generated by charging stations minus deductions (taxes and service charges) included in the agreement between the City and the supplier.

Because public network charging data have not been analyzed, SIVT cannot determine whether some charges at charging stations have not been invoiced to users, most of which involved off-street charging stations. For the third quarter of 2018 only, we noted that 178 charges at this type of charging station had not been invoiced out of a total of 2,751 charges, which represents 6.5% of charges. With the exception of two charges, these free sessions occurred at three locations, including one site that alone accounts for 70% of free charges at an off-street charging station. Unable to account for this situation, SIVT questioned the charging station manufacturer. The manufacturer indicated that the charge was apparently performed using a private access card that was provided with each charging station to test the charging station after it was installed. This could occur at off-street charging stations directly installed by the boroughs before 2016 because they had taken direct possession of the charging stations (and the access cards). The three cases we identified occurred during this period. SIVT indicated that in these cases, City vehicles, possibly from the concerned boroughs, would have been charged at Circuit électrique public charging stations rather than at City charging stations. In fact, these are major energy charges, with averages 15.5 kWh, 16.4 kWh and 23.0 kWh respectively, including one 40.9-kWh charge. A 40.9-kWh charge is the maximum charging capacity of a completely discharged Nissan Leaf battery (40 kWh for the 2018 and 2019 models). In the City's all-electric vehicle fleet, only the Chevrolet Bolt has a greater charging capacity (60 kWh). As of October 2018, the City had 10 Chevrolet Bolts, but none of them were associated with the borough where this charge occurred. As a result, if test cards were used to obtain these free charges, there is no guarantee that they were used to charge City vehicles rather than City employees' personal vehicles.

SGPI also provided us with confirmation that it does not analyze the data available on City vehicle charges. We raised the case of a City charging station in a municipal workshop where we observed two charging sessions (42.97 kWh and 49.02 kWh). SGPI was unable to account for these two major charges exceeding the charging capacity of the new Nissan Leaf (40 kWh), despite the fact that the number of the access card used is known. The technical reason why SGPI cannot answer this question is that the City does not have a register that associates an access card to a City charging station and a specific City

vehicle²¹. This is another case where there is no guarantee that City employees did not use City charging stations (at no cost) to charge their personal vehicles with cards that should be used only to charge City vehicles. At a City building equipped with several charging stations, we observed vehicles that were charging with no visual identification to confirm that they belonged to the City. In one case, the vehicle being charged was a type of high-end electric car that the City does not have in its fleet.

USE OF CITY CHARGING STATIONS TO CHARGE EMPLOYEES' PERSONAL VEHICLES

With respect to charging employees' electric vehicles at City charging stations, the SGPI program provides for the installation of 45 charging stations over 3 years. However, none of these charging stations have been installed yet. SMVT has been mandated to make proposals to regulate employee access to charging stations under the SGPI program (an exercise we believe should have been completed before including this action item in the SGPI charging station program). SMVT requested the Service des ressources humaines' support to deal with this matter because the directors committee felt that there were many issues related to the benefits this could provide for employees. We consider that the City should deal with this matter quickly, because there is evidence that employees are using the charging stations. In addition to the vehicles we observed, we noted two City charging station charge profiles that were similar to personal vehicle charges. These findings are based on an analysis of charge data from the same access card from June 2018 to September 2018 at charging stations located in a City workshop:

- The card was used at a charging station from Monday to Friday approximately 9:00 p.m. to 5:30 a.m. the next morning (meaning that the vehicle was not in use, but parked). The card was then used again immediately afterward at a neighbouring charging station for charges starting between 5:30 a.m. and 6 a.m. until 3:30 p.m. or 4 p.m. After charging a vehicle for so long, there is no technical reason for routinely reconnecting an electric vehicle to another charging station without having actually used the vehicle. This case may involve two employees working on different shifts who use the same City card to charge their respective personal vehicles;
- The same card was also used a few times for simultaneous charges on two neighbouring charging stations.

TECHNOLOGY WATCH

Although we are collectively only starting to electrify transportation, this field is quickly changing, in terms of vehicle battery capacity (range) and charging methods. As such, we believe it is important to ensure that we make the most judicious and appropriate choices

²¹ However, it should be noted that the cards only provide access to charging stations that belong to a specific group of charging stations, i.e., charging stations at a City building or all charging stations belonging to a business unit.

today, based on available knowledge, to meet current and, at least, medium-term needs. We therefore tried to find out whether, as part of the implementation of the *Strategy*, the various departments concerned were performing a formal, routine and structured technology watch, and whether the findings were shared.

According to SMVT, each department involved performs a technological watch on its own topics, and if necessary, findings are shared at directors committee meetings. However, everything is done on ad hoc and informal basis. For example, an SMVT employee represents the City as a member of the *Global EV Pilot City Programme*, which is administered by the International Energy Agency in Paris. This gives him access to information on what is being done elsewhere. At SMRA, transportation electrification managers are in contact with cities outside the country to discuss available technologies. At SGPI and SIVT, there is no formal technology watch, but employees do this on a voluntary basis and out of personal interest. The three sets of minutes of directors committee meetings that we obtained did not indicate that any information was provided on any technological watch performed by a department.

In this field, we believe it is necessary to be able to assess trends and developments in order to properly plan for the technology and infrastructure to be implemented. Large investments have been made in this field²². The City is developing an agreement with Hydro-Québec to ensure that the Crown corporation is technically and economically responsible for the installation of fast-charging stations (400 V)²³ in the Ville de Montréal. It is therefore appropriate to ask whether, with the arrival of fast-charging stations, and since 638 on- and off-street charging stations (240 V) have already been installed, the City needs to continue to install new charging stations to reach the 1,000-charging station target.

CITY'S ELIGIBILITY FOR GOVERNMENT SUBSIDIES

The City's *Strategy* is eligible for two provincial government subsidies under the *Plan d'action contre les changements climatiques 2013-2020* and the *Plan d'action 2015-2020 en électrification des transports*.

A first subsidy for the purchase of electric vehicles is available under the Roulez vert - violet Roulez électrique program, which provides \$8,000 for the purchase of an all-electric vehicle. The decision-making summary for the purchase of 100 Nissan Leafs in 2018 did not assume that the subsidy would still be available at the time of purchase (a conservative and cautious City approach). However, our audit confirmed that the City obtained this discount for the purchase of all these vehicles.

²² The introductory document for the 2019-2021 TCEP indicates a cost of \$7.26 million for 2019 to 2021 plus \$6.54 million for 2017 and 2018, for a grand total of \$13.79 million for 848 public charging stations.

²³ A fast-charging station runs on direct current at 480 V and can transfer a charging power of 50 kW compared to a standard on-street charging station that generates 7.2 kW of power. Charging time is therefore divided by 7. However, some electric vehicles are not compatible with this charging method.

A second subsidy is available for the purchase and installation of charging stations for vehicles owned by a company, organization or municipality (Branché au travail program). The subsidy is for 50% of eligible expenses up to a maximum of \$5,000 per charging station, and up to \$25,000 per year per site. Here again, the City was cautious in its decision-making summary. It did not assume that it would obtain the subsidy. Although the City has already installed several charging stations in its buildings, including 50 charging stations installed in 2017, no subsidies had been obtained at the time of our audit. On two occasions, Transition énergétique Québec rejected the City's applications because they were incomplete (lack of proof, such as a photo, of reserved parking space signs for vehicles being charged, no proof of payment to the contractor for all work performed, no breakdown of electrical installation costs, no confirmation that the electrical contractor had performed its work).

SGPI revised its charging station implementation guideline to require business units to use the elements described in the normative framework of the Branché au travail program to ensure that complete applications can be submitted. To ensure that these business unit documents are obtained, SGPI withholds 10% of the amount to be reimbursed for charging station purchase and installation costs. However, according to SGPI itself, although it withholds this amount, it is difficult to obtain all documents to receive all available subsidies. This is an important issue because, according to SGPI, the total subsidies it could obtain by 2020 range between \$535,000 and \$988,500 under various scenarios prepared by this department.

LACK OF INTERDEPARTMENTAL PLANNING FOR IMPLEMENTATION OF THE TRANSPORTATION ELECTRIFICATION STRATEGY

SMRA is responsible for converting combustion engine vehicles to electric vehicles. SGPI is responsible for installing charging stations for these vehicles because the equipment must be installed on a building or in connection with a building. As a result, SMRA orders electric vehicles without first confirming whether the appropriate a charging station can be installed in the building where the vehicle will be parked. A vehicle must be slated for replacement before the business unit can contact SGPI to prepare plans, order the charging station, perform the work and commission the charging station. We consider that the work performed by SMRA and SGPI should be better aligned to speed up the start of work on installing charging stations and to ensure that a charging station can be installed before an electric vehicle is ordered. Rather than looking at these two goals reviewing separately, they should be considered together, because an electric vehicle cannot operate without a charging station, and vice versa.

RECOMMENDATIONS

- 3.1.3.2.B.** We recommend that the Service du matériel roulant et des ateliers, the Service de la gestion et de la planification immobilière and the Service de l'urbanisme et de la mobilité review the tools they use to monitor implementation of the *Transportation Electrification Strategy's* policies for which they are responsible to ensure that the information they have to adequately monitor the progress of actions is accurate and complete.
- 3.1.3.2.C.** We recommend that the City Manager come to a decision on employee use of City charging stations to charge their personal electric vehicles, taking into consideration both charging stations used to charge City vehicles and future charging stations for employees, in order to regulate this practice and ensure that it is fair to all employees.
- 3.1.3.2.D.** We recommend that the Service du matériel roulant et des ateliers make an inventory of charging station access cards and link them to a City vehicle to better control the use of access cards at City charging stations.
- 3.1.3.2.E.** We recommend that the City Manager make the *Transportation Electrification Strategy* coordinator responsible for a structured and planned technology watch including periodic reporting to the various departments involved in implementing the *Transportation Electrification Strategy* in order to ensure that implementation takes into account technological changes and trends in transportation electrification.
- 3.1.3.2.F.** We recommend that the Service de la gestion et de la planification immobilière take all the steps needed to obtain the financial assistance available from the Branché au travail provincial program.
- 3.1.3.2.G.** We recommend that the Service de la gestion et de la planification immobilière and the Service du matériel roulant et des ateliers work together to commission a new electric vehicle and install a charging station within the same timeframe.

BUSINESS UNITS' RESPONSES

3.1.3.2.B. Service de la gestion et de la planification immobilière et Service du matériel roulant et des ateliers

[TRANSLATION] The Service de la gestion et de la planification immobilière and the Service du matériel roulant et des ateliers will review the monitoring files in order to incorporate 2019 project planning and update project data going back to 2017 and in the planning stage in 2018 as part of the replacement of traditional vehicles by electric vehicles in the City's fleet. (Planned completion: April 2019)

Service de l'urbanisme et de la mobilité

[TRANSLATION] The Service de l'urbanisme et de la mobilité component: the new one-stop shop that will handle all requests regarding electric charging stations will require files with correct data. Because there are some many files in circulation and in the City's network, it is impossible to tell whether charging station installation and performance data are accurate.

To resolve this problem, network architecture will be reviewed and cloud storage will be introduced to allow stakeholders to view or edit shared files, in accordance with their access rights. The upcoming implementation of Office Suite and Google Cloud will allow all City employees to collaborate on files. (Planned completion: September 2019)

3.1.3.2.C. Direction générale

[TRANSLATION] The Direction générale has already mandated the Bureau du contrôleur général, in conjunction with the Service des ressources humaines, to draft a guideline on using the Ville de Montréal's charging stations to charge employees' personal electric vehicles. This guideline will subsequently be distributed to all employees.

(Planned completion: December 2019)

3.1.3.2.D. Service du matériel roulant et des ateliers

[TRANSLATION] The Service du matériel roulant et des ateliers will ask the supplier to develop a filing system (FLO portal) that groups all access cards in order to associate them with a vehicle or employee. The Service du matériel roulant et des ateliers will also ask the supplier to no longer provide access cards without the authorization of the Service du matériel roulant et des ateliers. An access card distribution guideline must be developed. (Planned completion: September 2019)

3.1.3.2.E. Direction générale

[TRANSLATION] The Direction générale will mandate the person responsible for coordinating the Transportation Electrification Strategy to implement a technology watch and make it available to the various Departments involved in implementing this strategy. There will have to be a discussion on how to perform this watch.

(Planned completion: September 2019)

3.1.3.2.F. Service de la gestion et de la planification immobilière

[TRANSLATION] A 10% deduction is already withheld when credits are transferred pursuant to a favourable response in a decision-making file in order to encourage business units to submit relevant documents as soon as possible to prepare the subsidy file.

Business units will receive regular reminders indicating which documents are missing. Support will also be available at the business unit's request.

Guidelines listing the documents to be submitted will be revised as needed following discussions with those responsible for the Branché au travail subsidy.

A project-specific monitoring table will be developed to monitor pending documents. To date, nearly \$350,000 in subsidies have been deposited under the program (a total of 9 files). (Planned completion: April 2019)

3.1.3.2.G. Service de la gestion et de la planification immobilière et Service du matériel roulant et des ateliers

[TRANSLATION] An action plan has been implemented between the Service de la gestion et de la planification immobilière and the Service du matériel roulant et des ateliers to coordinate activities specific to each Department. Two forms have been developed to better define an upstream project.

The first form, sent by the Service du matériel roulant et des ateliers, asks the business unit to confirm the address where the electric vehicle will be parked ("home port"). The second form is a prefeasibility study that will be conducted by the Service de la gestion et de la planification immobilière to identify the project's characteristics (preliminary budget, summary schedule) and determine whether there are any critical issues. This preliminary exercise will enable the Service de la gestion et de la planification immobilière, the Service du matériel roulant et des ateliers and the business unit to make an informed decision on installing the required charging infrastructure, and to propose alternative solutions in cases where there are major charging station installation issues.

A table has been constructed to disseminate status updates on each project and the scheduled charging infrastructure installation date. Information on the progress of each project will be exchanged between the Departments on a monthly basis.

Meetings between the 2 Departments are also scheduled to exchange information on the progress of a charging infrastructure installation project and, if necessary, adjust the timing of electric vehicle deliveries accordingly. (Planned completion: April 2019)

3.2. MEET THE TARGETS AND DEADLINES SET OUT IN THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.2.1. PROGRESS REPORTS ON THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.2.1.A. BACKGROUND AND FINDINGS

In this section, we seek to establish whether the various departments audited are on track to achieve the targets set out in the *Strategy*. Table 3 summarizes these targets and the progress we observed during our work in the fall of 2018. We then provide details on our main findings regarding the achievement of these targets.

TABLE 3 – TARGETS TO REACH BY 2020 FOR THE GOALS EXAMINED IN THE AUDIT

AREA	2020 TARGET	DECEMBER 2018 RESULTS
GOAL WITH AN EXPLICIT TARGET DESCRIBED IN THE TRANSPORTATION ELECTRIFICATION STRATEGY		
Number of subcompact combustion engine vehicles replaced by all-electric vehicles (Goal 2)	230 according to the <i>Transportation Electrification Strategy</i> 250 according to the <i>Green Policy</i>	168 in service 210 in total
Number of (on-street) public charging stations (Goal 8)	1,000	480 on-street charging stations in operation 556 on-street charging stations installed 638 total including off-street charging stations
GOAL WITHOUT AN EXPLICIT TARGET DESCRIBED IN THE TRANSPORTATION ELECTRIFICATION STRATEGY		
Number of charging stations installed to charge City vehicles (Goal 1)	225 (2018-2020) + 84 maximum retroactively for 2017 according to the SGPI program	32 charging stations in service 127 charging stations in preparation
Number of charging stations for charging City employees' electric vehicles (Goal 1)	45 according to the SGPI program	None

Of the three goals that we examined in detail in the *Strategy*, only two outlined explicit targets: the number of combustion engine vehicles to be replaced by electric vehicles and the number of public charging stations to be installed in the City.

On December 17, 2018, we extracted the list of electric vehicles from the SMRA database. The list included 227 vehicles. However, the City had acquired some of these vehicles before it had started implementing the *Strategy*. They must therefore be excluded from the list to accurately assess the extent to which the *Strategy's* target was achieved. The City therefore acquired 210 all-electric vehicles under the *Strategy*. By the end of 2018, depending on whether we consider the 230 electric vehicle target set out in the *Strategy* or the 250 electric vehicle target set out in the *Rolling stock green policy*, SMRA achieved 91.3% or 84% of the target. It would still have two years to add a maximum of 20 electric vehicles per year to its fleet. Given that SMRA added 100 electric vehicles in 2018, it is in a very good position to achieve its target.

Within the narrow meaning of the *Strategy*, any combustion engine vehicle replaced by an all-electric vehicle helps achieve the target. Within the meaning of the *Rolling stock green policy*, only subcompact combustion engine vehicles (classes 134 and 135) replaced by all-electric vehicles help achieve the target. In this context, we examined the combustion engine vehicles replaced by the 100 Nissan Leafs in 2018. We identified 95 of the 100 vehicles that were replaced. We identified 72 class 134 and 135 vehicles replaced by all-electric vehicles, i.e., 75.8% of the 95 vehicles. The other vehicles were larger models such as pickup trucks and vans. From a GHG reduction standpoint, this is a positive approach because these vehicles use significantly more gasoline than subcompacts. With respect to the *Rolling stock green policy*, of the 210 electric vehicles acquired since 2016, 23 would have to be removed because they are not class 134 or 135 technical vehicles that have been replaced by electric vehicles. The result would therefore be 187 of the 250 vehicle target to be achieved by 2020 (74.8%). Here again, with two years to go and the City's history in recent years, it seems quite plausible that 63 electric vehicles will be acquired.

The City's goal in the *Strategy* is to have 1,000 public charging stations installed by 2020. As of December 5, 2018, SIVT had 556 on-street charging stations installed in the City, 480 of which were in operation. The City is behind schedule. It had planned to have 604 charging stations installed and in service by the end of 2018 by installing 202 charging stations in 2018. SIVT attributes this delay to average 65.5 days it takes to connect charging stations after they are installed. According to the minutes that we obtained of the follow-up meetings between SIVT and its partners, the charging station connection rate in 2018 was 3 to 4 times lower than required to install all charging stations in 2018. SIVT does not believe this delay is an issue and is considering completing the 2018 installations in 2019.

The *Strategy* for this goal on public charging stations is aimed at "*installing an on- and off-street charging network for private electric vehicles, with a target of nearly 1,000 charging stations*". However, the *Strategy's* directors committee is only monitoring the on-street charging stations described in the goal. Yet 82 off-street charging stations have also already been installed, including 78 in operation as of December 5, 2018.

Considering that each on-street charging station costs the City about \$15,000 (purchase and installation), trying to achieve the 1,000 charging station target without considering these 82 off-street charging stations amounts to increasing the cost of this goal by more than \$1,230,000. Also, given that SIVT does not perform in-depth analyses of the use of existing charging stations within the City and that Hydro-Québec will begin installing fast charging stations in Montréal, we question whether it is appropriate for the City to maintain the 1,000 public charging station target. In other words, could it be that the supply of public charging infrastructure within the City is already greater than the demand and that the arrival of fast-charging stations means that City no longer has a rationale for achieving the 1,000 charging station target?

Goal 1 on installing charging stations for City vehicles and for City employees' vehicles does not contain any targets in the *Strategy*. The approach adopted by SGPI is to associate a charging station with each City electric vehicle ordered by SMRA from 2018 to 2020. However, given that SGPI does not monitor the use of City charging stations, that City subcompact vehicles travel an average of 5,700 kilometres (km) annually, which equals 22 km per working day, and that the range of electric vehicles continues to grow²⁴, we question whether a new charging station should automatically be installed for each new electric vehicle. In terms of economics, it is important to understand that installing a charging station for each electric vehicle acquired by the City increases the purchase cost of the electric vehicle by approximately \$10,000 (the average cost for purchasing and installing a charging station under the SGPI program). Given the vehicles' annual kilometrage, the fuel savings cannot offset this additional cost over the 10-year life of an electric vehicle^{25 26}.

RECOMMENDATIONS

- 3.2.1.B. We recommend that the Service de l'urbanisme et de la mobilité review whether it is appropriate to maintain the 1,000 on-street public charging station target whereas the *Transportation Electrification Strategy* also considers the contribution of off-street charging stations and that the City is entering into an agreement with Hydro-Québec to have the Crown corporation install fast charging stations in the City.**

²⁴ The 2016 Nissan Leaf equipped with a 24-kWh battery had a 133 km range, whereas the 2019 Nissan Leaf now features a 40-kWh battery with a 242 km range. In 2017, the city acquired 10 Chevrolet Bolt EVs that have a 383 km range.

²⁵ SMRA estimates the fuel to operate a subcompact vehicle in the City for 10 years costs \$6,201.

²⁶ SMRA estimated that it costs the City \$650 more per year to operate an electric vehicle than a gasoline vehicle. However, this assessment significantly underestimated the cost of purchasing and installing a charging station (SMRA considered a total of \$3,516, while SGPI's average was \$10,000) and that the City routinely obtained the Government of Quebec rebates for charging stations. As of the date of our audit in December 2018, SGPI had not obtained any subsidy from Quebec for charging stations. If the total cost of charging stations is adjusted without considering the Quebec subsidy, it would cost the City an estimated \$1,440 more per year per electric vehicle than it would to operate a gasoline vehicle.

- 3.2.1.C.** We recommend that the Service de la gestion et de la planification immobilière examine the possibility of associating more than one electric vehicle per charging station by introducing charging procedures to optimize City charging station use.

BUSINESS UNITS' RESPONSES

- 3.2.1.B.** ***Service de l'urbanisme et de la mobilité***
[TRANSLATION] In connection with the review of the Electrification Strategy, the 1,000 charging station target will be reviewed to take into account evolving charging station use patterns.
Thus, the primary target in implementing a charging station network will be set in terms of the number of charges, not the number of installed charging stations. This target makes it possible to maximize the charging stations already installed, without necessarily adding any to the network if this proves necessary.
All the foregoing will be submitted to the Strategy steering committee in the spring of 2019, and any necessary changes will be made afterward. (Planned completion: December 2019)
- 3.2.1.C.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] If no data were available, a ratio of one charging station per electric vehicle was preferred. In future installations, business units will be required to thoroughly review the number of charging stations needed charge its electric vehicles.
Service de la gestion et de la planification immobilière and the business unit will have discussions on establishing an appropriate ratio, particularly if new electric vehicles are joining an existing charging station network. With the manufacturer's technology for retrieving charge data and statistics, it will become easier to make these decisions based on evidence. (Planned completion: September 2019)

3.2.2. IMPACT OF THE TRANSPORTATION ELECTRIFICATION STRATEGY ON REDUCING GREENHOUSE GAS EMISSIONS

3.2.2.A. BACKGROUND AND FINDINGS

The *Strategy* is in line with the City's commitment to reduce GHG emissions from its operations and community operations. The *Strategy* states that GHG reductions must be assessed annually during its implementation. The Service de l'environnement is responsible for performing this task and has developed a methodology to standardize this assessment. The first assessment of GHG reductions was performed for 2017 and sent

to SMVT in July 2018. At the time of our audit in mid-November 2018, these results had not been sent to other departments and partners involved in implementing the *Strategy*.

Table 4 presents GHG reductions for 2017 calculated by the Service de l'environnement. The actual activities outlined in the *Strategy* by the City accounted for only 4.6% of GHG reductions. The goal for which STM is responsible generated the greatest reduction (68.5%). Overall, GHG reductions from implementing the 2017 *Strategy* account for only 0.05% of the 1990 GHG emissions for the entire community. Given that the City has set a goal of reducing community emissions to 30% below 1990 levels by 2020, we find that the environmental benefits of the *Strategy* have had little impact on reducing GHG emissions and achieving the City's target and that they are almost exclusively based on the actions of STM. Given that the City's heavy vehicles are responsible for the main impacts in the area of transportation²⁷, and that electrification technology is not yet available for this type of vehicle, it is difficult to exceed the contribution achieved under the current *Stratégie à la réduction des émissions de GES de la Ville*.

To assess reductions associated with Goal 2 on converting the fleet of combustion engine vehicles to electric vehicles, the Service de l'environnement needs the total annual kilometrage of electric vehicles. The data are used to estimate the amount of GHG that would have been emitted by combustion engine vehicles if there were no electric vehicles. SMRA provided the Service de l'environnement with a list of all electric vehicles in service in 2017 containing this information. There were only 122 electric vehicles on the list. However, only 30 of these vehicles (24.6%) had kilometrage data for the year. Some of these vehicles had been in service since 2013 or 2015 but the list only indicated the vehicle kilometrage at the end of 2017. The total odometer reading was then attributed to 2017 (in three cases, these odometer readings were 12,604 km, 18,688 km and 26 248 km). However, according to SMRA, these vehicles travel 5,700 km annually on average. In some cases, there may not be an odometer reading, which is normal for electric vehicles commissioned at the end of the year, for example. However, the list of vehicles contained vehicles commissioned in 2013 for which there were no odometer readings in the document that the Service de l'environnement obtained from SMRA. We also considered that vehicles commissioned in the middle of the year were used, although the file did not have odometer readings for these vehicles. The Service de l'environnement did not make assumptions to complete the missing data. Using a zero value for the annual kilometrages of several electric vehicles in 2017, is equivalent to not considering the avoided GHG emissions for the City. Given that these initiatives must contribute to the 2013-2020 action plan to reduce GHG emissions from municipal operations and that this is also mentioned in the City's annual report on sustainable development, it is important to ensure that accurate GHG reduction values are reported. Accurate data on these GHG reductions is all the more important since city council decided to adopt a carbon budget in January 2019.

²⁷ For example, according to the data obtained by SMRA, a subcompact vehicle in Villeray-Saint-Michel-Parc-Extension borough uses 250 to 1,000 litres of gasoline annually depending on how it is used. A garbage truck's annual diesel consumption can range from 6,000 to 12,000 litres, and a bulldozer can consume between 2,300 to 11,000 litres.

We contacted SMRA to find out how City vehicle odometer readings were taken. The department indicated that before May 2018, some vehicles were equipped with an electronic module that reads vehicle data, including odometer data. SMRA also indicated that the data transmitted were not reliable. Since May 2018, employees must enter the vehicle identification number and the odometer reading when refuelling at a pump. This is the standard method for all combustion engine vehicles, but not for all-electric vehicles. In this case, SMRA says it routinely takes an odometer reading during the annual vehicle maintenance check. However, on December 17, 2018, we randomly picked an all-electric vehicle (Nissan Leaf) commissioned more than a year ago and asked SMRA to give us the last odometer reading and date. The vehicle was put into service on June 17, 2016 and the SMRA database provided a zero odometer reading (zero). Based on this test and observations on the data that the Service de l'environnement receives from SMRA, we therefore find that SMRA does not routinely take electric vehicle odometer readings. When the City extends transportation electrification to its heavy machinery, there will be greater environmental benefits. It will then be even more important to take correct heavy electric vehicle odometer readings.

TABLE 4 – GHG REDUCTIONS GENERATED BY IMPLEMENTING THE TRANSPORTATION ELECTRIFICATION STRATEGY IN 2017

GOAL	GREENHOUSE GAS REDUCTIONS ACHIEVED IN 2017 (TONNES OF CARBON DIOXIDE EQUIVALENT)	CONTRIBUTION TO REDUCTIONS	RESULTS VERSUS COMMUNITY EMISSIONS IN 1990
Goal 2 - Convert the fleet of City vehicles	-23	0.3%	-0.0002%
Goal 5 - Action items completed by STM	-5,002	68.5%	-0.0334%
Goal 8 - Install public charging stations	-317	4.3%	-0.0021%
Goal 9 - Install the self-service electric vehicle network	-1,964	26.9%	-0.0131%
TOTAL	-7,307	100.0%	-0.0488%

Source: Service de l'environnement, 2018

RECOMMENDATION

- 3.2.2.B.** We recommend that the Service du matériel roulant et des ateliers implement a procedure for taking routine odometer readings from electric vehicles belonging to business units in order to generate reliable kilometrage data for all these vehicles and enable accurate monitoring of greenhouse gas reductions that help achieve the 2013-2020 municipal operations action plan target and provide an accurate representation of actual results in the City's sustainable development report.

BUSINESS UNIT'S RESPONSE

- 3.2.2.B.** *Service du matériel roulant et des ateliers*
[TRANSLATION] Odometer readings will be taken twice a year during preventive inspections as recommended by the manufacturer
(Planned completion: July 2019)

3.3. ASSESSMENT OF INTERNAL AND EXTERNAL CUSTOMER SATISFACTION WITH THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.3.A. BACKGROUND AND FINDINGS

In general, none of the central departments we interviewed for our audit evaluates the satisfaction of customers directly affected by the City's actions.

With respect to the City's electric vehicles, the borough staff we interviewed indicated that they do not conduct a vehicle user satisfaction survey. Although there was some initial concern regarding vehicle range, informal comments that the people we interviewed heard in the boroughs did reflect satisfaction in several respects: the vehicle's green credentials, quiet ride, comfort and the technology available in the vehicle.

SGPI does not evaluate customer satisfaction with City vehicle charging stations. It should be noted that SGPI does not identify charging station locations, business units do that on their own. As mentioned earlier, SGPI does not analyze the use of charging stations to determine whether they meet the need.

SIVT has access to all public charging station usage data in the City. It prepares a monthly summary of the information and produces a table summarizing the number of charges per month. This table is sent to the boroughs. However, there are no charging station user

satisfaction surveys or surveys to determine whether new charging stations should be installed. Given that public charging stations in service are currently used no more than three times a day in 77% of cases (this count is per double station, not per charging station, so if a double station is used, only one of the two charging station is used)²⁸, that the City is in talks with Hydro-Québec to have the Crown Corporation install fast charging stations in the City, and that in the first three quarters of 2018, 52.1% of vehicles that received Government of Québec subsidies for the purchase of electric vehicles or plug-in hybrids had fast-charging capacity (400 V), it would be appropriate for the City to determine whether the need for charging electric vehicles in public areas has not changed enough for the City's *Strategy* to be reviewed.

RECOMMENDATIONS

- 3.3.B.** **We recommend that the Service de la gestion et de la planification immobilière and the Service de l'urbanisme et de la mobilité implement a data analysis process for use of City charging stations and the public network to ensure optimal use of this infrastructure.**
- 3.3.C.** **We recommend that the Service de l'urbanisme et de la mobilité examine the possibility of working with its partners to perform a study on the satisfaction of customers and all Montrealers with respect to charging services available in public areas.**

BUSINESS UNITS' RESPONSES

- 3.3.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] The prefeasibility analysis will provide information on the specificities of an upstream project and ensure that if the charging infrastructure is installed at the address confirmed by the business unit, it will respond to the business unit's needs. It will be easier to initiate a dialogue with the business unit to target the best locations to install charging stations. By being involved in the project analysis and decision-making, the business unit will be better informed at the start of the project, knowing the budget and the schedule.
The Service de la gestion et de la planification immobilière will continue to provide options and ideas to enable the various business units to effectively manage and administer their charging stations.
(Planned completion: May 2019)

²⁸ The double station that is used most often charged 10 vehicles a day on average in August 2018, i.e., it was used 5 times a day charging station.

Service de l'urbanisme et de la mobilité

[TRANSLATION] When a one-stop shop is created, new tools will be needed to plan the installation of new charging stations. Charging stations have been installed taking space limitations and population density into account. With large numbers of stations already installed, available spaces are more difficult to find and charging station performance is not uniform.

The one-stop shop wants to introduce visualization tools (dashboards and thematic maps) and report creation tools to automatically extract and integrate the data most likely to help plan new spaces where charging stations can be installed. Usage data will be incorporated into various information layers to maximize use of future charging stations.

The Direction de la Mobilité has requested the Service des communications' support to create two Internet pages for citizens and internal partners. Once the pages are in place, the City will disseminate and promote information useful to citizens and provide a space for citizen input to measure their level of satisfaction and to receive their complaints and requests. The second Internet page will be for external partners, which will list all the resources needed to plan new sites for efficient charging stations.

It should be noted that the Ville de Montréal already has access to real-time data on charging station use, via a web platform provided by the charging station manufacturer. (**Planned completion: to be determined**)

3.3.C.

Service de l'urbanisme et de la mobilité

[TRANSLATION] In conjunction with Hydro-Québec, the City will be able to assess the implementation of a telephone survey of Electric Circuit users and Montreal citizens regarding the on-street electric vehicle charging stations. (**Planned completion: March 2020**)

3.4. ACCOUNTABILITY IN RELATION TO THE IMPLEMENTATION OF THE TRANSPORTATION ELECTRIFICATION STRATEGY

3.4.A. BACKGROUND AND FINDINGS

SMVT does the reporting regarding the *Strategy*. However, its role is limited to collecting and compiling progress data provided by the other departments involved. This information is entered in the table used to monitor implementation of *Strategy* action items. The information in this table does not routinely reflect progress in action items as of the date of each directors committee meeting. SIVT did not provide any changes between the February 2018 and July 2018 versions of the table used to monitor installation of public charging stations. However, more than a dozen of double charging stations (and therefore twice as many charging stations) were put into service between February 2018 and

July 2018. The same holds true for the Service de l'environnement, which did not respond to SMVT's June 2018 request for a table update. However, the week after the directors committee meeting in early July 2018, it sent SMVT the methodology to quantify GHG reductions, dated June 2018, and the results for 2017.

This information, which is reported through the table used to monitor *Strategy* action items, is not sent to anyone except the members of the directors committee. It is also surprising that since 2016, no reports or official documents have been produced to report on the implementation of the *Strategy*. However, it should be noted that an elected member of the executive committee sits at all directors committee meetings and that since the last two meetings, a Directeur général adjoint of the City has also attended.

In addition, the table used to monitor implementation of *Strategy* action items cannot be considered as a reporting tool in itself because it does not cover the use of available budgets allocated to implement the various action items. The table mentions financial considerations for some action items, i.e., available budget, but there are no status updates on the use of this budget. There is therefore no link between performance and budget monitoring. To make such a link, it would have been necessary to develop a global budget for implementing the *Strategy*, which was not done.

These findings on the lack of formal and comprehensive reporting on the *Strategy* are partially attributable to the lack of formal leadership in implementing this *Strategy*. In the current context, SMVT may request information from other departments, but it does not have the authority to make them respond.

RECOMMENDATION

- 3.4.B.** **We recommend that the City Manager obtain from the person responsible for coordinating the implementation of the *Transportation Electrification Strategy* a periodic report that provides a progress update on each activity, and that he perform a mid-term review of the implementation of the *Transportation Electrification Strategy* to inform decision-makers of the results achieved and the strategy items that require follow-up.**

BUSINESS UNIT'S RESPONSE

3.4.B.

Direction générale

[TRANSLATION] At the last Transportation Electrification Strategy steering committee meeting, the representatives approved the document update exercise. The new version proposes an action plan, which identifies the budget, objectives, and indicators as well as the managers for each policy.

The Direction générale will mandate the person responsible for coordinating the Strategy to provide an action plan status update as of December 31, 2019, the halfway point of the revised Strategy. Also, to facilitate reporting on each activity, a shared monitoring file will be put in place as soon as the upcoming implementation of Office Suite and Google Cloud provides the required functionality.

(Planned completion: March 2020)

4. CONCLUSION

The Ville de Montréal (the City) aims to reduce its greenhouse gas (GHG) emissions to 30% below 1990 levels by 2020 for community-related emissions, and 30% below 2002 levels for emissions related to its municipal operations. Road transportation accounts for a significant share of the City's and the province's GHG emissions. These reduction targets can only be achieved by actively working to change behaviours and approaches in this area.

In 2016, the City adopted the *Transportation Electrification Strategy* (hereinafter “*the Strategy*”), which is based on several policies and action plans, including the *Rolling stock green policy*. The *Strategy* outlines 10 goals to be implemented by the City or external partners such as the Société de transport de Montréal or CDPQ Infra. Three of these goals caught our attention: converting the City's combustion engine vehicles to all-electric vehicles, installing charging stations for these electric vehicles as well as for City employees' personal vehicles, and installing a network of public charging stations throughout the 19 boroughs of the City.

Based on the achievement of the targets set out in this *Strategy*, and more specifically targets for these three goals, we find that with two more years of implementation to go, the departments concerned are in a good position to achieve these targets.

Nevertheless, our audit highlights findings that adversely affect implementation of the current *Strategy* and that shed light on issues between the Central City, its boroughs and its partners, which will become more serious as the City starts to electrify transportation.

Based on our audit work, we conclude that the implementation of the *Strategy*'s goals was not initially supported by an action plan, and that the documents currently used as a plan are not a real action plan, because they do not include a target, schedule and budget for each action item.

We believe that the City should provide better oversight on implementing the *Strategy*, review the roles and responsibilities of its business units based on the changes required by transportation electrification, and work with transportation electrification partners to ensure that services meet the needs of internal and external users. This is why we have recommended a variety of corrective measures to this end:

- The *Strategy* should be officially coordinated by a leader who, based on a structured and budgeted action plan, would work to ensure that collaborating units achieve targets, and in return, the leader should report periodically to decision-makers;
- Electrification of transportation calls for a change in the way roles and responsibilities are shared between the various business units of the City and its partners, particularly with regard to energy costs, including for the City's all-electric vehicles, public charging stations or station maintenance;

- Given that electrification of transportation is an area that is changing very quickly, the City should have a structured technology watch with periodic reporting to the business units concerned, perform regular in-depth analyses of the use of charging stations for its vehicles and in public areas, and conduct surveys to assess internal and external satisfaction with its services to ensure that they meet the needs of business units and the general public;
- Although the City has started to shift to electric vehicles, it still needs to establish guidelines for many aspects of this field, including City employees' use of charging stations, which must be regulated to be fair to all employees, maintenance of City charging stations and the public charging station network, and use of the public charging station network, which must be regulated to be fair to business units.

The impact of many of the economic observations made in this audit is still minor, on a City-wide scale. For example, a borough's cost for charging its own electric vehicles or the electricity used to operate public charging stations is currently a very small fraction of its operating budget. However, the City is still in the early stages of transportation electrification. Demand for electric vehicles, including all-electric vehicles or plug-in hybrids, has been surging for a year. This trend is likely to continue or even increase, with repeated calls for a drastic change in our travel patterns and our relationship with motor vehicles. Inevitably, these expenses will take an increasingly larger share of borough budgets as electric cars become more popular. The arrival of electric vehicles with greater charging capacity will affect the energy profitability of off-street charging stations, which are not priced according to the amount of electricity used. Technological development will bring the possibility of electrifying not only subcompact vehicles, but increasingly large vehicles, even heavy machinery, which means greater electricity consumption. In the long term, today's minor economic costs for the various business units could well become significant if changes are not made to deal with the way responsibilities are shared between central departments and boroughs and the increased number of off-street charging stations whose pricing is not based on energy consumption. Now that it is aware of these issues, we consider that the City must now review its *Transportation Electrification Strategy*, including its procedures and its internal and external service offering, so that the electrification of transportation—when it becomes the standard for urban travel—is thoroughly planned and economically viable for the City.

5. APPENDIX

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

The objective of this audit was to ensure that the implementation of the *Transportation Electrification Strategy*'s goals is supported by an action plan with specific objectives and timelines and appropriate coordination mechanisms.

EVALUATION CRITERIA

- The roles and responsibilities regarding the implementation of the *Transportation Electrification Strategy* are clearly defined;
- Specific targets and timelines are planned to facilitate implementation of the *Transportation Electrification Strategy*;
- Mechanisms for monitoring the achievement of expected outcomes (deliverables, costs, subsidies and timelines) are in place to ensure the implementation of the *Transportation Electrification Strategy*;
- Periodic reporting mechanisms are in place to assess the implementation of the *Transportation Electrification Strategy* and its progress;
- Mechanisms are put in place to evaluate the level of customer satisfaction with the charging station network.

4.3. | TRANSPORTATION ELECTRIFICATION STRATEGY



4.4.

SÉCI, STOP+ AND GESOUR APPLICATION MANAGEMENT

MARCH 14, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Determine whether the controls put in place for the SÉCI, STOP+ and Gescour applications can ensure their reliability, data integrity and compliance with applicable statutes.

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.

Based on our audit work, we conclude that the City's electronic ticketing system (SÉCI), criminal offence processing system (STOP+) and Gescour are technologically obsolete and that the City also has to deal with human resource succession issues. This situation and gaps in access rights management and change management make it difficult to keep these applications running and pose a data reliability and integrity risk.

Because they are obsolete, the STOP+ and Gescour applications are very difficult to adapt and, under the circumstances, they cannot meet the fine collector's enforcement of judgment needs. This situation makes it difficult to recover sums due to the City. These applications manage an important source of revenue (\$172.8 million in 2017).

With respect to the legal and regulatory watch, because STOP+ and Gescour are obsolete and there is no human resource succession action plan, changes arising from the new 2016 *Code of Civil Procedure* have not yet all been integrated into STOP+ and Gescour.

We also noted the following:

- Roles and responsibilities regarding the management of STOP+ and Gescour and their owners have not yet been formalized;
- Logical access management for SÉCI, STOP+ and Gescour is not routinely documented. Some users who do not have administrative authorization have been granted access rights to STOP+ and Gescour to enter the withdrawal of a ticket;
- A Change Advisory Board is in place to help manage changes to SÉCI, STOP+ and Gescour. Approval of change requests for STOP+ and Gescour are not routinely documented;
- The successors identified for SÉCI have not yet been trained, and the successors identified for Gescour are in the knowledge transfer phase.

TABLE OF CONTENTS

1. BACKGROUND	183
2. PURPOSE AND SCOPE OF THE AUDIT	187
3. AUDIT RESULTS	187
3.1. Roles and Responsibilities	187
3.2. Data integrity	190
3.2.1. Configuration tables	190
3.2.2. Geospatial data	192
3.2.3. Logical access management	193
3.2.4. Data transfers from the electronic ticketing system to the criminal offence processing system	196
3.2.4.1. Electronic ticketing system – criminal offence processing system interface	196
3.2.4.2. Data validation during transfer to the criminal offence processing system	196
3.2.5. Numerical sequence of tickets	197
3.3. Change management	198
3.4. Human resource and technical sustainability	200
3.5. Legal and regulatory watch	202
4. CONCLUSION	206
5. APPENDIX	208
5.1. Objective and evaluation criteria	208



LIST OF ACRONYMS

CAB

Change Advisory Board

Géobase

geospatial data on Montréal roads

NCCP

new *Code of Civil Procedure*

PDA

personal digital assistant

PEO

parking enforcement officers

RACI

responsibility matrix (responsible, approver, consulted, informed)

SAAQ

Société de l'assurance automobile du Québec

SAJ

Service des affaires juridiques

SÉCI

electronic ticketing system

SIGEP

Système intégré de gestion des effectifs policiers [Integrated police management system]

SPVM

Service de police de la Ville de Montréal [Ville de Montréal Police Department]

STI

Service des technologies de l'information [Information Technology Services]

STM

Société de transport de Montréal

STOP+

criminal offence processing system

TCEP

three-year capital expenditures program

VPN

virtual private network

4.4. | SÉCI, STOP+ AND GESCOUR APPLICATION MANAGEMENT

1. BACKGROUND

From its beginnings, in August 1851 until now, the municipal court of the Ville de Montréal (the City) is one of the most important courts in Canada. It has jurisdiction over the Island of Montréal including the City, the 19 boroughs and the 15 related municipalities of the Montréal agglomeration. It hears cases involving civil and criminal law. Every year, 2 million cases are filed, making it the 3rd largest court in North America after the Los Angeles Superior Court and the Superior Court of the District of Columbia (Washington).

The Service des affaires juridiques' (SAJ) mission includes:

“...ensuring that the population of the Montréal agglomeration receives the services of an accessible, modern and efficient municipal court whose objective is to provide justice for all citizens of the Island of Montréal”.

Available legal services include processing tickets which are defined as follows:

“...document by which a public officer, usually a police officer, certifies that an offence has been committed. The form and content of tickets are governed by regulations pursuant to the Code of Penal Procedure²”.

The municipal court's criminal jurisdiction includes violations of Acts and regulations as well as violations of the *Highway Safety Code* and the *By-law concerning traffic and parking*. Police officers have the exclusive power to issue tickets relating to the *Highway Safety Code* for moving vehicles. With respect to issuing tickets relating to the parking bylaw (and only for offences under the *Highway Safety Code* related to parking pursuant to section 576), parking enforcement officers (PEO), police cadets and private sector PEO, who work for the parking enforcement section of the Service de police de la Ville de Montréal (SPVM), are also authorized to issue them. The main computer applications used to process tickets relating to the *Highway Safety Code* and the *By-law concerning traffic and parking* are the electronic ticketing system (SÉCI) and the criminal offence processing system (STOP+).

¹ Official portal: Ville de Montréal Service des affaires juridiques.
http://ville.montreal.qc.ca/portal/page?_pageid=5798,141980230&_dad=portal&_schema=PORTAL

² Thésaurus de l'activité gouvernementale – fiche du terme constat d'infraction.
<http://www.thesaurus.gouv.qc.ca/tag/terme.do?id=3179>

According to the financial statements, revenue from traffic safety, traffic and parking violations for the 2017 fiscal year was \$154.9 million. The table below presents financial data on tickets issued for these types of offences:

■ TABLE 1 – TRAFFIC SAFETY, TRAFFIC AND PARKING TICKETS

	2017	2016	2015
Revenue in thousands of dollars (according to 2017 financial reports)	\$154,959	\$147,309	\$156,705
Number of tickets issued (according to the activity report prepared by the Division de la perception and the Service à la clientèle)	1,787,088	1,806,633	1,802,243

The SAJ also looks after issuing tickets for criminal and civil offences other than traffic, parking and *Highway Safety Code* violations. Depending on the offence for which the ticket was issued, the court process has its own rules and follows a specific sequence. Gescour, the computerized municipal court minute book, is the application used to manage the entry, processing and subsequent payment of tickets. For other Acts and regulations, the person authorized to issue a ticket is identified in accordance with the Act, the bylaw in question or by a City resolution such as resolution CE14 0234.

Here are some financial data on tickets issued by Gescour in 2017:

■ TABLE 2 – TICKETS OTHER THAN TRAFFIC AND PARKING TICKETS

	2017	2016	2015
Revenue in thousands of \$ (according to 2017 financial reports)³	\$17,854	\$16,424	\$14,050
Number of statements issued (according to the activity report prepared by the Division de la perception and the Service à la clientèle)	30,973 ⁴	42,056	33,183

³ Revenues include non-significant amounts from library fines.

⁴ The number of tickets was discussed in a note in the 2012 to 2017 Activity Report prepared by the Division de la perception and the Service à la clientèle. It indicates that “*the number of tickets is partial (...) this number will be modified when the patches have been installed*”.

ELECTRONIC TICKETING SYSTEM APPLICATION

The SÉCI application, for which the SPVM is responsible, was introduced in 2007. It is used to issue electronic tickets. Application updates and support are provided by the Service des technologies de l'information (STI) and the software provider.

Parking enforcement officers (PEO), cadets and police officers who work for the SPVM issue electronic traffic and parking tickets. They use various devices to issue tickets including a computer in the vehicle or a mobile workstation, heavy-duty tablets for motorcycle police officers, the stationary workstation at the local police station and a personal digital assistant (PDA) for PEO.

When enforcement staff return to the office, the PDAs are connected to the server and they send reports issued to SÉCI. When a user opens a work session, a series of ticket numbers is generated and assigned by the application. At the end of the session, unused report numbers are returned to SÉCI and these numbers will be used later by the application when another session is opened, causing temporary breaks in the digital sequence of tickets issued.

Once a ticket is completed and issued, it can be cancelled in two ways:

- Status spoiled: a ticket that has not been served (not delivered to the offender) and must be cancelled due to an error, for example. The author files a request to spoil the ticket. The author's supervisor must also approve it in SÉCI;
- Status withdrawn: a ticket that has been served (delivered to the offender) and must be cancelled as a result of an error (e.g. wrong street name). The author of the ticket completes a withdrawal request, which provides the rationale for the request. The withdrawal request is sent to his supervisor who approves it in SÉCI and sends it to the court for final approval.

From Monday to Thursday, SÉCI data are sent to STOP+ for further processing.

CRIMINAL OFFENCE PROCESSING SYSTEM APPLICATION

STOP+ is an application developed by the City in 1992 for which the SAJ is responsible. It is hosted within the legacy system. STI develops and supports the application.

This application is used to manage the court's ticket records. It is used to view and enter the status of offence records⁵, the execution of court decisions, payment processing and the transfer of financial data to the accounting application.

⁵ For example, the variables entered describe the events (e.g., "ticket", "prosecution instruction", "application hearing", "pleading") and the status of the record regarding the event indicated (e.g., "judgment – guilty", "judgment – acquitted", "boot placed on vehicle").

Under certain conditions, the prosecutor may withdraw a ticket that has been served on an offender, for example following an investigation. Tickets withdrawn before judgment are reviewed by a Direction des services judiciaires du SAJ team. They are then submitted to the prosecutor for approval, along with supporting documents. Afterwards, withdrawal of the ticket is recorded in STOP+ by entering the event and the status at issue.

GESCOUR APPLICATION

Gescour is an application developed by the City in 1997, for which the SAJ is responsible. It is hosted within the legacy system. STI develops and supports the application.

Gescour generally has the same functionalities as STOP+ but deals with offences not governed by the *Highway Safety Code or the By-law concerning traffic and parking*, for example, violations governed by:

- the *Criminal Code* (examples of offences: public mischief, reckless driving);
- the Compilation of Québec Laws and Regulations (e.g., the *Regulation respecting food, Act respecting transportation services by taxi, Tobacco Control Act*);
- borough bylaws (e.g., noise, fencing, dog and other animal control bylaws, nuisance, construction, zoning);
- City bylaws (e.g., sanitation, pesticides, construction and processing, use of drinking water).

There are three types of Gescour records:

- Those concerning criminal cases: includes electronic and paper tickets (used when the case is complex);
- Those concerning criminal cases;
- Those concerning civil cases.

Paper tickets are issued by various issuing departments in accordance with their jurisdictions (e.g., SPVM, Société de transport de Montréal (STM), the 13 departments, the 19 boroughs and the 15 related cities). These tickets are sent to the municipal court office. The data are entered in Gescour and the ticket is also scanned.

Tickets processed in Gescour can also be withdrawn. The department that issued the ticket sends a rationale. The Direction des services judiciaires du SAJ's team first reviews the rationale. It is then submitted to the prosecutor for approval, along with supporting documents. Afterwards, withdrawal of the ticket is recorded in STOP+ by entering the event and the status at issue.

In terms of future STOP+ and Gescour updates, a paperless integrated court project known as “Digital Court” has been announced. The project is currently in the business architecture development phase. There are plans to update SÉCI to a newer version in 2019.

2. PURPOSE AND SCOPE OF THE AUDIT

Determine whether controls put in place for the SÉCI, STOP+ and Gescour applications can ensure their reliability, data integrity and compliance with applicable statutes.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion regarding the purpose of the audit. To do so, we have collected a sufficient amount of relevant evidence on which to base our conclusion and to obtain a reasonable level of assurance. Our evaluation is based on criteria we have deemed valid for the purposes of this audit. These are set out in the appendix.

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. She 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 was conducted from September 8, 2017, to March 4, 2019. The work consisted of conducting interviews with personnel, examining various documents and conducting surveys we considered appropriate with a view to obtaining probative information.

Upon completing our audit work, we presented a draft audit report to the managers of each of the audited business units for discussion purposes. The final report was then forwarded to the city manager and each business unit involved in the audit in order to obtain action plans and implementation timelines.

3. AUDIT RESULTS

3.1. ROLES AND RESPONSIBILITIES

3.1.A. BACKGROUND AND FINDINGS

A responsibility matrix (responsible, approver, consulted, informed) (RACI)) is used to clarify stakeholders’ roles and responsibilities in a process and its activities. This tool is also

used to define the level of commitment. This is what the acronym means:

- R = responsible, the one who does the work to complete the task;
- A = approver, the one who reports on successful completion of the task;
- C = consulted, the one who provides his contribution;
- I = informed, the one who receives the information.

A RACI becomes particularly useful when application management activities are shared across several business units. In addition, if applications are changed, a RACI is used to better identify the impacts on each person's tasks and responsibilities and to make the necessary changes.

The business units involved in managing the STOP+ and Gescour applications are STI and SAJ. STI and SPVM are involved in managing SÉCI. Decisions regarding updating these applications and their functionalities have a real impact on users or the data used by SAJ, SPVM, the Service des finances, those who issue tickets (e.g., the Service des incendies, Bureau de la salubrité des logements, Bureau de taxi, STM), the boroughs and even related cities because the Division pénale de la Cour municipale serves them. With so many users who have legitimate needs, it is all the more important to ensure consistent decisions on upgrading the SÉCI, STOP+ and Gescour applications and to avoid change management errors.

When a RACI is created, it is crucial that the owner of an application and its data be identified because he will become the main approver. The application owner role makes it possible to ensure governance over updates and to avoid decisions being made without all the information and full accountability.

During our work, we noted the following:

- There are no formalized roles and responsibilities or RACIs for managing the SÉCI, STOP+ and Gescour applications;
- Owners of the SÉCI, STOP+ and Gescour applications are not formally identified. The SÉCI owner is in the process of being appointed, and there is a great deal of speculation as to who will be the owners of STOP+ and Gescour.

We believe that SAJ, STI and SPVM are still exposed to risk. Without defined, approved and communicated roles and responsibilities for SÉCI, STOP+ and Gescour, business unit stakeholders' ability to discuss, share, cooperate and coordinate their work, initiatives and responses would be significantly reduced.

The lack of formal application owner would affect decision-making. This could mean that the target applications may not work as well as they should and may no longer meet user needs.

RECOMMENDATIONS

- 3.1.B.** **We recommend that the Service de police de la Ville de Montréal:**
- appoint an owner of the electronic ticketing system application;
 - work with the Service des technologies de l'information to develop a responsibility matrix for managing the electronic ticketing system application.
-
- 3.1.C.** **We recommend that the Service des affaires juridiques:**
- appoint an owner for the criminal offence processing system application and an owner of the Gescour application;
 - work with the Service des technologies de l'information to develop a responsibility matrix for managing the criminal offence processing system and Gescour applications.

BUSINESS UNITS' RESPONSES

- 3.1.B.** **Service de police de la Ville de Montréal**
*[TRANSLATION] The owner will be the Section sécurité routière commander.
(Planned completion: immediately)*
- A table will be created to identify the stakeholders who look after the various SÉCI management activities. (Planned completion: September 2019)*
- Service des technologies de l'information**
*[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received.
The detailed action plan will follow shortly.*
-
- 3.1.C.** **Service des affaires juridiques**
*[TRANSLATION] The Service des affaires juridiques provided us with confirmation that it agrees with the recommendations it received.
The detailed action plans will follow shortly.*
- Service des technologies de l'information**
*[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received.
The detailed action plan will follow shortly.*

3.2. DATA INTEGRITY

Data integrity is defined as the property that data have not been exposed to any intentional or accidental alteration or destruction during processing, transmission and storage and retain a format that allows for their use. As such, we examined aspects concerning the SÉCI, STOP+ and Gescour applications configuration tables, geospatial data on Montréal roads (Géobase), logical access management, data transfer from SÉCI to STOP+ and the numerical sequence of tickets.

3.2.1. CONFIGURATION TABLES

3.2.1.A. BACKGROUND AND FINDINGS

Managing software configuration tables is a risk factor in managing application lifecycles. Changes to these tables must be supervised to ensure software operation and performance quality. The goal is to routinely monitor configuration changes by maintaining integrity and traceability while the application is being used. The contents of configuration tables are documented to formalize authorized values and to avoid having to rely on tacit knowledge.

During our work, we noted the following:

- The authorized content of configuration tables is not documented in SÉCI and is fragmentary in STOP+ and Gescour;
- There is no written procedure for changes to SÉCI, STOP+ and Gescour configuration tables;
- There is no log of changes to configuration tables. Some changes to SÉCI are done by email. However, no central log contains all configuration change permissions for the SÉCI, STOP+ and Gescour applications;
- Change authorization tracking reports are not produced when STOP+ and Gescour configuration table parameters are changed.

We believe that there are still risks, since unauthorized configuration table changes may be difficult to identify if the contents of the configuration tables are not documented because there is no written procedure to manage such changes. Because there is no central log of authorized changes, it may be impossible to determine whether all changes had been identified. The absence of documented change authorizations may call into question the legitimacy of configuration changes. This could lead to difficulties in transferring knowledge to successors.

RECOMMENDATIONS

- 3.2.1.B.** **We recommend that the Service de police de la Ville de Montréal:**
- use a tool to centralize authorization of changes to the electronic ticketing system application's configuration tables;
 - work with the Service des technologies de l'information to document authorized values for the electronic ticketing system application's configuration tables and to establish a change management procedure.
-
- 3.2.1.C.** **We recommend that the Service des affaires juridiques:**
- formalize the authorization of changes to the criminal offence processing system and Gescour configuration tables and use a change authorization centralization tool;
 - work with the Service des technologies de l'information to document authorized values for the criminal offence processing system application and Gescour configuration tables and to establish a change management procedure.

BUSINESS UNITS' RESPONSES

- 3.2.1.B.** **Service de police de la Ville de Montréal**
[TRANSLATION] A log will be created, and both the Service des technologies de l'information and the Service de police de la Ville de Montréal will have access rights to enter any changes in the tables, including the date, reason and person providing approval. (Planned completion: September 2019)
- A document will be developed to ensure that the table change request procedure and the authorized values are established.*
(Planned completion: September 2019)
- Service des technologies de l'information**
[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.
- 3.2.1.C.** **Service des affaires juridiques**
[TRANSLATION] The Service des affaires juridiques provided us with confirmation that it agrees with the recommendations it received. The detailed action plans will follow shortly.
- Service des technologies de l'information**
[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.2.2. GEOSPATIAL DATA

3.2.2.A. BACKGROUND AND FINDINGS

When issuing a parking or traffic ticket, the user must enter some data, including the address and intersection where the offence occurred. The Géobase used by SÉCI can quickly identify a street from a list provided, copy it to the ticket and confirm an address. Standardizing street names avoids errors and standardizes data for subsequent analyses and reports. 2018 Géobase is also available on the City's open data portal.

During our work, we noted the following:

- The 2014 version of Géobase used by the SÉCI software is not up to date. It does not reflect changes in street names or new streets added since then;
- Currently, updates are performed manually, by converting data or producing and loading files;
- The project to migrate to a new version of the SÉCI software features redesigned interfaces, including interfaces used by Géobase, which will enable developers to update the current architecture.

We believe that using the version of the Géobase still poses a risk because even if SÉCI can be used to directly enter address data, use of an updated list speeds up address data entry and reduces input errors and subsequent corrections.

RECOMMENDATION

- 3.2.2.B. We recommend that the Service des technologies de l'information establish an effective procedure for regularly incorporating updated versions of geospatial data into the electronic ticketing system's database.**

BUSINESS UNIT'S RESPONSE

- 3.2.2.B. *Service des technologies de l'information***
[TRANSLATION] *The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.*

3.2.3. LOGICAL ACCESS MANAGEMENT

3.2.3.A. BACKGROUND AND FINDINGS

Logical access management refers to the process of administering and managing user accounts and user access rights to applications. A procedure has been established to regulate the process of granting, changing, withdrawing or reviewing access rights. The purpose of the following rules is to ensure that access rights that have been granted and actions allowed by these users have been authorized. An annual review of user rights ensures that the entire process is working properly.

During our work, we noted the following:

ELECTRONIC TICKETING SYSTEM APPLICATION

- SÉCI passwords are strong enough, because best password security practices are followed;
- Access rights are available for three different SÉCI modules: the police officer application (SÉCI-P), manager application (SÉCI-C) and PEO application (SÉCI-A);
- There is no documented procedure for SÉCI-A access management;
- With respect to SÉCI-C and SÉCI-P, the procedure for managing access rights, changing access rights and access rights expiry is included in the access rights approval form. However, the description of removals of access rights and access rights reviews are not taken into account;
- For police officers and managers, access rights are primarily provided via a daily automated procedure: a link between the Système intégré de gestion des effectifs policiers (SIGEP) and SÉCI-C automatically adds new users who will have access to SÉCI-P and SÉCI-C, but with status “disabled”. SÉCI-P and SÉCI-C accounts for new employees are activated after a form approved by their lieutenant or commanding officer has been received. The same form, with the same approvals is used for temporary access rights, but it contains an expiry date. Because these forms are not always archived, we cannot be sure that all access rights requests have been duly approved;
- For PEO, the person responsible for SÉCI-A access rights management will enter new employees in a file that will be uploaded by SÉCI. This access rights authorization file is not retained. New access rights are created with default status “disabled”. An email with the names to be activated is sent to the SÉCI operator. Temporary access rights will have an expiry date.

Although the people we interviewed said they had performed an annual review of SÉCI access rights, we could not identify any review documentation. However, there is a daily automated access rights removal procedure (interface with SIGEP) for people no longer employed by SPVM. This compensating control reduces the risk of unauthorized access after an employee leaves.

CRIMINAL OFFENCE PROCESSING SYSTEM AND GESCOUR APPLICATIONS

- STOP+ and Gescour passwords are strong enough, because best password security practices are followed;
- A written procedure regulates the granting, changing or removal of STOP+ and Gescour access rights. However, this procedure does not contain provisions for annual review of access rights. A form is completed to approve an access rights request;
- Access rights are granted to bailiffs from external firms. Virtual private network (VPN) keys are distributed to allow access. There is an up-to-date inventory list of these keys. It should be noted that the bailiff access rights management process is the same as the one used for other users;
- The results of our tests concerning authorization of new STOP+ access rights were positive. However, changes to access rights are not routinely documented and removals of access rights are not documented;
- Authorization of new Gescour access rights and changes to access rights are not routinely documented. Removals of access rights are not documented;
- A review of STOP+ access rights was apparently performed, but we did not find any review documents;
- There is a computerized procedure for suspending a Gescour user's account after 3 months of inactivity and removing access rights after 13 months.

ACCESS RIGHTS FOR ENTERING TICKET WITHDRAWALS

We examined access rights for ticket withdrawals because of the risks that this action involves. The *Criminal Code* authorizes the prosecutor to withdraw any charges prior to prosecution. A withdrawal involves a ticket that has been issued to the offender, but must be withdrawn for various reasons, including a data transcription error, death of the defendant or as a result of an investigation pursuant to a not guilty plea. Tickets for which there is a withdrawal request undergo a documented investigation, and notices of withdrawal, together with supporting documents, are signed by a municipal court prosecutor. Withdrawals are then entered in the STOP+ or Gescour application. We noted that:

- 3 administratively appointed persons enter withdrawals in the STOP+ application, whereas 160 users have rights to enter withdrawals;
- 28 administratively appointed persons enter withdrawals in the Gescour application, whereas 447 users have rights to enter withdrawals;
- STOP+ and Gescour do not have reports that identify the various users who have entered withdrawals. Such reports could be used to ensure that withdrawals have been duly authorized.

We believe that there are still risks with regard to logical access management. The lack of an access rights management procedure for the SÉCI-A module could lead to unauthorized access. Without documentation supporting the review of access rights and without formalizing approval of access to SÉCI, STOP+ and Gescour, users could have unauthorized access to these applications. Because access rights to enter ticket withdrawals are given to more users than those administratively authorized, users could make unauthorized ticket withdrawals.

RECOMMENDATIONS

- 3.2.3.B.** **We recommend that the Service de police de la Ville de Montréal:**
- document the SÉCI-A access rights management procedure;
 - complete the SÉCI-C and SÉCI-P access rights management procedure by including access review documentation and the description of all types of access rights removals;
 - formalize the access rights review process for the electronic ticketing system;
 - retain access rights approval documents for the electronic ticketing system.
-
- 3.2.3.C.** **We recommend that the Service des affaires juridiques:**
- complete the access rights management procedure for the criminal offence processing system and Gescour by including access rights review documentation;
 - formalize the access rights review process for the criminal offence processing system and Gescour and especially for rights to enter ticket withdrawals;
 - evaluate the possibility of setting up automated reports that identify criminal offence processing system and Gescour users who have withdrawn tickets;
 - retain approval documents for granting, changing and removing access rights to the criminal offence processing system and Gescour.

BUSINESS UNITS' RESPONSES

- 3.2.3.B.** **Service de police de la Ville de Montréal**
[TRANSLATION] Emails from those responsible for the parking bylaw enforcement section when SÉCI-A account activation, resetting, and extension requests are made will be archived. This procedure will be written in the global access rights procedure (next point). (Planned completion: immediately)

*The 2012 SÉCI Access Management document will be updated.
(Planned completion: September 2019)*

The annual review will be performed on March one month after most of the special accounts expire. A message will first be sent to all employees reminding them to forward the renewal form to an email address.

(Planned completion: September 2019)

Activation or renewal request forms are saved on the server and kept for three full years. (Planned completion: immediately)

3.2.3.C. Service des affaires juridiques

[TRANSLATION] The Service des affaires juridiques provided us with confirmation that it agrees with the recommendations it received.

The detailed action plans will follow shortly.

3.2.4. DATA TRANSFERS FROM THE ELECTRONIC TICKETING SYSTEM TO THE CRIMINAL OFFENCE PROCESSING SYSTEM

3.2.4.1. ELECTRONIC TICKETING SYSTEM – CRIMINAL OFFENCE PROCESSING SYSTEM INTERFACE

3.2.4.1.A. BACKGROUND AND FINDINGS

Ticket data are transferred from SÉCI-C to STOP+ via an interface. Among other things, data entered STOP+ are used to account for ticket revenues. Data transferred to this application are used to ensure that all transactions have been entered. We therefore reviewed data transfers between SÉCI and STOP+.

Our audit work found that all SÉCI-C data were transferred to STOP+ from January 1, 2017, to November 28, 2017. No recommendation is required.

3.2.4.2. DATA VALIDATION DURING TRANSFER TO THE CRIMINAL OFFENCE PROCESSING SYSTEM

3.2.4.2.A. BACKGROUND AND FINDINGS

When transferring ticket data from SÉCI to the STOP+ application, validation rules are applied to the transferred data. Error codes are assigned to tickets and are processed by a correction team. Some errors cannot be corrected (e.g., the offender cannot be identified) and the ticket is withdrawn. In other cases, the ticket can continue to be processed. Databases (e.g., data from the Société de l'assurance automobile du Québec (SAAQ), the Business Register) are queried to resolve other errors.

During our work, we noted the following:

- The validation error correction procedure is not documented;
- There is no validation error report that could be used to identify the most common types of errors and possible solutions.

We believe that there are still risks regarding STOP+ validation error processing because the correction procedure is not documented. This could affect the correction procedure and cause erroneous changes. A report on the types of errors identified when tickets are uploaded could be used to identify the causes of these errors and possible solutions, including automation of some validations, data entry or training on the impact that some data have on subsequent ticket processing.

RECOMMENDATION

3.2.4.2.B. We recommend that the Service des affaires juridiques:

- establish a procedure for validation error processing;
- work with the Service des technologies de l'information to develop a validation error report and document possible solutions.

BUSINESS UNITS' RESPONSES

3.2.4.2.B. Service des affaires juridiques

[TRANSLATION] The Service des affaires juridiques provided us with confirmation that it agrees with the recommendations it received. The detailed action plans will follow shortly.

Service des technologies de l'information

[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.2.5. NUMERICAL SEQUENCE OF TICKETS

3.2.5.A. BACKGROUND AND FINDINGS

A numerical sequence can be monitored to ensure that all tickets are accounted for. A random function assigns the numbers of tickets issued by SÉCI by designated range, by a group of issuers. This function takes into account previously assigned numbers. For paper tickets in STOP+ and Gescour, numbers are also allocated by specific range according to the issuer and are grouped together in a notebook distributed to ticket issuers.

During our work, we noted the following:

- SÉCI, STOP+ and Gescour do not have the functionality to generate automated numerical sequence monitoring reports that would make it easier to confirm that all tickets are accounted for;
- A recommendation has already been made on monitoring the numerical sequence of Gescour tickets and the introduction of a new application was supposed to incorporate this monitoring functionality;
- It should be noted that work on confirming that all SÉCI tickets are accounted for as part of the audit of the City's financial statements for the 2017 fiscal year did not reveal any outliers in ticket number sequences.

We believe that risks remain because, without an automated numerical sequence monitoring report, additional efforts are needed when the City is required to ensure that all tickets are accounted for. As a result, this could lead to a loss of efficiency.

RECOMMENDATION

- 3.2.5.B. We recommend that the Service des technologies de l'information evaluate the possibility of incorporating the functionality of an automated numerical sequence monitoring report into the electronic ticketing system and the criminal offence processing system and Gescour applications.**

BUSINESS UNIT' RESPONSE

- 3.2.5.B. *Service des technologies de l'information***

[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.3. CHANGE MANAGEMENT

3.3.1.A. BACKGROUND AND FINDINGS

In order to oversee changes to applications, a Change Advisory Board (CAB) supported by a change management procedure ensures that only authorized changes are put into production. A structured approach minimizes the risks and impacts arising from changes that need to be made to applications.

During our work, we noted the following:

- A CAB has been in place since the fall of 2017 for SPVM applications including SÉCI;

- A CAB for SAJ computer applications, including STOP+ and Gescour, has been in place since the fall of 2016;
- There is no written procedure for managing changes to SÉCI, STOP+ or Gescour applications;
- Software is used to list, prioritize and assign change requests for all three applications;
- Acceptance tests are performed and documented for SÉCI, STOP+ and Gescour. Note that the tests are well supported for changes in phase 2 of the new *Code of Civil Procedure* (NCCP) for the STOP+ application;
- Acceptance of changes to STOP+ and Gescour was not routinely documented;
- STI does not use a version management tool for the STOP+ and Gescour applications. Acquisition of a version management tool was considered four years ago, but there was no follow-up. Version management tools are used for sharing programmers' work by properly merging their changes.

Although best Change Advisory Board practices are being followed, we believe that a risk remains, because the lack of written change management procedures could lead to misunderstandings and confusion regarding change request processing procedures. This could affect the effectiveness of the applications. The lack of a version management tool could increase the risk of errors when changes are made to the STOP+ and Gescour applications.

RECOMMENDATIONS

- | | |
|-----------------|---|
| 3.3.1.B. | <p>We recommend that the Service des technologies de l'information:</p> <ul style="list-style-type: none"> • establish a procedure for managing changes to the electronic ticketing system, the criminal offence processing system and Gescour and to have it approved by the appropriate change advisory boards; • review whether a version management tool should be acquired for the criminal offence processing system and Gescour applications. |
| 3.3.1.C. | <p>We recommend that the Service des affaires juridiques document the acceptance of change requests for the criminal offence processing system and Gescour.</p> |

BUSINESS UNITS' RESPONSES

- | | |
|-----------------|--|
| 3.3.1.B. | <p><i>Service des technologies de l'information</i></p> <p>[TRANSLATION] <i>The Service des technologies de l'information provided us with confirmation that it agrees with the recommendations it received. The detailed action plans will follow shortly.</i></p> |
|-----------------|--|

3.3.1.C. **Service des affaires juridiques**

[TRANSLATION] *The Service des affaires juridiques provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.*

3.4. HUMAN RESOURCE AND TECHNICAL SUSTAINABILITY

3.4.1.A. BACKGROUND AND FINDINGS

In order to plan for computer application updates, technical and human resources must be coordinated to ensure adequate support. In larger companies, this can mean a service level agreement that defines required service delivery between the service provider and the client unit, as well as expected service quality. A service agreement should stipulate concrete resources to meet business needs and enable seamless application updates while taking into account the risk that these applications may become obsolete. Once the agreement is defined, the IT department must then provide adequate and sufficient human resources to meet its commitments. Also, to ensure that the applications are technically sustainable, appropriate documentation must be kept up to date.

Knowledge of municipal court operations is complex, detailed and scarce. For example, several business rules govern ticket processing options, and they must be correctly interpreted to comply with the spirit of the law when they are translated into computer language. It therefore takes time to incorporate new human resources.

During our work, we noted the following:

- The SÉCI application has not been updated in 10 years. A newer version is scheduled to be introduced in 2019;
- The STOP+ and Gescour applications were developed internally (STOP+ in 1992 and Gescour in 1997) using Natural 6.3 IBM language, which is obsolete;
- Bill 28 “*An Act to establish the new Code of Civil Procedure*” was enacted on February 21, 2014, and came into force on January 1, 2016. This new code introduces a whole new philosophy with regard to civil procedure and especially the execution of judgments. In this matter, the general rule will now be that there must be only one enforcement notice (formerly a writ of seizure) for a debtor/defendant and that all creditors of that person must join the first creditor who has filed an enforcement notice against him. This new legal provision therefore requires that the creditor verify the pleadings of the other courts of Québec to determine whether an enforcement notice has already been issued against his debtor/defendant. If such notice exists, the Code requires that creditor join the proceedings that have already been initiated. In criminal matters, the creditor appointed by law collects fines and in civil matters, the creditor must delegate execution of the judgment to a bailiff. Due to technological obsolescence, the lack of specialized resources and the extent of required updates to the STOP+ and Gescour systems, the

City has a significant backlog of Enforcement Notices to be sent to bailiffs. However, the systems have been modified and the fine collector can send the “Notice of nonpayment of fine” to SAAQ and apply Denver boots;

- A judicial administration transformation project known as “digital court” has started and aims, among other things, to improve, simplify and optimize municipal court activities and to modernize technological solutions, tools and equipment. The project is in the technical specification drafting phase. The contract is expected to be awarded in 2019 with a 36-month implementation phase;
- Documentation for the SÉCI, STOP+ and Gescour applications is obsolete and incomplete except for recent developments in STOP+ and Gescour. SÉCI documentation is slated to be updated as part of the migration to the new version;
- Only one person provides technical support for SÉCI. However, there are procedures to be followed if that person is absent. A person was identified as a successor in early 2018 and started his apprenticeship;
- Three analysts and two developers provide user support and development for the STOP+ and Gescour applications. An analyst’s retirement was postponed from the summer of 2018 to March 2019 following the retirement of the Gescour programmer in June 2018. A new analyst, who started in the fall of 2018, is under training for knowledge transfer. One of the analysts quit his job in June 2018 and a replacement process is underway. Another analyst is expected to retire in December 2019. Candidates are being recruited for his position;
- There is no service agreement between the STI and SAJ for STOP+ and Gescour. There is also no agreement between the STI and the SPVM for SÉCI. However, a recommendation from the 2014 audit report issued by the Bureau du vérificateur général on “Information “technology governance” specifically addresses this issue. This recommendation is still ongoing. However, short-term activities are planned at Change Advisory Board meetings.

The technological obsolescence of the SÉCI, STOP+ and Gescour applications, their documentation and the lack of specialized human resources could make it difficult to keep them operational until the “digital court” project is completed. Also, these applications are obsolete, which makes it difficult to develop the computer updates that the municipal court’s fine collector needs to execute the remedies stipulated under the Act and to recover the sums due to the City.

RECOMMENDATION

- 3.4.1.B.** **We recommend that the Service des technologies de l'information:**
- review the priority of the “digital court” project and the SÉCI upgrade project in order to update the electronic ticketing system, the criminal offence processing system and Gescour;
 - produce a human resource succession action plan, including knowledge transfer for the electronic ticketing system, criminal offence processing system and Gescour;
 - implement a process for updating the relevant documentation for the electronic ticketing system, criminal offence processing system and Gescour applications.

BUSINESS UNIT'S RESPONSE

- 3.4.1.B.** **Service des technologies de l'information**
[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendations it received. The detailed action plans will follow shortly.

3.5. LEGAL AND REGULATORY WATCH

3.5.1.A. BACKGROUND AND FINDINGS

For the SÉCI, STOP+ and Gescour applications, it is particularly important that the computerized process comply with legal requirements. A legal and regulatory watch helps to identify future changes in a timely manner. The scope of an amendment to a statute or regulations must be assessed to determine its impact on current operation of the SÉCI, STOP+ and Gescour applications. Subsequently, necessary adjustments must be made in a timely manner. Legal changes could affect the ticket processing procedure. For example, the NCCP, which was enacted in 2014 and came into force on January 1, 2016, gave rise to significant changes in the operation of the STOP+ and Gescour applications. As a result, the writ of seizure was replaced by an enforcement notice, which has its own business rules. Also, changes directly related to offences as well as judicial rates occur on a regular basis. Such changes include offences pursuant to a new municipal bylaw or the reform of the *Highway Safety Code*.

To ensure that SÉCI, STOP+ and Gescour are kept up to date, SAJ monitors changes to the:

- *Criminal Code*;
- provincial laws;
- bylaws issued by city council, the urban agglomeration council, borough councils, the executive committee and related municipalities (the City municipal court provides legal services involved in processing tickets issued by related municipalities).

Any offence must be codified before tickets can be issued for that offence. The Direction des poursuites pénales et criminelles is responsible for managing the list of offences, including new regulations and updates. Once the information has been forwarded to the Direction des poursuites pénales et criminelles, the offence is codified or amended in the hearings component of the municipal court integrated system application, which subsequently communicates these changes to the SÉCI, STOP+ and Gescour applications. The current municipal bylaw search tool, which no longer meets drafting, retention, dissemination and operation requirements, will undergo significant changes under STI's three-year capital expenditures program (TCEP), project number 70550 "*Gestion des règlements municipaux*" [Municipal bylaw management]. This project, started in 2017, provides for the implementation of a computerized "*Gestion des règlements municipaux*" application including a:

- bylaw standardization and drafting assistance tool;
- administrative coding automation tool;
- a powerful and user-friendly search tool, available on the City's Internet portal.

According to the project description, this tool will improve service quality and productivity and will work with existing applications.

During our work, we noted the following:

- The process for communicating amendments to statutes and regulations to those responsible for the SÉCI, STOP+ and Gescour applications has not been formalized. Particularly for regulations, the Direction des poursuites pénales et criminelles is not confident that the offence lists are up-to-date for these applications;
- Work to incorporate major changes introduced by the NCCP (enacted on February 21, 2014, and in force since January 1, 2016), affecting the STOP+ and Gescour applications, started in early 2015 and is ongoing. Required changes cannot be quickly and easily incorporated into the STOP+ and Gescour applications. Workarounds were required to continue monitoring STOP+ ticket procedures. The Gescour application has still not been changed to meet NCCP requirements. This is delaying compliance with ticketing procedures targeted by this application. In addition, the guideline on debt management rules must be followed. This is especially true, because one of its principles states that "*We must also make sure to recognize debts quickly and take steps to recover them.*";

- The City's financial statement for the year ended December 31, 2016, shows that delays in implementing the NCCP have resulted in the following adverse deviations:
 - \$10.5 million in traffic and parking tickets (STOP+);
 - \$2 million in revenues from other fines (Gescour);
 - It states that these revenues are carried forward to 2017. This analysis was not produced in the 2017 financial statement.
- The "*Gestion des règlements municipaux*" project, which provides for the implementation of a new computerized application that centralizes municipal bylaw management, excludes bylaws of related municipalities from its current scope.

We believe that there are still risks in the current situation, because if the communication of amendments to statutes and regulations is not formalized, the continuous and timely flow of necessary information to those responsible for changes to the SÉCI, STOP+ and Gescour computer applications cannot be ensured. These applications are at risk of not being up to date in accordance with statutory and regulatory requirements. Delays in incorporating the NCCP into offence management applications could still have major financial impacts. By excluding related municipalities from the scope of the "*Gestion des règlements municipaux*" project, bylaws would not be completely centralized, and this application could not be used as a centralized tool to help ensure that applications are up to date with respect to the bylaws of these related municipalities.

RECOMMENDATIONS

- | | |
|-----------------|--|
| 3.5.1.B. | We recommend that the Service des affaires juridiques formalize the process of communicating amendments to statutes and regulations to those responsible for the electronic ticketing system, the criminal offence processing system and Gescour applications. |
| 3.5.1.C. | We recommend that the Service des technologies de l'information: <ul style="list-style-type: none"> incorporate the bylaws of related municipalities into the scope of project # 70550 "<i>Gestion des règlements municipaux</i>" of the three-year investment program; work with the Service des affaires juridiques to identify possible actions in order to speed up the integration of legal changes affecting the operation of the electronic ticketing system, the criminal offence processing system and Gescour applications, including those from the latest version of the <i>Code of Civil Procedure</i> (in force since January 1, 2016). |

BUSINESS UNITS' RESPONSES**3.5.1.B.*****Service des affaires juridiques***

[TRANSLATION] The Service des affaires juridiques provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.5.1.C.***Service des technologies de l'information***

[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendations it received. The detailed action plans will follow shortly.

Service des affaires juridiques

The Service des affaires juridiques provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

4. CONCLUSION

Based on our audit work, we conclude that the City's electronic ticketing system (SÉCI), criminal offence processing system (STOP+) and Gescour are technologically obsolete and that the City also has to deal with human resource succession issues. This situation and gaps in access rights management and change management make it difficult to keep these applications running and pose a data reliability and integrity risk.

Among other consequences, because the STOP+ and Gescour applications are obsolete, they are very difficult to adapt and, under the circumstances, they cannot meet the fine collector's enforcement of judgment needs. This situation makes it difficult to recover sums due to the City. These applications manage an important source of revenue (\$172.8 million in 2017).

Also, because STOP+ and Gescour are obsolete and there is no human resource succession action plan, work that began in 2015 to incorporate important changes introduced by the new *Code of Civil Procedure* (enacted on February 21, 2014, and in force since January 1, 2016) are still in progress.

Here are the details according to the following assessment criteria:

1. Assessment criterion – Roles and responsibilities:

The owners of the SÉCI, STOP+ and Gescour applications as well as the roles and responsibilities for managing these applications have not been formalized.

2. Assessment criterion – Data integrity:

Passwords used in logical access management are strong enough. However, application access management procedures are partially documented or nonexistent. With the exception of STOP+, there are gaps in access rights approvals, changes and removals where written records are not routinely retained. Also, the access rights review is not documented for SÉCI, STOP+ and Gescour. Finally, the item we consider most critical is that access rights have been granted to too many STOP+ and Gescour users, who do not have the administrative authority to enter ticket withdrawals.

All data are transferred from SÉCI to STOP+. However, there is no formal report or procedure to correct validation errors during these transfers.

Management of SÉCI, STOP+ and Gescour configuration tables needs to be improved because configurations and changes are not properly documented.

Géobase data integrated into SÉCI are from 2014 and the method used to update them is obsolete.

SÉCI, STOP+ and Gescour do not have the functionality to generate automated numerical sequence monitoring reports that would make it easier to confirm that all tickets are accounted for.

3. Assessment criterion – Change management:

A Change Advisory Board is in place for the SÉCI, STOP+ and Gescour applications. However, there is no written procedure for managing changes to the SÉCI, STOP+ and Gescour applications. Approval of change requests for STOP+ and Gescour are not routinely documented. Finally, there is no version management tool for STOP+ and Gescour.

4. Assessment criterion – Human resource and technical sustainability:

The STOP+ and Gescour applications are technologically obsolete, and the SÉCI application has not been updated for 10 years. In addition, documentation for these applications is incomplete and is not up to date. With regard to specialized human resources, the successors identified for SÉCI have not yet been trained, and the successors identified for Gescour are in the knowledge transfer phase.

5. Assessment criterion – Legal and regulatory watch:

The process for communicating amendments to statutes and regulations to those responsible for SÉCI, STOP+ and Gescour has not been formalized. The TCEP project entitled "*Gestion des règlements municipaux*", which provides for a new application to centralize municipal bylaw management, excludes related municipalities from its current scope, whereas the municipal court also provides legal services involved in processing tickets issued by related municipalities.

5. APPENDIX

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Determine whether controls put in place for the SÉCI, STOP+ and Gescour applications can ensure their reliability, data integrity and compliance with applicable statutes.

EVALUATION CRITERIA

Our audit is based on assessment criteria in the following five areas:

1. Roles and responsibilities:

Roles and responsibilities are defined, approved, communicated and provide clear accountability. An application owner is formally identified for each one of the following applications: SÉCI, STOP+ and Gescour.

2. Data integrity:

- **Configuration tables:** Authorized configuration table values are documented. Changes and updates to tables are duly authorized and are performed in accordance with a formal procedure;
- **Geospatial data (Géobase):** The SÉCI Géobase is updated on a regular basis.
- **Logical access management:** Passwords are strong enough to prevent unauthorized access to applications. User access rights management ensures that only authorized individuals have access based on their roles and responsibilities. Access rights to enter ticket withdrawals are granted only to authorized persons;
- **Data transfers from SÉCI to STOP+:** All data are transferred from SÉCI to STOP+. Validations performed during transfers from SÉCI to STOP+ ensure that data are corrected;
- **Numerical sequence of tickets:** Automated numerical sequence reports to monitor SÉCI, STOP+ and Gescour tickets are used to ensure that all tickets issued are accounted for.

3. Change management:

There is a change management procedure and changes are approved at the start of production. The tools used to make changes facilitate change management.

4. Human resource and technical sustainability:

The applications are reliable and meet established needs. Both technical and human resources measures support their development.

5. Legal and regulatory watch:

A legal and regulatory watch is in place to ensure that the SÉCI, STOP+ and Gescour applications are updated to incorporate amendments to statutes and regulations.



4.5.

GEM APPLICATION MANAGEMENT

MARCH 26, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Determine whether GEM application controls ensure that GEM does not pose any major data confidentiality, integrity and availability risks arising from the application's lifecycle, use and maintenance.

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 GEM application has the following appropriate controls:

- Everyone knows the roles and responsibilities associated with the GEM application and who the owner is;
- Staff in the various departments have been made aware of the cybersecurity risks;
- Incident management and change management processes are adequate;
- Security settings are configured to enable strong passwords.

Nevertheless, existing logical access management controls need to be improved. This finding together with obsolete technology and a lack of human resources could lead to data confidentiality and corruption risks as well as risks that the Gestion de l'évaluation municipale (GEM) application could become unavailable.

Here are the items that need to be improved:

- The roles and responsibilities associated with the application and the owner of the application are known, but they have not been formalized;
- Access request forms are not retained and access profiles are not reviewed on a regular basis;
- There is a very large backlog of minor changes to be made;
- The team responsible for modifying the application in the test environment is also responsible for implementing changes in the production environment;
- The technologies used today are no longer supported by the vendor or they are too old, which makes it difficult to recruit staff with the required knowledge;
- In the context of a small team, the attrition of staff requires special attention because of the many retirements in the next 24 months;
- There is no formal process for updating documentation;
- Given the advanced age of the GEM application, access monitoring tools should be improved;
- A formal process needs to be implemented for more effective problem management;
- Application and infrastructure monitoring need to be strengthened for better failure detection.

TABLE OF CONTENTS

1. BACKGROUND	215
2. PURPOSE AND SCOPE OF THE AUDIT	216
3. AUDIT RESULTS	217
3.1. Roles and Responsibilities	217
3.2. Logical access management	219
3.2.1. Access Management Policy	219
3.2.2. Password strength	220
3.2.3. Segregation of access rights	220
3.2.4. Cybersecurity awareness	221
3.3. Change management	221
3.3.1. Change management process	221
3.3.2. Restriction of rights in the production environment	223
3.3.3. Statutory compliance	224
3.4. Human resource and technical sustainability	224
3.5. Operations management	225
3.5.1. Application documentation	225
3.5.2. Incident management	226
3.5.3. Problem management	226
3.5.4. Application and infrastructure monitoring	227
4. CONCLUSION	228
5. APPENDIX	230
5.1. Objective and evaluation criteria	230



LIST OF ACRONYMS

ARMT	SEF
<i>Act respecting municipal taxation</i>	Service de l'évaluation foncière
CA	STI
Incident management application	Service des technologies de l'information
FTP	UST
File Transfer Protocol	User Support Technician – Service de l'évaluation foncière
GDM	
Application de gestion des incidents et changements	
GEM	
Gestion de l'évaluation municipale	
IT	
Information Technology	
JIRA	
The City's incident and technological change management application.	
MAPAQ	
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec	
PG	
software Municipal assessment software used by several cities in Quebec.	
RACI	
A responsibility matrix	

1. BACKGROUND

Reporting to the Direction générale adjointe aux services institutionnels, the Service de l'évaluation foncière (SEF) mission is to prepare, maintain and defend the real estate assessment rolls of municipalities in the Montréal agglomeration, in accordance with the provisions of the *Act respecting municipal taxation* (ARMT).

The Gestion de l'évaluation municipale application (GEM) is used to establish and update the Ville de Montréal's (the City) real estate assessment rolls. This roll is an inventory of all buildings on a municipality's land. In 2017, the Ville de Montréal's building inventory included 438,000 units valued at \$274 billion. A new assessment roll is filed every three years in accordance with the *Act respecting municipal taxation* and regulations under the Act. The GEM application is also used to issue certificates of amendments to units of assessment. Modules are used to distribute the tasks to be performed by the employees and to control transactions that change the assessment roll. GEM application assessment data are used to calculate taxes that generated \$4.2 billion in revenue in 2017, representing 76% of the City's total unconsolidated revenues.

The SEF's activities and the GEM application are primarily required to meet the obligations set out in the ARMT and regulations under the Act.

The City first developed the GEM application in 2004. The Ville de Québec subsequently joined it in 2008. It has been changed regularly to include new tasks such as licence management. Since about 2010, the City has been changing the GEM application on its own.

Internal access to the GEM application is via an Internet browser. Secure remote access is only available to a few SEF managers and to City inspectors. The GEM application cannot be accessed from outside the City's network. The GEM application has a 10G Oracle database hosted on a Unix server. The Oracle Designer tool is used for development and to generate application screens and reports. Four environments are supported:

- Development;
- Tests;
- Acceptance;
- Production.

The main GEM application input interfaces are:

- The Bureau de la publicité et des droits: data on deeds of sale. Judgments are uploaded onto a file sent by email. Some information is manually recorded by the SEF;
- Boroughs: most boroughs use the City's licence management application;
- Related municipalities: most related municipalities use the PG software (municipal assessment software used by several Quebec cities). Some still send their licence information on paper;

- The Service des incendies: data on units of assessment that have been damaged are sent to the GEM application (by Oracle view from the Service des incendies software);
- The Service des finances: rental memos for exemptions (e.g., a federally owned building) and tenant data for these buildings are sent to the GEM application.

The main GEM application output interfaces are:

- The Service des finances to the OASIS application: OASIS is used to manage tax bills issued by the City based on real estate assessment data. Transfers are performed weekly via File Transfer Protocol (FTP). The GEM application is strategic for OASIS because it provides critical data for calculating property taxes.
- Related municipalities: real estate assessment data for these municipalities are sent by FTP;
- The Ministère des Affaires municipales et de l'Habitation (MAMH): all rolls and some assessment certificates are sent to MAMH.
- The Conseil scolaire: rolls and land certificates are sent by FTP and are used for school taxation;
- The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ): sends certificates for registered farms.

The 170 active users of the GEM application are supported by a pilot and three User Support Technicians (UST) for SEF. At the Service des technologies de l'information (STI), a business analyst, three programmers and two IT analysts are responsible for the GEM application.

Since the fall of 2018, a call for tenders is being drafted (project number 74551 in the 2018 Three-year capital expenditures program) to modernize and merge the GEM and OASIS applications into a single application. The call for tenders is currently being revised for publication in the spring of 2019.

2. PURPOSE AND SCOPE OF THE AUDIT

In accordance with the *Cities and Towns Act*, we have conducted an audit engagement in compliance with the Canadian Standard on Assurance Engagement (CSAE) 3001 described in the CPA Canada Handbook – Assurance.

The purpose of this audit was to assess management of GEM application governance and maintenance in order to limit data loss and corruption risks, and risks relating to loss of operational efficiency and changes in the application.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion on the purposes of the audit. To do so, we have 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. These are set out in the 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. It 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 focused on the five following assessment criteria:

- Criterion 1 – Roles and responsibilities;
- Criterion 2 – Logical access management;
- Criterion 3 – Change management;
- Criterion 4 – Human resource and technical sustainability;
- Criterion 5 – Operations management.

Our engagement did not include items related to IT recovery and the backup process, because they were covered in our 2015 Information and communications technology recovery management audit. Recommendations had been issued with an implementation schedule extending to early 2020.

Our audit was performed from July 16, 2018 to March 26, 2019. The work involved conducting interviews with staff, reviewing various documents and conducting surveys that we considered appropriate to obtain the necessary audit evidence.

Upon completing our audit work, we presented a draft audit report to the managers of each audited business unit for discussion purposes, and to each business unit involved in the audit in order to obtain action plans and implementation timelines.

3. AUDIT RESULTS

3.1. ROLES AND RESPONSIBILITIES

3.1.A. BACKGROUND AND FINDINGS

In order to clearly define accountability for roles and responsibilities, they must be properly defined, written and validated by all stakeholders. This process usually gives rise to a RACI

matrix (Responsible, Approver, Consulted, and Informed), which provides a reference for each application process throughout its lifecycle. It can be used as a baseline if changes are required or the application needs to be migrated to a new system.

It is important to define who will be responsible for each application in order to provide clear accountability for each action requiring a validation string. The application manager is in charge of keeping the application operational. He must be involved in each major change and every application migration.

We noted that there is no matrix (e.g., RACI matrix) that defines roles and responsibilities. Also, the GEM application owner has not been formally identified. However, we should point out that each party knows and complies with the roles and responsibilities.

The absence of a roles and responsibilities matrix could cause application governance problems such as:

- complicated or ineffective collaboration between teams (e.g., users redirected to the wrong teams for access or incident management);
- more human errors in production processes or delays in the steps to be taken by operational teams (e.g., duplication in production processes, deletions);
- granting application privileges without going through the validation cycle.

RECOMMENDATION

- 3.1.B.** **We recommend that the Service des technologies de l'information work with the Service de l'évaluation foncière to create a roles and responsibilities matrix (e.g., a RACI matrix) for the municipal assessment management application. The matrix must also officially designate the application owner.**

BUSINESS UNIT'S RESPONSE

- 3.1.B.** ***Service des technologies de l'information jointly with the Service de l'évaluation foncière***
[TRANSLATION] The roles and responsibilities of the Service de l'évaluation foncière and the Service des technologies de l'information are known, and the owner of the application is known.
- The deliverable involved producing a RACI matrix, (represents a matrix of responsibilities) which we sent to the Service de l'évaluation foncière for comments. We formalized the owner of the application in the document.
(Planned completion: June 2019)*

3.2. LOGICAL ACCESS MANAGEMENT

3.2.1. ACCESS MANAGEMENT POLICY

3.2.1.A. BACKGROUND AND FINDINGS

A number of measures, documentation and restrictions are required to prevent security breaches, access bypass and abuse of privileges.

Many controls, processes and regulations must be established to prevent unauthorized access and identity theft.

We have taken note of the existing access management process and the various documents used to verify that access privileges are properly assigned and monitored.

However, we found the following:

- There is no access management procedure;
- The process for granting and removing logical access is incomplete. Application and validation forms are not archived, making it impossible to keep track of approvals;
- The access rights review process must be formalized;
- Several generic accounts have very limited access to a production environment (read only access to a few screens). There is a sound basis for these accounts except for one account, which has become difficult to monitor.

Although we did not find any cases of illegitimate access in our tests, without formalized and documented access management, inappropriate access rights could be granted or retained, which could lead to errors or fraud. It would be difficult to hold users of poorly controlled generic accounts accountable for inappropriate actions.

RECOMMENDATION

3.2.1.B. We recommend that the Service de l'évaluation foncière:

- **create an access management procedure;**
- **retain duly approved access request forms and access removal request forms;**
- **formalize the access rights review process;**
- **review the management and redefinition of generic accounts. There must be a properly documented and approved waiver form for each generic account created.**

BUSINESS UNIT'S RESPONSE

3.2.1.B. Service de l'évaluation foncière

[TRANSLATION] The existing procedure will be reviewed and improved, and expressly detailed in a document and distributed to the persons to whom the procedure applies. (Planned completion: May 30, 2019)

The forms will be reviewed and an application retention method will be implemented. (Planned completion: May 30, 2019)

Access rights are reviewed periodically, but the process is rather informal. These reviews will be performed on a routine basis, and the frequency of reviews will be established. (Planned completion: May 30, 2019)

The management of generic accounts is already under review. All access rights will have been reviewed and formalized by May 15, 2019.

3.2.2. PASSWORD STRENGTH

3.2.2.A. BACKGROUND AND FINDINGS

It is important to establish security rules for strong passwords. During a cyberattack, it is easy to crack weak passwords.

We found that the password security rules for the GEM application are adequate, because they follow best industry practices.

However, given the advanced age of the GEM application, access monitoring tools should be improved.

3.2.3. SEGREGATION OF ACCESS RIGHTS

3.2.3.A. BACKGROUND AND FINDINGS

To prevent unauthorized access or fraudulent use of the GEM application, it is important to segregate rights between profiles and rights granted. In this context, access to high-privilege accounts must be stringently regulated and monitored.

We found that the definition of the various profiles in the GEM application provide good segregation of rights and adequate access control. Profiles are defined based on the positions filled by users. However, they are not subject to regular review.

Failure to review profiles and associated access rights on a regular basis could lead to users having access rights to control key milestones in a transaction or event (e.g., amend an assessment and authorize the amendment).

RECOMMENDATION

- 3.2.3.B.** We recommend that the Service de l'évaluation foncière establish a process for regular review of access profiles and the rights they contain.

BUSINESS UNIT'S RESPONSE

- 3.2.3.B.** *Service de l'évaluation foncière*
[TRANSLATION] A process for reviewing the rights granted in each existing user profile will be defined. The review will be performed annually, or whenever a process or the roles and responsibilities of a group of employees are changed. (*Planned completion: May 30, 2019*)

3.2.4. CYBERSECURITY AWARENESS**3.2.4.A. BACKGROUND AND FINDINGS**

To ensure appropriate security controls and measures, staff must attend periodic cybersecurity awareness and training workshops to prevent internal security breaches and vulnerabilities.

We noted that the City has a cybersecurity department and has set up an awareness and training portal for employees.

We reviewed the portal's content, update frequency, and regular planning of training and awareness workshops. We examined these items and found that staff has been properly educated and trained to manage cybersecurity situations.

No recommendations are required.

3.3. CHANGE MANAGEMENT**3.3.1. CHANGE MANAGEMENT PROCESS****3.3.1.A. BACKGROUND AND FINDINGS**

Any changes in a production environment must follow a number of regulations and processes, and undergo validation. Without proper processes and controls, the application's integrity and stability would be at risk. It is critical that appropriate monitoring, control and surveillance tools be used.

We found the following:

- Change management is appropriately documented, and the tools used by the SEF and STI teams are adequate;
- Changes are properly documented and approved using change management tools (JIRA and GDM);
- Changes go through the appropriate test phases and the approval cycle, as required;
- Each change put into production is prioritized, planned and monitored.

However, we found that there is a considerable backlog of changes (more than 400 changes), which could increase without any appropriate steps having been taken to remedy the situation.

Although these backlogged changes are minor, their increasing number creates risks because they require more workarounds that could lead to a larger problem.

RECOMMENDATION

- 3.3.1.B. We recommend that the Service des technologies de l'information work with the Service de l'évaluation foncière to review the backlog of production changes to understand the issues and use this knowledge for the new application.**

BUSINESS UNIT'S RESPONSE

- 3.3.1.B. *Service des technologies de l'information jointly with the Service de l'évaluation foncière***

[TRANSLATION] It took us more than six months to prepare the call for tenders to replace the Gestion de l'évaluation municipale, including functionality checklists, in close collaboration with the Service de l'évaluation foncière.

The specifications in the call for tenders include more than 180 use cases specific to property assessment, as well as requests for changes not made in production. This covers all the features that the client wants in the new application.

The deliverable will therefore consist of adding a status (included in the call for tenders) to the list of changes that have not been implemented. More than 400 change requests are identified. (Planned completion: June 2019)

3.3.2. RESTRICTION OF RIGHTS IN THE PRODUCTION ENVIRONMENT

3.3.2.A. BACKGROUND AND FINDINGS

The team of programmers often makes change errors in a production environment instead of a test environment because they have write rights in both environments. Programmers can bypass official processes when they have direct access to the production environment.

We reviewed the list of production users and their rights and found that the team in charge of changing the software (the programmer) and the team responsible for implementing the changes (operation) is the same. As a result, access rights cannot be segregated. It is our understanding that it is difficult to apply this principle because the teams are so small.

Without limited restriction of production rights, programmers could implement unauthorized changes in production. The integrity of the application could be compromised.

RECOMMENDATION

- 3.3.2.B.** **We recommend that the Service de l'évaluation foncière work with the Service des technologies de l'information to implement a compensating control (e.g., a release report) to ensure that all releases have been approved by the change validation committee.**

BUSINESS UNIT'S RESPONSE

- 3.3.2.B.** ***Service de l'évaluation foncière jointly with the Service des technologies de l'information***
[TRANSLATION] As mentioned in the report, the small size of the team limits the ability to separate roles during releases.

*The deliverable will consist of a release report that will be reviewed and approved by the division head and the client.
(Planned completion: September 2019)*

3.3.3. STATUTORY COMPLIANCE

3.3.3.A. BACKGROUND AND FINDINGS

The GEM application must track and incorporate amendments to property assessment laws and regulations. Otherwise the application may fail to comply with statutory requirements.

We found that amendments to various laws and regulations were properly prioritized and implemented in a timely manner.

No recommendations are required.

3.4. HUMAN RESOURCE AND TECHNICAL SUSTAINABILITY

3.4.A. BACKGROUND AND FINDINGS

To ensure proper and optimal use, an application must meet inspection, upgrade, and up-to-date documentation requirements. The technological debt that has accumulated can make the GEM application very difficult to maintain and reduce its performance.

We found the following:

- The application has not been upgraded since it was created in 2004;
- The versions of databases used by the application are obsolete and no longer supported by the supplier, which may lead to major vulnerabilities;
- Because this application is obsolete, it is more difficult to recruit new resources given the technological prerequisites;
- The size of the operating teams is also already very small today (5 people for 170 users). With the retirements expected to occur in the next 24 months, it will be difficult to keep the application operational.

Knowledge of the application may be lost if staff attrition is not properly managed. If the GEM application's technological debt is not managed, it would be difficult to keep it operational until the replacement project is completed. Also, because the supplier is no longer issuing security updates, the application could be at risk of cyberattack due to uncorrected vulnerabilities.

RECOMMENDATION

- 3.4.B.** **We recommend that the Service des technologies de l'information work with the Service de l'évaluation foncière to:**
- prioritize the project to replace the property assessment management application in order to eliminate the technological debt accumulated in recent years;
 - define a succession plan to recruit a sufficient number of resources and transfer knowledge required to keep the municipal assessment management application operational until the replacement project is completed.

BUSINESS UNIT'S RESPONSE

- 3.4.B.** ***Service des technologies de l'information jointly with the Service de l'évaluation foncière***
- [TRANSLATION] The replacement project is part of our prioritized project roadmap and must be approved by the city manager's committee. During the week of May 6, the plan will be submitted to the assistant general director of the Service des technologies de l'information, and subsequently to the city manager, to obtain the required budgets.*
- With respect to the succession plan, a re-evaluation of the resources required for operations is underway and recommendations will be forwarded to the deputy director general of the Services aux citoyens.*
- (Planned completion: September 2019)***

3.5. OPERATIONS MANAGEMENT

3.5.1. APPLICATION DOCUMENTATION

3.5.1.A. BACKGROUND AND FINDINGS

In order to ensure the application's operational efficiency and maintainability, it is important to have clear, up-to-date documentation. This documentation must be verified and indexed regularly to ensure proper traceability.

We found the following:

- Relevant application operation documentation is available (including monitoring of automated procedures);
- Although this documentation was updated in September 2018, there is no update process.

Without a documentation update process, the documentation could become obsolete, which could lead to a progressive loss of knowledge. As a result, application failure risks and failure response times could both increase.

RECOMMENDATION

- 3.5.1.B. We recommend that the Service des technologies de l'information implement a documentation update process.**

BUSINESS UNIT'S RESPONSE

- 3.5.1.B. *Service des technologies de l'information***

[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.5.2. INCIDENT MANAGEMENT

3.5.2.A. BACKGROUND AND FINDINGS

In the lifecycle of an application, every incident detected in production must be properly documented in a ticketing application that enables unique identification of each incident by documenting the source of the problem, the impacts, and its resolution.

We found that incidents recorded in GEM or JIRA tools are documented and tracked correctly according to the lifecycle of an incident (creation, testing, communication, resolution, and closure).

No recommendations are required.

3.5.3. PROBLEM MANAGEMENT

3.5.3.A. BACKGROUND AND FINDINGS

A problem is the recurrence of an incident requiring a correction action plan. For each problem, this plan must be monitored periodically to ensure proper implementation and progress of corrective actions.

We found that the problems are properly recorded in the ticketing system, but, to date, there is no problem management process with the necessary monitoring.

Without this process, there could be weaknesses in implementing an action plan that requires close monitoring, and problems may not be resolved in a timely manner.

RECOMMENDATION

- 3.5.3.B.** We recommend that the Service des technologies de l'information implement a problem management process for the property assessment management application.

BUSINESS UNIT'S RESPONSE

- 3.5.3.B.** ***Service des technologies de l'information***
[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

3.5.4. APPLICATION AND INFRASTRUCTURE MONITORING

3.5.4.A. BACKGROUND AND FINDINGS

The GEM application's sensitive infrastructure and processes require appropriate incident monitoring and service continuity to reduce downtime and provide the various application stakeholders with prompt information updates. Critical application screens as well as infrastructure (including servers and databases) must therefore be monitored by the operating teams.

We found that there were no tools or reports to effectively detect service slowdowns or failures on critical application screens or GEM application infrastructure.

Without preventive monitoring of critical application screens and infrastructure, operations teams would not have the feedback needed to respond to a major incident. Resolution time would be extended.

RECOMMENDATION

- 3.5.4.B.** We recommend that the Service des technologies de l'information implement a property assessment management application monitoring process that will ensure that critical screens and servers and databases are monitored.

BUSINESS UNIT'S RESPONSE

- 3.5.4.B.** ***Service des technologies de l'information***
[TRANSLATION] The Service des technologies de l'information provided us with confirmation that it agrees with the recommendation it received. The detailed action plan will follow shortly.

4. CONCLUSION

It is important to point out that the Gestion de l'évaluation municipale (GEM) application provides the data needed to produce the taxation that generated \$4.2 billion in revenue in 2017, i.e. 76% of the City's total unconsolidated revenues.

The GEM application has appropriate controls for stakeholder knowledge of roles and responsibilities, staff awareness of cybersecurity risks, incident and change management processes, and password security parameters.

Nevertheless, existing logical access management controls need to be improved. This finding together with obsolete technology and a lack of human resources could lead to data confidentiality and corruption risks as well as risks that the GEM application could become unavailable.

Here are the details according to the following evaluation criteria:

Criterion 1: Roles and responsibilities

Everyone knows the roles and responsibilities associated with the application and who the owner is. However, roles and responsibilities have not been formalized.

Criterion 2: Logical access management

We note some areas for improvement in the access management policy. Access request forms are not retained. It should be noted that the profile creation procedure and the user account review process must be formalized. Finally, there are no proper guidelines for managing generic accounts.

Passwords are strong enough to secure the accounts. However, given the advanced age of the GEM application, access monitoring tools should be improved.

Segregation of access rights is properly defined so that rights granted correctly based on the user profile. However, these profiles do not undergo regular review.

Staff in the various departments have been made aware of the cybersecurity risks. The portal and the various awareness campaigns available are effective tools to provide protection against this type of risk.

Criterion 3: Change management

This process defines each stage of the lifecycle of a change request (the request, tests, and releases). Changes required pursuant to a new regulation or law are implemented in a timely manner.

However, we have noticed that there is a very large backlog of minor changes that need to be implemented or are pending.

Also, the team responsible for modifying the application is also responsible for implementing production changes.

Criterion 4: Human resource and technical sustainability

The GEM application has accumulated a very large technological debt. An action plan is required to replace this obsolete application. Technologies used today are no longer supported by suppliers or they are so old that qualified staff is no available to operate them. Also, staff attrition requires special attention given the many retirements expected over the next 24 months.

Criterion 5: Operations management

Application documentation is available for operations management, but there is no documentation update process.

Incidents are being managed appropriately. A formal process needs to be implemented for more effective problem management. Finally, application and infrastructure monitoring must be strengthened to better detect failures, which will increase the teams' ability to respond.

5. APPENDIX

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Determine whether the control mechanisms put in place for the GEM applicable ensure that GEM does not present any major risks in terms of data confidentiality, integrity and availability related to its life cycle, use and maintenance.

EVALUATION CRITERIA

Criterion 1: Roles and responsibilities

Roles and responsibilities are defined, approved, communicated and provide clear accountability (e.g., the RACI matrix). The GEM application owner has been formally identified.

Criterion 2: Logical access management

Access management must be properly documented and include periodic access reviews. The GEM application uses authentication parameters that are strong enough to maintain a secure environment. Otherwise, the risk of unauthorized access may increase. Profiles and rights granted enable proper segregation to prevent unauthorized access or fraud. Monitoring must be implemented to detect incidents in a timely manner.

Criterion 3: Change management

Any changes in the production environment must be properly documented, tracked, tested and validated by the competent authorities. Programmers have limited access to the production environment. Changes in the production environment are monitored. Statutory and regulatory amendments are incorporated into the GEM application in a timely manner.

Criterion 4: Human resource and technical sustainability

It is important to limit technological debt during the application's lifecycle, ensure adequate documentation, have enough qualified staff to keep the application operating without any major risks (e.g., untimely and repeated system shutdowns).

Criterion 5: Operations management

The GEM application has documentation to minimize operational risks. A single ticket is issued for each incident in the production environment. It tracks the source of the problem, the problem and its resolution. There is an action plan to deal with major problems and incidents. Key GEM application infrastructure and processes are properly monitored.



4.6.

BUILDING MAINTENANCE MANAGEMENT

MARCH 19, 2019

SUMMARY OF THE AUDIT

OBJECTIVES

Ensure that the buildings of the Ville de Montréal (the City) are subject to planned maintenance and effective corrective maintenance in accordance with the strategy established by the Service de la gestion et de la planification immobilière (SGPI). In addition, ensure that sanitary maintenance management is carried out according to good practices.

In addition to these results, we have formulated various recommendations for the Service de la gestion et de la planification immobilière.

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

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

RESULTS

Responsibility for the maintenance of a little over 50% of the buildings constituting the City's building inventory falls under SGPI. For several years, the building inventory has been underfunded in the operating budget for building maintenance. Such a situation necessarily requires the tight management of maintenance operations, in order to prevent the condition of the buildings from further deteriorating, that does not contravene the well-being and safety of the users who occupy these buildings. Consequently, we believe that improvements should be made with regard to the following main aspects:

- Operational processes surrounding the management of planned maintenance of buildings by external firms will need to be re-evaluated and strengthened to ensure that services are rendered in accordance with contractual agreements;
- The management of the sanitary maintenance activities (on site or under contract) of buildings will have to be reinforced to promote better supervision and better monitoring of operations;
- The processing of requests for corrective maintenance should be better supervised to promote the uniformity of procedures and to obtain reliable management information for the assessment of the performance of operations (e.g., processing times);
- Cost-benefit analyses should be conducted to support the decisions made on how to manage maintenance operations;
- Customer satisfaction with sanitary maintenance services should be evaluated to identify potential sources of improvement;
- Targets and performance indicators were to be identified for the performance evaluation of planned contract maintenance and sanitary maintenance operations. In addition, accountability should be exercised for all boroughs for which SGPI conducts the planned and corrective maintenance of buildings.

TABLE OF CONTENTS

1. BACKGROUND	237
2. PURPOSE AND SCOPE OF THE AUDIT	239
3. AUDIT RESULTS	241
3.1. Management of Building Maintenance Operations	241
3.1.1. Planned Contract Maintenance	241
3.1.2. Sanitary Maintenance (On Site or Under Contract)	249
3.1.3. Processing Corrective Maintenance Requests (On Site and Under Contract)	256
3.1.3.1. Guidelines for Processing Requests	257
3.1.3.2. Meeting Target Lead Times for Request Processing	259
3.1.3.3. Documentation of Conducted Corrective Maintenance Interventions	263
3.1.3.4. Monitoring Mechanisms of Request Processing	265
3.2. Cost-Benefit Analysis of the Maintenance Operations Management (On Site Versus Under Contract)	267
3.3. Assessment of Customer Satisfaction	269
3.4. Accountability	271
4. CONCLUSION	276
5. APPENDIX	278
5.1. Objectives and Evaluation Criteria	278



LIST OF ACRONYMS

PEP

Programme d'entretien planifié

SGPI

Service de la gestion et de la planification immobilière

SIGI

Système intégré de gestion des immeubles

RV

replacement value

4.6. | BUILDING MAINTENANCE MANAGEMENT

1. BACKGROUND

The Ville de Montréal (the City) owns just over 3,300 property assets spread across the 19 boroughs. In addition to the various outdoor facilities (e.g., open pavilions, swimming pools, wading pools), there are approximately 1,500 buildings in the building inventory (e.g., administrative offices, neighbourhood stations, sports centres, fire stations).

In terms of sharing roles and responsibilities, we note that the management of the maintenance of City-owned buildings is not explicitly addressed in the *Charter of Ville de Montréal* (the Charter). Thus, to determine the competent authority on a building, including its maintenance¹, we must look at its usage. For example, a building that is used by a borough to provide services to citizens (e.g., a library, arena, borough hall) is a building under the borough's responsibility. On the other hand, a building that is used for municipal council purposes, such as cultural, sports or recreational facilities listed in Schedule D of the Charter (e.g., the Complexe sportif Claude-Robillard, the Centre de tennis du parc Jarry) or a building that is under the jurisdiction of the agglomeration council (e.g., the fire stations, the neighbourhood stations) is a building that is generally maintained² under the responsibility of a central service, in this case the Service de la gestion et de la planification immobilière (SGPI)³.

Note that as of January 1, 2018, SGPI has implemented a broad grouping site to repatriate under its control all real estate activities. In particular, the responsibility for the maintenance of several buildings, which previously was assumed by different central departments (e.g., the Service Espace pour la vie – Biodôme, Planétarium, the Service de l'eau – Plants for the production of drinking water and wastewater treatment), was returned to SGPI. As a result of this repatriation, SGPI undertook to clarify the roles and responsibilities of stakeholders by drafting and transmitting to all central departments a document addressed to each and entitled "*Chantier de regroupement du SGPI pour la fonction immobilière*." According to the information obtained, however, this division of roles and responsibilities remains to be finalized concerning the Service de l'eau, who has agreed to transfer to SGPI only the maintenance of the outer envelope of the buildings used for the purposes of its operations.

In order to meet the needs raised as part of the work of this site, SGPI has adjusted its organizational structure. The new structure is in force since January 1, 2018, and includes, among others, the following changes:

- Creation of the Direction de l'optimisation, de la sécurité et de la propreté, under which falls the Division de la propreté, which is responsible for ensuring the sanitary maintenance of part of the building inventory under the responsibility of SGPI;

¹ Definition "Maintenance": The care, repairs, cleaning, expenses required to keep buildings in good working order for the services for which they are intended.

² Subject to the exercise of a delegation of powers by the competent authority.

³ Source: Service des affaires juridiques, Ville de Montréal.

- Creation of “*Building Manager*” positions to improve and simplify access to real estate maintenance services through a single point of contact;
- Establishment of a Section centre d’appels within the Direction du bureau de projet et des services administratifs to unify service delivery and ensure quality control.

The various electromechanical and architectural systems, safety devices or other components of the City’s buildings require the implementation of a Programme d’entretien préventif (PEP) to reduce the likelihood of premature failure or degradation, and to increase the operational efficiency with regard to possible failures. These PEPs are developed according to the particularities of the equipment to maintain and a schedule determining the frequencies of their maintenance. In the event of breakdown, failure or malfunctions indicated by the occupants of the buildings, so-called “*corrective*” maintenance may nevertheless be conducted. In addition, the various premises of the buildings must be subject to periodic sanitary maintenance in order to provide occupants and users with an adequate environment.

At the time of our audit work, the information revealed that the planned, corrective or sanitary maintenance of a little more than 750 buildings among the 1,500 buildings constituting the City’s building inventory, falls under the responsibility of SGPI. In addition to the buildings used by central departments, and although this is a borough responsibility, it is important to note that SGPI has, since the municipal amalgamation in 2002, been conducting (planned and corrective) maintenance of buildings located on the territory of the nine⁴ boroughs from the former Ville de Montréal. This offer of SGPI services, however, excludes the sanitary maintenance of buildings in all 19 boroughs of the City.

For their part, the boroughs from former suburbs manage the maintenance of buildings under their jurisdiction autonomously according to their own mode of operation (on site, under contract or mixed). SGPI intervenes with these boroughs only on express request, as is the case for the Montréal-Nord borough which, following an agreement, benefits from the services of SGPI for the maintenance of some of its arena equipment.

These activities related to planned and corrective maintenance within SGPI are the responsibility of the Direction de la gestion immobilière et de l’exploitation. They are carried out in part by management, through multidisciplinary teams of employees from various specialized trades⁵ under the Divisions de la gestion immobilière et de l’exploitation des bâtiments spécialisés des régions Est et Ouest and partly under contract through the Division de la gestion immobilière, de l’exploitation à contrat et de l’énergie. As for sanitary maintenance activities conducted on-site or under contract (excluding boroughs), they fall under the Division de la propreté under the Direction de l’optimisation, de la sécurité et

⁴ These boroughs are as follows: Ahuntsic-Cartierville, Côte-des-Neiges–Notre-Dame-de-Grâce, Plateau-Mont-Royal, Sud-Ouest, Mercier–Hochelaga-Maisonneuve, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie, Ville-Marie and Villeray–Saint-Michel–Parc-Extension.

⁵ Specialization in the field of: electricity, heating, ventilation, air conditioning, refrigeration, plumbing, carpentry and painting.

de la propriété. However, at the time of our work this responsibility was transiently shared with the Division de la gestion immobilière et de l'exploitation à contrat et de l'énergie, which still managed different sanitary maintenance contracts. For the purposes of this report, we will refer to this last division as the "*Division à contrat*."

For a number of years, the City has been chronically underfunded in the operating budget for building maintenance, which affects the state and value of its building inventory. According to information obtained from SGPI, the maintenance budget has been adjusted since 2015. Thus, the ratio of the maintenance budget granted on the replacement value (RV) of the building inventory⁶ rose from 1% in 2015 to 1.26% and 1.31% in 2018 and 2019 respectively. According to local practices, the portion of the annual budget that an owner must allocate to the operating budget for building maintenance is recognized as having to be 2% of the RV of the building inventory if he wishes to maintain the state, comfort and value. It is clear that the ratio is improving, but there is still some catching up to do.

Note that the last qualitative evaluation of SGPI current buildings was conducted by an external firm between 2009 and 2016. According to the information obtained, the ratios mentioned previously are based on an undiscounted RV from 2011, which is out of date. At the time of our audit, SGPI was reviewing its strategy for obtaining updated property audits.

In a context where available resources are limited, the efficient management of the operations surrounding the maintenance of buildings is undeniably crucial in order to avoid premature deterioration of equipment, increase their life span and, above all, ensure a healthy and safe environment for the users who occupy these buildings.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on the building maintenance management. 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 the City's buildings are subject to planned maintenance and effective corrective maintenance in accordance with the department's strategy and to ensure that the sanitary maintenance management is conducted according to good practices. Note that our audit work excluded the review of planned maintenance activities done by City employees in order to focus on scheduled maintenance contracted out to external firms.

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.

⁶ The undiscounted RV of the City's building inventory, established in 2011, is \$3.1 billion.

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. She 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 the management of building maintenance conducted by SGPI. They covered the first eight months of 2018, but for some aspects, data prior to this year were also considered. Our work was primarily carried out from June to December 2018, but we also took into account data that we received up to January 2019.

This work was performed primarily with the following administrative units of SGPI:

- Direction de la gestion immobilière et de l'exploitation:
 - Division de la gestion immobilière et de l'exploitation des bâtiments spécialisés – région Est;
 - Division de la gestion immobilière et de l'exploitation des bâtiments spécialisés – région Ouest;
 - Division de la gestion immobilière, de l'exploitation à contrat et de l'énergie.
- Direction de l'optimisation, de la sécurité et de la propriété;
- Direction du bureau de projet et des services administratifs, Division des services administratifs, Section centre d'appels.

Upon completing our audit work, we presented a draft audit report to the concerned managers of the SGPI branches targeted by the audit. A final report was then submitted to the SGPI directorate to obtain an action plan and time frames for the implementation of the relevant recommendations. The final report was also sent to the Direction générale and, for information purposes, to the Service des affaires juridiques.

3. AUDIT RESULTS

3.1. MANAGEMENT OF BUILDING MAINTENANCE OPERATIONS

3.1.1. PLANNED CONTRACT MAINTENANCE

3.1.B. BACKGROUND AND FINDINGS

The Division à contrat is responsible, among other things, for providing the customers of SGPI with technical maintenance services (planned and corrective) for designated buildings for maintenance through external firms.

As of December 12, 2018, the information obtained indicates that the planned maintenance of approximately 420 buildings were under the Division à contrat. As part of the restructuring undertaken within SGPI, two situations have increased the number of buildings maintained in the Division à contrat from 2017 to 2018. First, as of January 1, 2018, SGPI repatriated, under its governance of property management, several buildings that were previously maintained by various corporate departments of the City. Second, a batch of about 70 buildings that were maintained by the maintenance divisions (Est and Ouest regions) was also transferred to the Division à contrat⁷, according to the information obtained, for reasons of operational efficiency. If we compare the situation in 2018 (about 420⁸ buildings) compared to that prevailing in 2017 (about 130 buildings), we note on December 12, 2018 a significant increase in the number of buildings to maintain under the responsibility of the Division à contrat, a little over 220%, three times more buildings than before. The increase in this workload within the Division à contrat implies the introduction of tight internal management with regard to the follow-up to the various contractual agreements in order to obtain the assurance that the City is paying for services made in accordance with its expectations.

According to the information obtained from the managers interviewed, these buildings maintained through contractual agreements are, in general, non-specialized buildings (e.g., administrative buildings, neighbourhood stations). On the other hand, buildings considered to be more specialized by the peculiarities of their equipment (e.g., arenas, swimming pools) are maintained by teams of specialized employees in the Divisions de la gestion immobilière et de l'exploitation des bâtiments spécialisés – région Est et région Ouest. For the rest of this report, we will designate these two administrative units as the “Division Est” and the “Division Ouest.”

⁷ According to the information obtained, in return, 10 large sports centres, whose maintenance is more specialized, were transferred from the Division à contrat to the maintenance divisions of the Est and Ouest regions.

⁸ According to the information obtained, for the buildings related to the Service de l'eau, SGPI maintains only the exterior envelope of these buildings.

Thus, the contracts awarded concern the maintenance of various types of equipment (e.g., building mechanics equipment⁹) some of which (e.g., elevators, generators) are subject to preventative maintenance to meet requirements prescribed by Quebec standards and laws¹⁰. The successful firms must conduct all the PEPs in accordance with the instructions of the tender documents and, as the case may be, the corrective maintenance if the contract is “*all inclusive*.”

Our audit work consisted of reviewing the processes in place within the Division à contrat, to assess the extent to which control mechanisms had been put in place to monitor compliance with contract terms, to obtain assurance of the services rendered and to corroborate the validity of the invoices submitted by the contracting firms.

To do this, we obtained from the responsible manager the list of contracts in effect as of September 11, 2018. From this list, the contracts that specifically related to the planned maintenance of building equipment that was in effect during the period covered by our audit, i.e., the first 8 months of 2018, were selected. Note that some of these contracts were subject to extension clauses until a new contract is concluded. We thus identified a population of 12 contracts totalling \$9.9 million (including the cost of extensions). Of these, we selected a sample of 3 contracts totalling \$6.7 million out of a total population of \$9.9 million (68%) – (see Table 1).

TABLE 1 – SAMPLE OF REVIEWED PLANNED MAINTENANCE CONTRACTS

CONTRACT	SUBJECT	CALL FOR TENDERS NUMBER	COST (WITH TAXES AND EXTENSIONS)	TIMELINES	NUMBER OF BUILDINGS INVOLVED
1	Vertical transport equipment maintenance service ¹¹	13-13024	\$2.2 million	January 1, 2014 to December 31, 2016 ^[A]	79
2	Emergency generator maintenance service	13-13028	\$0.4 million	January 1, 2014 to December 31, 2016 ^[A]	31
3	Equipment maintenance service of the building mechanics (heating, ventilation, air conditioning)	17-15952	\$4.1 million	September 1, 2017 to August 31, 2022	58
\$6.7 MILLION					

^[A] Long-term contracts as of December 31, 2017 and then as of December 31, 2018.

⁹ For example: heating, ventilation or air-conditioning systems.

¹⁰ In particular: *Building Act* (chapter B-1.1) and the *Safety Code* (chapter B-1.1, r.3) and the *Construction Code* (B-1.1, r.2).

¹¹ The equipment involved mainly concern lifts, escalators, platforms for persons with disabilities and hoists.

For these three contracts, we examined the tender documents and noted the relevant clauses relating to the monitoring of the execution of planned maintenance activities and compliance with the conditions for the payment of invoices submitted by the successful bidder. Subsequently, for each contract, we randomly selected three buildings and one equipment per building for further examination of compliance with the contract terms.

We present below the results of the examination carried out with regard to each of the contracts of our sample.

CONTRACT 1 - (TENDER 13-13024) - VERTICAL TRANSPORT EQUIPMENT MAINTENANCE SERVICE

Among the various vertical transportation equipment constituting the present contract, we have randomly selected an elevator for each of the three buildings in the sample. As mentioned earlier, this type of equipment is subject to maintenance that is regulated. The tender document specifies, in particular, that safety tests must be conducted annually and that regular maintenance is required once or twice a month, depending on the age of the equipment. Based on the information obtained from the property manager assigned to monitor this contract and the documentation reviewed, our findings are as follows:

- The tender document¹² provides that the successful bidder must submit to the City (at the beginning of the contract and at the annual renewal) a schedule of safety tests for all equipment for approval purposes. However, we found that the schedule for conducting equipment safety tests was not transmitted by the successful bidder and that SGPI did not request it. Obtaining this schedule would have been relevant to the monitoring of the activity and ultimately, to plan an unannounced audit on the work site;
- It is also expected that the successful bidder will provide SGPI with written confirmation of the results of the safety tests conducted. However, for the three elevators in our sample, we did not obtain evidence that the safety test report had been systematically obtained by SGPI. As a result of our request, they had to be requested from the successful bidder. The responsible property manager says that all the documentation is generally received, but that the problem was due to incorrect filing on their part. In addition, upon examining the three safety test reports obtained, we note that they are not signed by the technician appointed by the firm and they do not mention any particular remark concerning the conformity of the result of the tests conducted. In this regard, the people met in the Division à contrat recognize that better follow-up on their part should be considered;
- As already mentioned, in addition to the safety tests, this equipment must also be regularly maintained at a frequency determined by the PEP in the specifications. To do this, the tender document provides that¹³ a specific maintenance sheet must be completed during each intervention. Generally, depending on the equipment involved, one or two

¹² Section 17 of the special clauses.

¹³ Section 18 of the special clauses.

visits for regular maintenance are required every month. There should also be an annual safety test. However, in light of the information obtained, it should be noted that no internal mechanism has been set up to reconcile the work orders (or the maintenance sheets) sent by the successful bidder for the maintenance and safety tests provided for in the PEP. Under the circumstances, it is more difficult for SGPI to assess the rate of implementation of the PEPs and respond quickly if the services are not delivered as expected. In fact, it appears that the rate of implementation of the PEP is not precisely known by the SGPI.

In order to evaluate whether the PEP had been respected with regard to the regular maintenance to conduct for each of the equipment in our selection (maintenance once or twice per month, depending on the equipment concerned), we asked to obtain the maintenance sheets completed and transmitted by the successful bidder in the last year. Apart from two maintenance sheets that were missing, concerning one of the three equipment examined, the maintenance sheets completed for the two other equipment of our selection were sent to SGPI;

- In addition, concerning these maintenance sheets, the tender document also specifies the following:

Section 18 of the special clauses

"At each maintenance visit, prior to any work, the service technician must report to the building operator (reception desk) to enquire whether any minor faults on any device was reported by the occupants of the building. [...] At the end of the maintenance visit, or after an intervention following a service call, the service technician must give to the building operator (reception desk) the keys and have them sign the "Maintenance sheet or the service and repair log" to validate the intervention. Any work on the site will not be considered, therefore not payable, if the Maintenance sheet or the service and repair register is not signed by the building operator or his representative and if it does not accompany the invoice."

However, for the three equipment examined, we note that maintenance sheets are usually not signed by the building operator to validate the on-site intervention. In fact, we find that the invoices are nevertheless approved for payment without requiring tender document compliance.

In a similar vein, the information obtained from the responsible property manager reveals that there are not necessarily random visits to validate the services rendered in the field (e.g., review of services and repair register which is kept inside the building). Although the managers interviewed stated that the SGPI technical officers provide a presence within the buildings, if such verifications were carried out, they were not documented. As a result, no evidence of the existence of such control could be demonstrated;

- With respect to the controls over the invoiced costs, it seems appropriate to us that the approval of the invoices is a task entrusted to the property manager rather than to the technical officers also assigned to the follow-up of various aspects of the contracts awarded. The invoices examined bear proof of approval by the responsible property manager. We also took note of the existence of a monthly invoicing tracking chart.

CONTRACT 2 - (TENDER 13-13028) - EMERGENCY GENERATOR MAINTENANCE SERVICE

As with vertical transportation equipment, the maintenance of generators is regulated. The PEP specifies in the tender document that for each of the equipment covered by the contract, the successful bidder must make two visits annually. One in the spring and one in the fall. He must also submit his maintenance schedule to SGPI for approval¹⁴. To justify the payment request, the successful bidder must provide maintenance and inspection reports.

For the purpose of our audit work, the maintenance of three generators in three different buildings was examined. Our observations are as follows:

- As with the previous contract, we note that the maintenance schedule is not necessarily systematically obtained as expected. The proof of obtaining such a schedule could only be obtained for the equipment of the buildings of a central department covered by the contract, in respect of which access to the buildings is controlled. As mentioned above, obtaining this schedule could be a very useful tool for planning spot checks on site;
- Although the PEP implementation rate for all the generators included in the contract was not specifically calculated, we did observe that a follow-up chart is prepared by the property manager for the purposes invoice approval. For each building and for each associated generator, this table identifies the cost to be billed for each scheduled maintenance to be performed (two visits per year). As each invoice is accompanied by the work order for the maintenance performed, it is possible to follow the progress of the planned maintenance. Also, for the three generators in our sample, we obtained the necessary supporting documents to allow us to affirm that the planned maintenance was entirely carried out;
- Contrary to the contract previously examined, we note that work orders and sometimes even maintenance reports bear the signature of the building operator or his representative. This appears to us to be a good practice since this control provides the contract monitoring officer with additional assurance that the work done on site has actually been done;
- The technical specification provides that a log to record checks, tests and maintenance of the equipment must be maintained by the successful bidder and kept on site. However, although spot checks to validate the services rendered and compliance with the contractual clauses could have been carried out by the representatives of SGPI, we did not obtain any proof;
- With respect to the control of billing fees, we find that the hierachal level of the person designated to approve invoices is appropriate, in this case, the property manager. The invoices examined bear proof of approval by the property manager. As already mentioned, the invoices are accompanied by the work order and the maintenance and test reports as stipulated in the tender document.

¹⁴ Section 1.2 and 1.5 of the technical specifications.

CONTRACT 3 - (TENDER 17-15952) - EQUIPMENT MAINTENANCE SERVICE OF THE BUILDING MECHANICS

The purpose of this contract is to maintain heating, ventilation, air conditioning and plumbing equipment in various buildings in the City. Depending on the equipment, a different PEP may need to be implemented. This involves the performance of specific maintenance tasks, as well as a maintenance frequency that will vary depending on the equipment involved (e.g., twice a year, nine times a year). The technical specifications of the tender document provide the successful bidder with the PEPs to implement for the different equipment and the bidder is required to comply.

For each of the three buildings in our sample, equipment was selected for review: a mono-bloc roof unit, a heating circulation pump, and a domestic water heater. Our observations are as follows:

- The technical specification states that the successful bidder must submit for approval, within 90 days of the order to commence service, its planned maintenance inspection schedules. This particular calendar for each building lists, on the one hand, the number and type of equipment to be maintained grouped according to the PEP concerned. On the other hand, it indicates for each equipment the number of maintenance interventions to be conducted in accordance with the corresponding PEP and the period of the year (spread over 52 weeks) where the completion of this maintenance is planned.

We observed that for each of the three buildings sampled the calendar had been sent by the successful bidder. However, although the property manager assigned to follow up on the contract mentions having conducted the examination, we do not find any proof of any approval attesting to their conformity. In our opinion, this control is important because it should be able to certify that all the equipment in the building covered by the contract has been listed and that the frequency of scheduled maintenance planned by the successful bidder is in accordance with the PEPs attached to the tender document;

- Furthermore, according to the information obtained, we note that no mechanism has been implemented to bring together, for each of the equipment to be maintained, the work orders sent by the successful bidder and the planned maintenance appearing in the PEP schedule. The staff interviewed stated that such a conciliation mechanism was already implemented a few years ago, but was abandoned because of the time involved and the limited resources available. Since then, we have been informed that an electronic work order tracking file transmitted by the bidder has been created by a technical agent. The file in question lists all the buildings concerned by the contract. Each time a work order is received for a building, a mark is entered in the relevant week. The property manager responsible for monitoring this contract admits that this tool makes it possible to observe, to a certain extent, the presence of the successful bidder in the buildings covered by the contract. However, this does not validate that the equipment has been maintained as planned in the corresponding PEP.

Moreover, the technical specifications stipulate that the successful bidder must provide monthly a signed document showing his rate, as a percentage, of the maintenance

work carried out for each of the buildings included in this contract. It is also stipulated that this document must accompany the original invoice to justify the request for payment¹⁵. However, the responsible property manager admits that he does not enforce these clauses of the specifications. The document in question therefore never accompanies the invoice submitted by the successful bidder and is not requested. As a result, although the tender document states very clearly that SGPI expects the planned maintenance work under the contract to be 100% completed, the people we have met admit that they have in no way this assurance. In fact, the rate of implementation of the PEPs for this contract is not known.

We believe that the follow-up of the completion of the planned maintenance goes beyond the compilation of the documentation transmitted by the successful bidder. In this regard, the managers met in the Division à contrat claim that spot checks on site are occasionally performed on a sampling basis. We did not obtain any documented proof;

- With respect to the control of billing fees, as for the other contracts reviewed, we find that the hierachal level of the person designated to approve invoices is appropriate and the invoices examined bear the evidence of its approval. On a monthly basis, the successful bidder invoices the overall work carried out for different building batches of the contract (e.g., batch no. 1 – 26 buildings). As for work orders for the building, they are transmitted electronically to an email inbox provided for this purpose in the first days following their execution. According to the information obtained from the property manager responsible for the contract, an internal technical agent is appointed to retrieve the work orders transmitted in order to examine them and to file them in the folder of the building concerned. However, it appears that a considerable number of work orders accumulate in the email inbox without the technical agent having examined and filed them yet. In order not to unduly delay the payment to the successful bidder, this accumulated delay means that the property manager is sometimes forced to approve the invoice without necessarily being able to corroborate it with the corresponding work orders. In our view, this situation increases the risk that the City will pay for services that have not been rendered and deserves corrective action to address them.

In conclusion, we find that in many respects the Division à contrat is currently unable to corroborate that all the services underlying the awarded contracts have actually been delivered as intended. In addition, in a context where the workload of this division has increased considerably with the consolidation of real estate activities and the reorganization undertaken within SGPI, we believe that it will be imperative that measures be taken to tighten the controls in place.

¹⁵ Section 7 of the technical specifications and 16 of the special administrative clauses.

RECOMMENDATION

- 3.1.1.A.** We recommend that the Service de la gestion et de la planification immobilière tighten controls so that it can ensure compliance with all of the contract terms associated with its technical maintenance contracts in order to promote greater assurance of services rendered, to be able to monitor the rate of implementation of planned maintenance programs and to prevent the risk of defects.

BUSINESS UNIT'S RESPONSE

- 3.1.1.A.** *Service de la gestion et de la planification immobilière*

[TRANSLATION] VENTILATION, AIR CONDITIONING AND REFRIGERATION:

Send the contractor a letter recapitulating the contract clauses.

(Planned completion: February 2019)

Create a file for monitoring the ventilation, air conditioning and refrigeration subcontractors' work. (Planned completion: June 2019)

Ask the contractor for the monthly preventative maintenance work schedule. (Planned completion: June 2019)

Calculate the work completion rate at the beginning of each month. (Planned completion: September 2019)

Implement a mechanism for documenting periodic inspections and audits of the work performed by the subcontractor.

(Planned completion: December 2019)

ELEVATOR AND GENERATOR:

Send the contractor a letter recapitulating the contract clauses.

(Planned completion: May 2019)

Create a file for monitoring the elevator subcontractors' work.

(Planned completion: May 2019)

Ask for the monthly preventative maintenance work schedule.

(Planned completion: June 2019)

Implement a mechanism for documenting periodic inspections and audits of the work performed by the subcontractor.

(Planned completion: December 2019)

3.1.2. SANITARY MAINTENANCE (ON SITE OR UNDER CONTRACT)

3.1.2.A. BACKGROUND AND FINDINGS

Housekeeping of premises within buildings contributes to the health and well-being of occupants and users. In particular, it promotes the maintenance of hygiene and safety conditions while preserving the image of the organization.

The service offering of SGPI, in terms of sanitary maintenance, only covers buildings used by the central departments of the City. Thus, its services are not offered to boroughs from the former Ville de Montréal or to the boroughs of former suburbs, which manage this activity autonomously.

The sanitary maintenance of the central department buildings (e.g., the Service de sécurité incendie, the Service de police de la Ville de Montréal, the Service de l'Espace pour la vie) is conducted either on site by the personnel of the City or entrusted to external firms following the awarding of a contract. Until 2017, sanitary maintenance operations (on site or under contract) were shared between SGPI and various other central departments. However, as of January 1, 2018, following the consolidation of real estate activities, all sanitary maintenance activities were repatriated to SGPI. As already mentioned, this reorganization involved the review of the organizational structure of SGPI and the Division de la propriété was created under the authority of a new branch, the “Direction de l’optimisation, de la sécurité et de la propriété.”

The Division de la propriété is responsible, among other things, for providing SGPI's customers with on-site or contracted sanitary services, managing the contracts awarded and ensuring the inspection of the premises with respect to the evaluation of the health standards expected. It should be noted, however, that prior to this reorganization, the Direction de la gestion immobilière et de l'exploitation was already managing sanitary maintenance contracts for various central department buildings. At the time of our audit, the Division de la propriété and the Division à contrat still shared the responsibility for the sanitary maintenance contracts in effect. According to the information obtained, the sanitary maintenance of a total of 165 buildings were the responsibility of SGPI (on site and under contract).

Our audit work consisted, on the one hand, of examining the organization and the supervision of the sanitary maintenance conducted on site. On the other hand, for the Division de la propriété as well as for the Division à contrat, we examined the control mechanisms established for sanitary maintenance conducted through contracts awarded to external firms, with a view to monitor the respect of the contractual clauses, obtain the assurance of the adequacy of the services rendered and corroborate the invoices submitted by the contracting firms.

ON-SITE SANITARY MAINTENANCE – DIVISION DE LA PROPRETÉ

At the time of our audit, the Division de la propreté was responsible for the sanitary maintenance of 18 buildings used by various central departments¹⁶. To accomplish these tasks, it benefits in particular from a staff of 25 permanent blue-collar employees and a pool of about 8 auxiliary employees who intervene when necessary. In addition, a manager and a foreman share the responsibility of the 18 buildings for the organization and supervision of sanitary maintenance operations to be conducted.

The requirements as to the nature and frequency of the sanitary maintenance work to be carried out are established through the development of procedures to identify, for the different types of buildings, the places or premises requiring maintenance (e.g., main entrance, kitchen, washroom), with a predetermined schedule and frequency (e.g., daily, weekly, monthly or yearly). These procedures are called "*Routes de travail*." They may be accompanied by instructions describing the nature of the maintenance work to be performed (e.g., emptying bins, washing windows and floor), the equipment needed and the work techniques to use. It should be understood that a "*Route de travail*" is assigned to an employee and is specific to each building given its use and characteristics. It can sometimes combine both the detailed schedule of work and tasks to be performed and their frequencies.

According to the information obtained from the division head responsible, there is still no "*Routes de travail*" for all 18 buildings whose housekeeping is managed on site. In fact, we found that this was true for 6 of the 18 buildings (33%). In our opinion, these "*Routes de travail*" are a necessary framework to ensure maintenance in line with the needs and expectations of the organization. In the absence of such frameworks, it may, on the other hand, be more difficult for the managers responsible for the activity to refute that the sanitary maintenance work was not carried out according to the expectations in case of dissatisfaction or complaints.

As for monitoring the work, it was mentioned to us that it was mainly exercised through the presence of the manager and the foreman on site, but also through the complaints received. However, we have not done any work to corroborate these monitoring activities.

RECOMMENDATION

3.1.2.B. We recommend that the Service de la gestion et de la planification immobilière extend to all the buildings, whose sanitary maintenance is carried out on site, the implementation of "*Routes de travail*" in order to supervise the activity and ensure maintenance in line with the needs and expectations of the organization.

¹⁶ In particular, there are nine buildings Service du matériel roulant et des ateliers, the Jardin botanique and Insectarium of the Service de l'Espace pour la vie, three buildings of the Service de sécurité incendie de Montréal including the Headquarters.

BUSINESS UNIT'S RESPONSE**3.1.2.B.*****Service de la gestion et de la planification immobilière***

[TRANSLATION] Continue to develop and implement "Routes de travail" for buildings managed in-house. (Planned completion: November 30, 2019)

CONTRACT SANITARY MAINTENANCE – DIVISION DE LA PROPRETÉ AND DIVISION À CONTRAT

For the purpose of our review, we first identified the sanitary maintenance contracts that were in effect for the period covered by our audit (the first eight months of 2018), within the Division de la propreté and from the Division à contrat. We then selected a sample of three contracts, consisting of two contracts managed by the Division de la propreté and one contract managed by the Division à contrat (see Table 2). A total of 13 buildings distributed through the sample contracts were selected in order to examine the existence of monitoring mechanisms to validate the adequacy of the services rendered and the invoices submitted by the contracting firms.

TABLE 2 – SAMPLE OF REVIEWED SANITARY MAINTENANCE CONTRACTS

CONTRACT	SUBJECT	CALL FOR TENDERS NUMBER	COST (WITH TAXES AND EXTENSIONS)	TIMELINES	NUMBER OF BUILDINGS INVOLVED
DIVISION DE LA PROPRETÉ					
1	Service d'entretien sanitaire de divers bâtiments of the Service de sécurité incendie et grand ménage des casernes	17-15625	\$0.8 million	April 28, 2017 to April 27, 2020 ^[B]	66
2	Housekeeping service – Biodôme de Montréal and Planétarium Rio Tinto Alcan	14-13656	\$6.9 million	September 1, 2014 to September 1, 2017 ^[A]	2
DIVISION À CONTRAT					
3	Service d'entretien sanitaire de divers bâtiments municipaux and the Service de police de la Ville de Montréal	15-14383	\$9 million	November 1, 2015 to October 31, 2018 ^[C]	44
\$16.7 MILLION					

[A] Contract extended to September 1, 2018 and then to September 1, 2019.

[B] Two firms share this contract. The contract of only one of the two firms was examined.

[C] Three firms share this contract. The three contracts were extended to October 31, 2019. The contract of only one of the three firms was examined.

The purpose of these contracts is the supply of labour, all material, equipment and products required for the sanitary maintenance of the various buildings concerned. The tender documents generally specify the functional requirements to be followed and to be respected by the successful bidder. For example, the successful bidder must assemble and make available to the City a document containing, in particular, a log of the entry and exit of the employees assigned to the maintenance, the “*Routes de travail*” of each employee (the detailed schedule and tasks to be performed), the material safety data sheets of products used. In general, tender documents specify the workspaces requiring maintenance, the tasks to be performed, the frequency of maintenance and the number of hours available in the contract.

Thus, we found that, for each of the three contracts in our sample, a manager had been appointed to monitor it. We will therefore present below our findings from the review of the contracts of the Division de la propriété and of the Division à contrat.

DIVISION DE LA PROPRETÉ - CONTRACT NO. 1 AND NO. 2 SHOWN IN TABLE 2

In light of the documentary proof provided under the contract No. 1 (Tender 17-15625), the established monitoring mechanisms appear satisfactory. In particular:

- For the purpose of applying the applicable legal provisions on safety at work and identification of hazardous materials, a clause in the tender document provides that the successful bidder is required to provide the MSDS for the maintenance products used. The binder containing all these sheets was presented to us;
- In terms of work supervision, we obtained, based on a sample of buildings, the proof of site inspection reports produced by the person responsible for monitoring the contract. The tender document provides that the invoices will be paid at 100% if the result of the cleanliness indices measured randomly during the contract is equal to or greater than 80%. To that end, we note that the evaluation grid provided for in the specifications has been used. In addition, we have proof of a follow-up of major housekeeping operations within the buildings in 2018. This follow-up grid includes, in particular, the date scheduled for the start of the activity as well as the date on which the operation was completed;
- We obtained proof of a follow-up with regard to the complaints made (email exchanges);
- On the basis of sampling, we obtained proof of a log within the buildings compiling the time of entry and exit of the employees of the firm assigned to the sanitary maintenance. In this regard, we also have proof of a verification made by the person responsible for monitoring the contract prior to the approval of invoices, in order to validate the hours invoiced by the successful bidder with those recorded in the employee entry and exit log.

However, for the monitoring of contract No. 2 (Tender 14-13656), monitoring mechanisms are deficient. In particular:

- According to the information obtained, there is no particular validation surrounding the approval of invoices submitted by the successful bidder. A log compiling the time of entry and exit of employees assigned to the maintenance work is not produced as stipulated in the tender document¹⁷. Under the circumstances, SGPI is exposed to the risk of approving invoices that may not correspond to actual hours worked;
- In addition, it appears that no inspection report of the work is produced and that no particular follow-up is carried out with regard to the sanitary maintenance products used. In this respect, it should be noted that this is a contract referring to older tender documents (2014) and that the clauses relating to the controls mentioned above were not included.

¹⁷ Section 15.2 of the special administrative clauses.

DIVISION À CONTRAT – CONTRACT NO. 3 SHOWN IN TABLE 2

For this contract (Tender 15-14383), under the responsibility of the Division à contrat, we note that the monitoring mechanisms with regard to the respect of the contractual clauses and the validation of the services rendered taking into account the invoiced fees are practically nonexistent. The lack of time given the workload and the lack of knowledge of this sphere of activity are the reasons given by the technical agent responsible to explain the situation. Therefore, our observations are as follows:

- As mentioned earlier, although the tender document provides that invoices will only be paid 100% if the result of the cleanliness indices measured randomly during the contract is equal to or greater than 80%, no site inspections are not conducted and no report in this sense is produced;
- The hours invoiced by the successful bidder are not systematically checked. For the surveys carried out with regard to certain buildings, we observed that the invoices bear proof of approval on the part of the responsible property manager. However, we could find no proof of any conciliation with the time in the log of entries and exits of the employees of the firm assigned to the sanitary maintenance;
- According to the information obtained, the complaints received further guide the interventions carried out within the buildings. However, these complaints are mainly expressed verbally to the representative of the firm concerned.

In short, considering the importance of sanitary maintenance for the well-being of the occupants and users of buildings and the extent of the public money spent on the awarding of related contracts, we consider it appropriate, in certain respects, to tighten controls.

RECOMMANDATION

- 3.1.2.C. We recommend that the Service de la gestion et de la planification immobilière strengthen the controls surrounding the follow-up of the sanitary maintenance contracts for the buildings under its responsibility so that it can ensure that the services are delivered in accordance with expectations and ensure a safe and healthy environment for occupants and users.**

BUSINESS UNIT'S RESPONSE

- 3.1.2.C. *Service de la gestion et de la planification immobilière***
- [TRANSLATION] Develop and implement monitoring and follow-up mechanisms to ensure compliance with contract clauses. Determine a percentage of inspections to be performed internally or externally. Also, be sure to require suppliers' entry and exit logs or time management reports in order to reconcile them, and validate and approve invoices.*
- (Planned completion: December 31, 2019)**

Moreover, as already mentioned above, as part of the restructuring undertaken by SGPI, the Division de la propriété under the Direction de l'optimisation, de la sécurité et de la propriété was specifically created as of January 1, 2018 to provide customers with sanitary maintenance services. According to the information obtained from the managers interviewed, it was expected that the sanitary maintenance contracts that were formerly under the responsibility of the Division à contrat would be fully transferred to the Division de la propriété. However, upon completing our audit work in January 2019, this transfer had not yet begun. To this end, in order to standardize the procedures for monitoring the management of these contracts and increase their effectiveness, we believe that it may be appropriate for SGPI to complete the transfer in the short term in order to concentrate, as planned, the management of the sanitary maintenance activity within a single administrative unit.

RECOMMENDATION

- 3.1.2.D.** **We recommend that the Service de la gestion et de la planification immobilière make the necessary arrangements to complete the transfer of all sanitary maintenance contracts to its Division de la propriété in order to promote the standardization of the procedures surrounding the management of this type of contract and make it more efficient.**

BUSINESS UNIT'S RESPONSE

- 3.1.2.D.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] *The devolution exercise was initiated on January 1, 2019. The Division de la propriété is now responsible for managing sanitary maintenance contracts. Continue transferring responsibilities. Identify the resources needed to manage tendering and follow-up on sanitary maintenance requests. (Planned completion: December 31, 2019)*

3.1.3. PROCESSING CORRECTIVE MAINTENANCE REQUESTS (ON SITE AND UNDER CONTRACT)

3.1.3.A. BACKGROUND AND FINDINGS

The requests for corrective maintenance concern cases of breakdown, failure or malfunctions in buildings or facilities belonging to the City. When such situations arise, an administrative framework, in effect since September 2016, titled "*Demande de service pour l'entretien des immeubles (centre de contact client 872-1234 ou formulaire intranet) PROCÉDURE*,"¹⁸ specifies the procedures for all service requests to the Direction de la gestion immobilière et de l'exploitation. Thus, according to the established procedure, the representative designated by the occupant of the building must make a telephone call to the customer contact centre¹⁹ (hereinafter called the "Centre d'appels") or fill out an online application (if the intervention is non-urgent), via an intervention request form on the City's Intranet site.

In order to create the request, the requester must provide all the information necessary to determine the nature of the intervention required (e.g., plumbing, electrical, ventilation, heating or cooling), the location (e.g., address or building number) and the possible source of the problem. If the request is forwarded to the Centre d'appels, the officer who receives the call must determine whether or not it is an urgent request. To be considered "Urgent," the administrative framework specifies that the request must meet one of the following three criteria:

- There is a risk to a person's life;
- The integrity of the building is compromised;
- The holding of an important activity is compromised, which could harm the image of the City.

Following the creation of the request of Système intégré de gestion des immeubles (SIGI), an email is sent to the requester confirming that the request has been addressed. Subsequently, a second email will be sent when the request is closed by the responsible maintenance unit. The corrective maintenance requested through these applications can be conducted by the technical teams of the divisions of the Est and Ouest regions or can be conducted by the contractors selected following the awarding of contracts, under the responsibility of the Division à contrat or other SGPI divisions responsible for various maintenance activities (e.g., the Division de la propriété).

The mode of operation to process on-site requests provides that, once the request is created in the SIGI application, it is then switched to another application called SIGI Mobile. From this moment, a work order is generated and automatically sent to the

¹⁸ C-RM-GPI-P-16-001, effective date September 15, 2016.

¹⁹ Reference is made to the telephone line (514-872-1234).

property manager responsible for the building concerned. An email is then sent to this manager to indicate the presence of a request. The manager then redistributes the work orders thus received to his technical team for processing.

The SIGI Mobile application (operational since 2013) is connected to the SIGI application via an interface and allows to process work orders electronically from the tablets and smartphones of the assigned employees. It can also document the work done, add photos and comments as a complement to the work order. Once processed by the assigned employee, the work order is redirected to the building manager (or foreman) who is responsible for approving it. Once the work order is approved in the SIGI Mobile application, the request is reverted to the SIGI application with a status of "Completed."

The mode of operation to process requests under contract is substantially the same as on site with regard in particular to the creation of the request in the SIGI application, the confirmation by email of its undertaking and the transfer of the request to the SIGI Mobile application.

The requests are received by technical agents who are responsible for validating their merits and the nature of the services required to perform the necessary corrective maintenance. When the problem is validated, according to the type of problem to be solved, they transmit the request to the designated successful bidder according to the type of equipment in question and the building concerned. When the work is completed, the successful bidder must contact the Centre d'appels of the SGPI to report it so that the request is closed. Finally, as for the mode of operation on site, an email is sent to the requester to inform him that the request is closed.

From 2015 to 2018, between 25,000 to 30,000 requests per year were sent to SGPI and processed by the various units responsible for the maintenance and operation of the buildings. It should be noted that to handle these requests, SGPI has multidisciplinary teams including, building managers, technical agents, refrigeration specialists, painters, electricians, plumbers and carpenters.

3.1.3.1. GUIDELINES FOR PROCESSING REQUESTS

3.1.3.1.A. BACKGROUND AND FINDINGS

In this context, our audit work included evaluating the extent to which the processing of requests for corrective maintenance work was conducted in accordance with existing frameworks or guidelines. We first identified these guidelines and then examined the processing of requests registered in the SIGI application for the period of January 1 to August 31, 2018. We also reviewed the documentation of interventions from a sample of 24 requests with "Completed" status. It should be noted that of these 24 requests, 12 were under the responsibility of the Division à contrat, 6 under the responsibility of the Division région Est and 6 under the responsibility of the Division région Ouest.

Our audit found that the Division à contrat had two internal directives. One based on the processing of requests²⁰ and the second based on contracts awarded by mutual agreement²¹. The purpose of the request processing directive is to guide technical agents in processing requests in order to move toward a uniform customer approach. We note that this directive does not provide details of the operational functioning of the process, as such, of the request. For example:

- what information must be documented;
- what circumstances justify giving the request the status of deferred;
- At what point in the process is it justified considering the status of the request as "Completed" (after the work has been completed or after receipt of the invoice, if any?).

In terms of the second internal directive referred to in the case of contracts awarded by mutual agreement, it allows to specify the method of awarding the contract according to the estimated level of expenditure relating to the corrective maintenance work to be carried out. According to this directive, technical agents are authorized to award contracts by mutual agreement for expenditures estimated at less than \$8,000. Estimated expenditures between \$8,000 and \$25,000 must be submitted by at least two suppliers.

With respect to the Divisions d'entretien de la région Est et de la région Ouest, based on the information obtained, there are no documented internal directive for the operational procedure for on-site request processing. The only framework to which the managers referred us is the framework addressed to the customers wishing to submit a request, which was mentioned earlier²².

In short, in order to ensure consistent request processing and to obtain reliable and comparable completion times from one administrative unit to another, we believe that it would be judicious for SGPI to develop and to provide everyone with a directive describing the mode of operation recommended by the department to process requests.

RECOMMENDATION

3.1.3.1.B. We recommend that the Service de la gestion et de la planification immobilière develop and disseminate to staff a directive outlining the recommended mode of operation to process corrective maintenance requests, with a view to ensuring uniformity of procedures, increasing the reliability of the management information produced, and fostering customer satisfaction.

²⁰ Titled: "*Règles de bonne pratique – Traitement des requêtes*".

²¹ Titled: "*Règles de bonne pratique – Contrats de gré à gré*."

²² Reference: "*Demandes de service pour l'entretien des immeubles (centre de contact client 872-1234 ou formulaire intranet) PROCÉDURE*," C-RM-GPI-16-001.

BUSINESS UNIT'S RESPONSE

3.1.3.1.B. ***Service de la gestion et de la planification immobilière***

[TRANSLATION] Develop a common guideline for in-house and contracted teams on how to create, document the history of and close a request in the Système intégré de gestion des immeubles.

(Planned completion: December 2019)

3.1.3.2. MEETING TARGET LEAD TIMES FOR REQUEST PROCESSING

3.1.3.2.A. BACKGROUND AND FINDINGS

The SIGI application calculates the processing lead time of requests. In fact, two types of lead times can be calculated. On the one hand, there is the customer lead time, which is calculated from the creation date of the request to the date of closing. On the other hand, there is the property lead time, which excludes the days, for example, required to wait for parts or the periods when the request had to be deferred.

In this regard, it should be noted that the SGPI directorate has set lead times to process corrective maintenance requests. For example, non-urgent (regular) requests must be completed within seven days, whereas requests considered urgent must be completed within four hours. Among other things, our work has been geared toward examining compliance with these lead times.

We extracted the requests recorded in the SIGI application, which was provided by SGPI, and we first established the statistical portrait of the requests received and which had the status "Completed" during the period from January 1 to August 31, 2018, according to the administrative unit responsible for processing, status requests (active, cancelled or completed) and the type of requests (urgent or not urgent). The data is presented in Tables 3 and 4 below. We then calculated the average lead time for requests with completed status (see Table 5).

TABLE 3 – PORTRAIT OF REQUESTS RECEIVED BETWEEN JANUARY 1 AND AUGUST 31, 2018

UNIT RESPONSIBLE FOR PROCESSING	STATUS OF THE REQUEST			
	ACTIVE	CANCELLED	COMPLETED	TOTAL
Contract	382	1,030	6,385	7,797
Région Est	212	512	5,785	6,509
Région Ouest	288	342	5,702	6,332
TOTAL	882	1,884	17,872	20,638

TABLE 4 – TYPE OF REQUESTS RECEIVED AND COMPLETED BETWEEN JANUARY 1 AND AUGUST 31, 2018

UNIT RESPONSIBLE FOR PROCESSING	TYPE OF REQUEST		
	URGENT	NOT URGENT	TOTAL
Contract	507	5,878	6,385
Région Est	416	5,369	5,785
Région Ouest	340	5,362	5,702
TOTAL	1,263	16,609	17,872

TABLE 5 – AVERAGE LEAD TIME OF REQUESTS COMPLETED BETWEEN JANUARY 1 AND AUGUST 31, 2018

TYPE OF REQUEST	TARGET LEAD TIME	NUMBER OF REQUESTS	AVERAGE LEAD TIME	NUMBER OF REQUESTS OUTSIDE OF LEAD TIME	RATE OF REQUESTS COMPLETED OUTSIDE OF LEAD TIME
Not urgent	7 days	16,609	18 days	6,542	39%
Urgent	4 hours	1,263	10 days	1,042	83%
17,872					

The analysis conducted shows that the average lead time for resolving completed requests was 18 days for non-urgent requests and 10 days for urgent requests, whereas target lead times set by management were 7 days for non-urgent requests and 4 hours for urgent requests. We also note that 39% of non-urgent requests were not resolved within the set 7-day target lead time. For urgent requests, this rate reaches 83%, given the target lead time of 4 hours.

To justify these results, it was mentioned to us that some requests are delayed when SGPI is not able to conduct the corrections immediately because, for example, a spare part is not available. In order to evaluate the impact of deferred requests on the rate of unresolved requests within the set lead times, we analyzed the requests that had been deferred using the "*building lead time*." Our work revealed that for these requests, a negligible number of non-urgent requests whose "customer lead time" did not reach the 7-day target had a "*building lead time*" of 7 days or less (57 requests). Therefore, the deferral had little or no impact on the target lead time.

As for the explanation obtained for the so-called "urgent" requests, it was mentioned to us that the SIGI application does not allow to reflect the actual lead times because these requests must sometimes remain active until the complete resolution of the problem, which may include a portion of "urgent" work and a portion of non-urgent work. For example, in the case of a water leak, the repair of the leak is urgent, but the restoration of the walls or floors are not necessarily urgent. This would have the effect of extending the resolution period. That said, the fact remains that the average time for resolving urgent requests is 10 days, which is still greater than the target of 7 days set for non-urgent requests, without taking into consideration that urgent requests do not always require non-urgent restoration work.

Despite the fact that causes negatively impacting completion times were mentioned to us, our review also allowed us to note that some closing dates for requests were modified manually and that this generated zero lead times. That is, the closing date recorded for certain requests was earlier than the date of their creation. In the SIGI application, these negative lead times count for lead times of 0 days. We identified 609 cases, most of which (87%) were requests under the responsibility of the Division à contrat.

These findings show that the closing dates of the requests can be modified in the SIGI application and that in addition, they are incorrect in some cases.

For the corrective maintenance work, we were also told by the Division à contrat manager that a directive had been communicated in 2018 to the contract-awarding firms concerning the closure of requests. The firms were advised to contact the Centre d'appels directly to notify that the work for which they had been mandated was executed, so that the agent could enter the completed status of the request in the SIGI application. This directive would reflect actual intervention times and limit manual data changes in the application (e.g., the closing dates of the requests).

In order to deepen our analysis of turnaround times for corrective maintenance, we examined more specifically our sample of 24 requests with "Completed" status and reviewed work orders and invoices where applicable (see Table 6).

TABLE 6 – MEETING TARGET LEAD TIMES FOR THE 24 SELECTED REQUESTS WITH “COMPLETED” STATUS

RESPECT OF TARGET LEAD TIMES	UNIT RESPONSIBLE FOR REQUESTS		
	RÉGIONS EST AND OUEST	CONTRACT	TOTAL
Yes	5	4	9
No	5	4	9
Not determined	2	4	6
TOTAL	12	12	24

LEAD TIMES NOT RESPECTED

According to the information recorded in the SIGI application, three out of the four requests in the Division à contrat met the lead times since they were lead times of less than one day. However, upon examining the supporting documents obtained with regard to these requests (the invoice and/or the work order), we observed actual lead times of 42, 105 and 110 days. We also noted that for requests under the responsibility of this division, the practice often consisted in closing a request as soon as the successful bidder had been informed to carry out the required work. This practice obviously distorts the real turnaround time of the request in addition to not allowing the technical agents to adequately track the undertaking of the request since it is closed in the SIGI application before being processed.

LEAD TIMES NOT DETERMINED

Secondly, our analysis did not allow us to corroborate the actual lead time of six requests. For those in the Est and Ouest regions, these are two requests that were closed in less than 30 minutes, but no intervention time was recorded in the work order. Moreover, in both cases, a second request was made for the same building and the same problem in the two weeks that followed. This suggests to us that the request could be closed without any intervention being carried out. However, in one of the two cases, it is recorded in the SIGI Mobile application that the work was executed. As for the four of the six requests which fall under the responsibility of the Division à contrat, in all cases, the requests were closed after the successful bidder was advised to carry out the work, combined with the fact that we were unable to corroborate the actual lead time by an external source such as the supplier's invoice or work order. These findings confirm the existence of the practice we observed in the analysis of the global database and for which the requests had a zero lead time or were completed in a short period of time. However, we are not able to accurately determine the proportion of requests whose closing dates were changed, and to what extent this has had an impact on the calculation of average request turnaround times.

RECOMMENDATION

- 3.1.3.2.B.** We recommend that the Service de la gestion et de la planification immobilière take the necessary measures to strengthen the controls surrounding the closing of requests in the computer application used in order to obtain reliable management information for the evaluation of operational performance.

BUSINESS UNIT'S RESPONSE

- 3.1.3.2.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] Finalize the implementation of the building maintenance mobile application, corrective component. The mobile application will make it easier to document and control operations.

Analyze request wait times. The new dashboard produced in conjunction with the Service de la performance organisationnelle provides indicators on new and closed work orders, workload backlog, and age of work orders. Data extracted to populate the management dashboard will be validated.

Adjust the dashboard according to the above analysis.

Follow-up on open requests on a monthly basis. 2019 targets for this purpose are already set for Direction de la gestion immobilière et de l'exploitation executives. (Planned completion: December 2019)

3.1.3.3. DOCUMENTATION OF CONDUCTED CORRECTIVE MAINTENANCE INTERVENTIONS

3.1.3.3.A. BACKGROUND AND FINDINGS

As part of the analysis of our sample of 24 requests, we sought to assess the extent to which the intervention time (the duration) spent processing the request and the description of the work done to resolve the reported issues were documented in the SIGI application.

First, with regard to the corrective maintenance conducted on site by the Divisions de la région Est and the région Ouest, we found that for 5 of the 12 selected requests, there was no time data recorded in the SIGI application. For 2 of these 5 requests, we found that they were undertaken remotely (in remote management), which explains the absence of time. As for the other 3 requests, there was no evidence to justify this information.

In order to obtain an overall picture of the situation, we then examined the entire database of requests received and completed on site between January 1 and August 31, 2018. A total of 11,487 requests that met these criteria were counted. Of these 11,487 requests, we recorded 2,488 requests for which no intervention time data was entered in the SIGI application (22%). As previously mentioned, in certain situations in particular, when the request does not require on-site intervention (e.g., the correction provided by remote management), it is normal that there is no time recorded in work order. However, we are unable to confirm that the absence of time on the work order is justified in all cases.

Considering that the analysis of the time devoted to processing requests in relation to the time spent on PEP maintenance is undoubtedly a key performance indicator, we are of the opinion that there should be closer monitoring so that the information concerning the intervention time is systematically recorded in the SIGI application. In fact, SGPI's 2016-2019 strategic plan mentions that one of the targets is to increase the proportion of scheduled maintenance work performed compared to corrective maintenance. Moreover, for requests that have not generated on-site work (no intervention time), justifications should be recorded in the SIGI application (or in the SIGI Mobile application).

We observed a summary description of the work conducted in only one request processed on site among the 12 in our sample. However, for 10 of the 12 requests, the wording is always the same, "*The work is executed,*" without further details as to the nature of the work done. In 1 case out of 12, the request was closed with no information to this effect recorded.

Finally, with respect to the duration of the intervention and the nature of the work performed in relation to the requests reviewed under the Division à contrat, we found that while suppliers generally document this information on the invoices or work orders sent to SGPI, they are never recorded in the SIGI application. We are aware that interventions by external firms are not always invoiced on an individual basis because of the nature of some maintenance contracts awarded by SGPI (e.g., "turnkey"-type maintenance²³). However, this does not prevent a work order from being sent to SGPI, at least to inform it of the nature of the work done.

In a context where an increasing number of buildings are being maintained by external firms, we believe that the SIGI application should be used more rigorously to enter information in order to, on the one hand, monitor the actual completion of the work related to the requests received (e.g., the description of the work done, the date of completion of the work, the number of hours invoiced, the cost of the work invoiced), and on the other hand, to have a more complete database with regard to the repairs carried out historically within a building.

²³ A "turnkey" contract for the City is a guaranteed service contract, if a breakdown occurs, parts and labour are covered 100% (no cost to the City).

RECOMMENDATION

3.1.3.3.B. We recommend that the Service de la gestion et de la planification immobilière take whatever steps it deems appropriate to ensure that all information related to the processed requests is recorded in the *Système intégré de gestion des immeubles*, with a view to promoting better operations and to having a complete history of the work done on a building.

BUSINESS UNIT'S RESPONSE

3.1.3.3.B. *Service de la gestion et de la planification immobilière*
 [TRANSLATION] training on the guideline described in recommendation 3.1.3.1.B. (foremen, building managers, group leaders, technical agents).
Training on the guideline described in recommendation 3.1.3.1.B. (Centre d'appels team). (Planned completion: April 2020)

3.1.3.4. MONITORING MECHANISMS OF REQUEST PROCESSING

3.1.3.4.A. BACKGROUND AND FINDINGS

As part of our work, we also sought to identify the supervisory mechanisms implemented by the managers responsible to ensure the status of the corrective maintenance requests received, whether they are, for example, not yet taken undertaken, in progress, or deferred and to assess the extent to which these mechanisms were applied.

According to the information obtained from the managers interviewed, the main mechanism implemented is a dashboard that is updated every month. This dashboard, according to the version that was in effect in August 2018, concerning the corrective maintenance (on site and under contract), presents the following statistical results:

- Average completion times;
- Number of new and closed work orders;
- Number of work orders waiting to be processed (status “in progress”);
- Age of work orders waiting to be processed.

We recognize that these are relevant performance indicators. However, in light of the findings we previously reported, particularly with regard to the existence of incorrect data affecting the results to calculate the processing times of the requests (e.g., manual modifications of the closing dates of the requests resulting in zero or abnormally short lead

times, requests systematically closed before being processed), we question the reliability of the data recorded in the SIGI application and the risks of skewing the management reports or the dashboards produced.

Although employees can be met individually, however, we have not obtained the proof of spot checks to examine the workload assigned to the various caseworkers. In our opinion, this monitoring would identify situations that deserve to be questioned (e.g., the large number of unaddressed or deferred requests, abnormally long or too short processing times). Also, considering that the inappropriate processing of requests could impact the satisfaction of the customers and ultimately the image of the City, such a monitoring is deemed essential. It would ensure that requests are promptly and adequately addressed, in accordance with the directives issued regarding the processing time and the mode of operation recommended by the department.

RECOMMENDATION

- 3.1.3.4.B. We recommend that the Service de la gestion et de la planification immobilière establish the necessary monitoring mechanisms with regard to issues that may arise from the analysis of the dashboard, with a view to ensuring prompt undertaking and processing in accordance with the guidelines, thereby promoting customer satisfaction.**

BUSINESS UNIT'S RESPONSE

- 3.1.3.4.B. *Service de la gestion et de la planification immobilière***
[TRANSLATION] Implement monthly monitoring of open requests by unit. 2019 targets for this purpose are already set for Direction de la gestion immobilière et de l'exploitation executives.
Perform a monthly dashboard review at Direction de la gestion immobilière et de l'exploitation management committee meetings. The new dashboard developed in conjunction with the Service de la performance organisationnelle provides indicators on new and closed work orders, workload backlog, age of work orders, average completion time, time spent on planned maintenance, completion rate of planned maintenance programs, financial monitoring of minor maintenance work, attendance indicators and occupational health and safety. Data extracted to populate the management dashboard will be validated. (Planned completion: December 2019)

3.2. COST-BENEFIT ANALYSIS OF THE MAINTENANCE OPERATIONS MANAGEMENT (ON SITE VERSUS UNDER CONTRACT)

3.2.A. BACKGROUND AND FINDINGS

As mentioned before, as part of the restructuring undertaken within SGPI, two situations have increased the number of buildings maintained by the Division à contrat from 2017 to 2018. On the one hand, SGPI undertook the repatriation of the property management of several central department buildings and, on the other hand, a batch of approximately 70 buildings, which were maintained by the maintenance divisions (région Est and the région Ouest), was transferred to the Division à contrat. The Division à contrat maintained a total of 130 buildings before September 1, 2017, and approximately 420 buildings by the end of 2018; an increase around 220%. This situation obviously affected the workload. The number of contracts to be awarded has increased. Moreover, the information obtained reveals that the number of person-years in this division has almost doubled.

In order to know the support underlying the decision taken to increase the management of maintenance operations through the awarding of contracts rather than on-site management, we sought cost-benefit analyses performed by SGPI. However, the information obtained from the managers interviewed revealed that no extensive analysis had been carried out in order to evaluate the possible scenarios. It was mentioned that a cost-benefit analysis had not been performed because the hourly rates for skilled trades (by decree) invoiced by contracting firms were comparable to the hourly rate of the City's specialized employees (blue collar).

In our opinion, the management of maintenance operations on site or under contract may be influenced by many factors to be considered, the single comparison of an hourly rate may not be sufficient to justify the economic decision made. We are aware that the implementation of the Plan quinquennal de la main-d'œuvre²⁴ may have contributed to complicating on-site maintenance given the lack of personnel and thus pressuring recourse to private industry. Nevertheless, such an analysis could have taken into consideration, for example, the following points:

- The evaluation of the number of resources that would have been required on site to achieve all PEPs and corrective maintenance and estimate the cost;
- The increase of the internal workload and the costs associated with administrative and operational support (e.g., validation of invoices and work orders, payment and billing of invoices, compliance with contractual clauses) involved in the use of external firms.

We do not question the decision made by SGPI; however, we deplore that a decision of such importance, which involves the use of public funds, has not been supported by an analysis showing that all options were considered and that the operational choices

²⁴ The Plan quinquennal de la main-d'œuvre was a measure to reduce the number of employees and the City's payroll, and to eliminate one out of two vacant positions.

were the most appropriate in the circumstances. Having failed to find proof of such an approach on the part of the department, it was difficult to fully understand and evaluate that all decision-making aspects had been taken into account. As a result, as part of the reorganization undertaken within SGPI, it is more difficult for SGPI to demonstrate that the decision taken is an optimal solution given the budgets available to accomplish its mission.

In conclusion, because the reorganization of operations (e.g., the repatriation within SGPI of the management of the maintenance of several buildings, the transfer of maintenance from on site to under contract) has been effective for a year now, we believe that the business model chosen should be re-evaluated after a short period of time. Given the assessment of the workload and the results, it may be necessary to make the adjustments deemed appropriate to adequately meet the needs of the organization in terms of building maintenance and expectations of the customers.

RECOMMENDATION

- 3.2.B. We recommend that the Service de la gestion et de la planification immobilière review the strategy adopted in light of maintenance results (on site and under contract) when the model is fully operational in order to ensure that it meets the expectations of the customers and the organization.**

BUSINESS UNIT'S RESPONSE

- 3.2.B. *Service de la gestion et de la planification immobilière***
[TRANSLATION] Comprehensive cost analyses performed by the Service de la performance organisationnelle since 2015 have shown adverse deviations for 8 activities ranging from 26% to 217%. These adverse deviations are due to various factors other than overtime, such as employee benefits, vacation, and more paid sick days for in-house employees.

Comprehensive cost comparisons for both in-house and contracted maintenance will be performed in conjunction with the Service de la performance organisationnelle when the model is fully operational at the beginning of 2020. The recommendations resulting from these analyses could be incorporated in budget preparation in December 2020.

(Planned completion: December 2020)

3.3. ASSESSMENT OF CUSTOMER SATISFACTION

3.3.A. BACKGROUND AND FINDINGS

The assessment of customer satisfaction, with regard to the performance of the various processes inherent to building maintenance management, involves the implementation of measurement tools to determine and understand the causes of any dissatisfaction and then bringing the appropriate corrective measures.

We were informed that, in 2016, SGPI commissioned a survey from an external firm to evaluate the satisfaction of the various services rendered to its customers, including the general maintenance of the buildings. The examination of the survey results highlights the following main findings:

- Customers do not know the services of SGPI very well;
- Overall satisfaction rates are very low for all services offered. In particular, building maintenance is one of the services with the lowest satisfaction rates;
- The execution of the work is particularly problematic (access to the representative, monitoring, speed);
- More than half (52%) of customers consider themselves not sufficiently informed.

The review of budget documents produced by SGPI from 2017 to 2019, however, allows us to observe that customer satisfaction is one of the main objectives to be achieved. In the course of our work, we have seen the efforts made to this end. In particular, among the achievements and to name only a few, we find:

- the reorganization of the management mode of maintenance activities through the creation of building manager positions dedicated to the maintenance management of each of the nine boroughs from the former Ville de Montréal. So, a single point of contact to better understand the needs of the customers;
- the deployment in early 2018 of the Centre d'appels accessible at all times.

Specifically with regard to the assessment of customer satisfaction, the information obtained from the division heads we met reveals that a functionality integrated into the SIGI application allows requesters to be sent an email for the satisfaction of the services rendered to the customer following the processing of a service request. We found that this mechanism was used for corrective maintenance done on site or under contract. The email sent contained only one statement, "*We are satisfied with the maintenance work done*" to which the requesters were asked to respond by selecting one of the following: "Strongly agree," "Agree," "Disagree" or "Strongly disagree." Requesters did not have the opportunity to enter comments to justify their degree of satisfaction. As of December 2017, however, the systematic transmission of this email was interrupted because the response rate was insignificant.

In 2018, the Division des services administratifs team within the Direction du bureau de projet et des services administratifs worked on developing a new satisfaction questionnaire to be launched by the end of January 2019. We were informed that the transmission of this questionnaire would follow the same path as before (an email sent via the SIGI application as soon as the request was closed) and that it would take the form of a series of three questions. This questionnaire will take into account the overall assessment of the request processing and will allow the requesters' comments to be collected. The questions are:

- *How would you describe your experience with the SGPI Centre d'appels?*
- *How would you rate the quality of the service provided at the location in question?*
- *How would you define your satisfaction for the speed of execution of the service after submitting your request?*

In short, considering the reasons given for abandoning the previous satisfaction questionnaire, we believe that it may be appropriate to establish a mechanism to obtain a greater response rate. For example, reminders could be scheduled or a memorandum could be sent to SGPI customers to emphasize the importance of responding to the survey in order to identify potential sources of improvement.

RECOMMENDATION

- 3.3.B.** **We recommend that the Service de la gestion et de la planification immobilière incorporate a mechanism for greater response rates into the customer satisfaction assessment process in order to gather enough information and identify potential sources of improvement.**

BUSINESS UNIT'S RESPONSE

- 3.3.B.** **Service de la gestion et de la planification immobilière**
 [TRANSLATION] Review best client survey practices.
(Planned completion: December 2019)

With regard to the sanitary maintenance of buildings under the Direction de l'optimisation, de la sécurité et de la propreté (Division de la propreté), since January 2018, we agree that requests for this activity will be covered by the new survey developed, since many of them could have been submitted through the SIGI application. In addition, other comments or complaints may also be made directly to the Division de la propreté. At the time of our audit, we noted that no specific measures had been planned to determine the overall customer satisfaction with this activity. In the interest of improving the way we do things, we believe that such an initiative would be very relevant.

RECOMMENDATION

- 3.3.C.** We recommend that the Service de la gestion et de la planification immobilière make the necessary arrangements to ascertain the overall customer satisfaction with respect to the sanitary maintenance of the buildings under their responsibility, so as to guide, if necessary, decisions regarding the corrective measures to be put forward.

BUSINESS UNIT'S RESPONSE

- 3.3.C.** ***Service de la gestion et de la planification immobilière***
*[TRANSLATION] Review best client survey practices.
 (Planned completion: December 31, 2019)*

3.4. ACCOUNTABILITY

3.4.A. BACKGROUND AND FINDINGS

Accountability is based on the obligation to prove, review and take responsibility for performance, both the results achieved in the light of agreed expectations and the means used.

Various accountability mechanisms have been implemented to monitor the management of operations. On the one hand, the information obtained from the managers we met shows that accountability is exercised through regular statutory meetings with management. Performance targets are set for executives, and feedback meetings are scheduled each semester to evaluate the progress of the results. These processes are implemented, both for the Direction de la gestion immobilière et de l'exploitation for the technical maintenance of buildings, and for the Direction de l'optimisation, de la sécurité et de la propriété, which is responsible for sanitary maintenance activities.

On the other hand, the Direction de la gestion immobilière et de l'exploitation has a dashboard, which is produced monthly. According to the information obtained, this dashboard is examined and discussed on a monthly basis at management committee meetings. The source data is obtained from the SIGI application. We note that several performance indicators are presented including, among others, those presented in Table 7 below for planned and corrective maintenance. Expected targets and comparative data are presented. In addition, there are other aspects such as the distribution of the number of structures (buildings and other facilities to be maintained) under the responsibility of each division (région Est, région Ouest and à contrat), the number of employees according to the trade, as well as work attendance data.

**TABLE 7 – EXCERPT FROM THE DASHBOARD PERFORMANCE INDICATORS
DIRECTION DE LA GESTION IMMOBILIÈRE ET DE L'EXPLOITATION**

Maintenance Activities	Performance Indicators	Information Presented – Work on Site	Information Presented – Work under Contract
Planned Maintenance	<ul style="list-style-type: none"> Proportion of time spent on planned maintenance by skilled trades versus corrective maintenance. Completion rate of PEPs. 	YES	NO
Corrective Maintenance	<ul style="list-style-type: none"> Average completion times. Number of work orders opened and closed during the period. Number of work orders waiting to be processed. Age of work orders not yet processed. 	YES	YES

In our opinion, the development of such a dashboard represents a very relevant management tool. Unfortunately, we found that there is no data on planned maintenance performed under contract by external firms. As mentioned earlier in this report (see Section 3.1.1), the Direction de la gestion immobilière et de l'exploitation has not established any mechanism to assess the extent to which the planned maintenance assigned to external firms is completed (the completion rate of PEPs under contract is unknown). The absence of data does prevent the department's management from obtaining a complete picture of the actual performance of all maintenance activities under the responsibility of the Direction de la gestion immobilière et de l'exploitation.

In addition, our work on the processing of corrective maintenance requests (in Section 3.1.3.) revealed discrepancies with respect to the reliability of the information recorded in the SIGI application, particularly with respect to intervention lead times. As a result, the results on the dashboard may not match reality and, in some ways, may reduce the usefulness of the tool. However, it is understood that the reliability of the information underlying the management reports produced for the purposes of accountability is based primarily on the existence and effectiveness of the control systems and procedures in place.

With regard to the performance evaluation of sanitary maintenance activities under the Direction de l'optimisation, de la sécurité et de la propreté, the information obtained reveals that no such dashboards have been developed. In our opinion, the nature of the performance indicators relevant to monitoring the progress of this activity should be determined in light of the objectives, and a periodically produced dashboard should be implemented to show the results obtained.

RECOMMENDATION

3.4.B. We recommend that the Service de la gestion et de la planification immobilière identify the objectives and performance indicators relevant to the monitoring of sanitary maintenance and planned contract maintenance activities, and implement a dashboard in order to periodically evaluate the results obtained in relation to the expected performance.

BUSINESS UNIT'S RESPONSE

3.4.B. ***Service de la gestion et de la planification immobilière***
[TRANSLATION] Sanitary maintenance:
Develop a dashboard. Identify indicators to measure contract monitoring and our clients' level of satisfaction.
(Planned completion: December 31, 2019)
Planned contract maintenance:
Incorporate the results obtained in 3.1.1.A. on the Direction de la gestion immobilière et de l'exploitation's new dashboard prepared in conjunction with the Service de la performance organisationnelle, which already includes scheduled in-house maintenance indicators.
(Planned completion: December 2019)

In a different vein, it should be noted that the Direction de la gestion immobilière et de l'exploitation provides the technical maintenance service (planned and corrective) of the central departments' buildings. It also offers this service to the nine boroughs of the former Ville de Montréal, under a service agreement concluded under Section 85²⁵ of the Charter. However, SGPI, regardless of the direction in question, does not offer sanitary maintenance services to the 19 boroughs of the City, which are all entirely autonomous.

SGPI produces, for the nine boroughs to which it offers its technical maintenance services, annual reports²⁶ on the evaluation of the condition of certain building components (maintained on site or under contract). We confirm that such reports are produced with regards to mobile doors, roofs, heating equipment²⁷ and plumbing equipment²⁸. It should be noted that the investment budgets for the three-year capital expenditures program fall under

²⁵ Section 85 of the Charter provides that 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.

²⁶ The last balance sheets sent to the boroughs in 2018 are those for 2017.

²⁷ These include boilers, domestic water heaters, pool heaters, radiant heaters and fan heaters.

²⁸ Applies to filtered and effluent streams in water bodies (e.g., indoor and outdoor pools, and wading pools).

the boroughs and not SGPI. These balance sheets are useful for boroughs to better assess and prioritize the required investments.

Also, in 2017 and 2018, we obtained proof of annual meetings conducted by the head of the Division région Est with five²⁹ of the nine boroughs from the former Ville de Montréal under his responsibility. During these meetings, the boroughs concerned were, among other things, informed on topics such as the mission, the vision and the roles and responsibilities of SGPI, the mode of operation of building maintenance, the balance sheet of corrective maintenance requests (e.g., number of requests per family of activity (plumbing, electrical) and per building), required maintenance work (e.g., replacement or refurbishment of equipment). The managers interviewed confirm that no particular accountability has been provided for the performance of PEPs. With respect to the Division région Ouest and the Division à contrat, it appears that no formal reporting mechanism has been established to periodically inform the boroughs of the nature or progress of the technical maintenance performed by SGPI with regard to the buildings under their responsibility. We agree that the changes to the organizational structure, including the creation of building manager positions, who are responsible for managing multi-disciplinary teams, will have allowed to establish local customer service and a better understanding of the maintenance requirements for each of the buildings. Nevertheless, we believe that it would be judicious to take the necessary steps to reach an agreement with all the nine boroughs, under the responsibility of SGPI, on the management information they wish to receive periodically in relation to the maintenance conducted or planned in the buildings under their jurisdiction. This information could for example relate to:

- implementation rate of PEPs;
- problems encountered, the number of active requests;
- use of components and investments to be made.

RECOMMENDATION

3.4.C. We recommend that the Service de la gestion et de la planification immobilière make the necessary arrangements, in consultation with the boroughs concerned, to establish appropriate accountability mechanisms to inform the boroughs of the nature and progress of the maintenance conducted or planned in the buildings under their jurisdiction.

²⁹ These boroughs are: Ahuntsic-Cartierville, Mercier-Hochelaga-Maisonneuve, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie et Villeray–Saint-Michel–Parc-Extension.

BUSINESS UNIT'S RESPONSE

3.4.C.

Service de la gestion et de la planification immobilière

[TRANSLATION] Initiate annual meetings with each borough. The meetings began on March 26, 2019. (Planned completion: June 2019)

Present the management indicators related to the number of requests and the system status reports from the planned maintenance programs. (Planned completion: December 2019)

Confirm the Service de la gestion et de la planification immobilière's service offering to the boroughs. (Planned completion: September 2019)

4. CONCLUSION

The property inventory is an important asset for the City. The buildings that make it up are used to provide a multitude of services to citizens and, in this sense, they are occupied by a large number of people every day. For buildings under its jurisdiction, the Service de la gestion et de la planification immobilière (SGPI) is, among other things, responsible to ensure that they receive the necessary maintenance in order to provide users with a healthy and safe environment, while allowing the Ville de Montréal (the City) to ensure the longevity of its buildings and maintain their value on the market.

For several years, the City's buildings have been underfunded by the maintenance budgets required to maintain their state and functionality. Efforts have been made to correct the situation by injecting additional budgets. Nevertheless, in 2018 and 2019, we find that the ratio of the maintenance budget granted to the replacement value of the property inventory (1.26% and 1.31% respectively) is still below the recommended threshold (2%) according to industry practices.

In 2017, SGPI undertook a major shift by consolidating real estate activities, which became effective as of January 1, 2018. As part of this project, several buildings, which were maintained by various central departments, were repatriated under the responsibility of SGPI. A batch of about 70 buildings was also targeted for maintenance through private firms rather than being maintained on site. As a result, the Division à contrat, which is responsible for the maintenance entrusted to external firms, has seen its workload increase by 220% from 2017 to 2018.

In the wake of the SGPI reorganization, a new organizational structure and a new operational model have been introduced with the goal of enhancing the performance and the level of customer satisfaction. In particular, we have created: property manager positions dedicated to the maintenance management of specific building batches (a single contact), a Division de la propriété responsible for the sanitary maintenance of buildings, and a Centre d'appels available 24/7.

In a context where limited resources are available and responsible managers must contend with the effects of programs such as the Plan quinquennal de la main-d'œuvre, we can agree that achieving the objectives was a great challenge. Under the circumstances, in our opinion, it had become essential to re-evaluate the methods and to quickly establish appropriate control mechanisms for the operational management to be optimal and economically profitable for the City.

Our audit work has highlighted a number of observations that allow us to conclude that SGPI must tighten the controls surrounding the management of the maintenance conducted within the buildings under its responsibility. In particular:

- several relevant contractual clauses, which would have enabled SGPI to monitor the services rendered by the external firms mandated with respect to the technical maintenance of the Programmes d'entretien planifiés (PEP) and the sanitary maintenance, were not applied by SGPI or respected by the firms;

- we did not always obtain documented proof that the planned maintenance assigned to external firms has been completed as planned;
- SGPI is in no position to know the rate of implementation of contracted PEPs since no documented control mechanism has been specifically established internally to ensure this follow-up. Thus, no objective or performance indicator appears on the dashboard;
- the average lead time for resolving urgent and non-urgent requests for corrective maintenance is respectively 10 and 18 days, while the target lead time set by the service management is 4 hours and 7 days;
- the absence of formal directives and monitoring mechanisms for the processing of corrective maintenance requests by designated staff results in the use of non-uniform and sometimes debatable methods (e.g., closing a request prior to the execution of the work), which impacts the reliability of the data recorded in the Système intégré de gestion des immeubles;
- significant decisions have been made at the operational level without a first performing comprehensive cost-benefit analysis;
- the degree of customer satisfaction with the sanitary maintenance of buildings is not specifically measured to identify potential sources of improvements. Moreover, objectives and performance indicators for this activity are yet to be established;
- a formal accountability process is not fully implemented to periodically inform the boroughs of the nature and progress of the maintenance conducted by SGPI with regard to the buildings under their jurisdiction.

Under the circumstances and for the sake of improving the performance of operations, we believe that SGPI must take steps to, among other things:

- know the impact of the chronic underfunding of the budgets required for building maintenance;
- evaluate the performance of operations with respect to the completion of planned and corrective maintenance conducted on site and under contract, given the increased workload.

Ensure that, ultimately, all these analyses enable SGPI to reassess its strategy as to the business model to recommend in order to ensure the maintenance of the buildings under its responsibility and the satisfaction of the customers.

5. APPENDIX

5.1. OBJECTIVES AND EVALUATION CRITERIA

OBJECTIVES

Ensure that the buildings of the Ville de Montréal are subject to planned maintenance and effective corrective maintenance in accordance with the strategy established by the Service de la gestion et de la planification immobilière. In addition, ensure that sanitary maintenance management is carried out according to good practices.

EVALUATION CRITERIA

- The planned contract maintenance of buildings is structured and monitored.
- The corrective maintenance management (on site or contract) is carried out in accordance with existing frameworks.
- A cost-benefit study supports decisions made for the management of maintenance operations.
- Sanitary maintenance is planned, executed and followed up according to the established frameworks.
- Accountability mechanisms are in place to measure the achievement of results and the level of satisfaction of requesters.



4.7. **MANAGEMENT OF THE INCLUSION OF AFFORDABLE HOUSING**

MARCH 19, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Ensure that the current *Strategy for the Inclusion of Affordable Housing (City Strategy)* and the related local strategies are applied, in order to achieve the objectives established by the authorities.

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 *City Strategy* was adopted in 2005 and modified in 2015 by the executive committee. Since 2012, eight boroughs have also adopted local strategies for the inclusion of affordable housing. In 2018, the municipal administration announced its *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units*. Based on our work, we believe that improvements should be made considering the following key issues:

- The local strategies are different from the *City Strategy*, especially in terms of the type of projects, the application thresholds, the contribution rates for social housing and affordable private housing and the financial contribution rates, which creates confusion for the promoters;
- Co-operation agreements have been concluded between the Direction de l'habitation and just seven boroughs;
- Construction projects subject to the *City Strategy* were not communicated promptly enough to the Direction de l'habitation for it to negotiate and come to agreements with the promoters concerning the inclusion of affordable housing and the guarantee clauses required to secure the target land;
- For some construction projects subject to the *City Strategy*, regulatory amendments were granted by one of the three boroughs audited before receiving confirmation of an agreement to include affordable housing signed by the promoter and the required guarantees;
- The process of obtaining financial guarantees for the inclusion of affordable housing does not always protect the Ville de Montréal when promoters fail to uphold their commitments;
- A small proportion of the financial contributions paid into the Contribution Fund since 2012, has been used;
- A full report demonstrating the real results of the *City Strategy* and the local strategies since their adoption has not been carried out, and no accountability mechanisms have been put in place for the *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units* for the actual creation of affordable housing, in order to allow informed decisions to be made.

TABLE OF CONTENTS

1. BACKGROUND	285
2. PURPOSE AND SCOPE OF THE AUDIT	288
3. AUDIT RESULTS	289
3.1. Communication of the <i>Strategy for the Inclusion of Affordable Housing</i> and the Local Strategies	289
3.2. Negotiation and Signature of Affordable Housing Inclusion Agreements	297
3.2.1. <i>Strategy for the Inclusion of Affordable Housing</i>	297
3.2.2. Local Strategy	308
3.2.3. Inclusion Agreement Tracking File	314
3.3. Monitoring of Affordable Housing Inclusion Agreements	315
3.3.1. <i>Strategy for the Inclusion of Affordable Housing (City Strategy)</i>	315
3.3.2 Local Strategy	320
3.4. Contribution Fund for the Inclusion of Affordable Housing in New Residential Projects	320
3.5. Accountability	327
4. CONCLUSION	330
5. APPENDICES	332
5.1. Objective and Evaluation Criteria	332
5.2. Comparison of the <i>Strategy for the Inclusion of Affordable Housing</i> with the Local Inclusion Strategies for the Mercier–Hochelaga-Maisonneuve and Le Sud-Ouest Boroughs	333



LIST OF ACRONYMS

SCAOPI

specific construction, alteration
or occupancy

4.7. | MANAGEMENT OF THE INCLUSION OF AFFORDABLE HOUSING

1. BACKGROUND

In 2005, to implement the Ville de Montréal (the City) affordable housing and inclusion objectives announced in the Montréal Master Plan¹, the executive committee adopted the *Strategy for the Inclusion of Affordable Housing*² (*City Strategy*), which sought to promote:

- social diversity, by encouraging the development of a diverse range of housing in large residential construction sites, to meet the needs of households in different income brackets;
- support for the production of affordable housing, by facilitating the construction of social and community housing and stimulating the construction of affordable properties.

The strategy entailed over two dozen actions, divided into seven lines of intervention.³ The objective was to include 15% social and community housing⁴ and 15% affordable private housing⁵ in residential projects of 200 dwellings or more requiring major regulatory amendments. The strategy's goal was for the social and community housing and affordable private housing to be included within the site of the residential project, by preference. It is important to note that the legal context at the time did not allow for inclusion to be required by regulatory means, so an incentive approach was adopted.

Because of the complexity of certain development projects and their incompatibility with the inclusion of social and community housing and affordable private housing, the coordinators agreed to accept a financial contribution from promoters for the social and community housing component (15%) as one way to comply with the strategy. In March 2012, the executive committee created a Contribution Fund for the Inclusion of Affordable Housing in new residential projects. This fund was created as a transitional measure while awaiting the adoption of a by-law that would be put forward under new powers that were to be conferred on the municipalities allowing them to require inclusion on the part of promoters.

Since some boroughs had adopted strategies or local practices that differed from the *City Strategy*, resulting in certain challenges, the executive committee amended the *City Strategy* in December 2015. The strategy's objectives remained unchanged: 15% for

¹ The Montreal Master Plan was adopted by the city council on November 23, 2004.

² Affordable housing: includes social and community housing as well as affordable private housing.

³ Seven lines of intervention: (1) Optimize housing subsidy programs; (2) Make use of municipal land; (3) Build support among large public landowners; (4) Exploit the full potential of regulatory and planning tools; (5) Adapt the City's services; (6) Pursue research, development and communications activities; (7) Monitor the strategy.

⁴ Social and community housing is a form of affordable housing related to two government programs (AccèsLogis and Logement abordable Québec – social and community component) through projects led by housing cooperatives, City-controlled corporations and not-for-profit organizations. It targets very low- and low-income households (less than \$35,000).

Source: *Strategy for the Inclusion of Affordable Housing*, adopted in 2005.

⁵ Affordable private housing: The rent or monthly mortgage (including property taxes and heating costs) does not exceed a given household's capacity to pay, that is 30% of its gross monthly income. It targets modest-income families (between \$35,000 and approximately \$55,000). Source: *Strategy for the Inclusion of Affordable Housing*, adopted in 2005.

social and community housing and 15% for affordable private housing. The amendments included a new application threshold, targeting residential projects of 100 units or more. The financial contribution rate paid to the Contribution Fund was also increased to 20% when it was neither desirable nor appropriate to include social or community housing either on- or off-site.

Since 2012, some boroughs⁶ have approved local affordable housing inclusion policies and others have amended their local strategies. Local practices still differ from the *City Strategy* as amended by the executive committee. Despite everything, according to the data provided by the Direction de l'habitation, since its adoption in 2005, the *City Strategy* has generated a potential of 6,291 social housing units, 5,710 affordable private housing units and contributions of \$19.8 million (as of November 16, 2018). These numbers are drawn from commitments made by the promoters under the "incentive" strategy.

On December 8, 2016, the Government of Quebec and the City signed a framework agreement called the "*Montreal Reflex Framework Agreement on their respective commitments arising from the recognition of the special status of the metropolis*". Under this agreement, the Société d'habitation du Québec transferred the responsibilities and budgets for housing development to the City, so it could pursue and enhance its interventions, especially with regard to the development of social and community housing. The first action to be implemented was an overhaul of the AccèsLogis Québec program, to make it an assistance program for the construction of cooperative and not-for-profit housing better suited to the City's situation.

In June 2017, the Government of Quebec also adopted an amendment to the *Act respecting land use planning and development*⁷ allowing municipalities, if their urban plan provided for this option, to subject residential construction permits to the signature of an agreement on the social, affordable and family housing supply. The City is currently developing a draft by-law on the inclusion of affordable, social and family housing and an amendment of its Master Plan to add related policies. The by-law will be mandatory and it will apply more broadly than the *City Strategy* currently in effect, as it will apply to all residential construction permits⁸. The inclusion of affordable housing in a residential project may be replaced by a payment in cash or the transfer of a property to the municipality for an affordable, social or family housing program. Based on the time line announced by the Direction de l'habitation, the amendment of the Master Plan and the by-law should be adopted by the city council by the end of 2019.

⁶ The boroughs of Ahuntsic–Cartierville, Mercier–Hochelaga-Maisonneuve, Lachine, Le Plateau-Mont-Royal, Rosemont–La Petite-Patrie, Le Sud-Ouest, Verdun and Villeray–Saint-Michel–Parc-Extension.

⁷ Through Bill 122 – An Act mainly to recognize that municipalities are local governments and to increase their autonomy and powers.

⁸ Including full rights projects: projects in compliance with applicable urban planning by-laws (e.g., zoning, construction, subdivision) and that do not require an exception or additional approval under a discretionary urban planning by-law.

On December 14, 2017, the urban agglomeration council adopted the *By-law amending the By-law concerning subsidies for the development of non-profit cooperative housing (new program)* (02-102), bringing in an AccèsLogis Québec program adapted to suit the agglomeration's territory. This program became the new AccèsLogis Montréal program⁹.

For the City, these recent housing interventions should contribute to the implementation of several municipal policies and action plans, including the *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units*. To achieve this goal, the *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units* provides for a set of measures that include the continuation of the current *City Strategy* and the adoption of the new by-law to oversee and enforce the inclusion of social, affordable or family housing.

With regard to the responsibilities related to managing the inclusion of social and community house and affordable private housing, it is important to point out the following:

- Under the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*¹⁰, the urban agglomeration is responsible for social housing (including community housing). Under the terms of this Act, as a central municipality, the City has jurisdiction in its own territory and in the territory of any other related municipality. Within the City, this responsibility is assumed through the Direction de l'habitation, which is part of the Service de la mise en valeur du territoire;
- The management of affordable private housing is under the jurisdiction of the city council by virtue of section 84 of the *Charter of Ville de Montréal, Metropolis of Québec*¹¹ (the *Charter*). This responsibility is also assumed by the Direction de l'habitation;
- Under section 89 of the Charter, the city council may, by enacting a by-law and despite any by-law adopted by a borough council, authorize a project related to a residential, commercial or industrial establishment in the business district¹² or, if it is located outside the business district, a commercial or industrial project, with a floor area greater than 15,000 m² or related to housing intended for people requiring assistance, protection, care or lodging;
- Under the *Charter*, the city's borough councils have jurisdictions, powers and obligations related to urban planning. They also exercise the City's jurisdictions related to zoning and subdivision, as provided under the *Act respecting land use planning and development*;
- The boroughs are responsible for issuing permits. By virtue of the By-law concerning the delegation of city council powers to borough councils, they also apply construction by-laws. In this regard, sections 120 and 121 of the *Act respecting land use planning and development* set out the rules for issuing construction permits.

⁹ Entry into force on April 23, 2018.

¹⁰ CQLR, chapter E-20.001, chapter II, article 18.

¹¹ CQLR, chapter C-11.4.

¹² The business district is defined in this section of the *Charter*.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on the management of the inclusion of affordable housing. 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, supported by CPA Canada.

The objective of the audit was to ensure that the current *City Strategy* and the related local strategies are applied, in order to achieve the objectives established by the authorities.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion regarding the objective 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 the application of the *City Strategy* since the amendments adopted by the executive committee on December 9, 2015. It also examined the application of affordable housing strategies (local strategies) adopted by the boroughs. Our audit work focused on the period from December 2015 to October 31, 2018. However, for some aspects, data prior to these years were also considered. Most of the audit work was carried out between September 2018 and January 2019, but we also took into consideration information given to us until February 2019.

This work was performed primarily with the following business units:

- Direction de l'habitation
- Mercier–Hochelaga-Maisonneuve borough;
- Montréal-Nord borough;
- Le Sud-Ouest borough.

It is important to note that between the completion of our audit work and the 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. However, our recommendations are intended for departments based on this reorganization. Table 1 shows the connections between the old and new departments involved in this audit. Other departments, divisions or services targeted by this audit but not mentioned in this table had not been reorganized on January 1, 2019.

TABLE 1 – EQUIVALENT DEPARTMENTS IN THE 2018 ORGANIZATION AND THE 2019 ORGANIZATION

2018 ORGANIZATION	2019 ORGANIZATION
Service de la mise en valeur du territoire Direction de l'habitation	Service de l'habitation
Service des communications	Service de l'expérience citoyenne et des communications

On completing our work, we presented a draft audit report to the managers of each audited business unit for discussion purposes. The final report was then forwarded to the deputy director-general, Service de l'habitation and 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 of the Service aux citoyens, the deputy director-general of the Qualité de vie, director of the Service de la concertation des arrondissements and the directors of the boroughs not directly targeted by the audit, to allow them to implement the recommendations when the situation so requires.

3. AUDIT RESULTS

3.1. COMMUNICATION OF THE *STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING* AND THE LOCAL STRATEGIES

3.1.A. BACKGROUND AND FINDINGS

In general, the application of the *City Strategy* is intimately linked to its communication to promoters and the main City stakeholders. The objectives must be clearly stated, and the parameters must be communicated and explained so that all parties can contribute to their achievement.

As soon as the *City Strategy* was adopted by the executive committee in 2005, its major objectives were clearly stated: to maintain social diversity and support the production of affordable housing. The targets were to encourage the construction of 30% affordable

housing in residential projects of 200 units or more which required a major regulatory amendment. This percentage was divided into 5% social and community housing and 15% affordable private housing. The policy was to prioritize the creation of affordable housing in residential projects subject to the by-law, in order to achieve the targets. When the strategy was adopted, the Service de la mise en valeur du territoire et du patrimoine at the time was given the mandate to implement and enforce the *City Strategy*.

In 2015, the executive committee adopted amendments to the *City Strategy* to specify the terms of management for the various parameters. The major objectives of the *City Strategy* remained the same, as did the targets, but it then applied to residential construction projects of 100 units or more (or with 9,000 m² or more in gross residential floor area) and that required a regulatory amendment related to density, height or usage. Other amendments addressed the calculation of the inclusion rate for social and community housing, the inclusion rate for affordable private housing, the financial contributions and the guarantees. Table 2 presents the main differences between these two versions of the *City Strategy*.

TABLE 2 – COMPARISON BETWEEN THE 2005 STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING AND THE 2015 AMENDMENTS

STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING – 2005	STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING – 2015 AMENDMENTS
INCLUSION RATE FOR SOCIAL AND COMMUNITY HOUSING	
On-site: 15% of units (by area) of the total residential project.	On-site: 15% of the increase in gross residential floor area resulting from the regulatory amendment, for the entire project.
Off-site: 17.6% of units (by area) of the total residential project.	Off-site: 17.6% of the increase in gross residential floor area resulting from the regulatory amendment, for the entire project.
INCLUSION RATE FOR AFFORDABLE PRIVATE HOUSING	
15% affordable units in the private project.	15% of the total number of private units resulting from the regulatory amendment.
FINANCIAL CONTRIBUTION	
Calculation parameters 15% of the number of units in the total residential project. Difference between the market value of the building lot/unit and \$12,000 ^[A] . **Requires an assessment of the fair market value of the lots in the project's sector (case by case).	Calculation parameters 20% of the increase in gross residential floor area resulting from the regulatory amendment, for the entire project. Difference between the market value of the building lot/unit and \$12,000 ^[A] . **Requires a market value of lots that is predetermined by the market sector (the values must be updated with every new real estate assessment roll).
GUARANTEE – SOCIAL AND COMMUNITY HOUSING	
	Based on the calculation of the financial contribution.
GUARANTEE – AFFORDABLE PRIVATE HOUSING	
\$10,000/affordable private housing unit to be built.	Predetermined value per market sector (ranging between \$5,000/unit and \$20,000/unit).

[A] Price of viable lot in the AccèsLogis program.

At the time the amendments to the *City Strategy* were adopted, a communications plan was developed and disseminated by the City's Service des communications.

Between 2012 and 2018, boroughs publicly supported the *City Strategy* and even adopted policies that went even further. As they were policies, the boroughs had the jurisdiction to issue them. At the time of our audit, eight boroughs had adopted local strategies. An examination of these strategies reveals differences in terms of the type of projects subject to the policies, the application thresholds (number of housing units), contribution rates for the social component and the affordable component and financial contribution rates.

More specifically, for the Mercier–Hochelaga-Maisonneuve and Le Sud-Ouest boroughs, the adoption of local strategies was justified by the presence of social and community housing pressure groups. These two boroughs were the first to adopt local strategies, in 2012.

For these two boroughs, we have presented, in Appendix 5.2, a comparison between the local strategies (in effect during the audited period) and the *City Strategy*. First, we note that the local strategies for both boroughs have evolved over time and that they are also different from each other. For both boroughs, application thresholds (in terms of number of units) of fewer than 100 units are planned. For projects of over 100 units, the parameters are applied differently from the *City Strategy*. When the Direction de l'habitation is involved in projects of 100 units or more in either of these boroughs, it designates them as "*Ville plus*." We note, however, that the *Ville plus* concept is different for each borough. For example, the *City Strategy* stipulates a social housing inclusion rate of 15%, compared to Le Sud-Ouest borough, where the rate is 20% or 25% (depending on whether the building lot is on- or off-site). For the Mercier–Hochelaga-Maisonneuve borough, the rate is 20%, but only for projects of over 150 units. Differences are also observed in the financial contribution rate. This situation creates confusion for the promoters and unfairness among the boroughs and promoters, as well as annoyance. This situation also damages the City's reputation. Also, as the City adopted an incentive approach due to the legal context, it makes the negotiations more difficult. For the purposes of our audit report, we compared the *City Strategy* with the local strategies of these two boroughs, although we also observed differences with other boroughs that have adopted such strategies. Since affordable housing is a priority for the municipal administration, we are of the opinion that the Direction générale should make provisions to encourage the use of standard affordable housing practices for all business units. The possible provisions include the by-law that may soon be approved by the city council, but since that outcome will only be known in a few months, other measures could be considered, such as the possibility of making it a strategic operation under section 57.1 of the Charter.

57.1. The authority of the director general of the City is exercised over officers or employees whose job or work is connected with the powers of a borough council only when they are carrying out a function that is under the authority of the city council or the executive committee or is connected with a strategic operation.

With regard to the Montréal-Nord borough, the *City Strategy* was not applied because the construction projects requiring by-law amendments either did not have the number of units required to be subject to it or were full right projects. Unlike the Mercier–Hochelaga-Maisonneuve and Le Sud-Ouest boroughs, the Montréal-Nord borough has no local strategy. A 2016–2025 strategic plan, adopted by the borough council in January 2017, describes a large residential development project (over 100 units) that may include social housing but does not make reference to the *City Strategy*. This does not send a clear message about upholding the City's policies about the inclusion of social housing. We are of the opinion that the borough should ensure it upholds all the parameters of the *City Strategy*.

With regard to the strategies in effect at the time of our audit, we assessed the extent to which they were disseminated and communicated to promoters (current and potential) and to the stakeholders involved in the process.

For the *City Strategy*, we ascertained that the original 2005 version and the document that presents the 2015 amendments are available on the Direction de l'habitation website. We note, however, that these documents are not easy for users to understand and that they leave room for interpretation. According to the information we obtained, meetings with the boroughs were held around 2015, but since then there have been no information sessions to explain the terms of the application of the *City Strategy*. Our work revealed that a guide on the *City Strategy* was prepared in 2018 by the Direction de l'habitation but not shared with the boroughs, due to the new by-law that is to be adopted. We believe that while waiting for this by-law to come into effect, it would be appropriate to implement training and information mechanisms for the application of the *City Strategy* (or Ville plus) to encourage full understanding and appropriate interpretation by the resources involved at the borough level.

With regard to the local inclusion strategies of the boroughs Mercier–Hochelaga-Maisonneuve and Sud-Ouest, we note that they were adopted in 2012 by their borough councils and then updated in 2018 and 2016, respectively. For the Mercier–Hochelaga-Maisonneuve borough, a public presentation was made. For Le Sud-Ouest borough, an explanatory document is given to promoters when they approach the borough. We also note, however, for both boroughs, that the strategies are not available for consultation on their websites. While awaiting the outcome of the by-law, we believe they should be posted on the boroughs' websites.

With regard to the communication of the parameters of the *City Strategy* and the local strategies, the borough is the initial gateway for a promoter. When a promoter presents a residential construction project that is subject to one of these strategies, the major lines of the strategy should be explained. If the project is subject to the *City Strategy* and there is a request for regulatory amendments, the current process requires the Direction de l'habitation to be involved in explaining the various inclusion scenarios and begin negotiations leading to the conclusion of an inclusion agreement.

In our audit work, we assessed whether the projects subject to the *City Strategy* were communicated in a timely manner to the Direction de l'habitation. To do this, we examined

four projects carried out in the Mercier–Hochelaga–Maisonneuve borough and eight in the Sud-Ouest borough. For Mercier–Hochelaga–Maisonneuve borough, our work shows that the inclusion scenarios had already been discussed and decided between the borough and the promoter before involving the Direction de l'habitation. This approach means that the borough may have negotiated certain aspects of the strategy with the promoters and that the Direction de l'habitation then faced with the fact that making the negotiations more difficult. For Le Sud-Ouest borough, the people we met with confirmed that they explain the local strategy for all projects that meet thresholds from 8 units to over 100 units, whether or not they are full right projects. Our work did not allow us to definitively conclude, however, that the strategy (City or local) was explained to the promoters before the Direction de l'habitation was involved.

It is important to note at this stage that the Direction de l'habitation has concluded co-operation agreements with seven boroughs¹³, including Le Sud-Ouest borough. Through these agreements, the parties undertake to cooperate, based on their areas of jurisdiction, to conclude and manage inclusion agreements for projects authorized or carried out, in compliance with the *City Strategy* or local strategy. In the agreements, the parties make commitments concerning their respective roles and responsibilities, including explaining the strategy based on the scenarios provided.

We believe that this is a good practice and that such agreements should be concluded with all boroughs, since all parties are contributing to the achievement of the affordable housing objectives.

RECOMMENDATIONS

- 3.1.B.** **We recommend that the Direction générale make provisions facilitate the implementation of the *Strategy for the Inclusion of Affordable Housing* to encourage the use of standard practices by all business units and to establish fairness for promoters and, above all, greater consistency across the territory of the City.**

- 3.1.C.** **We recommend that the Service de l'habitation provide an application guide for the *Strategy for the Inclusion of Affordable Housing* and periodically hold information sessions on that Strategy in order to standardize the users' understanding and interpretation and raise awareness of the importance of their contribution to the achievement of the affordable housing objectives.**

¹³ The boroughs of Ahuntsic-Cartierville, Côte-des-Neiges–Notre-Dame-de-Grâce, Le Plateau-Mont-Royal, Saint-Léonard, Le Sud-Ouest, Ville-Marie and Villeray–Saint-Michel–Parc-Extension.

- 3.1.D.** We recommend that, depending on the outcome of the pending by-law, the Mercier–Hochelaga–Maisonneuve and Le Sud-Ouest boroughs post their local affordable housing strategies on their websites, to ensure greater transparency of the by-law amendment process.
- 3.1.E.** We recommend that the Montréal-Nord borough apply the *Strategy for the Inclusion of Affordable Housing* to uphold the policies of the municipal administration.
- 3.1.F.** We recommend that the Service de l'habitation take the measures required to conclude co-operation agreements with all boroughs, specifying the responsibilities of each in connection to the conclusion and management of affordable housing inclusion agreements, in order to contribute to the achievement of the City's objectives.

BUSINESS UNITS' RESPONSES

- 3.1.B.** *Direction générale*
[TRANSLATION] To facilitate the implementation of the Inclusion Strategy, promote the use of consistent practices, ensure fairness to proponents and greater consistency in implementing the Inclusion Strategy throughout the Ville de Montréal, the Direction générale will mandate the Service de l'habitation, in conjunction with the Service de la concertation des arrondissements, to draft a guideline for all boroughs. This guideline will clearly describe the responsibilities of the Service de l'habitation and the boroughs in implementing the Inclusion Strategy and will emphasize the importance of complying with the requirements of the Strategy in order to meet the Ville de Montréal's inclusion objectives. The Direction générale will ensure that this guideline is distributed.
(Planned completion: November 2019)
- 3.1.C.** *Service de l'habitation*
[TRANSLATION] The Service de l'habitation has prepared a guide on implementing the Inclusion Strategy. The guide will be updated and posted on the Ville de Montréal's Internet site, on the page dealing with the Inclusion Strategy following its revision pursuant to the adoption of the by-law on improving the supply of social, affordable and family housing.
The guide will also be emailed to the directors of all the borough's Directions de l'aménagement urbain et des services aux entreprises.
Inclusion training will be presented at one of the Directions de l'aménagement urbain et des services aux entreprises' monthly meetings.
(Planned completion: November 2019)

3.1.D.

Mercier–Hochelaga-Maisonneuve borough

[TRANSLATION] The Direction de l'aménagement urbain et des services aux entreprises will ensure that the table outlining the objectives of the local inclusion strategy for social and affordable housing is posted on the Mercier-Hochelaga-Maisonneuve borough's website to make it easier to access. (**Planned completion: May 2019**)

Le Sud-Ouest borough

[TRANSLATION] The original 2012 local strategy as well as the revised 2016 strategy were already online under the "Toutes les publications / Affaires et économie" tab. (**Planned completion: completed**)

3.1.E.

Montréal-Nord borough

[TRANSLATION] Perform a comparative analysis of the various local strategies of neighbouring boroughs in conjunction with the Service de l'habitation. (**Planned completion: September 2019**)

Identify potential requalification sites, particularly near the Henri-Bourassa, Pie IX and Industriel boulevards and in the Albert-Hudon area. (**Planned completion: September 2019**)

Ensure that Montréal-Nord borough's local strategy is consistent with the policy directions of the future inclusion by-law and during the transition period preceding its implementation. (**Planned completion: December 2019**)

Define the acceptable threshold for projects that will be covered by the local inclusion strategy. (**Planned completion: December 2019**)

Involve local stakeholders—through the home pride committee, which includes the main community real estate technical support groups as well as organizations participating in social and affordable housing projects—in developing the local strategy. (**Planned completion: ongoing**)

Present the policy directions to the whole community and partners during a Priorité Habitation meeting. (**Planned completion: March 2020**)

Adopt the Montréal-Nord local inclusion strategy.
(**Planned completion: June 2020**)

3.1.F.***Service de l'habitation*****1 - Temporary measure:**

[TRANSLATION] Several steps must be completed to enter into a collaboration agreement with a borough, including the presentation of the collaboration agreement, its submission to elected representatives, feedback, amendments and finally the signing of the agreement. It takes an average of six months or more to complete these steps. The Inclusion Strategy will soon become an inclusion by-law. To accelerate the dissemination of information to the various administrative and political levels in boroughs, the Service de l'habitation is calling for a guideline to be sent to the boroughs. It will summarize individual responsibilities and the importance of meeting the minimum requirements of the Strategy in order to help achieve the city's inclusion objectives. The Service de l'habitation will ask the Direction générale to send this guideline to the boroughs. (**Planned completion: May 2019**)

2 - Permanent measure:

The coming into force and implementation of the by-law will clearly establish individual responsibilities. (**Planned completion: March 2021 after the by-law comes into force**)

3.2. NEGOTIATION AND SIGNATURE OF AFFORDABLE HOUSING INCLUSION AGREEMENTS

3.2.1. STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING

3.2.1.A. BACKGROUND AND FINDINGS

The projects subject to the *City Strategy* are those that, to be completed, require amendments to by-laws concerning density, height or usage. Since the *City Strategy* uses an incentive approach, the City must make efforts with promoters to get them to include affordable housing in their residential projects.

The current legal setting does not oblige promoters to build affordable housing in their residential projects. The boroughs, as we have just shown, can therefore adopt regulatory amendments without having this lead to an inclusion agreement. This approach does not support the City's policy to create affordable housing, however, and it therefore compromises the achievement of the targets.

There are several mechanisms by which City authorities can adopt regulatory amendments:

- a municipal by-law adopted by the city council, under section 89, paragraph 3 of the *Charter*:
 - This article stipulates that the City council may, by by-law, enable the carrying out of a project, notwithstanding any by-law adopted by a borough council, where the project relates to a residential, commercial or industrial establishment situated in the business district, or if situated outside the business district, a commercial or industrial establishment the floor area of which is greater than 15,000 m².
- an amendment to the City's Master Plan through the adoption of a *Plan particulier d'urbanisme* by the city council;
- adoption by a borough council of a particular plan to construct, modify or occupy a building (SCAOPI):
 - This mechanism allows a project to be carried out in certain circumstances even if it does not comply with the borough's urban planning by-laws, with regard to area, height of the building, number of units or zoning, for example. A SCAOPI application must be completed by the owner or its mandatory. This application is analyzed and recommended to the borough council by the urban planning advisory committee. A first draft resolution is adopted by the borough council. After that, the project is subjected to a public consultation, leading to the adoption of a second draft resolution by the borough council. The project may be subject to referendum approval. After this procedure, the borough council proceeds with the final adoption of the SCAOPI.

Other incentives may be added to a residential project that includes affordable housing. For example, an exception may be granted for the size of the parking area or the percentage of green space required. Also, depending on the size of the project, the City may, under current by-laws, reimburse the promoter for the cost of infrastructures (on presentation of supporting documents) and offer relief on the park fees related to the social and community housing component.

Once the preliminary explanations about the *City Strategy* (or Ville plus) are provided to the promoter by the borough, the negotiations with the Direction de l'habitation take place in parallel with the regulatory amendment process. The starting point for the negotiations is to explain to the promoter that the regulatory amendments that promoter wants will be granted on a discretionary basis. The regulatory amendments that the City or the borough grants to promoters are opportunities for them to develop residential housing at a lower cost. After the regulatory amendments are adopted, the market value of the land increases, especially if a change of use is granted. It is important, therefore, for the process to also be beneficial for the City, by securing a serious commitment from the promoter to participate in the City's affordable housing inclusion effort. The adoption of amendments should be preceded by a signed inclusion agreement and guarantees from the promoter to uphold its commitments.

For our audit, we selected projects subject to the *City Strategy* (100 units or more or an area of over 9,000 m²) and located in the Mercier–Hochelaga–Maisonneuve and Le Sud-Ouest boroughs. Our sample included 12 residential projects, 4 in Mercier–Hochelaga–Maisonneuve borough and 8 in Le Sud-Ouest borough. In this section, we examined 3 aspects: the negotiation of various forms of commitment outlined in the *City Strategy*, the negotiation of the clauses of the inclusion agreements and the signature of inclusion agreements or development agreements. The detailed results of our work are described in each section, followed by recommendations.

NEGOTIATION OF VARIOUS FORMS OF COMMITMENT OUTLINED IN THE CITY STRATEGY

The negotiations with the promoter relate to affordable housing inclusion opportunities, based on various forms of commitment outlined in the *City Strategy*:

SOCIAL AND COMMUNITY HOUSING

ON-SITE LOT

The Direction de l'habitation and the promoter examine the possibility of isolating a lot within the project that could contain the area required under the *City Strategy* (or Ville plus) to construct a building containing social and community housing. The types of commitment discussed include:

- the sale of a lot to the City, to be used for social and community housing, based on the calculation of the sale price set out in the *City Strategy*. The lot must be ready to build, connected to infrastructures and decontaminated;
- the construction of a turnkey project by the promoter on that same lot and its subsequent sale to a community organization designated by the City.

OFF-SITE LOT

If there is no on-site lot of sufficient size or if that scenario is undesirable or inappropriate, the Direction de l'habitation determines with the promoter whether an off-site lot (other location in the sector) is available for the same types of commitment described in the previous point.

Whether the lot is on- or off-site, whether it is the sale of the lot or a turnkey construction, more in-depth analyses must be carried out to assess the feasibility and potential viability of the social and community project. At this stage, the Direction de l'habitation resources responsible for the AccèsLogis program may get involved to offer their expertise.

FINANCIAL CONTRIBUTION

This option is retained if the sale of a lot or a turnkey construction on- or off-site is neither desirable nor appropriate for the promoter.

AFFORDABLE PRIVATE HOUSING

The Direction de l'habitation enters into discussions with the promoter for the construction of affordable private housing within the residential project, based on the parameters in the *City Strategy* (or Ville plus).

The purpose of the *City Strategy* is to put means in place for the City to achieve its objectives for the creation of social and community housing and affordable private housing. The negotiations with the promoters must be oriented toward this, in compliance with the parameters set out in the *City Strategy*.

In our audit, we looked for evidence that the various forms of commitment described above were discussed with the promoters before concluding an affordable housing inclusion agreement. For social and community housing, the commitment entails the sale of a lot, a turnkey construction or a financial contribution. For affordable private housing, the discussions focus on the total number of private units and the number of affordable private units.

To conduct our analysis of the residential projects included within the scope of this mission, we obtained emails and different versions of affordable housing inclusion agreements attesting to meetings or exchanges with the promoters.

These documents do not, however, allow us to assess the efforts made to encourage the promoters' commitment to the creation of social and community housing. We are of the opinion that the various forms of commitment negotiated by the Direction de l'habitation with the promoters should be more fully documented. Likewise, we believe that when negotiations with promoters result in a financial contribution, the documentation should state why the sale of a lot or the construction of a turnkey building was not retained. Financial contribution should not be the preferred option, as it delays the construction of social and community housing.

NEGOTIATION OF THE CLAUSES IN THE INCLUSION AGREEMENTS

The outcome of the negotiations dictates the content of the clauses in the inclusion agreements or the development agreements¹⁴ concluded with the City. The inclusion agreements (or development agreements) contain clauses concerning the promoters' commitments and guarantee clauses related to those commitments.

1. Promoters' commitments – Social and community housing

The promoters' commitments relate to the level of inclusion required, based on the parameters of the *City Strategy* (or Ville plus) and the form in which the promoters will carry out the social and community inclusion. The forms of inclusion are described below:

- The promoter transfers a lot to the City or to an organization designated by the City. The clauses generally state:
 - the maximum price for acquiring the lot (set based on the organizations' capacity to pay, according to the AccèsLogis program, or \$12,000/unit);
 - a timeline for acquiring the lot.
- The promoter builds the social and community housing in turnkey mode. The clauses generally state:
 - a deadline for the promoter to sign an agreement with an organization;
 - the sale of the lot to the City or an organization it designates if the promoter exceeds the deadline or no longer wants to construct the social and community housing in turnkey mode;
 - if the lot is sold, the same approach applies as for the sale of the lot described above.
- The promoter makes a financial contribution. The clauses state the details of the calculation, including the total gross residential floor area, the percentage of the contribution and the difference between the market value and the organizations' capacity to pay, based on the AccèsLogis program.

2. Promoters' commitments – Affordable private housing

The inclusion agreement (or development agreement) states the number of affordable private housing units and the possibility of distributing them within the project, based on the promoter's preferences.

¹⁴ Major projects require development agreements between the City and the promoters. These agreements are contractual documents that include specific clauses about the various aspects of the development, such as the inclusion of affordable housing.

3. Financial guarantees for the commitments – Social and community housing

The type of guarantee required differs depending on the promoter's commitment, that is, selling a lot, building social and community housing units in turnkey mode or making a financial contribution when inclusion is not possible.

If the promoter sells a lot or builds turnkey social and community housing, a guarantee clause may stipulate:

- a first mortgage (in the amount corresponding to the calculation of the financial contribution);
- a letter of financial guarantee (in the amount corresponding to the calculation of the financial contribution);

For some time, the Direction de l'habitation has been trying to obtain, when possible, a first mortgage instead of a financial guarantee when the promoter undertakes to transfer a lot or build turnkey social and community housing for the designated social lot. In this way, the City can secure the lot in case the promoter defaults.

The inclusion agreement also establishes the timeline for obtaining the guarantee (usually 10 days before the adoption of the regulatory amendments).

The agreement also states that the promoters' obligations for the sale of the land or the construction of the turnkey social and community housing are terminated and the guarantees are released when:

- the promoter concludes the agreement with an organization and the definitive commitment of the subsidies under the AccèsLogis program is confirmed;
- the lot is sold to the City or an organization;
- the City decides not to acquire the lot;
- the regulatory amendments for the project are not adopted.

If the promoter makes a financial contribution, a clause states the time when the guarantee must be obtained (normally 10 days before the adoption of the regulatory amendments) and also when it must be paid.

4. Financial guarantees for the commitments – Affordable private housing

There is a single guarantee clause for affordable private housing, which specifies that it is a letter of financial guarantee normally required when the promoter applies for a private housing permit. The clause states that the formula for establishing the guarantee is based on the inclusion rate required under the parameters of the *City Strategy* (or Ville plus) and a fixed amount per unit.

In our work, we examined the affordable housing inclusion agreements and the *City Strategy* (or Ville plus) development agreements for the selected projects, to ensure that

the main clauses mentioned here are included and that calculations and amounts are appropriate. Our findings are as follows:

1. Promoters' commitments – Social and community housing

- All the affordable housing inclusion agreements contain clauses stating the commitments from the promoters concerning social and community housing;
- For almost all the affordable housing inclusion agreements—11 of the 12 projects—the calculations and the amounts of the commitments for the social component are appropriate.

One exception was noted for a project in the Mercier–Hochelaga-Maisonneuve borough (208 units) for which we were unable to corroborate the social surface area used to establish the sale price of the lot.

2. Promoters' commitments – Affordable private housing

- Almost all the affordable housing inclusion agreements—11 of the 12—contain clauses outlining the promoters' commitments.

One exception was noted for a project in the Mercier–Hochelaga-Maisonneuve borough (208 units) that had no clause concerning affordable private housing. The fact that this clause is missing means the agreement does not comply with the parameters of the *City Strategy*.

- All the inclusion agreements, other than the exception mentioned above, contain appropriate calculations for the number of affordable private housing units.

3. Financial guarantees – Social and community housing

Over half of the inclusion agreements—7 of the 12—contain financial guarantee clauses for social and community housing. In these agreements, the calculations are appropriate except for one project in the Mercier–Hochelaga-Maisonneuve borough (208 units) for which the calculation of the guarantee does not comply with the parameters of the *City Strategy* and is consequently insufficient. For this project, we also noted the following derogation:

- The lot to be used for the turnkey construction of social and community housing is guaranteed by a financial guarantee, not a first mortgage, which does not secure the lot for the City. At the time of our work, the lot had been sold to a third party without informing the borough or the Direction de l'habitation. Although a financial guarantee was required, the amount was not sufficient to acquire another lot of the same size. Furthermore, the agreement provides for the payment of the financial guarantee at the time of the permit application for the first phase, not before the adoption of the regulatory amendments;

The derogations concerning the five agreements without guarantee clauses are as follows:

- For four inclusion agreements (1,239 units) related to a development agreement in Le Sud-Ouest borough, the promoter was asked to make financial contributions on the signature of the agreements. No financial agreement was originally provided for this development agreement. At the time of our audit, the Direction de l'habitation was unable to provide evidence that it has been involved in the discussions surrounding the establishment of the development agreement and, by extension, the guarantee clause. If there are subsequent phases, the City will have no recourse if the promoter defaults;
- For another project in Le Sud-Ouest borough (825 units):
 - The development agreement contains no guarantee for social and community housing units. According to the information we obtained, during the negotiations, discussions concerning a guarantee clause took place between the Direction de l'habitation and Le Sud-Ouest borough, but we were unable to obtain evidence of these discussions. The Direction de l'habitation is negotiating with the promoter again about the possibility of providing turnkey social housing. We feel that an attempt should be made, during the negotiations, to obtain a first mortgage in order to secure the lots in case the promoter defaults.

4. Financial guarantees – Affordable private housing

Almost all the inclusion agreements—10 out of 12 projects—contain clauses concerning financial guarantees for affordable private housing. We observed these two exceptions:

- For a project in the Mercier–Hochelaga-Maisonneuve borough (208 units), the inclusion agreement contains no guarantee clause for affordable private housing as there was no commitment in this regard;
- For a project in Le Sud-Ouest borough (825 units), the development agreement contains no guarantee for affordable private housing.

The Direction de l'habitation is negotiating with the promoter again, and we believe that it should negotiate a guarantee for the affordable private housing component.

SIGNATURE OF INCLUSION AGREEMENTS OR DEVELOPMENT AGREEMENTS

Since September 13, 2017, inclusion agreements have been signed by the director of the Direction de l'habitation, after the delegation of powers (CE17 1634) adopted under the By-law amending the *By-law concerning the delegation of powers to officers and employees* (RCE 02-004).

Previously, the inclusion agreements for affordable housing were just signed by the promoter, making them unilateral. The delegation of powers to the Direction de l'habitation

has made the inclusion agreements bilateral. Bear in mind that the *City Strategy* was adopted by the executive committee.

Also, before September 13, 2017, when affordable housing inclusion clauses were included in the development agreements, they were approved by the authority to which the construction project reported.

In our work, we examined the inclusion agreements or development agreements to ensure that they had been signed by the appropriate authorities and that the regulatory amendments had been adopted after the signature of the agreement. We also ascertained whether the regulatory amendments had been subject to approval by the appropriate authorities.

As a result of our investigation, we can conclude that:

- all the inclusion agreements or development agreements were signed by the appropriate parties;
- all the regulatory amendments were approved by the appropriate authorities;
- all the regulatory amendments led to affordable housing inclusion agreements;
- all the regulatory amendments were adopted after the inclusion agreements or development agreements were signed.

In conclusion, with regard to the negotiation and signature of the agreements:

When agreements are concluded that do not comply with the *City Strategy* parameters and regulatory amendments are granted, this creates an unfair situation for the promoters who do comply. We are of the opinion that when such situations occur, these inclusion agreements are not in the best interests of the City.

The development agreements we examined did not always have guarantee clauses related to the inclusion of affordable housing. The lack of guarantee clauses deprives the City of leverage against those promoters if they fail to uphold their commitments, weakening the capacity of the City's inclusion strategy and policies to achieve its targets.

Commitments to social projects, in which the promoter undertakes to sell a lot or construct turnkey social housing units, do not always have adequate guarantees. The option of obtaining a first mortgage was not always considered, where possible. In the absence of adequate guarantees, the City is unable to secure the lots if the promoter does not live up to its obligations.

RECOMMENDATIONS

- 3.2.1.B.** We recommend that the Service de l'habitation document its discussions with the promoters concerning the various commitment scenarios for the social component, including the reasons leading to financial contributions, to demonstrate the efforts made to achieve the affordable housing targets.
- 3.2.1.C.** We recommend that the Service de l'habitation, the Mercier-Hochelaga-Maisonneuve borough and the Sud-Ouest borough ensure that construction projects that are subject to the *Strategy for the Inclusion of Affordable Housing* comply with the established parameters, in order to avoid unfairness among the promoters.
- 3.2.1.D.** We recommend that the Service de l'habitation and the Mercier-Hochelaga-Maisonneuve borough document the calculations and amounts supporting the promoters' commitments for the social and community component, in order to demonstrate that the parameters of the *Strategy for the Inclusion of Affordable Housing* have been applied.
- 3.2.1.E.** We recommend, on one hand, that the Service de l'habitation negotiate a first mortgage, preferably, for social projects in which the promoter's commitment is to transfer a lot or construct turnkey units and, on the other, that it recommend to the boroughs to adopt this same approach, to ensure a sufficient guarantee.
- 3.2.1.F.** We recommend that, for future development agreements, the Service de l'habitation record evidence that the parameters of the *Strategy for the Inclusion of Affordable Housing* have been discussed with the business units involved, in order to keep a record of the decisions made concerning construction projects for the sake of accountability, should it be required.

BUSINESS UNITS' RESPONSES

3.2.1.B.

Service de l'habitation

[TRANSLATION] A standard fact sheet will now be attached to all files.

It will contain the following information:

- Contribution calculation table;
- Project statistics;
- Explanatory note on the calculation of contributions, as required;
- Note explaining the choice of type of social housing contribution requested from the proponent;
- Note explaining the choice of the type of social housing guarantee requested from the proponent;
- If there is a development agreement, a note confirming that the requirements of the Inclusion Strategy were discussed with the borough. (**Planned completion: June 2019**)

3.2.1.C.

Service de l'habitation

[TRANSLATION] The Service de l'habitation will ask the Direction générale to send all boroughs a guideline to inform them on this subject (point 3.1.F. of this report). (**Planned completion: November 2019**)

Mercier–Hochelaga-Maisonneuve borough

[TRANSLATION] The borough's local social and affordable housing inclusion strategy has more ambitious inclusion objectives than those of the Affordable Housing Inclusion Strategy currently being implemented by the City's Service de l'habitation. The borough will ensure that its local strategy will be consistent with the new objectives of the Inclusion Strategy, which will be extended in the proposed by-law on providing affordable social and family housing, for which a notice of motion is scheduled for the June 17 municipal council meeting.

(**Planned completion: July 2019**)

Le Sud-Ouest borough

[TRANSLATION] This recommendation refers to financial guarantees. For projects involving a financial contribution, the creation of social housing or affordable housing, financial guarantees will be required in accordance with the requirements established by the Service de l'habitation. However, the borough wishes to state that the Service de l'habitation's collaboration and support will be needed to monitor the guarantees. (**Planned completion: April 2019**)

3.2.1.D. Service de l'habitation

[TRANSLATION] A standard fact sheet will now be attached to all files. It will include a contribution calculation table and project statistics. (Planned completion: June 2019)

Mercier–Hochelaga-Maisonneuve borough

[TRANSLATION] All financial contributions from proponents to the Inclusion Strategy's Inclusion Fund for projects that require regulatory amendments to use, height or density, subject to the adoption of a particular urban planning project, specific construction project, modification project or building occupancy project are covered by an inclusion agreement (commitments related to the local social and affordable housing inclusion strategy in new residential projects). Inclusion agreements specify all calculations of social and community housing commitments as well as private affordable housing commitments. After the contribution amounts have been collected, a copy of the agreements is sent to the Service de l'habitation. Documentation supporting the calculation will be kept on file. (Planned completion: March 2019)

3.2.1.E. Service de l'habitation

[TRANSLATION] A standard fact sheet will now be attached to all files. It will include a note explaining the choice of the type of guarantee requested from the proponent. (Planned completion: June 2019)

This recommendation will be sent to the boroughs via training on the Inclusion Strategy which will be presented to the Directions de l'aménagement urbain et des services aux entreprises.

(Planned completion: November 2019)

3.2.1.F. Service de l'habitation

[TRANSLATION] A standard fact sheet will now be attached to all files. When development agreements negotiated by the boroughs contain requirements for the inclusion of social and affordable housing, the fact sheet will include a note explaining that the requirements of the Inclusion Strategy were discussed with the borough. (Planned completion: June 2019)

3.2.2. LOCAL STRATEGY

3.2.2.A. BACKGROUND AND FINDINGS

For the purposes of our audit, only Le Sud-Ouest borough authorized projects subject to its local strategy. It should be noted that for the audited period, the Mercier–Hochelaga-Maisonneuve borough had a single project subject to its local strategy, but as it was in the planning phase, we did not examine it.

For Le Sud-Ouest borough, our sample for projects subject to the local strategy consisted of three residential projects, two that benefited from regulatory amendments and one full rights project.

For our work on the projects subject to the local strategy, we wanted assurance that the main steps under the responsibility of the borough, by virtue of the collaboration agreement signed with the Direction de l'habitation, had been appropriately applied.

The Direction de l'habitation is less involved in projects subject to Le Sud-Ouest borough's local strategy than in those subject to the *City Strategy*. There is a collaboration agreement in effect between the borough and the Direction de l'habitation which sets out the actions the borough must carry out, not just for the Direction de l'habitation but within the borough itself.

The details of the main parameters for Le Sud-Ouest borough's local strategy can be found in Appendix 5.2.

NEGOTIATION OF VARIOUS FORMS OF COMMITMENT

Once the first explanations are provided by the borough, it continues the discussions with the promoter to assess whether the residential project has the potential to include social and community housing¹⁵. As happens with the *City Strategy* or *Ville plus*, it is explained to the promoter that there is an incentive—the possible adoption of regulatory amendments—and that a social commitment is requested in return. Since the local strategy applies at lower thresholds than the *City Strategy* (from 8 to 99 units), it often leads to financial contributions, because it is harder to meet the AccèsLogis feasibility and viability criteria.

If a residential project has enough units or a sufficient lot size to be able to include social and community housing, however, the borough gets the Direction de l'habitation involved as soon as possible. It must be involved because of the subsidies that will come from the AccèsLogis program.

The borough and the promoter also discuss the construction of affordable private housing units in the residential project, based on the local strategy parameters presented in Appendix 5.2.

Projects for which the promoter requests a regulatory amendment are carried out using a SCAOPI application, described in point 3.2.1. As happens with the *City Strategy*, the inclusion agreement and the financial guarantees (social and community component) must be signed before the final adoption of the regulatory amendments.

¹⁵ Minimum threshold according to By-law 02-102, adopted by the urban agglomeration council on December 14, 2017: a minimum of 30 units for a building with no elevator and a minimum of 50 for a building with an elevator.

The borough plays a bigger role in the negotiations for projects subject to the local inclusion strategy.

According to the borough, for full rights residential projects, the local strategy is harder to apply because the promoter is not applying for any regulatory amendments. During the negotiations, the borough explains its local strategy to the promoter and tries to get a financial contribution. If the promoter agrees, it produces a letter stating that its financial contribution must be used to create social and community housing. According to the information we obtained, it is unlikely that a full rights project will lead to an inclusion agreement, so no commitment to affordable private housing will be obtained.

In our audit work, we asked for documents demonstrating that the various types of commitments for affordable housing had been discussed by the borough and the promoters.

We conclude that the documents obtained for the two projects we analyzed do not allow us to assess the efforts made by the borough to encourage the promoters to support the creation of social and community housing. For one project, the discussions were underway at the time of our audit.

We did observe, however, that:

- for one project (82 units) that benefited from regulatory amendments and for which an inclusion agreement was concluded with the promoter, there is an explanatory letter to the borough justifying the promoter's decision not to transfer a lot due to profitability issues and technical feasibility;

We note that there is no documentation of the negotiations on the borough's part to find solutions to encourage the promoter to make a commitment for the social component;

- for one full rights project (271 units) (not subject to the *City Strategy*), a letter of commitment was signed by the promoter confirming the amount of the financial contribution that will be made. The letter specifies that the project is subject to the local inclusion strategy. It also states that it is neither desirable nor appropriate to include social housing units. A financial contribution was obtained;

We have no evidence explaining why social inclusion is neither desirable nor appropriate to justify the payment of a financial contribution.

We also note that the 2012 local strategy applied to full rights projects, while the local strategy adopted in 2016 makes no mention of the matter. The letter of commitment from the promoter sends a mixed message. This situation raises confusion with promoters and creates a vagueness leading to the negotiation of voluntary contributions. We are of the opinion that the local strategy as it applies to this type of project should be clarified.

- for one project (353 units) that benefited from regulatory amendments adopted in 2011, no inclusion agreement has been signed as of yet. At the time of our audit, discussions were underway between the borough and the promoter, but it is not possible to determine what type of commitment the promoter will make. The Direction de l'habitation learned about this project after the amendments had been adopted without any commitments on the part of the promoter:
 - although the project is subject to the *City Strategy*, the Direction de l'habitation and the borough identify it as being subject to the local strategy;
 - in the absence of an inclusion agreement, the Direction de l'habitation has no leverage with the promoter to make commitments, which compromises the achievement of the affordable housing objectives.

The various types of commitments discussed by the borough with the promoters should be more thoroughly documented. Likewise, we feel that when negotiations with promoters lead to a financial contribution, the reasons the promoter did not make any commitment to the social components should be documented. The financial contribution is not the best option, as it delays the construction of the social and community housing.

NEGOTIATION OF CLAUSES IN INCLUSION AGREEMENTS

1. Commitments – Social, community and affordable private housing

The clauses concerning the inclusion of social and community housing and affordable private housing are the same as those described for the *City Strategy* in point 3.2.1.

2. Financial guarantees – Social, community and affordable private housing

The types of guarantees required for the affordable housing commitments are basically the same as those described for the *City Strategy* in point 3.2.1. The difference is in the receipt and follow-up of the financial guarantees, as it is the borough that is responsible.

During our audit work, we analyzed the affordable housing inclusion agreements related to the local strategy to ensure that they included the main clauses and that the calculations and amounts were appropriate. We analyzed only two projects, because one project still does not have an inclusion agreement, as mentioned earlier in this section under the “Negotiations” heading. Our work led us to the following findings:

1. Promoters’ commitments – Social and community housing

We did not find any exceptions. Only the 82-unit project applies, and the agreement contains a clause stating the promoters’ commitments to social and community housing;

For the 82- and 271-unit projects, the calculation and amounts for the social component are appropriate.

2. Promoters' commitments – Affordable private housing

We did not find any exceptions. Only the 82-unit project applies, and the agreement contains a clause stating the commitments.

SIGNATURE OF INCLUSION AGREEMENTS OR DEVELOPMENT AGREEMENTS

With regard to the signature of inclusion agreements, it is the borough that is in charge of this step. If it has questions or needs advice on how to draft them, the Direction de l'habitation offers its support as required.

The affordable housing inclusion agreements based on the local strategy are signed by the promoter. The regulatory amendments are adopted by the borough council.

In our work, we examined the inclusion agreements to ensure that they were signed by the borough and the promoter and that the regulatory amendments were adopted after the signature of the agreement. We also ascertained whether the regulatory amendments had been subjected to the approval of the borough council. The results of our work are as follows:

- For the 82-unit project, the inclusion agreement was signed by the promoter. For the 271-unit project (full rights), the promoter signed a letter confirming that it would pay the amount of the financial contribution. The 353-unit project is not yet subject to an inclusion agreement;
- The two projects that received regulatory amendments, that is, the 82-unit and 353-unit projects, were adopted by the borough council;
- One of the two projects has not yet led to an inclusion agreement but has benefited from regulatory amendments:
 - For one project (353 units) that benefited from regulatory amendments adopted in 2011, an inclusion agreement has yet to be signed. We are of the opinion that the borough should not have adopted the regulatory amendments without concluding an inclusion agreement containing commitments on the promoter's part. This situation does not comply with the collaboration agreement signed with the Direction de l'habitation.

RECOMMENDATIONS

- 3.2.2.B. We recommend that Le Sud-Ouest borough document its discussions with promoters with regard to the various commitment scenarios for the social component, including the reasons leading to financial contributions, in order to demonstrate the efforts made to achieve the affordable housing targets.**

- 3.2.2.C.** We recommend that Le Sud-Ouest borough comply with the collaboration agreement concluded with the Service de l'habitation by reporting projects for which regulatory amendments are under study and by only adopting regulatory amendments for which an inclusion agreement has been signed by the promoter to support the achievement of the affordable housing objectives.
- 3.2.2.D.** We recommend that Le Sud-Ouest borough add clarifications to its local affordable housing inclusion strategy concerning whether or not it applies to full rights construction projects, to achieve fairness and greater transparency for the promoters.

BUSINESS UNITS' RESPONSES

- 3.2.2.B.** **Le Sud-Ouest borough**
[TRANSLATION] We generally retain emails between the proponent and the Service de l'habitation documenting the various scenarios of inclusion or financial compensation considered for the target project.
From now on, we will also write a report describing the discussions and agreements reached on implementing the strategy, which will be shared with all parties involved. (Planned completion: April 2019)
- 3.2.2.C.** **Le Sud-Ouest borough**
[TRANSLATION] Since the collaboration agreement was signed on March 20, 2017, all projects requiring a regulatory amendment are discussed with the Service de l'habitation at the very first meetings with the proponent.
The case raised in the recommendation is the sole project among all Le Sud-Ouest borough's noncompliant projects that were adopted prior to the signing of an agreement with the proponent regarding the Inclusion Strategy. It was a particular case where projects were split that led to complications in the adoption process. (Planned completion: completed)
- 3.2.2.D.** **Le Sud-Ouest borough**
[TRANSLATION] Keep communicating the requirements of our strategy to the proponents during project discussion meetings, namely:
 - 1. contribution required for projects needing a regulatory amendment based on the specifications of our local (fewer than 100 units) or City (100 units or more);*
 - 2. voluntary contribution for projects that do not require regulatory changes.*

Follow this approach until the adoption of the new inclusion by-law, which will be initiated in June 2019 and come into force on January 1, 2021.

If the adoption and coming into force of the by-law are delayed, the borough will provide details in its local strategy reference document.

(Planned completion: December 2019)

3.2.3. INCLUSION AGREEMENT TRACKING FILE

3.2.3.A. BACKGROUND AND FINDINGS

An Excel file listing the projects subject to the *City Strategy* and the local strategies is maintained by a manager at the Direction de l'habitation. This file provides the name of the project and the parameters set out in the inclusion agreements (e.g., the total number of units and the total area, the number of social and affordable private units, the type of inclusion and the guarantees).

The file has been in use since October 2018, and it is updated continuously as soon as new projects are brought to the attention of the Direction de l'habitation by the boroughs.

As part of our task, we wanted to ensure that the file obtained from the Direction de l'habitation provided all the appropriate information about all the projects. For the boroughs included in the scope of this mandate, we compared the projects in the Direction de l'habitation file and those reported by the boroughs.

We found that the projects listed by the Direction de l'habitation corresponded to those reported by the boroughs included in this mission.

This exercise revealed, however, that the classification of inclusion projects based on the type of inclusion strategy does not always reflect the parameters in effect. Projects subject to the *City Strategy* were classified as coming under a local strategy. According to the information we obtained, this may happen when the *City Strategy* parameters are not met when the inclusion agreement is concluded. These projects are identified as having to be managed by the borough rather than the Direction de l'habitation. The file does not provide explanations of why the project did not meet the *City Strategy* parameters. The result is that the agreement tracking file does not provide an accurate portrait of the classification of inclusion projects, which will eventually skew the data analysis and the resulting management reports. We believe that for greater transparency, the agreement tracking file should state the *City Strategy* parameters that were not met and the reasons justifying the situation.

RECOMMENDATION

- 3.2.3.B.** We recommend that the Service de l'habitation document the projects that do not meet the parameters of the *Strategy for the Inclusion of Affordable Housing*, in order to provide full information when the management and accountability reports are produced.

BUSINESS UNIT'S RESPONSE

- 3.2.3.B.** *Service de l'habitation*
 [TRANSLATION] The “Tableau d'information générale” monitoring file will now include an explanatory note describing why an Inclusion Strategy project does not meet the requirements of the strategy.
(Planned completion: June 2019)

3.3. MONITORING OF AFFORDABLE HOUSING INCLUSION AGREEMENTS

3.3.1. STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING (CITY STRATEGY)

Once the inclusion agreements are concluded with the promoters, they must be monitored by the City or the boroughs, as the case may be, in order to execute the guarantee mechanisms in a timely manner if the promoters do not fulfil their commitments.

The follow-up is carried out by the Direction de l'habitation for residential projects subject to the *City Strategy* (or Ville plus) and by the borough for other residential projects subject to the local strategies.

3.3.1.A. BACKGROUND AND FINDINGS

PROCUREMENT OF GUARANTEES

As mentioned in section 3.2, guarantees must be obtained for affordable housing.

1. Social and community housing

Under the inclusion agreements, these guarantees are required 10 days before regulatory amendments are adopted. These guarantees normally take the following forms:

- For a lot transfer or the turnkey construction of social housing units, one of the two following guarantees is required:
 - First mortgage;
 - Letter of financial guarantee;
- If the promoter makes a financial contribution, a certified cheque, bank draft or financial guarantee to the City from a recognized financial institution is required.

In our work, we assessed whether the guarantees were obtained from the promoters within the agreed time. Recall that our sample for this mission is 12 projects, 4 for the Mercier-Hochelaga-Maisonneuve borough and 8 for Le Sud-Ouest borough.

For almost all the projects examined—11 of the 12 projects—the guarantees were obtained within the agreed time. The only exception is as follows:

- For one project in Le Sud-Ouest borough (714 units), the promoter changed its commitment under the development agreement, making a financial contribution rather than transferring lots to the City or an organization for the subsequent phases. An inclusion agreement was concluded between the promoter and the Direction de l'habitation to reflect this change in the promoter's commitments. For this inclusion agreement, based on four phases, the financial contribution was received by the deadline mentioned in the agreement.

We did note, however, that for two of the four phases in the inclusion agreement, the construction permits were issued before the promoter gave its financial contribution to the Direction de l'habitation. The outcome was that the City did not have an adequate guarantee to ensure the promoter upheld its commitments for these two phases.

2. Affordable private housing

Under the inclusion agreements, the guarantee is normally requested from the promoter when it applies for a construction permit. The guarantee is in the form of a financial guarantee in favour of the City with a recognized financial institution.

When the promoter applies for the permit, the borough must check whether it relates to a lot that is subject to an inclusion agreement. The Direction de l'habitation asks the borough to inform it when a permit application is filed in order to check whether the promoter gave its financial contribution. If the promoter has not given its financial contribution, the Direction de l'habitation contacts it to make the deposit. According to the information we obtained, a construction permit cannot be delivered without getting the guarantee, since it is a commitment stipulated in the inclusion agreement.

In our work, we assessed whether the guarantees were obtained from the promoters within the agreed time.

Of the projects examined, there were six for which no construction permit application had been made, so we did not assess these projects, as the financial guarantees were not yet payable.

For the six other projects (all in Le Sud-Ouest borough), the construction permits had been issued for four of them, and for the other two, the applications had been submitted and were under analysis. For a low proportion of these projects (two out of six), the guarantees were obtained within the agreed time.

The four exceptions are as follows:

- For one project in Le Sud-Ouest borough (714 units), we discovered that the construction permit had been issued before the agreements were signed and the guarantees obtained.

For two phases of this project, no guarantee had been obtained at the time the permits were issued:

- Although an analysis of the compliance of the affordable units shows that the promoter built more affordable private units than required, the City was not protected in the event of a default on the part of the promoter.
- For one project in Le Sud-Ouest borough (94 units), the promoter provided the financial guarantee at the same time that the agreement was signed. A construction permit was issued, however, about two weeks before the agreement was signed:
 - We are of the opinion that the borough should not have issued the construction permit before the agreement was concluded and the guarantee obtained.
- For two projects in Le Sud-Ouest borough (one of 153 units and one of 118):
 - We found that the financial guarantees had not been given by the promoters when they applied for their respective construction permits. According to the information we obtained, the validation step for the affordable private housing, which was to be carried out by the borough, had not been done.

We are of the opinion that the efficacy of the follow-up carried out by the Direction de l'habitation on the procurement of this type of guarantee depends on good communications with all the boroughs. The procurement of guarantees by the Direction de l'habitation depends on several manual steps carried out by the Direction and by the borough and requires everyone to cooperate. We believe it would be appropriate to set up automated mechanisms so the Direction de l'habitation can be informed promptly when construction permit applications are filed for projects that include affordable private housing units, to guarantee that these units are built.

PAYMENTS OF FINANCIAL CONTRIBUTIONS

The inclusion agreements state a time at which the financial contributions must be paid by the promoter, when this is the option selected for the social component. The payment of the financial contribution is required shortly after the adoption of the regulatory amendments. Recall that there are no financial contributions for affordable private housing.

In our audit work, we compared the deadline in the inclusion agreements with the dates on the certified cheques or bank drafts received from the promoters, to assess whether this deadline was met. We found that the deadline in the inclusion agreements for the payment of the financial contributions was met for all projects.

MONITORING THE PROVISIONS CONCERNING SOCIAL AND COMMUNITY HOUSING PROJECTS

The Direction de l'habitation follows up when the agreement stipulates that the promoter will build social and community housing.

For turnkey construction, the Direction de l'habitation keeps track of the deadline in the inclusion agreement for the promoter to conclude an agreement with an organization designated by the City. The City or an organization may also acquire a lot when the agreement so stipulates or when the promoter informs the City that it will not build turnkey housing units. In both cases, a deadline for acquiring the lot is stated in the agreement.

For a turnkey project or the sale of a lot, the first mortgage is cancelled when the conditions set out in the inclusion agreement occur (see section 3.2.). This also requires a follow-up.

We examined the inclusion agreements that involved commitments for the social and community component to determine the deadlines for concluding turnkey construction or lot sale agreements. We made certain that follow-up was carried out in accordance with the provisions.

In our sample, 4 of the 12 projects included such provisions. For 2 projects, the inclusion agreements provided for the sale of lots, and for the 2 others, the inclusion agreements provided for the construction of social and community housing. Half of the projects examined—2 of the 4—were not compliant and the exceptions are as follows:

- For one project in the Mercier–Hochelaga-Maisonneuve borough (208 units), the deadline in the agreement for the turnkey construction of social and community housing units has not been reached, but we learned that the lot was sold without the knowledge of the Direction de l'habitation or the borough, as mentioned above in section 3.2. In this situation, the City will be subject to a legal dispute if it wants to take possession of the lot. A guarantee was supposed to have been provided by the promoter when it applied for the permit for the first phase. At the time of our work, the issue of the permit was under study and the guarantee had not been received.

- For one project in Le Sud-Ouest borough (714 units), the City acquired a lot, but the sale was concluded eight months after the deadline. The Direction de l'habitation is unable to provide explanations for this delay.

Although the Direction de l'habitation now intends to take steps earlier to acquire lots, it must clearly define when these steps will begin, to secure lots for social and community housing projects.

MONITORING THE VALIDITY OF THE FINANCIAL GUARANTEES

1. Social and community housing

Financial guarantees must be required for the financial contribution and are not kept for long, since the payment is made shortly after the signature of the inclusion agreement.

The follow-up required for letters of financial guarantee is mainly related to the affordable private housing component below.

2. Affordable private housing

The Direction de l'habitation follows up on the progress of the projects to ensure it has valid financial guarantees. It uses a system in which the expiry of the guarantees is recorded. Alerts are programmed before the expiry of the guarantees' validity so they can be renewed if the project is still underway or if the Direction de l'habitation has not finished checking the affordable private housing units built.

If affordable private housing units are built, the Direction de l'habitation carries out the required inspections to ensure that the affordable units meet the compliance criteria set out in the inclusion agreement. The Direction de l'habitation will execute the letter of financial guarantee on affordable housing units that are non-compliant.

In our audit work, we asked to see the financial guarantees for the projects underway or finished, to ensure that the City had valid guarantees.

After examining the financial guarantees, we can conclude that the Direction de l'habitation has valid guarantees for projects underway and that for the completed projects, the actions taken by it were appropriate (releasing or executing the guarantees).

RECOMMENDATION

- 3.3.1.B. We recommend that the Service de l'habitation review the process of obtaining financial guarantees for social, community and affordable private housing for projects subject to the *Strategy for the Inclusion of Affordable Housing* in order to protect the City in the event promoters do not fulfil their commitments.**

BUSINESS UNIT'S RESPONSE

3.3.1.B. *Service de l'habitation*

[TRANSLATION] An IT tool is required for managing commitments and guarantees related to the Inclusion Strategy. It has already been requested by the Service des technologies de l'information. However, given that the by-law on improving the supply of social, affordable and family housing will be adopted by the end of 2019, another prioritization request will be sent to the Service des technologies de l'information. (Planned completion: June 2019 notice of motion regarding the by-law)

3.3.2 LOCAL STRATEGY

3.3.2.A BACKGROUND AND FINDINGS

The process described for the *City Strategy* also applies for the local strategies, except that it is the borough that is responsible for obtaining and following up on the guarantees.

With the 82- and 271-unit projects (full rights), we did not find any exceptions related to the social and community component.

For the affordable private component, only the 82-unit project applied and no exceptions were found.

3.4. CONTRIBUTION FUND FOR THE INCLUSION OF AFFORDABLE HOUSING IN NEW RESIDENTIAL PROJECTS

3.4.A. BACKGROUND AND FINDINGS

Originally, the *City Strategy*, adopted in 2005, favoured "on-site inclusion" or, if that was not possible, "off-site inclusion" of affordable housing units. After the strategy was in effect for a few years, application difficulties arose for some development projects that were incompatible with on-site inclusion or when off-site inclusion was not possible. These situations led the parties to negotiate the payment of financial contributions to comply with the *City Strategy*. In 2011, the city manager at the time asked the Direction de l'habitation to undertake a general reflection on the situation. After its work, the decision to create an inclusion contribution fund was adopted by the executive committee on March 14, 2012. At that time, the fund was to have been temporary while awaiting the adoption of amendments to the *Act respecting land use planning and development*, including the creation of a regulatory fund.

Two accounts were created in the fund framework, one strictly for social and community housing (an agglomeration account) and one strictly for affordable private or family hou-

sing (a City account). Separate accounting was kept by each borough to reflect the source of the funds.

When the fund was created, the terms of endowment and use of the fund were as follows:

Endowment of the Fund

- Social and community housing:
 - The contributions come from negotiations under the strategy, including projects resulting from local strategies;
 - Every contribution is accompanied by a letter of commitment (an inclusion agreement) from the donor confirming that it is for the sole purpose of constructing social and community housing.
- Affordable private or family housing:
 - The contributions come from bank letters of guarantee, provided by the promoters under development agreements (or inclusion agreements) for the construction of affordable private or family housing units, which are cashed in when the promoters do not fulfil the conditions.

Use of the Fund

- Social and community housing:
 - By priority, to purchase properties (lots or buildings), specifically required for the development of new social and community housing projects;
 - Secondly, to complete the financing package for projects in development.
- Affordable private or family housing:
 - By priority, to purchase properties (lots or buildings), specifically required for the development of new affordable private or family housing units;
 - To finance subsidies for affordable private or family housing projects.

Other management conditions were also stipulated:

- For every use of the fund, a decision-making file was prepared by the Direction de l'habitation setting out all the details of the project receiving the funds;
- The borough from which the contribution was drawn was invited to participate in the file. Since the decision-making process was simplified (in 2015), the participants in the decision-making files have become "stakeholders," meaning they have read-only access to the decision-making files and the opportunity to contact the person in charge.
- The use of the fund must be approved on the basis of the rules for the delegation of powers;

- The contributions from one borough may be used in another borough if both boroughs in question agree on the decision-making file;
- The executive committee and the boroughs are periodically informed about the contributions received, the amounts used and the general status of the fund.

In this audit, we examined the amount of the sums paid into the fund and the sums used since its creation. We also assessed the efficacy of the controls in place to ensure that the endowment and use of the funds comply with the terms and conditions for the projects in the selected boroughs.

First, using Table 3 below, we can show that for the social and community housing component, the financial contributions received amounted to \$18,978,585 for the period from January 1, 2012, to December 31, 2018, plus \$858,500 for bank guarantees cashed in for a project in the Côte-des-Neiges–Notre-Dame-de-Grâce borough. For the same period, the sum of \$3,199,451 was used, representing 16% of the funds collected. We also note that projects in 10 boroughs generated financial contributions.

**TABLE 3 – CONTRIBUTION FUND FOR THE INCLUSION OF AFFORDABLE HOUSING
IN NEW RESIDENTIAL PROJECTS
SUMMARY OF FINANCIAL CONTRIBUTIONS PAID
AND USED, BY YEAR (FROM 2012 TO 2018)**

FINANCIAL CONTRIBU-TIONS RECEIVED (A)	COMPONENT – SOCIAL AND COMMUNITY HOUSING			COMPONENT – AFFORDABLE PRIVATE HOUSING				
	NUMBER OF BOROUGHS	BANK GUARANTEES CASHED IN (B)	USE OF FUNDS PAID OR COMMITTED ^[A] (C)	CUMULATIVE BALANCE (A+B-C)	BANK GUARANTEES CASHED IN	NUMBER OF BOROUGHS	USE OF FUNDS PAID OR COMMITTED	CUMULATIVE BALANCE
2012	\$286,000	2	\$0	\$0	\$286,000	\$0	\$0	\$0
2013	\$1,331,750	5	\$0	\$0	\$1,617,750	\$0	\$0	\$0
2014	\$2,743,870	7	\$0	\$175,000	\$4,186,620	\$260,000	1	\$0
2015	\$922,000	7	\$0	\$577,020	\$4,531,600	\$0	\$0	\$260,000
2016	\$3,472,123	9	\$0	\$1,670,000	\$6,333,723	\$0	\$0	\$260,000
2017	\$3,843,924	10	\$858,500	\$0	\$11,036,147	\$480,000	2	\$0
2018	\$6,378,918	10	\$0	\$777,431	\$16,637,634	\$400,000	2	\$0
TOTAL	\$18,978,585		\$858,500	\$3,199,451	\$16,637,634	\$1,140,000	\$0	\$1,140,000

[A] Amounts paid or reserved on the approval of the urban agglomeration council.

Source: Contribution Fund for the Inclusion of Affordable Housing, reports submitted to the city council and the urban agglomeration council (2012 to 2018).

Specifically for the Mercier–Hochelaga-Maisonneuve and Le Sud-Ouest boroughs, Tables 4 and 5 below present the financial contributions paid and used each year.

**TABLE 4 – MERCIER-HOCHELAGA-MAISONNEUVE BOROUGH
SUMMARY OF FINANCIAL CONTRIBUTIONS PAID
AND USED, BY YEAR (FROM 2012 TO 2018)**

COMPONENT – SOCIAL AND COMMUNITY HOUSING				VOLET - LOGEMENT ABORDABLE PRIVÉ		
FINANCIAL CONTRIBUTIONS (A)	USE OF FUNDS PAID OR COMMITTED ^[A] (B)	BANK GUARANTEES CASHED IN (C)	CUMULATIVE BALANCE (A-B+C)	BANK GUARANTEES CASHED IN	USE OF FUNDS PAID OR COMMITTED	CUMULATIVE BALANCE
2012	\$0	\$0	\$0	\$0	\$0	\$0
2013	\$0	\$0	\$0	\$0	\$0	\$0
2014	\$0	\$0	\$0	\$0	\$0	\$0
2015	\$0	\$0	\$0	\$0	\$0	\$0
2016	\$0	\$0	\$0	\$0	\$0	\$0
2017	\$42,000	\$0	\$0	\$42,000	\$0	\$0
2018	\$1,064,500	\$200,000	\$0	\$906,500	\$0	\$0
TOTAL	\$1,106,500	\$200,000	\$0	\$906,500	\$0	\$0

^[A] Amounts paid or reserved on the approval of the urban agglomeration council.

Source: Contribution Fund for the Inclusion of Affordable Housing, reports submitted to the urban agglomeration council (2012 to 2018).

**TABLE 5 – LE SUD-OUEST BOROUGH
SUMMARY OF FINANCIAL CONTRIBUTIONS PAID
AND USED, BY YEAR (FROM 2012 TO 2018)**

COMPONENT – SOCIAL AND COMMUNITY HOUSING				COMPONENT – AFFORDABLE PRIVATE HOUSING			
FINANCIAL CONTRIBUTIONS (A)	USE OF FUNDS PAID OR COMMITTED ^[A] (B)	BANK GUARANTEES CASHED IN (C)	CUMULATIVE BALANCE (A-B+C)	BANK GUARANTEES CASHED IN	USE OF FUNDS PAID OR COMMITTED	CUMULATIVE BALANCE	
2012	\$0	\$0	\$0	\$0	\$0	\$0	
2013	\$187,500	\$0	\$0	\$187,500	\$0	\$0	
2014	\$337,500	\$0	\$0	\$525,000	\$0	\$0	
2015	\$0	\$348,520	\$0	\$176,480	\$0	\$0	
2016	\$1,831,146	\$0	\$0	\$2,007,626	\$0	\$0	
2017	\$840,000	\$0	\$0	\$2,847,626	\$480,000	\$0	
2018	\$3,889,175	\$577,431	\$0	\$6,159,370	\$400,000	\$0	
TOTAL	\$7,085,321	\$925,951	\$0	\$6,159,370	\$880,000	\$0	
						\$880,000	

^[A] Amounts paid or reserved on the approval of the urban agglomeration council.

Source: Contribution Fund for the Inclusion of Affordable Housing, reports submitted to the urban agglomeration council (2012 to 2018).

For the selected projects in the Mercier–Hochelaga-Maisonneuve and Le Sud-Ouest boroughs, we checked whether the contributions stipulated in the inclusion agreements for the social and community housing component were cashed in and recorded in the Contribution Fund. We concluded that the control mechanisms in place are sufficient, as we found no errors.

For the two selected boroughs we also ascertained whether the funds were used in compliance with the management conditions in effect. Our work reveals that every time the fund was used, a decision-making file was prepared by the Direction de l'habitation providing details about how the money was to be used. Based on the information provided in these decision-making summaries, the type of payment complied with the terms established when the Contribution Fund was created. For these two boroughs, the funds were used for the following purposes:

- For the Mercier–Hochelaga-Maisonneuve borough, the sum of \$200,000 was reserved on the approval of the urban agglomeration council concerning the payment of a special subsidy to complete the financing package for a project in development under the terms of the AccèsLogis program. This type of payment meets the terms established when the Contribution Fund was created.
- In the case of Le Sud-Ouest borough, the sum of \$577,431 was paid on the approval of the urban agglomeration council for the acquisition by expropriation or any other means of a property for the construction of a social and community housing project. This type of payment meets the terms established when the Contribution Fund was created.

For the affordable private housing component, we found that the sums cashed in amounted to \$1,140,000 for the period from January 1, 2012, to December 31, 2018, and concerned two boroughs. For Le Sud-Ouest borough, bank guarantees were cashed in because the promoters did not produce the units stipulated in the commitments they had made. This happened with 2 projects and in relation to 88 units stipulated in the inclusion agreements. We found that for this period, the sums cashed in were not used.

It is true that our audit work revealed that the use of the funds met the terms established when the Contribution Fund was created, since the terms were worded quite broadly. In light of the fact that the payment of financial contributions has become a widespread practice since the adoption of the amendments to the *City Strategy* (in 2015) and the adoption of the local strategies by the boroughs, however, we are of the opinion that a reflection should be undertaken on the reasons why these sums are not used for social housing. We believe that it would be appropriate to plan the use of the money based on social housing opportunities (e.g., to find lots, demolish old buildings) and needs, rather than to meet occasional needs. Although the amount is not high at the moment, a reflection should also be undertaken on the optimal use of the funds earmarked for affordable private housing.

RECOMMENDATION

- 3.4.B. We recommend that the Service de l'habitation undertake a reflection on the reasons why so little of the money paid into the Contribution Fund for the Inclusion of Affordable Housing in New Residential Projects is used and to reflect separately for the social and community housing component and the affordable private housing component, in order to support the achievement of the City's objectives with regard to supporting the production of affordable housing and maintaining social diversity.**

BUSINESS UNIT'S RESPONSE

3.4.B.

Service de l'habitation

[TRANSLATION] This discussion has been initiated on developing the by-law to improve the supply of social, affordable and family housing and will be made public when a notice of motion is filed. There are plans to pool the fund. (**Planned completion: June 17, 2019, filing of the notice of a motion regarding the by-law**)

An analysis of the use of amounts from the Inclusion Strategy will be produced for the strategy report (see 3.5 B.). The Office de consultation publique de Montréal will make this information available to the public at information sessions. (**Planned completion: September 2019**)

3.5. ACCOUNTABILITY

3.5.A. BACKGROUND AND FINDINGS

When a business unit implements orientations approved by the authorities, it must monitor their progress, evaluate them periodically and report the results. Accountability mechanisms must be put in place within the structure, so that informed decisions can be made at the right time.

As we mentioned in the introduction, the *City Strategy* was adopted in 2005 in order to contribute to the objectives set out in the City's urban plan adopted in 2004. According to that plan, the City was to produce 60,000 to 75,000 new housing units over a 10-year period (from 2004 to 2014), 30% of which would be affordable. That meant 18,000 to 22,500 affordable housing units for that period.

In 2018, the municipal administration announced its *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units*, or 6,000 social housing units and 6,000 affordable housing units. To achieve this objective, the City put into place a set of programs and measures, including the pursuit of the current strategy and the adoption of a new by-law to govern and enforce the inclusion of social, affordable and family housing.

During our audit, we therefore examined whether periodic accountability reporting mechanisms were used to provide the people in charge with sufficient information on these priorities.

At the time of our work, the accountability reporting for the strategies (*City Strategy* and local strategies) consisted solely of the annual report for the Contribution Fund. We found that the Contribution Fund reports were submitted to the city council and the urban agglomeration council for the years 2012 to 2017. At the time of our audit, the report for 2018 had not yet been submitted to the urban agglomeration council.

Through our work, we found that the Direction de l'habitation is also able to produce a report on the inclusion agreements concluded or to be concluded. According to the information we obtained, the tool for producing this report was developed in fall 2018. At the end of December 2018, an initial report for 2018 was presented to the head of the division in charge and the director of the Direction de l'habitation. We noted that this report presents the results of the inclusion strategies (the *City Strategy* and the local strategies) specifically for 2018 and also the results since the beginning of the *City Strategy* (in 2005). It also outlines the strategies' contribution to the *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units*. The report outlines the social, community and affordable private housing potential for which commitments were made by promoters in relation to the total number of housing units in the target projects. More specifically, the following information is provided:

- Number of agreements concluded;
- Total number of housing units in the target projects;
- Number of social housing units planned;
- Social contributions received or to be received;
- Social bank guarantees cashed for default;
- Number of affordable private housing units planned;
- Affordable bank guarantees cashed for default.

Although the data presented in this report make it possible to assess the efforts made to conclude inclusion agreements, we note that they do not address the results in terms of housing units actually under construction and occupied. In our audit work, we asked for this data, but we discovered that the computer applications used by the Direction de l'habitation are unable to generate such reports for reasonable effort. We believe that this is essential and critical management information to establish an overall portrait, in order to monitor the achievement of the objectives set and provide accountability.

We are of the opinion that a complete, overall report presenting the results of the strategies (City and local), from the time of adoption, should be produced for the decision-makers, to allow them to assess the extent to which the inclusion objectives have been met to date. We believe that this overall report would also make it possible to assess the extent to which the efforts made by the Direction de l'habitation and the borough, in terms of negotiating and monitoring commitments, have contributed to the achievement of the strategies' objectives. If the results do not tally with the expected results, we believe it would be appropriate to remove the main obstacles blocking the application of the strategies.

Finally, as the inclusion of affordable housing is a priority for the city administration, we believe that permanent accountability mechanisms should be put in place to keep the Direction générale and the authorities informed about the results of the strategies (City and local), including housing units actually constructed.

RECOMMENDATIONS

- 3.5.B.** We recommend that the Service de l'habitation produce, for the Direction générale and the authorities, a complete report on the results of the *Strategy for the Inclusion of Affordable Housing* and the local strategies since their adoption stating the extent to which the inclusion objectives have been achieved, in order to allow for informed decision-making.
-
- 3.5.C.** We recommend that the Service de l'habitation establish periodic accountability mechanisms for the results of the *Strategy for the Inclusion of Affordable Housing* and the local strategies, including housing units actually under construction and occupied, in order to facilitate timely and informed decisions on the part of the Direction générale and the authorities, from the perspective of achieving the target objectives.

BUSINESS UNITS' RESPONSES

- 3.5.B.** **Service de l'habitation**
[TRANSLATION] A report on the Inclusion Strategy and local strategies is expected to be made public during planned consultations on the proposed inclusion by-law in the fall of 2019. (Planned completion: September 2019)
-
- 3.5.C.** **Service de l'habitation**
[TRANSLATION] Given that the by-law on improving the supply of social, affordable and family housing is scheduled to come into force at the beginning of 2021, the report provided for in recommendation 3.5.B. will be updated and submitted to the executive committee. (Planned completion: December 2020)
- However, to implement a reporting system for counting housing units actually started and occupied:*
- 1. a column must be added to an existing Oracle database. A formal request for this improvement was sent to the Service des technologies de l'information in January 2019. (Planned completion: January 2019)*
 - 2. As soon as the database is modified, the Service de l'habitation will be able to report on the results of the Affordable Housing Inclusion Strategy and local strategies, including social housing that is actually under construction and occupied. These results will be incorporated into monthly reports already produced by the Service de l'habitation. (Planned completion: reporting: as soon as the database has been modified)*

4. CONCLUSION

The *Strategy for the Inclusion of Affordable Housing (City Strategy)* was adopted by the executive committee in 2005. This strategy was to have facilitated the achievement of the City's affordable housing and inclusion objectives, as set out in the Montreal Master Plan adopted by the city council in 2004. Under this plan, the City was to support the construction of 60,000 to 75,000 housing units over a 10-year period (from 2004 to 2014), 30% of which would be affordable housing units. That meant 18,000 to 22,500 affordable housing units for that period. The strategy targeted the inclusion of affordable housing (social, community and affordable private) in residential construction projects of over 200 units. As the City did not have the regulatory power to impose the application of the *City Strategy*, it adopted an incentive approach.

In the first years, the inclusion of affordable housing in projects was not always possible, so financial contributions started to be allowed. Then, in 2012, the executive committee created a Financial Contribution Fund. In 2015, amendments were made to the *City Strategy* including application to residential construction projects of over 100 units that require regulatory amendments. In 2012, some boroughs also adopted local inclusion strategies, to strengthen the *City Strategy*.

More recently, in June 2017, the Government of Québec allowed all municipalities to subject the issue of residential construction permits to the conclusion of an agreement on the social, affordable and family housing offer. To use this new power, the City is currently developing a by-law.

After the signature of an agreement with the Government of Quebec in March 2018, the City was given the responsibility and budgets related to the development of housing in its territory, including social and community housing. One of the first issues the City addressed was the overhaul of the AccèsLogis program.

In 2018, buoyed by these new means, the City announced its *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units* for 6,000 social and community housing units and 6,000 affordable private housing units. To reach this target, a set of measures must be put in place, including the continuation of the *City Strategy* and the local strategies and the possible adoption of a new by-law.

Our audit work allowed us to conclude that the management practices could be improved to facilitate the achievement of the inclusion objectives set by the authorities, under both the *City Strategy* and the local strategies. At present, it is hard to gain a global overview and specifically determine the achievement of the affordable housing goals. To create conditions conducive to achieving these objectives, we recommend that the City:

- make provisions to facilitate the implementation of the *City Strategy* in order to ensure fairness among the promoters and greater consistency across the territory;
- conclude collaboration agreements between the Direction de l'habitation and all the boroughs;

- involve the Direction de l'habitation in the negotiation and conclusion of construction project development agreements when the *City Strategy* applies;
- enforce the collaboration agreements, especially concerning the need to inform the Direction de l'habitation in a timely manner when a residential construction project requires regulatory amendments;
- ensure that no regulatory amendments are adopted without first obtaining written confirmation that an inclusion agreement has been signed with the promoter;
- review the financial guarantee process, for the inclusion of both social and community housing and affordable private housing;
- undertake a general reflection on the reasons why the money paid into the Contribution Fund is not used and define a policy for the fund;
- produce a complete report on the application of the *City Strategy* and the local strategies since their adoption and put in place periodic accountability mechanisms on the results of these strategies to identify the number of affordable housing units actually built (social, community or affordable private).

The *City Strategy* and the local strategies respond to a policy of the municipal administration. Even though the City adopted an incentive approach to apply the *City Strategy* and the local strategies and even though a great deal of effort has been deployed, a global report establishing the level of achievement of the strategies' objectives must be produced to allow informed decisions to be made. We believe that the objectives of the *2018–2021 Strategy to Develop 12,000 Affordable Social Housing Units* are ambitious because they must be achieved in a short period. We are of the opinion that to achieve these objectives, the municipal administration must make provisions to facilitate the implementation of the *City Strategy* in order to provide uniformity across the City's entire territory.

5. APPENDICES

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Ensure that the current *Strategy for the Inclusion of Affordable Housing (City Strategy)* and the related local strategies are applied, in order to achieve the objectives established by the authorities.

EVALUATION CRITERIA

- The type of projects targeted by the *City Strategy* and local strategies for the inclusion of affordable housing is clearly stated in communications with the promoters.
- The roles and responsibilities of all business units involved in the *City Strategy* and the local inclusion strategies are clearly defined and communicated to the participants.
- Incentive mechanisms are in place to encourage promoters to include social, community and affordable private housing units in their construction projects and conclude agreements with the City.
- Mechanisms are in place to enforce the commitments made by promoters in the inclusion agreements in terms of social, community and affordable private housing.
- When the inclusion of social and community housing is not possible, the promoters contribute financially to the Contribution Fund created to this end, in accordance with the established management conditions.
- The money in the *City Strategy* Contribution Fund is used in compliance with the established conditions.
- Accountability mechanisms are in place concerning the results of the *City Strategy* and local strategies.

5.2. COMPARISON OF THE *STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING WITH THE LOCAL INCLUSION STRATEGIES FOR THE MERCIER-HOCHELAGA-MAISONNEUVE AND LE SUD-OUEST BORoughS*

MERCIER-HOCHELAGA-MAISONNEUVE BOROUGH			
	ACTION PLAN FOR THE INCLUSION OF SOCIAL HOUSING, APPLICABLE TO PROJECTS OF 48 UNITS OR MORE [MARCH 2012]	LOCAL STRATEGY FOR THE INCLUSION OF SOCIAL AND AFFORDABLE HOUSING IN NEW RESIDENTIAL PROJECTS [MAY 2018]	STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING (CITY STRATEGY) (AMENDED DECEMBER 9, 2015)
Thresholds	2 thresholds: <ul style="list-style-type: none">• 48 to 100 units;• Over 100 units.	2 thresholds: <ul style="list-style-type: none">• 5 to 149 units;• Over 150 units.	1 thresholds: <ul style="list-style-type: none">• Over 100 units.
Type of projects	<ul style="list-style-type: none">• Between 48 and 100 units: all residential construction projects;• Over 100 units: projects that require regulatory amendments or projects with at least 100 units across multiple sites.	Projects that require regulatory amendments related to: <ul style="list-style-type: none">• density;• height;• usage. and allow: <ul style="list-style-type: none">• larger gross surface area;• higher allowable number of units.	Projects that require major regulatory amendments related to: <ul style="list-style-type: none">• density;• height;• usage. and allow: <ul style="list-style-type: none">• larger gross surface area;• higher allowable number of units.
Social and community inclusion rate	<ul style="list-style-type: none">• Between 48 and 100 units: Record keeping• Over 100 units: 15% of the units in the project	<ul style="list-style-type: none">• 5 to 149 units: Financial contribution preferred• Over 150 units: 20% of units (increase in gross residential surface area for units of 90 m²).	Over 100 units: <ul style="list-style-type: none">• Lot allowing for 15% of the increase in gross residential surface area for units of 90 m².
Financial contribution	<ul style="list-style-type: none">• 48 to 100 units: No contributions• Over 100 units: 17.6% of the total residential area for units of 90 m²¹⁶ x (difference between the market value of the residential lots in the sector and \$12,000¹⁷).	<ul style="list-style-type: none">• 5 to 149 units: 20% contribution rate .• Over 150 units: 30% contribution rate. Rate applied to the increase in gross residential surface area for units of 90 m ² x (difference between the market value of the geographic sector and \$12,000).	Over 100 units: <ul style="list-style-type: none">• 20% of the increase in the gross residential surface area for units of 90 m² x (difference between the market value of the geographic sector and \$12,000).
Affordable private housing inclusion rate	<ul style="list-style-type: none">• Between 48 and 100 units: Record keeping.• Over 100 units: 15% of the units in the residential project.	<ul style="list-style-type: none">• For three thresholds: 20% of total units in the project (excluding social housing units).	<ul style="list-style-type: none">• 15% of total units in the project (excluding social housing units).
Inclusion of family housing	Encouraged	Encouraged	Encouraged

¹⁶ Equal to a two-bedroom unit.¹⁷ Community organizations' capacity to pay, under the terms of the AccèsLogis program.

LE SUD-OUEST BOROUGH			
	ACTION PLAN FOR THE INCLUSION OF AFFORDABLE HOUSING IN RESIDENTIAL PROJECTS (JUNE 2012)	ACTION PLAN FOR THE INCLUSION OF AFFORDABLE HOUSING IN RESIDENTIAL PROJECTS IN LE SUD-OUEST BOROUGH (JUNE 2016)	STRATEGY FOR THE INCLUSION OF AFFORDABLE HOUSING STRATEGY (CITY STRATEGY) (AMENDED DECEMBER 9, 2015)
Thresholds	2 thresholds: <ul style="list-style-type: none">• Fewer than 200 units;• Over 200 units.	3 thresholds: <ul style="list-style-type: none">• 8 to 49 units;• 50 to 99 units;• 100 or more.	1 threshold: <ul style="list-style-type: none">• Over 100 units.
Type of projects	<ul style="list-style-type: none">• Fewer than 200 units and over 200 units<ul style="list-style-type: none">– Project that requires regulatory amendments;– Full rights project;– Record keeping.	Projects that require regulatory amendments related to: <ul style="list-style-type: none">• density;• height;• usage. <p>Discontinuation of record keeping. Silent on full rights projects.</p>	Projects that require major regulatory amendments related to: <ul style="list-style-type: none">• density;• height;• usage. <p>and allow:<ul style="list-style-type: none">• larger gross surface area;• higher allowable number of units.</p>
Social and community inclusion rate	<ul style="list-style-type: none">• Fewer than 200 units:<ul style="list-style-type: none">– Social on site 10%;– Social off site 12.5%;10% full rights.• Over 200 units:<ul style="list-style-type: none">– Social on site 15%;– Social off site 17.6%;15% full rights.	<ul style="list-style-type: none">• 8 to 49 units:<ul style="list-style-type: none">– No requirements• 50 to 99 units:<ul style="list-style-type: none">– On site 20%;– Off site 20%.• Over 100 units:<ul style="list-style-type: none">– On site 20%;– Off site 25%.	Over 100 units: <ul style="list-style-type: none">• Lot allowing for 15% of the increase in gross residential surface area for units of 90m².
Financial contribution	<ul style="list-style-type: none">• Fewer than 200 units:<ul style="list-style-type: none">15% of regulatory amendments;10% full rights.• Over 200 units:<ul style="list-style-type: none">20% regulatory amendments;15% full rights.	<ul style="list-style-type: none">• 8 to 49 units:<ul style="list-style-type: none">20% contribution rate.• 50 to 99 units:<ul style="list-style-type: none">30% contribution rate.• Over 100 units:<ul style="list-style-type: none">30% contribution rate. <p>Rate applied on the entire gross residential surface area for units of 90 m² x (difference between the market value of the geographic sector and \$12,000).</p>	Over 100 units: <ul style="list-style-type: none">• 20% of the increase in the gross residential surface area for units of 90 m² x (difference between the market value of the geographic sector and \$12,000).
Affordable private housing inclusion rate	<ul style="list-style-type: none">• Fewer than 200 units:<ul style="list-style-type: none">10%• Over 200 units:<ul style="list-style-type: none">15%	<ul style="list-style-type: none">• 8 to 49 units: no requirements.• 50 to 99 units: 20% of all units in the project.• Over 100 units: 20% of all units in the project.	<ul style="list-style-type: none">• 15% of total units in the project (excluding social housing units).
Inclusion of family housing	Encouraged, and the borough can offer compensations.	Encouraged	Encouraged



4.8.

SUPPLIER AND CONTRACTOR PERFORMANCE ASSESSMENT

MARCH 15, 2019

SUMMARY OF THE AUDIT

OBJECTIVES

Ensure that supplier and contractor performance assessments are conducted in accordance with the provisions of the Act and the performance assessment administrative guideline and that relevant information is sent to decision-makers to enable them to make informed decisions.

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.

In December 2012, the Government of Quebec adopted *Bill 8*¹, which amended section 573 of the *Cities and Towns Act*² (hereinafter CTA). Pursuant to the amended section, under certain conditions, municipalities may reject any tender from a contractor having received an unsatisfactory performance assessment in respect of a previous contract. In September 2013, the Ville de Montréal city council adopted a resolution calling for contractor and supplier work quality assessments. Finally, in November 2015, a “Supplier performance assessment guideline”³ was developed to guide these assessments and ensure that all business units follow it.

Although efforts were made to comply with all provisions of this guideline, we believe that the following key aspects should be improved:

- Some provisions of the Performance assessment guideline contain significant ambiguities, which makes the guideline difficult to interpret and implement;
- Several provisions of the Performance assessment guideline are not followed;
- Contracts covered by the Performance assessment guideline do not all undergo performance assessments;
- Audited business units did not all have a comprehensive tool for monitoring performance assessments;
- Unsatisfactory performance assessment files do not all contain a schedule that includes deadlines to be met, as described in the CTA and the guideline, as well as dates related to important aspects of the file;
- The Service du greffe has no specific guideline for maintaining and updating the list of firms whose performance is unsatisfactory;
- The information provided to help decision-makers make decisions do not meet all requirements outlined in the guideline and the “Guide – Developing decision-making records (contract awards)”;
- The “Guide – Developing decision-making records” has not been updated to reflect amendments to the guideline made in September 2018;
- The information accompanying the list of firms whose performance is unsatisfactory provided to decision-makers, which is subsequently posted on the assessment record website, is not consistent.

¹ An Act to amend various legislative provisions respecting municipal affairs, CQLR, 2012, chapter 30.

² Cities and Towns Act, CQLR, c. C-19, sec. 573, subsection 2.0.1.

³ November 4, 2015 guideline: C-RM-APP-D-15-002.

TABLE OF CONTENTS

1. BACKGROUND	345
2. PURPOSE AND SCOPE OF THE AUDIT	347
3. AUDIT RESULTS	349
3.1. Implementation of the guideline	349
3.1.1. Review of the guideline	349
3.1.2. Implementation of the guideline's provisions	353
3.1.2.1. Performance assessment	353
3.1.2.2. Control mechanisms	357
3.1.2.3. Maintaining and updating the list of firms whose performance is unsatisfactory	362
3.2. Information provided as part of the decision-making process and on the website	364
3.2.1. Suppliers or contractors who were awarded a contract, but who are not on the list of firms whose performance is unsatisfactory	364
3.2.2. Suppliers or contractors who were awarded a contract and are on the list of firms whose performance is unsatisfactory	367
3.2.3. Information accompanying the list of firms whose performance is unsatisfactory	370
4. CONCLUSION	373
5. APPENDIX	374
5.1. Objectives and evaluation Criteria	374





LIST OF ACRONYMS

CTA

Cities and Towns Act

GDD

Decision-making record management

LCB

lowest compliant bidder

RDP-PAT

Rivière-des-Prairies–Pointe-aux-Trembles
borough

SIVT

Service des infrastructures, de la voirie
et des transports (Infrastructure, roads
and transport department)

4.8. | SUPPLIER AND CONTRACTOR PERFORMANCE ASSESSMENT

1. BACKGROUND

In December 2012, the Government of Quebec adopted *Bill 8*⁴, which amended section 573 of the *Cities and Towns Act* (hereinafter CTA). Pursuant to the amended section, under certain conditions, municipalities may reject any tender from a contractor having received an unsatisfactory performance assessment in respect of a previous contract. This provision came into force by government decree in June 2013. Under the CTA, municipalities may conduct supplier and contractor performance assessments. Before this provision came into force, cities could not reject tenders from firms that had not performed previous contracts satisfactorily.

In September 2013, the Ville de Montréal (hereinafter the City) city council adopted a resolution calling for contractor and supplier work quality assessments. Specifically, city council requested that the *Performance assessment system* be put in place as soon as possible to properly assess performance and the quality of work and goods provided.

Pursuant to these new provisions, in September 2015⁵, city council declared that it had competent jurisdiction, for a period of five years, to exercise the powers related to supplier and contractor performance assessments. To exercise this power, city council delegated competent jurisdiction to the executive committee for these assessments in October 2015⁶. The urban agglomeration council therefore adopted a bylaw⁷ on the delegation of powers to the executive committee in order to enable the committee to exercise jurisdiction over supplier and contract performance assessments in respect of contracts concerning the agglomeration.

Although city council has declared that it has jurisdiction over performance assessments for a five-year period, this declaration of jurisdiction provides that each authority retains jurisdiction over the decision to award the contract.

In November 2015, a “Supplier performance assessment guideline”⁸ was developed to guide these assessments. All business units must follow this guideline. For example, units must include specific clauses in the performance assessment in tender documents, develop a monitoring plan for each contract, monitor the contract and assess the firm. The guideline also specifies the roles and responsibilities of the various stakeholders involved in assessing the performance of firms and describes the process and steps to be followed to conduct performance assessments. It clearly states that the Service de l’approvisionnement is responsible for contract files it has signed and for the content of the guideline.

⁴ Adopted in December 2012.

⁵ Pursuant to section 85.5 of the *Charter of Ville de Montréal*, CQLR, c-11.4. City council resolution CM15 1107, dated September 21, 2015.

⁶ *By-law concerning the delegation of city council powers to the executive committee*, city council, by-law No. 03-009, adopted on January 27, 2003.

⁷ *Urban agglomeration council internal management by-law concerning the delegation of urban agglomeration council powers to the executive committee regarding performance evaluation*, urban agglomeration council, by-law No. RCG 15-075, adopted on October 29, 2015.

⁸ November 4, 2015 guideline: C-RM-APP-D-15-002.

It also states that the Service du greffe is responsible for maintaining and updating the list of firms whose performance is unsatisfactory.

The Direction générale relied on section 57.1 of the *Charter of Ville de Montréal* to decree that the guideline is part of a strategic issue. As a result, the guideline applies to all City departments and boroughs.

The guideline gives business units the option to recommend to the authorities the choice of the lowest compliant bidder, even if that bidder is on the list of firms whose performance is unsatisfactory. However, business units must justify this choice by providing various kinds of information, the content of which is indicated in the guideline. The guideline was amended in 2017 and 2018. Since September 2018, a business unit can now consider the type of contract or contracts for which the firm received an unsatisfactory performance assessment, the type of contract to be awarded, as well as the number of unsatisfactory and satisfactory performance assessments that the firm received in the last two years. This amendment is important because, although the firm is on the list of firms whose performance is unsatisfactory, a business unit can award it the contract on the basis that it is a different type of contract from the one the firm had previously performed and for which it had obtained an unsatisfactory performance assessment.

In January 2016, the Service de l'approvisionnement created a PowerPoint presentation to show business units the performance assessment process and the authorities' responsibilities. In November 2016, this department also produced a performance assessment guide.

In summary, the executive committee is responsible for assessing performance for all contract files of all authorities (e.g., the urban agglomeration council, city council, executive committee and borough council). The files must therefore be forwarded to the Service de l'approvisionnement in order for it to review each performance assessment and decide whether to endorse or reject the assessor's ruling that the firm's performance was unsatisfactory. However, each body retains its authority to award contracts, i.e., the power to reject any tenders, or to award a contract under its jurisdiction to a contractor or supplier despite the fact that it is on the list of firms whose performance is unsatisfactory.

In the by-laws governing the delegation of powers to the executive committee, the city council and the urban agglomeration council have decreed that: "...*all performance assessments are carried out by the division head responsible for the management of the contract*". The guideline sets out the same rule. The division head has therefore been designated as the person responsible for conducting this assessment in the relevant business units as stipulated in subsection 2.0.1 of section 573 of the CTA. The division head must therefore send the executive committee a decision summary outlining his decision on a firm's unsatisfactory performance assessment for the committee's endorsement or rejection.

The performance assessment is conducted at the end of the contract and covers the entire contract, not only part of the contract.

The administrative framework stipulates that:

“...this guideline applies to all contracts awarded by all business units for the acquisition of goods and general services, professional services and the execution of works following a public call for tenders process. It also applies to architectural and design competitions involving a subsidy of \$100,000 or more or to any other contract that the executive committee may identify.”

Since the Direction générale adopted the guideline, more than 10 or so unsatisfactory performance assessment files have been sent to the executive committee for approval.

When the executive committee approves an unsatisfactory performance assessment file regarding a firm, the firm is then placed on the list of firms whose performance is unsatisfactory. It is commonly known as the “Grey list.” To date, nearly 10 or so firms have been put on this list. The list is posted on the City’s Internet portal, which can be accessed by the public.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the provisions of the CTA, we conducted a performance audit mission on supplier and contractor performance assessments. 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 supplier and contractor performance assessments are conducted in accordance with the provisions of the CTA and the performance assessment administrative guideline and that relevant information is sent to decision-makers to enable them to make informed decisions.

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. She also complies with the rules of independence and the other ethical rules of the Code of Ethics of Chartered Professional Accountants, which are based on the fundamental principles of integrity, professional competency and diligence, confidentiality and professional conduct.

Our audit work focused on the period from November 2015 to September 30, 2018. However, for some aspects, data prior to these years were also considered. It was primarily completed between June 2018 and February 2019. The files selected for review of the implementation of provisions in the Supplier performance assessment guideline have to do with construction contracts.

This work primarily involved the following business units:

- Service du greffe;
- Service de l'approvisionnement;
- Service des infrastructures, de la voirie et des transports (SIVT);
- Rivièr-des-Prairies–Pointe-aux-Trembles borough (RDP-PAT);
- Verdun borough.

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 name of the department at that time is used in this report. However, our recommendations are intended for the department based on this reorganization. Table 1 shows the equivalence between the old and new departments involved in this audit. Other departments, directorates or divisions targeted by this audit, but not mentioned in this Table, were not reorganized as of January 1, 2019.

**TABLE 1 – EQUIVALENCE BETWEEN THE 2018 ORGANIZATION
AND THE 2019 ORGANIZATION**

2018 ORGANIZATION	2019 ORGANIZATION
Service des infrastructures, de la voirie et des transports Direction des infrastructures Division de la réalisation des travaux	Service des infrastructures du réseau routier Direction des infrastructures Division de la réalisation des travaux
Service des infrastructures, de la voirie et des transports Division des grands projets 2	Service des infrastructures du réseau routier Direction des infrastructures Division des grands projets
Service des infrastructures, de la voirie et des transports Division des grands projets 4	Service de l'urbanisme et de la mobilité Direction de la mobilité Division de l'aménagement et des grands projets

Upon completing our audit work, we presented a draft audit report to the managers of each audited business unit for discussion purposes. The final report was then forwarded to the Direction générale and each business unit 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 of the Mobilité et à l'attractivité, the deputy director general of the Services institutionnels, the deputy director general of the Service aux citoyens, the director of the Service de la concertation des arrondissements, and the directors of the 17 other boroughs not directly targeted by our audit, so they could implement recommendations if appropriate.

3. AUDIT RESULTS

3.1. IMPLEMENTATION OF THE GUIDELINE

3.1.1. REVIEW OF THE GUIDELINE

3.1.1.A. BACKGROUND AND FINDINGS

As we mentioned earlier, the “Supplier performance assessment guideline” contains several provisions. Our audit work revealed an ambiguity and an interpretation problem that make it difficult to implement some of these provisions.

The following provision concerns the scope of the guideline, i.e., the categories of contracts and the value of contracts for which a performance assessment must be conducted.

“Company assessments

This guideline applies to all contracts awarded by all business units for the acquisition of goods and general services, professional services and the execution of works following a public call for tenders process. It also applies to architectural and design competitions involving a subsidy of \$100,000 or more or to any other contract that the executive committee may identify.”

According to the information obtained from the people interviewed at the Service de l'approvisionnement, contracts of \$100,000 or more are covered by the guideline.

However, a review of the list of firms whose performance is unsatisfactory reveals that a borough gave a contract worth less than \$100,000 an unsatisfactory performance assessment. In the two boroughs audited, staff members told us they were concerned because they were not sure whether performance assessments should be conducted for contracts under \$100,000 where a public call for tenders was issued. For its part, SIVT staff told us that performance assessments were conducted only for contracts of \$100,000 or more.

It appears that this provision is somewhat ambiguous, which makes it difficult to implement. Although it does specify that it applies to architectural and design competitions involving a contract of \$100,000 or more, it does not clearly specify the value of contracts for which a public call for tenders is issued.

The guideline includes another provision regarding its scope, i.e., contracts for which a performance assessment must be conducted. This provision reads as follows:

"Awarding new contracts, agreements or orders

This guideline applies to all new contracts, agreements or orders awarded by all business units to successful bidders on the list of firms whose performance is unsatisfactory pursuant to public invitations to tender or tenders by invitation or by negotiation."

According to this provision, all contracts, agreements and orders awarded to a contractor on the list of firms whose performance is unsatisfactory must undergo a performance assessment.

In our opinion, when read with the first provision described above, this provision is also somewhat ambiguous because it does not specify the value of contracts for which a performance assessment must be conducted. It mentions firms on the list of firms whose performance is unsatisfactory pursuant to contracts awarded following public calls to tender or tenders by invitation or by negotiation.

Another provision also caught our attention because our audit work revealed that it contained significant interpretation and implementation problems. This provision reads as follows:

"Company assessments

Firms are assessed at the end of the contracts based on the checklist included in the call for tenders. The scores are explained in the comment section of the report. The final assessment is a synthesis of all monitoring activities from the beginning to the end of the contract [...]."

The guideline does not specify the concept of "end of the contracts". Our audit work highlights the fact that business units interpret this notion differently. As a result, the performance assessment is not performed during the same period. This situation raises several ambiguities in implementing the guideline because the audited business units implement it differently and not consistently.

THE SERVICE DES INFRASTRUCTURES, DE LA VOIRIE ET DES TRANSPORTS

SIVT staff told us that the performance assessment is conducted at the provisional acceptance stage⁹ of the work. Specifications for contracts that have received an unsatisfactory performance assessment indicate that, for performance assessment purposes, provisional acceptance of the work is considered to be the end of the contract.

RIVIÈRE-DES-PRAIRIES-POINTE-AUX-TREMBLES BOROUGH

Some RDP-PAT borough staff members that we interviewed told us they were not sure about the period during which the performance assessment should be conducted. They had different interpretations. One staff member told us that the performance assessment was conducted upon final acceptance of the work¹⁰, while another said he preferred conducting the assessment upon provisional acceptance of the work, although a member from a different department had a different opinion. As a result, some assessments have still not been performed despite the fact that the work has been provisionally accepted.

VERDUN BOROUGH

Comments provided by staff interviewed in the Verdun borough were quite similar to those we received from the RDP-PAT borough. Staff indicated that the performance assessment must be conducted at the final acceptance stage, when everything has been completed, i.e., when the securities are released. However, after our interviews, staff mentioned that they were not sure about the period during which the assessment should be conducted. Performance assessments for some contracts were completed in December 2018 at the provisional acceptance stage. However, performance assessments were not conducted for some contracts despite the fact that the work had been provisionally accepted.

Thus, business units have different interpretations of the concept of “end of contract”, which is not inconsequential. Performance assessments are not completed at the same time. They are therefore not conducted consistently within the City. According to the information provided by the people interviewed in the business units, the date of final acceptance may extend to a few years after provisional acceptance. There may be an impact on the assessment due to various factors, including staff changes and time elapsed.

⁹ Provisional acceptance occurs when the work has been provisionally accepted. It is initiated when several specific conditions have been met (e.g., the work to be corrected and the work to be completed, including deferred work, does not prevent the work from being ready in every respect for its intended use). A provisional acceptance certificate is produced. A provisional acceptance letter is sent to the contractor (accepting the work).

¹⁰ If all the construction work has been performed and found to be acceptable at the time of the first inspection, or if it is completed after defects have been corrected, the designated construction professional (the supervisor) will recommend final acceptance of the construction work. A final work acceptance certificate is produced. A letter of final acceptance is sent to the contractor.

This provision is therefore very difficult to interpret and apply. Such a situation is not devoid of risk, because the calculation of deadlines for the process leading to the executive committee's decision to approve or reject the assessment is based on the end date of the contract. An error in the end date of the work can have significant consequences and call into question the assessment itself in the case of unsatisfactory performance. The assessment may therefore be challenged by the firm.

In our opinion, it is crucial that the provisions of the guideline be reviewed to avoid any ambiguity and confusion in their interpretation and thus facilitate their application. It is also important that the guideline, approved by the Direction générale, be applied consistently throughout the City.

RECOMMENDATION

- 3.1.1.B. We recommend that the Direction générale ensure that the guideline is reviewed in order to clarify it, remove all ambiguity and any possibility of divergent interpretations to facilitate its compliant and consistent application throughout the City.**

BUSINESS UNIT'S RESPONSE

- 3.1.1.B. *Direction générale***

[TRANSLATION] The Direction générale mandates the Service de l'approvisionnement, in conjunction with the Service des affaires juridiques, to revise the guideline. The "Supplier assessment" project committee, consisting of managers of several business units (corporate services and boroughs), has already started revising the guideline.

After the guideline has been updated and to ensure consistent, uniform implementation, the Service de l'approvisionnement will provide all units with training on the revised process. (Planned completion: October 2019)

3.1.2. IMPLEMENTATION OF THE GUIDELINE'S PROVISIONS

3.1.2.1. PERFORMANCE ASSESSMENT

3.1.2.1.A. BACKGROUND AND FINDINGS

At this stage of our work, we wanted to verify whether the audited business units implemented the key provisions of the guideline.

These key provisions primarily concern:

- conducting performance assessments for contracts covered by the guideline;
- using tender documents that include the performance assessment clauses and checklist;
- developing a monitoring plan for each contract: planning for the assessment takes into account the topics and criteria in the checklist, and includes the items to be verified, the frequency and periods of interventions, the people to be interviewed, places to be visited, and if necessary, the means to be used to perform these verifications;
- creating a register of follow-up interventions with a brief description of the items checked (this document is used for monitoring, follow-up meetings, communications and different opinions);
- sending the assessments to the Service de l'approvisionnement.

In order to perform this review, we gathered samples of tender documents at SIVT and in the boroughs of RDP-PAT and Verdun from the list of 2016 to 2018 contracts that these units sent us. We limited our review to construction contracts, because they account for a significant number of contracts awarded to suppliers or contractors by the boroughs and the City, and conducting performance assessments for these contracts is very challenging.

As a result, we did not select a contract from the Service de l'approvisionnement because this department does not conduct performance assessments in this category of contracts. For each business unit, we randomly selected five contract files that the business units deemed to be completed.

We also examined contracts that received unsatisfactory performance assessments from the two boroughs and SIVT. However, the RDP-PAT borough did not issue any unsatisfactory performance assessments. On the list of firms whose performance is unsatisfactory, we found an assessment file produced by the Verdun borough and two assessment files produced by SIVT.

REVIEW OF 15 SELECTED CONTRACT FILES

After having reviewed each contract file against the elements of the provisions mentioned above, our work highlighted the fact that some provisions are implemented in all cases while other provisions are not always implemented.

In the case of the three audited business units, we found that:

- clauses in tender documents are present in all files we examined relating to the selected contracts;
- the assessment checklist is also present in all tender documents.

However, our work also reveals that for these three business units:

- performance assessments are not conducted for some contracts when the contract is deemed to be ended or provisional or even final acceptance has been completed;
- a follow-up plan for each contract, as required by the guideline, was not developed for any of the selected contracts. This type of plan is important because a performance assessment must be prepared and planned from the outset of the contract and not only when the first failures of a supplier or contractor are noted. It is important to understand that the performance of a supplier or contractor who is awarded a contract must be assessed from the beginning to the end of the contract, not just during part of the contract;
- a record of follow-up interventions with a brief description of the items audited is not always developed or complete. Such a register is important because it is used for monitoring and is linked to the monitoring plan and the assessment checklist. It is used to standardize the documentation to be produced as well as performance assessments;
- assessments are not always sent to the Service de l'approvisionnement as required by the guideline.

REVIEW OF THE THREE CONTRACT FILES FOR WHICH AN UNSATISFACTORY PERFORMANCE ASSESSMENT WAS COMPLETED

For these files, our work reveals that the performance assessment clauses and checklist in the tender documents are present. However, we did not find any evidence in the three contract files that a follow-up plan and a record of comprehensive follow-up interventions had been developed.

The Service de l'approvisionnement recognized that not all contract-related assessments for which it is responsible were performed despite the fact that the contracts were completed. SIVT and the boroughs of RDP-PAT and Verdun also told us that performance assessments were not conducted for all contracts awarded.

On the one hand, it is important that all provisions of the guideline be followed. On the other hand, it is critical that all contract files covered by the guideline undergo

performance assessments in order to provide City decision-makers with the assurance that the work is being done by qualified firms. Also, under the recent September 2018 amendments to the guideline, all assessments, including positive ones, can be used to support decision-making when awarding a contract to a firm on the list of firms whose performance is unsatisfactory.

RECOMMENDATION

- 3.1.2.1.B. We recommend that the Service des infrastructures du réseau routier, the Service de l'urbanisme et de la mobilité, the Service de l'approvisionnement and the boroughs of Rivière-des-Prairies–Pointe-aux-Trembles and Verdun ensure that all the provisions of the “Supplier performance assessment guideline” are implemented to provide decision-makers with the assurance that the work is being done by qualified firms.**

BUSINESS UNITS' RESPONSES

- 3.1.2.1.B. *Service des infrastructures du réseau routier***

[TRANSLATION] After the Supplier performance assessment guideline was issued in 2015, the Service des infrastructures du réseau routier prepared and implemented internal procedures to comply with the guideline.

This audit report recommends that this guideline be revised; it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service des infrastructures du réseau routier requested in this audit report will be identified and implemented within three months of these revisions. We should point out that two Service des infrastructures du réseau routier resources are helping to revise the guideline. (Planned completion: three months after the revised guideline is filed)

Service de l'urbanisme et de la mobilité

[TRANSLATION] The Supplier performance assessment guideline issued in 2015 was implemented at the Service de l'urbanisme et de la mobilité and internal procedures were prepared to comply with the guideline.

Given that this audit report recommends that this guideline be revised, it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service de l'urbanisme et de la mobilité requested in this audit report will be identified and implemented within three months of these revisions. (Planned completion: October 2019)

Service de l'approvisionnement

[TRANSLATION] Given the current situation (large number of files over \$100,000), business units do not have the capacity to complete all required assessments. At the Service de l'approvisionnement's initiative, the "Supplier assessment" project committee, consisting of managers of several business units (corporate services and boroughs), was convened. This committee is mandated to update the guideline in order to improve process performance and ensure that the guideline is consistent with the business units' operational practices.

Also, the Service de l'approvisionnement has set up a new unit that will be mandated to monitor Service de l'approvisionnement files.

(Planned completion: October 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The Rivière-des-Prairies–Pointe-aux-Trembles borough will ensure compliance with all provisions of the guideline for all contracts that include supplier assessment clauses and the supplier assessment form.

The concept of "end of contract" will have to be clarified to ensure consistent implementation of the guideline. (Planned completion: May 2019)

Verdun borough

[TRANSLATION] An email will be sent to all individuals whose work involves preparing tender documents and decision-making files for contract awards and performing job management duties. The Supplier performance assessment guideline, the "performance assessment report" file, and the "bid compliance analysis" file will be attached to the email.

The key points will then be raised:

- Prior to the award of the contract, checking whether the bidder is on the list of suppliers whose performance is unsatisfactory;
- The obligation to perform positive or negative supplier assessments;
- The obligation to prepare a monitoring plan in order to properly document this assessment and to meet deadlines for sending the assessment. (Planned completion: May 2019)

3.1.2.2. CONTROL MECHANISMS

3.1.2.2.A. BACKGROUND AND FINDINGS

We also examined controls in place to ensure compliance with the provisions of the guideline.

Our audit work showed that SIVT and the boroughs of RDP-PAT and Verdun use contract list files that include various information, such as the call for tenders numbers, the purpose of the work and the award date. Although these files are very useful for the monitoring contracts, they appear to us incomplete for monitoring performance assessments. These tools do provide information on each contract indicating that:

- the assessment was completed, the date of the assessment, the stage at which the assessment was performed (e.g., provisional acceptance);
- the assessment was sent to the Service de l'approvisionnement, and that it was validated and signed by the division head.

We believe it is important that the division head be able to use such tools to monitor completion of performance assessments, including whether the assessment has been conducted and, once approved, sent to the Service de l'approvisionnement.

The guideline sets out deadlines (the same deadlines that are indicated in the CTA¹¹) in connection with the unsatisfactory performance assessment process:

- 1) the assessment report must be sent to the supplier or contractor within 60 days of the end of the contract;
- 2) the supplier or contractor has 30 days to respond to an unsatisfactory performance report;
- 3) the business unit has 60 days to review its assessment and reverse or uphold its decision and send it to the executive committee for approval or rejection. The deadline for this process is 150 days including the executive committee's decision.

However, although deadlines and dates were mentioned in the decision-making files, our examination of unsatisfactory performance assessment files prepared by the Verdun borough and SIVT did not show any evidence that these files are always accompanied by a schedule indicating the various deadlines to be met in accordance with the guideline and the CTA (e.g., delivery to the contractor, receipt of comments and delivery to the executive committee) including dates related to key aspects of the file (e.g., the end

¹¹ *Cities and Towns Act*, CQLR, c. C-19, sec. 573, subsection 2.0.1.

date of the contract, performance assessment date, date the assessment was sent to the Contractor, the date comments were received, the response date and the date of delivery to the executive committee). In our opinion, a deadline is an important tool, especially for unsatisfactory performance assessment files, because the assessment may be challenged and rejected if deadlines are not met.

The Service de l'approvisionnement has developed a computer-based application called the "Contract management tool" for conducting performance assessments of the files for which it is responsible. This tool provides various functionalities, such as monitoring planning, including actions taken. However, this application is in its developmental stage for construction contracts. It is currently used only by the Service de l'approvisionnement as a pilot project for certain supply contracts. The Service de l'approvisionnement wishes to extend use of this computerized tool to the other business units involved in performance assessments. We believe this is a good initiative.

Staff in this department told us that there are plans to report on performance assessments in 2020. However, for the time being, many performance assessment tasks are still done manually, which makes it difficult to prepare these reports. We also believe that, in order to facilitate and provide more comprehensive reports, the Service de l'approvisionnement should prepare a report on City business units' compliance with the guideline. Such a report will provide a more comprehensive picture of the City's compliance with the "Supplier performance assessment guideline."

Our audit work also highlighted a lack of knowledge of the provisions of the guideline. In fact, staff interviewed at SIVT and in the two boroughs are not all familiar with all the provisions of the guideline. For example, provisions for developing a monitoring plan and a register of interventions are less well known. Because we have recommended that the Direction générale review the provisions of the guideline, we believe that, at the same time, once the review has been completed and changes have been made, the Service de l'approvisionnement should also examine the possibility of reinitiating its performance assessment training to focus on less well-known items and newly amended provisions.

RECOMMENDATIONS

3.1.2.2.B. We recommend that the Service des infrastructures du réseau routier, the Service de l'urbanisme et de la mobilité¹² and the boroughs of Rivière-des-Prairies–Pointe-aux-Trembles and Verdun develop a system for monitoring all supplier and contractor performance assessment activities.

¹² La Division des grands projets – 4, which reported to SIVT is now part of the Service de l'urbanisme et de la mobilité. Contract and performance assessment files, for which this division is responsible, were selected and reviewed as part of the audit. As part of its activities, this division continues to conduct firm performance assessments.

- 3.1.2.2.C.** We recommend that for each supplier's or contractor's unsatisfactory performance assessment file, the Service des infrastructures du réseau routier, the Service de l'urbanisme et de la mobilité¹³ and the boroughs of Rivière-des-Prairies–Pointe-aux-Trembles and Verdun prepare a schedule deadlines and assessment file milestone dates, to ensure compliance with deadlines set out in the guideline and the Act.
- 3.1.2.2.D.** We recommend that the Service de l'approvisionnement continue its "Contract management tool" initiative to make it available to all business units involved in supplier and contractor performance assessments and help standardize best practices.
- 3.1.2.2.E.** We recommend that the Service de l'approvisionnement prepare a report on the implementation of the "Supplier performance assessment guideline" throughout the City to provide a more comprehensive picture on reporting planned for 2020.
- 3.1.2.2.F.** We recommend that the Service de l'approvisionnement reinitiate its supplier and contractor performance assessment training for business units once the guideline has been revised so these units can update and expand their knowledge of certain provisions.

BUSINESS UNITS' RESPONSES

- 3.1.2.2.B.** *Service des infrastructures du réseau routier*
 [TRANSLATION] After the Supplier performance assessment guideline was issued in 2015, the Service des infrastructures du réseau routier prepared and implemented internal procedures to comply with the guideline.
This audit report recommends that this guideline be revised; it also recommends that the "Guide – Developing decision-making records" be updated. In this context, actions to be taken by the Service des infrastructures du réseau routier requested in this audit report will be identified and implemented within three months of these revisions. We should point out that two Service des infrastructures du réseau routier resources are helping to revise the guideline.

¹³ Idem.

At the very least, the Service des infrastructures du réseau routier will adapt its project management tool to document the number of assessments completed and the dates assessments are sent to the Service de l'approvisionnement. (Planned completion: three months after the revised guideline is filed)

Service de l'urbanisme et de la mobilité

[TRANSLATION] The Supplier performance assessment guideline issued in 2015 was implemented at the Service de l'urbanisme et de la mobilité, and internal procedures were prepared to comply with the guideline.

Given that this audit report recommends that this guideline be revised, it also recommends that the "Guide – Developing decision-making records" be updated. In this context, actions to be taken by the Service de l'urbanisme et de la mobilité requested in this audit report will be identified and implemented within three months of these revisions.

Notwithstanding the requested three-month deadline, for the time being, the Service de l'urbanisme et de la mobilité will adapt its project management tool to document the number of assessments completed and the dates assessments are sent to the Service de l'approvisionnement. (Planned completion: October 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The Rivière-des-Prairies–Pointe-aux-Trembles borough will improve contract monitoring files by adding information on the performance assessment until a computerized application is implemented by the Service de l'approvisionnement.

(Planned completion: December 2019)

Verdun borough

[TRANSLATION] We added a tab in the "performance assessment report" file, used to assess suppliers during the work, in order to have a monitoring plan to validate items that must be verified against deadlines and/or required frequencies. Comments, opinions and notes may be added to properly document assessment monitoring.

(Planned completion: completed)

3.1.2.2.C. Service des infrastructures du réseau routier

[TRANSLATION] After the Supplier performance assessment guideline was issued in 2015, the Service des infrastructures du réseau routier prepared and implemented internal procedures to comply with the guideline.

This audit report recommends that this guideline be revised; it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service des infrastructures du réseau routier requested in this audit report will be identified and implemented within three months of these revisions. We should point out that two Service des infrastructures du réseau routier resources are helping to revise the guideline.

At the very least, the Service des infrastructures du réseau routier will adapt its project management tool to document the number of assessments completed and the dates assessments are sent to the Service de l’approvisionnement. (Planned completion: three months after the revised guideline is filed)

Service de l’urbanisme et de la mobilité

[TRANSLATION] The Supplier performance assessment guideline issued in 2015 was implemented at the Service de l’urbanisme et de la mobilité, and internal procedures were prepared to comply with the guideline.

Given that this audit report recommends that this guideline be revised, it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service de l’urbanisme et de la mobilité requested in this audit report will be identified and implemented within three months of these revisions.

Notwithstanding the requested three-month deadline, for the time being, the Service de l’urbanisme et de la mobilité will adapt its project management tool to document the number of assessments completed and the dates assessments are sent to the Service de l’approvisionnement. (Planned completion: October 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The Rivière-des-Prairies–Pointe-aux-Trembles borough will prepare a schedule for unsatisfactory performance assessment files to ensure compliance with deadlines set out in the guideline.

(Planned completion: June 2019)

Verdun borough

[TRANSLATION] In connection with 3.1.2.2.B., the file also contains the dates assessments are sent after works have been accepted

(Planned completion: completed)

3.1.2.2.D. Service de l'approvisionnement

[TRANSLATION] Although the Service des technologies de l'information is responsible for further development of the application and its implementation, a proof-of-concept pilot test (based on the existing tool developed within the Service de l'approvisionnement) will be conducted with a business unit to confirm that the application works in a construction or general service file.

Following this test, the application will be validated by the Service des technologies de l'information to ensure the implementation of this application. (Planned completion: December 2019)

3.1.2.2.E. Service de l'approvisionnement

[TRANSLATION] The Service de l'approvisionnement will submit a formal request to all business units to obtain a copy of all satisfactory or unsatisfactory assessment files produced since the program was launched in October 2015. (Planned completion: June 2019)

Subsequently, these data will be consolidated in a global report. (Planned completion: March 2020)

3.1.2.2.F. Service de l'approvisionnement

[TRANSLATION] After the guideline is updated, the Service de l'approvisionnement will send business units an official memo advising them that further training will be provided on changes to the guideline. This new training will focus on the process and will specifically aim to update users on changes to the guideline and some aspects that have been less well understood by users. (Planned completion: January 2020)

3.1.2.3. MAINTAINING AND UPDATING THE LIST OF FIRMS WHOSE PERFORMANCE IS UNSATISFACTORY

3.1.2.3.1.A. BACKGROUND AND FINDINGS

The Service du greffe is responsible for maintaining and updating the list of firms whose performance is unsatisfactory. We therefore wanted to examine whether this department had a monitoring procedure to ensure that the list of firms whose performance is unsatisfactory is maintained and updated.

The guideline contains the following provision:

"The Service du greffe maintains the list of firms whose performance is unsatisfactory. It makes sure to add entries on the list following executive committee decisions. It also makes sure to remove names from the list after a period of two years. These entries must include the firm's name, supplier number, registration resolution, GDD, start and end date of the two-year period."

Because the City has chosen to use the performance assessment procedure set out in the CTA, it is important that listings be maintained and updated with utmost care. Firms that received unsatisfactory performance assessments must be removed from the list after a period of two years following the date of registration in accordance with the guideline and the CTA. Failure to remove affected companies from the list by the required date can have a significant impact on the City and the supplier or contractor. It is therefore imperative that a specific guideline exist and that those responsible and the steps to be taken according to the planned schedule be indicated in order to keep this list up to date.

Service du greffe staff interviewed recognized that they have not yet developed a procedure for maintaining and updating the list of firms whose performance is unsatisfactory, because listings are recent for the moment. However, staff indicated that it agreed to prepare such a procedure in the near future, which will enable users to identify those responsible more readily.

RECOMMENDATION

- 3.1.2.3.B. We recommend that the Service du greffe develop a guideline for maintaining and updating the list of firms whose performance is unsatisfactory in order to make it easier to monitor the list and ensure compliance with the provisions of the Act and the guideline.**

BUSINESS UNIT'S RESPONSE

- 3.1.2.3.B. Service du greffe**

[TRANSLATION] Currently, supplier removal dates are recorded in the agendas of the division head and the technician responsible for updating the website when the dates are entered on the list. To date, we have removed one supplier.

We will draft an internal procedure at the Service du greffe to formalize our practices and, if possible, strengthen them.

(Planned completion: April 2019)

3.2. INFORMATION PROVIDED AS PART OF THE DECISION-MAKING PROCESS AND ON THE WEBSITE

3.2.1. SUPPLIERS OR CONTRACTORS WHO WERE AWARDED A CONTRACT, BUT WHO ARE NOT ON THE LIST OF FIRMS WHOSE PERFORMANCE IS UNSATISFACTORY

3.2.1.A. BACKGROUND AND FINDINGS

In order to assess the extent to which decision-making records provide decision-makers with all the required information before contracts are awarded, the business units selected for this audit mission provided us with a list of contracts they awarded during the period covered by our work. We then randomly selected three contracts per business unit. We excluded from our sample contracts that were awarded to suppliers on the list of suppliers whose performance is unsatisfactory, if applicable.

We reviewed the decision-making summaries and records for the nine contracts selected and looked for evidence that verifications had been completed and documented to confirm whether or not the successful bidder was on the list of firms whose performance is unsatisfactory.

Following the review of selected decision-making summaries and records, we found the following results:

TABLE 2 – VERIFICATION OF WHETHER THE SUCCESSFUL BIDDER IS ON THE LIST OF FIRMS WHOSE PERFORMANCE IS UNSATISFACTORY

BUSINESS UNIT	DECISION-MAKING RECORDS	INFORMATION PROVIDED TO DECISION MAKERS IN THE DECISION-MAKING SUMMARY	INFORMATION ATTACHED TO THE DECISION-MAKING SUMMARY	VERIFICATION OF THE LIST OF SUPPLIERS WHOSE PERFORMANCE IS UNSATISFACTORY WAS PERFORMED
Service des infrastructures, de la voirie et des transports	A	No	No	No evidence
	B	Yes	No	Yes
	C	Yes	No	Yes
Rivière-des-Prairies–Pointe-aux-Trembles borough	D	Yes	Yes	Yes
	E	No	Yes	Yes
	F	No	Yes	Yes
Verdun borough	G	Yes	No	Yes
	H	Yes	No	Yes
	I	No	No	No evidence
TOTAL		YES: 5 ; NO: 4	YES: 3 ; NO: 6	YES: 7

In five out of nine cases, we found that the decision-making summary had been documented based on information confirming that the successful bidder was not on the list of firms whose performance is unsatisfactory.

In addition, the RDP-PAT borough has developed a bidders compliance assessment form in which an audit of the list of firms whose performance is unsatisfactory is planned. Although in two instances the audit information is not disclosed in the actual body of the decision-making summary, we were still able to obtain evidence that the verification was performed in all cases.

With respect to SIVT and the Verdun borough, we were unable to obtain evidence in two files that the list of firms whose performance is unsatisfactory had been checked to ensure that contract winners were not included, either through the decision-making summary or an attachment to the decision-making summary.

In our opinion, there is a need for a procedure to ensure that required audits are conducted and documented in the decision-making summary to ensure informed decision-making in order to avoid delays (should a decision-making file be postponed because it is incomplete), or to prevent a contract from being awarded to a firm on the list of firms whose performance is unsatisfactory that would have been rejected if the decision-making body had had this information.

RECOMMENDATION

- 3.2.1.B.** **We recommend that the Service des infrastructures du réseau routier, the Service de l'urbanisme et de la mobilité¹⁴ and the boroughs of Rivière-des-Prairies–Pointe-aux-Trembles and Verdun implement a procedure to ensure that required verifications have been completed and that they are documented in accordance with the “Guide – Developing decision-making records” in order to make informed decisions.**

BUSINESS UNITS' RESPONSES

- 3.2.1.B.** ***Service des infrastructures du réseau routier***
[TRANSLATION] After the Supplier performance assessment guideline was issued in 2015, the Service des infrastructures du réseau routier prepared and implemented internal procedures to comply with the guideline.

¹⁴ La Division des grands projets – 4, which reported to SIVT is now part of the Service de l'urbanisme et de la mobilité. Contract and performance assessment files, for which this division is responsible, were selected and reviewed as part of the audit. As part of its activities, this division continues to conduct firm performance assessments.

This audit report recommends that this guideline be revised; it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service des infrastructures du réseau routier requested in this audit report will be identified and implemented within three months of these revisions. We should point out that two resources of the Service des infrastructures du réseau routier are helping to revise the guideline.

(Planned completion: three months after the revised guide is filed)

Service de l’urbanisme et de la mobilité

[TRANSLATION] The Supplier performance assessment guideline issued in 2015 was implemented at the Service de l’urbanisme et de la mobilité and internal procedures were prepared to comply with the guideline.

Given that this audit report recommends that this guideline be revised, it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service de l’urbanisme et de la mobilité requested in this audit report will be identified and implemented within three months of these revisions.

(Planned completion: October 2019)

Rivière-des-Prairies–Pointe-aux-Trembles borough

[TRANSLATION] The Rivière-des-Prairies–Pointe-aux-Trembles borough has already implemented a verification procedure.

Verifications are routinely performed after the opening of tenders, and a tender compliance analysis form is completed with all the information.

The form is attached to each decision-making summary.

(Planned completion: completed)

Verdun borough

[TRANSLATION] We have added a line to the “tender compliance analysis” table to confirm that the bidder is not on the list of suppliers whose performance is unsatisfactory.

Also in the justification section of decision-making records and after validation of the various compliance requirements, the following sentence will be added if the bidder is compliant.

All tenders were confirmed to be compliant (surety bond, letter of commitment, RBQ licence, attestation from Revenu Québec, certificate of attestation, not included in the register of persons excluded under the Contract management policy and the list of suppliers whose performance is unsatisfactory, and the conflict of interest statement).

If the bidder does not comply, we will follow the steps in the Supplier performance assessment guideline for the award of contract.

(Planned completion: completed)

3.2.2. SUPPLIERS OR CONTRACTORS WHO WERE AWARDED A CONTRACT AND ARE ON THE LIST OF FIRMS WHOSE PERFORMANCE IS UNSATISFACTORY

3.2.2.A. BACKGROUND AND FINDINGS

We performed the same exercise as in section 3.2.1., but this time targeting contracts valued at \$100,000 or more awarded to suppliers who were on the list of firms whose performance is unsatisfactory. We therefore wanted to determine the extent to which the guideline was implemented in these specific cases and whether enough information was provided in the decision-making file to allow decision-makers to make an informed decision before the contract was awarded.

The “Supplier performance assessment guideline” contains this provision:

“The business unit recommends that the lowest compliant bidder (LCB) be awarded the contract. If the LCB is on the list of firms whose performance is unsatisfactory, the business unit has the following alternatives:

- *Recommend to the authorities the LCB that is on the list of firms whose performance is unsatisfactory. Provide a rationale for this choice by performing a risk assessment and conducting an analysis of how rejecting this firm will impact the competition, the available expertise and market conditions. The type of contract(s) for which the firm received an unsatisfactory performance assessment and the type of contract to be awarded may also be taken into consideration, as well as the number of satisfactory or unsatisfactory performance assessments that the firm received in the last two years. In an exceptional case, if more than one LCB is on the list of firms whose performance is unsatisfactory, the business unit recommends the one it has identified as the best choice;*
- *Recommend to the authorities the next bidder who is not on the list of firms whose performance is unsatisfactory;*
- *Cancel the call for tenders.”*

When a supplier or contractor is awarded a contract as the lowest compliant bidder and the firm is on the list of firms whose performance is unsatisfactory, the guideline requires that the choice be justified taking various factors into account.

We conducted a keyword search for these firms in the Decision-making record management system (GDD). We first identified eight firms that received at least one unsatisfactory performance assessment from the time the guideline came into effect until September 30, 2018.

We identified 16 contracts that were awarded to 3 of the 8 firms on this list. The total value of these contracts is about \$98 million. We then identified the clients and reviewed the decision-making files of the contracts that were awarded by the three business units selected for our audit work. The boroughs of RDP-PAT and Verdun did not award

any contracts to one of these suppliers, whereas SIVT awarded five, valued at almost \$53 million.

We reviewed the decision-making files for the contracts that SIVT awarded to firms on the list of firms whose performance is unsatisfactory and obtained evidence that this aspect had been taken into account in the decision and that the justifications were provided in the decision-making summary for four of the five contracts. With respect to the fifth contract, we did not identify any information that the lowest compliant bidder was on the list of firms whose performance is unsatisfactory or the reasons for recommending the firm. We read the resolution and found evidence that city council was aware of the firm's situation. However, the members of city council were unaware of the reasons for recommending the firm as a successful bidder despite the fact that it was on the list, because a motion had been proposed to suspend the decision until the required explanations were obtained. This shows us that the elected officials did not obtain all the information they needed to assess the validity of the managers' decision. In addition, it should be noted that this motion was defeated and the contract was awarded despite the lack of justification.

It is important that the rationale—in this case the information required by the guideline—accompany the decision-making documents to enable decision-makers to review it and make an informed decision before they award the contract.

RECOMMENDATION

- 3.2.2.B. We recommend that the Service des infrastructures du réseau routier establish procedures to ensure that the reasons outlined in the “Supplier performance assessment guideline” for awarding contracts to firms on the list of firms whose performance is unsatisfactory are documented in order to enable decision-makers to make an informed decision without undue delay.**

BUSINESS UNIT'S RESPONSE

- 3.2.2.B. *Service des infrastructures du réseau routier***
- [TRANSLATION] After the Supplier performance assessment guideline was issued in 2015, the Service des infrastructures du réseau routier prepared and implemented internal procedures to comply with the guideline.
- This audit report recommends that this guideline be revised; it also recommends that the “Guide – Developing decision-making records” be updated. In this context, actions to be taken by the Service des infrastructures du réseau routier requested in this audit report will be identified and implemented within three months of these revisions. We should point out that two Service des infrastructures du réseau routier resources are helping to revise the guideline. (Planned completion: three months after the revised guideline is filed)*

We examined these files during our audit work and noted a difference between the guideline and the “Guide – Developing decision-making summaries.” The city manager amended and approved the guideline on September 17, 2018.

However, the last version of the guide that we identified was dated October 2018. With respect to aspects related to performance assessments outlined in the “Awarding a contract” section of the guide, the guide essentially cites the following provision of the “Supplier performance assessment guideline”, which came into force on July 12, 2017:

“The business unit recommends that the lowest compliant bidder (LCB) be awarded the contract. If the LCB is on the list of firms whose performance is unsatisfactory (see section 5.3), the business unit has the following alternatives:

- *Recommend to the authorities the LCB that is on the list of firms whose performance is unsatisfactory. Provide a rationale for this choice by performing a risk assessment and conducting an analysis of how rejecting this firm will impact the competition, the available expertise and market conditions. In an exceptional case, if more than one LCB is on the list of firms whose performance is unsatisfactory, the business unit recommends the one it has identified as the best choice;*
- *Recommend to the authorities the next bidder who is not on the list of firms whose performance is unsatisfactory;*
- *Cancel the call for tenders. ”*

It therefore does not include the September 2018 amendments to the guideline, which also concern the following aspects of the information to be provided to decision-makers:

“The type of contract(s) for which the firm received an unsatisfactory performance assessment and the type of contract to be awarded may also be taken into consideration, as well as the number of satisfactory or unsatisfactory performance assessments that the firm received in the last two years. ”

It is therefore important that the guide be updated to make it consistent with the “Supplier performance assessment guideline” in order to provide business units with a clear understanding of all justifications to be provided in decision summaries when awarding a contract to a firm on the list of firms whose performance is unsatisfactory. The Direction générale is responsible for the guide.

RECOMMENDATION

- 3.2.2.C.** We recommend that the Direction générale update the “Guide – Developing decision-making records” (in the Awarding a Contract section), specifically with respect to wording regarding contracts with firms on the list of firms whose performance is unsatisfactory, to ensure it is consistent with the “Supplier performance assessment guideline”, as amended in September 2018.

BUSINESS UNIT’S RESPONSE

- 3.2.2.C.** *Direction générale*

[TRANSLATION] The Direction générale has mandated the division head – Soutien aux instances to update the Awarding a Contract section of the “Guide – Developing decision-making records”, more specifically, aspects relating to contracts with firms on the list of firms whose performance is unsatisfactory in order to ensure compliance with the “Supplier performance assessment guideline.” (Planned completion: October 2019)

3.2.3. INFORMATION ACCOMPANYING THE LIST OF FIRMS WHOSE PERFORMANCE IS UNSATISFACTORY

3.2.3.A. BACKGROUND AND FINDINGS

We also wanted to review the documents and information accompanying the list of firms whose performance is unsatisfactory to verify whether they are consistent and check some aspects of the content. We therefore reviewed the unsatisfactory performance assessment files prepared by the audited business units, this time including the Service de l’approvisionnement. The Service de l’approvisionnement had produced a file on a firm. SIVT produced two files while the Verdun borough produced one. These files and documents are all available on the City website, which is accessible to the public.

Our work reveals that there is no uniformity in the documents sent to elected officials for decisions on unsatisfactory performance assessment files. As mentioned above, these documents are posted on the website along with the list of firms whose performance is unsatisfactory. These documents include decision-making summaries, the assessment report and other documents related to the assessment process.

The types of documents provided with the decision-making summary therefore vary between assessment files. For one file, a considerable number of documents were provided with the decision-making summary. The file includes the assessment report, notes from a private firm that monitored the contract, a detailed table of answers from the firm that did the monitoring and answers from the firm that was assessed, letters from

the firm that was assessed, satisfaction assessments made by other companies with respect to the firm that was assessed, emails, newspaper articles, the cover letter for the assessment report sent to the firm that was assessed as well as other documents. Somewhat fewer documents were provided for the other files. The documents provided for another file included only the decision-making summary and the performance assessment report including comments related to weighting. Our work also indicates that not all performance assessment reports are signed and dated by the division head.

In our opinion, it is important that there be uniformity in documents submitted to elected officials because they use them to reach a decision during an executive committee meeting. It is also important that these documents be completed when required. For example, assessment reports must be signed and dated by the authorized person in accordance with the guideline.

In addition, we also reviewed the information provided in decision-making summaries as well as some aspects of performance appraisal reports. For example, we reviewed the information on deadlines outlined in the CTA (which are included in the guideline), as well as dates for these deadlines concerning the performance assessment process. That is, the end date of the contract, the date the assessment report is sent to the firm and the date its comments are received. Our audit work reveals that this information is not consistent. A single assessment file provides a more complete picture of these deadlines and dates. In the other files, some dates are not mentioned, for example, the end date of the contract and the date of the assessment report is sent to the supplier.

It is important that these dates regarding deadlines set out in the CTA (and the directive) be included, because decision-makers use this information to confirm that the deadlines have been met. These may be challenged and an unsatisfactory performance assessment due to noncompliance may be overturned. Without these reference dates, it is difficult for decision-makers to assess whether these deadlines were met.

In our opinion, the Direction générale needs to develop a procedure to ensure that consistent information is provided in unsatisfactory performance assessment files sent to decision-makers for approval, which are then posted on the City website along with the list of firms whose performance is unsatisfactory.

It is therefore important to standardize this information to the extent possible in order to ensure that suppliers and contractors are treated more fairly.

RECOMMENDATION

- 3.2.3.B. We recommend that the Direction générale develop a procedure to ensure that consistent information is provided in unsatisfactory performance assessment files sent to decision-makers for approval, in order to ensure that decision-makers have all the relevant information required to make a decision and to ensure that suppliers and contractors are treated more fairly.**

RÉPONSE DE L'UNITÉ D'AFFAIRES

3.2.3.B. *Direction générale*

[TRANSLATION] The Direction générale has mandated the division head – Soutien aux instances to update the “Guide – Developing decision-making records.” A specific new guide will be developed to ensure consistent information is provided in unsatisfactory performance assessment files, which are sent to decision-makers for approval and subsequently posted on the city’s website. This specific guide will ensure that decision-makers have all the information they need to make informed decisions and will promote greater fairness to suppliers and contractors.

(Planned completion: October 2019)

4. CONCLUSION

Our audit work reveals that the Service de l'approvisionnement, the Service des infrastructures, de la voirie et des transports (SIVT), the Service du greffe and the boroughs have made efforts to ensure compliance with the provisions of the “Supplier performance assessment guideline” and the *Cities and Towns Act* (CTA), including:

- the boroughs audited and SIVT have lists of the contracts for which they are responsible including various information for monitoring them;
- SIVT has developed a reference guide for supplier and contractor performance assessments in managing work contracts in order to provide a more detailed description of the process surrounding this assessment as well as the roles and responsibilities of its staff;
- unsatisfactory performance assessment records accompanying the list of firms whose performance is unsatisfactory include useful information for decision-makers;
- the Service de l'approvisionnement is currently developing a computer-based application to facilitate supplier and contractor performance assessments.

Despite these efforts, our audit work highlighted some provisions of the “Supplier performance assessment guideline” that were ambiguous, making them open to interpretation and difficult to implement. Our work also highlighted the fact that some provisions of the Performance assessment guideline were not implemented. Our work also reveals that performance assessments are not conducted for all firms that are awarded a contract. Finally, our work highlights the fact that all relevant information is not always communicated to decision-makers to enable them to make informed decisions. The City needs to refine its procedures and ensure that it fully documents the entire performance assessment process. The City must make every effort to ensure compliance with the Act, and more specifically, the deadlines set out in the CTA and the guideline concerning the stages of the unsatisfactory performance assessment process. Failure to comply could result in serious consequences for the organization, and suppliers and contractors.

Pursuant to these findings, we recommended corrective measures to improve management practices.

This performance assessment process therefore enables the City to legally consider excluding suppliers and contractors from the market if they have received an unsatisfactory performance assessment upon contract completion. Given that the City has chosen to use this performance assessment process pursuant to the CTA, it is important that all contracts covered by the guideline undergo a performance assessment to confirm compliance with its provisions, but also to provide decision-makers with reassurance on the qualification of firms that are awarded contracts for numerous work projects requested by the City. There is no doubt that in the long term, this performance assessment process will help the City select the best suppliers and contractors for its many work projects and activities.

5. APPENDIX

5.1. OBJECTIVES AND EVALUATION CRITERIA

OBJECTIVES

Ensure that supplier and contractor performance assessments are conducted in accordance with the provisions of the Act and the performance assessment administrative guideline and that relevant information is sent to decision-makers to enable them to make informed decisions.

EVALUATION CRITERIA

- Business units are familiar with all provisions of the guideline and the Act and ensure that contracts covered by the guideline and the Act are implemented.
- Summaries and decision-making records provide relevant managers and elected officials with all required information before a contract is awarded.



4.9.

MUNICIPAL BUILDING SECURITY MANAGEMENT

MARCH 22, 2019

SUMMARY OF THE AUDIT

OBJECTIVE

Ensure that security in Ville de Montréal (the City) buildings, as well as leased buildings or parts of buildings, is managed in accordance with statutes, regulations, policies and guidelines governing security management to ensure the security and integrity of facilities and users.

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.

In 2014, the City adopted a Policy¹ entitled “Municipal building security”, which states that ensuring the security of people who use its facilities and protecting its critical infrastructure are strategic issues. Given the size of its building inventory, it is important that the City establish baselines for the level of security it wants to achieve. It also needs to establish a set of criteria to ensure operational compliance, protection of users and property and continuity of City operations. In this regard, we consider that improvements should be made in the following key areas:

- A review of the security status of municipal buildings and an action plan for the City-wide implementation of the Policy on Municipal building security must be submitted to the Direction générale;
- Efforts will need to be stepped up to clarify and communicate the roles and responsibilities of relevant stakeholders within the various business units;
- Standards defining the expected level of security in municipal buildings will need to be established;
- Security studies and programs responsive to the risks in each building will need to be developed;
- Emergency plans will have to be developed and updated for each City building;
- Operational processes and the interrelationships between stakeholders involved in managing the remote monitoring of buildings will need to be coordinated, and related technological tools will have to be upgraded;
- Controlled locksmithing management will have to be reassessed, and oversight and corrective measures must be implemented to address security breaches observed within the audited business units;
- Guard service operations will have to be reassessed to bring them into line with standards and guidelines previously established by the City;
- Targets and indicators will need to be established based on the policies adopted for assessing and reporting on the performance of security operations.

¹ The Policy [C-OG-SCARM-PA-14-001] – “Municipal building security” dated March 11, 2014 was revised in March 2016 [Ref.: C-OG-SGPI-PA-16-001].

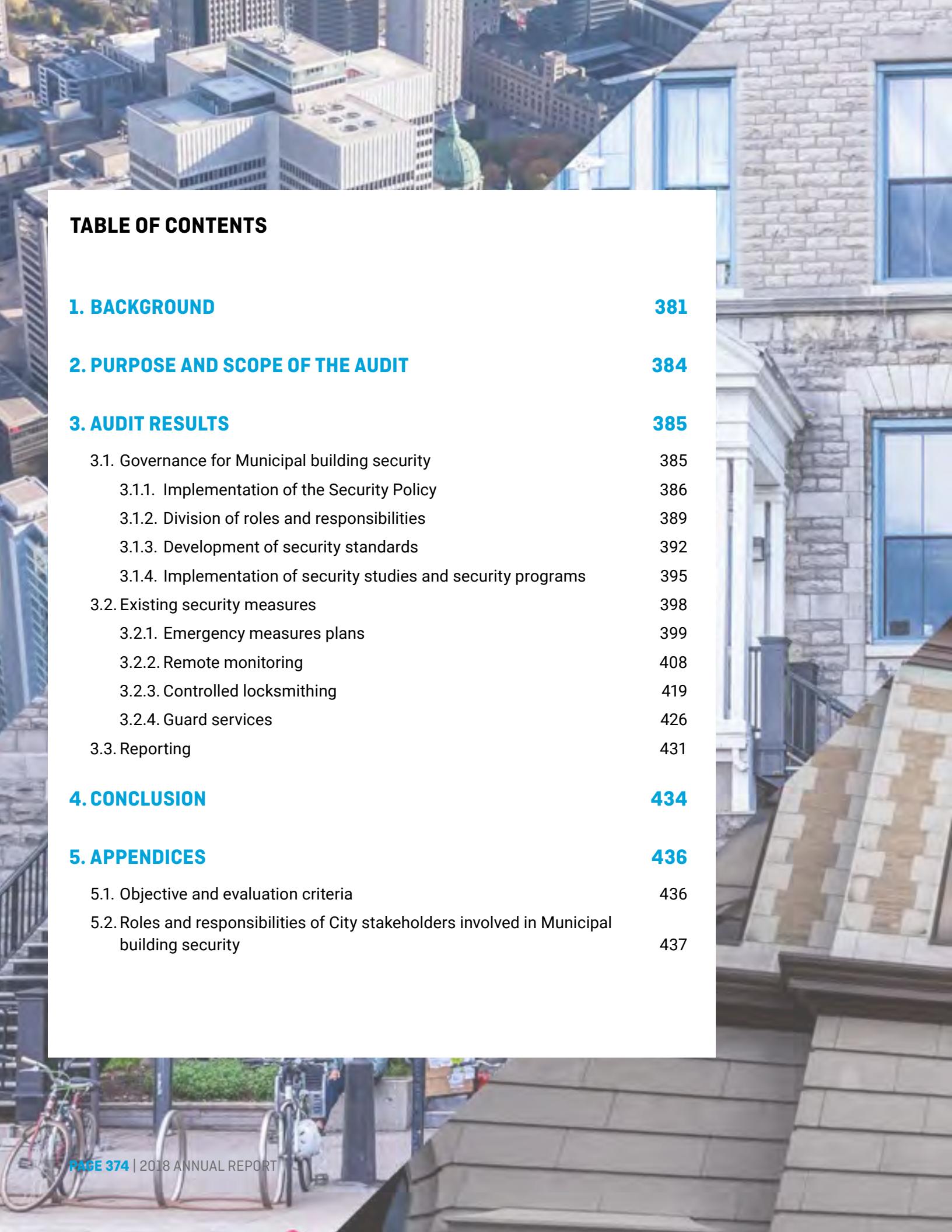


TABLE OF CONTENTS

1. BACKGROUND	381
2. PURPOSE AND SCOPE OF THE AUDIT	384
3. AUDIT RESULTS	385
3.1. Governance for Municipal building security	385
3.1.1. Implementation of the Security Policy	386
3.1.2. Division of roles and responsibilities	389
3.1.3. Development of security standards	392
3.1.4. Implementation of security studies and security programs	395
3.2. Existing security measures	398
3.2.1. Emergency measures plans	399
3.2.2. Remote monitoring	408
3.2.3. Controlled locksmithing	419
3.2.4. Guard services	426
3.3. Reporting	431
4. CONCLUSION	434
5. APPENDICES	436
5.1. Objective and evaluation criteria	436
5.2. Roles and responsibilities of City stakeholders involved in Municipal building security	437



LIST OF ACRONYMS

BSP

Bureau de la sécurité privée

CDN-NDG

Côte-des-Neiges–Notre-Dame-de-Grâce
borough

COS

Centre opérationnel de sécurité

ERP

Emergency Response Plan

FSP

Fire Safety Plan

NFCC

National Fire Code of Canada

PGMUEM

Programme de gestion des mesures
d'urgence dans les édifices municipaux

SEP

Specific Emergency Plan

SGPI

Service de la gestion et de la planification
immobilière

SICOS

Système d'information du Centre
opérationnel de sécurité

SIM

Service de sécurité incendie de Montréal

1. BACKGROUND

The Ville de Montréal (the City) owns a large building inventory of just over 1,500 buildings including, libraries, sports centres, administrative offices, municipal workshops, production plants and water treatment plants.

Ensuring the security of the building inventory involves implementing and effectively managing a set of measures² (e.g., prevention, protection, response and emergency measures) to mitigate security risks (e.g., intrusion, theft, fire, violent events) that could have unfortunate or even disastrous effects on users' well-being or disrupt City operations.

Although there are no legal provisions that specifically govern "security management" within a building, the City must ensure that it organizes "security management" in accordance with specific legal provisions governing various aspects of security designed to protect building occupants. In particular:

- the *National Fire Code of Canada* (NFCC), which requires that a Fire Safety Plan (FSP) be developed for each building;
- the *Building Act*³, which requires that an evacuation plan and procedure be established or that compliant alarm systems be installed;
- the *Act respecting occupational health and safety*⁴ which requires buildings to be equipped to ensure the protection of workers;
- the *Criminal Code*⁵, under which actions can be brought against organizations in the event of a breach of their user health and safety obligations;
- the *Private Security Act*⁶, which requires that persons responsible for security activities hold a permit from the Bureau de la sécurité privée (BSP)⁷.

In 2006, following several building security events (e.g., Dawson College shooting in September 2006), an interdepartmental committee⁸ was established, at the request of the city manager, to conduct a study on security in City buildings across all boroughs and central departments. In particular, this study identified security components installed in the City's public buildings (e.g., a fire emergency plan or an intrusion detection system, guard services). After completing its work, the committee submitted a confidential report

² For example: a fire safety plan, guard services, alarm systems or high-security locksmithing.

³ *Building Act* [R.S.Q., chapter B-1.1], which replaces the *Public Buildings Safety Act* [R.S.Q., chapter S-3].

⁴ *Act respecting occupational health and safety* (R.S.Q., chapter S-2.1).

⁵ The *Criminal Code of Canada* (R.S.C., 1985, c. C-46).

⁶ *Act respecting occupational health and safety* (R.S.Q., chapter S-3.5).

⁷ Bureau de la sécurité privée: Organization that enforces the Private Security Act and oversees private security activities including: guard services, locksmithing, security consulting services, and electronic security systems.

⁸ The interdepartmental committee was made up of representatives from the Division de la sécurité, the Service de la sécurité incendie de Montréal, the Service de police de la Ville de Montréal, the Service du capital and the boroughs.

in August 2008⁹. This report included a review of various security components in City buildings, a summary threat and risk assessment (risk calculation grid) and an analysis of the priority level¹⁰ to be assigned to buildings.

According to the information we obtained, although the interdepartmental committee's findings highlighted significant deficiencies and provided recommendations to remedy them, there was no immediate follow-up on this report. Several years went by before the Direction générale developed and adopted a policy¹¹ entitled "Municipal building security" (the Policy), which was introduced in March 2014 and revised in March 2016. Minor amendments¹² were then made without any real changes to the contents.

The Policy statement clearly indicates that the City recognizes that it is important to ensure the security of employees, citizens and visitors to its facilities and to protect its critical infrastructure and considers these items "strategic issues"¹³. Under this policy, the City is committed to taking the steps needed to ensure the security and integrity of people and its infrastructure and therefore to:

- promoting proactive management of security in municipal buildings and in leased buildings or parts of buildings;
- supporting the development, implementation and maintenance of "Security programs" in municipal buildings, in accordance with applicable statutes, regulations and guidelines;
- encouraging the establishment of mechanisms that promote sharing and dissemination of information on Municipal building security.

The Security Policy therefore applies to all City business units, buildings, and all buildings or parts of buildings leased by the City. The Service de la gestion et de la planification immobilière (SGPI) is the business unit designated by the Direction générale, *inter alia*, to provide Municipal building security guidance and oversight and ensure the development and coordination of the City's global action plan for implementing this Policy. In particular, these responsibilities are incumbent on the Division de la sécurité of the SGPI, which is mandated to ensure the protection of the City's people, buildings and property.

⁹ Entitled: "Study on the status of Municipal building security – Report and recommendations," August 13, 2008.

¹⁰ Priority levels: Level 1 – Critical, Level 2 – Essential, Level 3 – Important, Level 4 – Not targeted.

¹¹ The Policy [C-OG-SCARM-PA-14-001] – "Municipal building security" dated March 11, 2014 was revised in March 2016 [Ref.: C-OG-SGPI-PA-16-001].

¹² The main amendment was to update the name of the business unit mandated by the Direction générale to coordinate the implementation of the Security Policy.

¹³ Pursuant to section 57.1 of the *Charter of Ville de Montréal*, the city manager's authority applies to all City business units when a strategic issue is involved.

It should be noted that a Policy guideline¹⁴ (the Guideline) defines the roles, responsibilities and reporting requirements for Municipal building security for the various stakeholders within the City's business units.

Moreover, it should be noted that in 2017, SGPI worked on implementing an extensive consolidation project aimed at repatriating all building activities for which it is responsible. In addition to building maintenance, various building security activities (e.g., guard services) were also transferred to SGPI, while some of these activities were previously managed individually by various central departments (e.g., the Service de l'Espace pour la vie, the Service de l'eau, the Service de police de la Ville de Montréal). This consolidation project within SGPI, as well as the review of the organizational structure involved, came into force on January 1, 2018. For example, with respect to Municipal building security, the new organizational structure of SGPI includes the following key changes:

- The Division de la sécurité, which existed long before¹⁵, is now part of the newly created Direction de l'optimisation, de la sécurité et de la propriété;
- The Centre opérationnel de sécurité¹⁶ (COS), which was previously part of the Division de la sécurité was repatriated with the Section centre d'appels, which reports to the Direction du bureau de projet et des services administratifs. It should be noted that the newly created Centre d'appels also receives requests for responses to address building equipment (including safety equipment) breakage, breakdowns or malfunctions¹⁷.

With regard to building security, SGPI's services are primarily provided to all of the City's central departments, as well as the nine¹⁸ former Ville de Montréal boroughs. At the time of our audit, SGPI was responsible for just over 750 of the 1,500 buildings in the City's building inventory.

For their part, boroughs from former suburban municipalities manage the security of buildings under their jurisdiction independently, according to their own mode of operation, and SGPI intervenes only on request. In this regard, a few exceptions remain for various building security issues in these boroughs, including the fact that some of them are connected to the City's monitoring station: the COS.

Given that thousands of people use municipal buildings on a daily basis, the City is required to exercise due diligence in order to ensure the protection of users and its property, but

¹⁴ Directive C-OG-GPI-D-16-001 – “Roles, responsibilities and reporting requirements for Municipal building security”.

¹⁵ According to the information we obtained, the Division de la sécurité has been in operation since 1982.

¹⁶ Reference was made to the monitoring station (872-3017) which receives, inter alia, intrusion alarms, fire alarms, alarms in the event of emissions of harmful gases such as ammonia.

¹⁷ Reference was made to the client contact centre (872-1234).

¹⁸ These boroughs are: Ahuntsic–Cartierville, Côte-des-Neiges–Notre-Dame-de-Grâce, Le Plateau-Mont-Royal, Le Sud-Ouest, Mercier–Hochelaga–Maisonneuve, Rivière-des-Prairies–Pointe-aux-Trembles, Rosemont–La Petite-Patrie, Ville-Marie and Villeray–Saint-Michel–Parc-Extension.

also to develop an operations resumption plan to enable activities to quickly return to normal if an unexpected disruptive event occurs.

2. PURPOSE AND SCOPE OF THE AUDIT

Pursuant to the *Cities and Towns Act*, we completed a performance audit mission on Municipal building security management. 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 Auditing and Assurance Standards Board, supported by CPA Canada.

The purpose of this audit was to ensure that security in the City's buildings, as well as leased buildings or parts of buildings, is managed in accordance with the statutes, regulations, policies and guidelines governing security management to ensure the security and integrity of facilities and users. However, it should be noted that our audit work excluded the following:

- Security in the design of new buildings or during major renovations;
- COS management, per se;
- Management of building access cards, because this security component was already audited by our office in 2011, 2012 and 2017.

The role of the Auditor General of the Ville de Montréal is to provide a conclusion regarding the objective 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 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. She 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 the period extending from January 1 to October 31, 2018. However, for some aspects, data prior to these years were also considered. It was primarily completed between November and December 2018. We also considered information sent to us until March 2019.

This work primarily involved the following business units:

- SGPI:
 - Direction de l'Optimisation, de la sécurité et de la propreté, Division de la sécurité;
 - Direction du bureau de projet et des services administratifs, Division des services administratifs;
 - Direction des transactions immobilières, Division des locations;
- Anjou borough;
- Lachine borough;
- Côte-des-Neiges–Notre-Dame-de-Grâce (CDN-NDG) borough.

Upon completing our audit work, we presented a draft audit report to the managers of each audited business unit for discussion purposes. The final report was then forwarded to the managers of each business unit involved to obtain an action plan and a schedule for the implementation of recommendations concerning them, and to the Direction générale, the deputy director-general of the Services institutionnels, the deputy director-general of the Service aux citoyens and the Service de la concertation des arrondissements. A copy of the final report was also sent, for information purposes, to the borough directors not within the direct scope of our audit work, to enable them to implement the recommendations where warranted.

3. AUDIT RESULTS

3.1. GOVERNANCE FOR MUNICIPAL BUILDING SECURITY

As mentioned, SGPI is the business unit designated by the Direction générale to coordinate the City's global action plan for implementing the Security Policy. It is also responsible for disseminating and assessing its implementation by the City's business units. The Policy and the Policy Guideline stipulate that every year, each borough director and each department head must submit a report to SGPI on his action plan for the previous year and an action plan for the current year aimed at developing, implementing and updating security programs. In this regard, SGPI is responsible for reviewing the business units' reports and action plans and filing an overall annual assessment with the city manager regarding Municipal building security management.

Management of Municipal building security is based primarily on communicating clear guidelines from senior management on the level of security that the City intends to achieve in accordance with legislative requirements governing this area of activity, building characteristics and budget availability. Implementing the Security Policy adopted by the City therefore involves first:

- clarifying the division of roles and responsibilities of all municipal stakeholders to effectively coordinate the security measures to be implemented;
- developing “Owner security standards” to standardize its vision for managing the security of its facilities, based on type of occupancy;
- conducting safety studies (e.g., a risk, threat and vulnerability analysis) specific to each building, to identify the emergency measures to be implemented;
- defining the nature and expected content of the security programs to be implemented taking into account legal requirements and the level of security that the City wants to achieve in its buildings.

In this context, our audit work involved confirming whether the Security Policy adopted by the Direction générale of the City had been implemented, and determining the extent to which all the prerequisites to its implementation (as stated above) had been taken into account and implemented by SGPI.

3.1.1. IMPLEMENTATION OF THE SECURITY POLICY

3.1.1.A. BACKGROUND AND FINDINGS

According to the information obtained from the people we interviewed, after the Security Policy was adopted in 2014, a work team entitled “Unité de l’analyse et du soutien des programmes de sécurité” [Security program analysis and support unit] (an analysis unit)¹⁹ reporting to the Division de la sécurité of the SGPI was created to implement the Policy. Therefore, it appears that the analysis unit had initiated various key activities to implement the Security Policy, including:

- an inventory of existing security measures within City buildings;
- defining and documenting security concepts;
- defining the concept of “Security Program”, its content and expected standards by type of building;
- planning computer system changes in partnership with the Service des technologies de l’information.

¹⁹ The Unité de l’analyse et du soutien des programmes de sécurité consisted of three security officers, an electrical foreman, an architectural technician and a technical officer.

The unit has been in operation for two and a half years, with its resources working full-time on the project. The team members were gradually assigned to fulfill responsibilities deemed more urgent by SGPI managers, and finally the team established in 2014 was dismantled in 2016. Although the Policy is still relevant and deals with a strategic issue, it is clear that to date, the Policy adopted in 2014 has essentially not been implemented and that SGPI has not specifically assigned any other resources to implement it. In addition, we note that an internal memo²⁰ on the Policy and the Policy Guideline, as originally drafted, was released in 2014. Although they were revised in 2016, no other steps were taken to provide information on them in order to promote their implementation. Our audit work highlights the fact that most of the stakeholders interviewed know little or nothing about them.

According to the information obtained from the SGPI managers and staff we interviewed, the absence of clear guidelines from the municipal administration on the level of security expected for municipal buildings, the history of the multiple reorganizations undergone by the Division de la sécurité in recent years, the retirement of key experienced resources together with the fact that the number of security expert advisers is currently quite small²¹ are some of the key factors raised that have hindered implementation of the Security Policy and prevented SGPI from fully assuming its responsibilities in this regard.

We read the budget presentation documents produced by SGPI for 2019 and noted that one of the objectives is to "...review the *Municipal building security management policy, as well as the related guidelines and tools*". Under the circumstances, we are of the view that, as the mandatory, SGPI will have to take steps to gather information from all of the City's business units in order to develop a profile of the current status of security in municipal buildings. It goes without saying that the involvement of all stakeholders in the City's business units will need to be coordinated. Subsequently, it will have to take steps to find out the orientations advocated by the Direction générale as to the level of security for municipal buildings and subsequently to present an action plan, with a view to:

- propose, if applicable, changes deemed appropriate to adopt a new Security Policy in the short term;
- identify the mechanisms to be implemented to communicate and explain the content of the Policy, guidelines and related tools, so that all stakeholders are informed of the guidelines and steps to be taken to ensure security in the buildings for which they are responsible;
- implement and monitor the Security Policy.

²⁰ Internal memo No. 592, March 12, 2014.

²¹ At the time of our audit in 2018, the consulting team consisted of three security specialists, a security officer and a consultant.

RECOMMENDATIONS

- 3.1.1.B.** We recommend that the Service de la gestion et de la planification immobilière take the necessary steps to develop a profile of the current status of Municipal building security and to find out what policies the Direction générale advocates with respect to the expected level of security for municipal buildings, in order to lay the groundwork for sound management of this strategic issue.
-
- 3.1.1.C.** We recommend that, taking into account the policies that have been adopted, the Service de la gestion et de la planification immobilière submit an action plan to the Direction générale with regard to the Policy on Municipal building security so as to facilitate, in the short term, the filing of changes deemed appropriate, and communication and monitoring mechanisms for implementing the plan in order to ensure that necessary security measures are in place in municipal buildings.

BUSINESS UNITS' RESPONSES

- 3.1.1.B.** *Service de la gestion et de la planification immobilière*
[TRANSLATION] After known security data have been compiled and analyzed, the Division de la sécurité will develop a profile of existing security measures, including services, physical security measures, and emergency procedures. Subsequently, a presentation of the current situation and security issues will be delivered to the Direction générale for the purpose of strategic orientations. (Planned completion: June 2019)
-
- 3.1.1.C.** *Service de la gestion et de la planification immobilière*
[TRANSLATION] Review and approval of the current policy (2016) with regard to the policy directions provided by the Direction générale. Subsequently, a policy implementation plan will be developed for consultations and communications with the boroughs and departments. (Planned completion: December 2019)

3.1.2. DIVISION OF ROLES AND RESPONSIBILITIES

3.1.2.A. BACKGROUND AND FINDINGS

The Security Policy Guideline defines the roles and responsibilities in this area for all City business units (see Appendix 5.2.). In particular, the Guideline states that each official responsible for managing a real estate asset must, among other things, ensure that the buildings for which he is responsible comply with legal and regulatory security standards, update related security programs and have them validated by SGPI. As mentioned earlier, although the division of roles and responsibilities has been defined, it is clear that the various stakeholders are not familiar with the Security Policy and that, to date, it has either not been implemented or only very partially implemented.

In addition, it should be noted that, following the start of the real estate consolidation project, effective January 1, 2018, SGPI has made efforts to align the integration of security operations repatriated from various central departments and to adjust its service offering to meet organizational needs. It has therefore undertaken to clarify roles and responsibilities by writing and sending service agreements to all central departments (in late 2017 and early 2018) tailored to each department. They are entitled "*Chantier de regroupement du SGPI – Rôles et responsabilité du SGPI pour la fonction immobilière.*" [SGPI consolidation project – SGPI's roles and responsibility in real estate matters.] In particular, SGPI's role in building security is addressed.

In October 2018, SGPI prepared an internal document stating that the Division de la sécurité is responsible for providing its clients with the following building security services:

- Security expertise;
- Guard and patrol services;
- Security system maintenance (e.g., fire, intrusion);
- Owner requirements (or standards) by building type;
- Migration of security systems to new technologies;
- Secure key management;
- Providing occupants with support on building security analysis;
- Access control management.

Our audit work revealed some distortions, in particular between the content of SGPI's service offering, the service agreements sent to the various central departments and actual operations in the field. Inter alia, we note the following:

- Many of the responsibilities identified in the Division de la sécurité's service offering have not yet been completely fulfilled (e.g., providing property requirements by building type, providing occupants with support on building security analysis);

- Service agreements sent to the City's central departments stipulate that SGPI "...produce evacuation plans, emergency measures plans, fire safety plans and specific emergency plans." However, representatives of this division maintain that these responsibilities actually fall within the purview of business units that operate the buildings and that the Division de la sécurité itself provides its support (expertise) for the development and approval of these plans. In this respect, we find that this assertion is more in line with the content of the Security Policy and Guideline in which business units are responsible for implementing building security.

Moreover, it is apparent from the comments gathered during our audit that several stakeholders (e.g., the Direction de la gestion de projets immobiliers, the Direction des transactions immobilières, the CDN-NDG borough) do not have a clear understanding of the roles and responsibilities of the Division de la sécurité of the SGPI or do not know that representatives of this division may provide expertise and become involved.

With respect to the three boroughs included in our audit, the information obtained reveals the following:

- Regarding the two boroughs that were created from former suburban municipalities (Anjou and Lachine), which independently manage security within buildings under their jurisdiction, we note that no stakeholders or administrative units have specifically been designated to assume responsibility for coordinating the implementation of all required security measures and monitoring them within the buildings. Building security management is actually left in the hands of the various administrative units of the borough, although consistency, standards or processes may not necessarily have been established;
- With regard to the CDN-NDG borough, as with the two boroughs from former suburban municipalities, there is also no case manager to coordinate the implementation of security measures within their buildings. It should be noted that this borough from the former Ville de Montréal is entitled to receive SGPI services. However, based on the information from the managers we interviewed, it appears that SGPI does not always provide the services required (e.g., guard services, support for the preparation of evacuation plans, obtaining controlled keys). As a result, operational management of various aspects of security is left to front-line borough employees, who do not necessarily have the required expertise and who are sometimes compelled to use private firms.

In short, although the Policy covers all City business units, we find that the division of roles and responsibilities in the operationalization of security is distorted. There is a lack of knowledge of the steps to be taken under the Security Policy, and the City's various stakeholders (e.g., employees, managers) do not appear to be fully assuming their responsibilities. All the stakeholders we interviewed agree that a lot of time is wasted trying to figure out who does what in terms of security within City buildings.

In this regard, although the SGPI service offering covers the nine boroughs from the former Ville de Montréal, we have not identified evidence of any service agreements with them.

In our view, in order to clarify roles and responsibilities and to avoid any ambiguity regarding management of security in buildings under the jurisdiction of these boroughs, it would be appropriate for SGPI to enter into such agreements as it has with central departments.

In short, the current situation may, at least in part, be helping to perpetuate the inertia in implementing the Security Policy and, consequently, putting the security of municipal building users at risk, in addition to threatening the City's business continuity. In this sense, we believe that additional efforts will be required to further clarify the roles and responsibilities of the City's various business units and stakeholders in the area of Municipal building security.

RECOMMENDATIONS

- 3.1.2.B.** We recommend that the Service de la gestion et de la planification immobilière take steps to clarify and communicate the roles and responsibilities of the City's various business units, so that stakeholders fully assume their responsibilities in the area of Municipal building security.
- 3.1.2.C.** We recommend that the Service de la gestion et de la planification immobilière take steps to develop and enter into an agreement with the boroughs covered by its service offering, in order to avoid any ambiguity as to the division of roles and responsibilities in terms of security within buildings under their jurisdiction.
- 3.1.2.D.** We recommend that the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce take steps to appoint a person responsible for coordinating and monitoring the implementation of all necessary security measures within buildings under their jurisdiction, in order to protect users and property, and ensure continuity of operations.

BUSINESS UNITS' RESPONSES

- 3.1.2.B.** **Service de la gestion et de la planification immobilière**
[TRANSLATION] Revision of the guideline on the business units' roles and responsibilities with regard to the policy directions provided by the Direction générale.
A plan will be developed to communicate this guideline to all departments and boroughs (see 3.1.2.C.). (Planned completion: December 2019)

3.1.2.C. Service de la gestion et de la planification immobilière

[TRANSLATION] A communication will be sent to each borough and central department requesting that they appoint a security coordinator to represent them.

This working group will communicate service offerings, and roles and responsibilities and help develop and validate various tools.

(Planned completion: June 2019)

3.1.2.D. Anjou borough

[TRANSLATION] The borough director will formally appoint the persons responsible based on the buildings and type of response.

(Planned completion: June 2019)

Lachine borough

[TRANSLATION] This recommendation will be addressed at the next steering committee meeting, and the borough representative will be appointed. *(Planned completion: June 2019)*

Côte-des-Neiges–Notre-Dame-de-Grâce borough

[TRANSLATION] The borough's director of Services administratifs et du greffe is the person appointed to ensure the implementation of a set of required security measures. *(Planned completion: April 2019)*

3.1.3. DEVELOPMENT OF SECURITY STANDARDS

3.1.3.A. BACKGROUND AND FINDINGS

The Security Policy states that SGPI is the business unit responsible for developing policies and guidelines on Municipal building security. In this regard, it provides oversight and exercises an advisory role with the City's business units. More specifically, and as mentioned above, the Division de la sécurité's service offering includes providing its clients with property requirements, i.e., security standards by building type.

In the opinion of security stakeholders and managers interviewed at SGPI, sound building security management must first and foremost be based on implementing these security standards that guide the various municipal stakeholders responsible for managing a real estate asset. The owner of a major building inventory such as the City must follow this principle in order to standardize its vision of security in managing its facilities, based on type of occupancy. Security management procedures for each type of building in the building stock must be reviewed in order to implement such security standards. Factors such as the size of the building, types of activities allowed in the building, or high traffic volumes, as well as higher specific risks inherent in some facilities (e.g., drinking water production plants) will influence the choice of security measures to be implemented.

Major guidelines emerge from these discussions, and the owner establishes minimum security standards, develops guidelines, procedures and tools in order to frame and standardize security measures to be introduced in accordance with the type and characteristics of the buildings in its building inventory. For example, these security standards could involve:

- the procedure for performing a building security study (audit);
- developing and implementing building security programs;
- regulations on access control and locksmithing;
- establishing emergency plans;
- guidelines for guard services and remote monitoring of facilities.

In order to identify security measures required under established security standards, it goes without saying that the City must have a complete and up-to-date inventory of existing security measures within its buildings.

We made the following findings based on the information obtained from the various stakeholders we interviewed within SGPI:

- Safety standards by building type have not yet been defined and no guidelines have been established for managing Municipal building security;
- There is no guide for conducting studies on City building security;
- Although the Policy and Guideline adopted by the Direction générale refers to the obligation for each official responsible for a real estate asset to develop, implement and update a Municipal building security program, the definition of the concept of "Security program", its content and expected standards by type of building have not yet been established and communicated to the various stakeholders;
- The inventory of existing security measures in municipal buildings has not been completed since the 2008 study. As a result, SGPI does not have a clear picture of the situation, and it may therefore be more difficult to identify problematic cases, identify response priorities and provide necessary oversight.

We note that because the analysis unit created to implement the Security Policy was abolished before the Policy was implemented, several aspects essential to effective Municipal building security management are still pending. In this regard, during the meetings conducted as part of audit work, we noted widespread dissatisfaction among Division de la sécurité stakeholders with the lack of guidance on Municipal building security and the lack of progress since the 2008 study.

In sum, although the City declared Municipal building security a "strategic issue" in 2014 and that it has a policy and a guideline on Municipal building security, it is clear that efforts must be made to establish the basis for effective building security management and to implement measures to promote user security and protection of facilities.

In our opinion, it would be critical in the near future for SGPI, as the City's mandatory, to provide the basis for the level of security (standards) that municipal buildings are to be given in accordance with applicable laws and regulations and the risks characterizing them. In this respect, SGPI should take into account the guidelines adopted by the Direction générale, prepare the frameworks that provide the various stakeholders with the necessary guidelines for implementing appropriate security measures within the buildings for which they are responsible. This would promote the exercise of prudent management in this area.

In addition, in order for SGPI to ensure the completeness and compliance of security measures required in a building given its characteristics, we believe that it should be a priority for SGPI to complete, in conjunction with all City business units, an inventory of existing security measures in municipal buildings.

RECOMMENDATIONS

- 3.1.3.B.** **We recommend that the Service de la gestion et de la planification immobilière complete the inventory of existing security measures in all municipal buildings, so that it can ensure that these measures are complete and in compliance, taking building characteristics into account.**
-
- 3.1.3.C.** **We recommend that the Service de la gestion et de la planification immobilière establish standards defining the expected level of security in buildings, taking into account statutes, regulations and related risks. SGPI should then develop and disseminate these guidelines, the necessary frameworks and guides, which will provide a baseline for the various stakeholders involved in implementing appropriate security measures in municipal buildings.**

BUSINESS UNITS' RESPONSES

- 3.1.3.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] A tool used to inventory security measures, including guard services, physical security measures and emergency measures will be developed and provided to borough and central department security coordinators to complete the overview of security measures.
The Direction de l'optimisation de la sécurité et de la propriété will maintain his tool to provide oversight over time and according to circumstances.
In connection with 3.1.1.B. (Planned completion: September 2019)

3.1.3.C.***Service de la gestion et de la planification immobilière***

[TRANSLATION] Standard specifications are being updated to establish general concepts for each physical security component by major building category. These concepts will be incorporated into the Service de la gestion et de la planification immobilière's owner standards guide. The Service de la gestion et de la planification immobilière will forward the guide to the various stakeholders. (Planned completion: September 2019)

3.1.4. IMPLEMENTATION OF SECURITY STUDIES AND SECURITY PROGRAMS

3.1.4.A. BACKGROUND AND FINDINGS

As we have just mentioned, SGPI obviously had to establish expected standards for Municipal building security management. In particular, two key components of effective building security management involve conducting security studies for each building and creating an appropriate security program. Security measures specific to a building are based on the threats and risks to which it is exposed due to its characteristics and typology. These factors are identified through a security study, i.e., an evaluation process that includes the following steps:

- Preparation: Define what needs to be protected (e.g., users, assets, information, operations);
- Threat assessment: Identify the threats against which they are to be protected;
- Risk assessment: Determine whether existing measures are satisfactory;
- Recommendations: Specify risk mitigation measures to be implemented;
- Reassessment: Perform periodic updates at a frequency to be determined (e.g., every five years).

This building security study is a prerequisite for implementing an appropriate security program. It is well established that such a program is only effective if it is developed based on a sound understanding of the risks and threats that must be addressed. This security program provides a detailed description of the measures (e.g., prevention, protection, response, and emergency measures) designed to protect life, property and the resumption of the organization's normal activities and operations following an event. A building security program could involve creating an action plan for each of the following items:

- Risk assessment;
- Physical security (e.g., guard services, patrols, remote monitoring);
- Access control and locksmithing;
- Emergency response (a response plan);
- Crisis communications;
- Business continuity plan.

We have previously noted that no security standards have been established for City buildings. Nevertheless, we tried to determine whether the audited business units had conducted independent security studies, and if they had, whether they were used to support the development of a security program or to support the identification of security measures to be implemented.

Based on the information identified in our audit work, we note that with the exception of a building for which SGPI is responsible, a building in the Lachine borough and another building managed by the CDN-NDG borough, the audited business units did not conduct any known security studies for any of the City's 1,500 buildings.

Only recently, in March 2018, a new²² security study of a critical building was conducted by the Division de la sécurité concerning the physical security issues of the facility. The report describes the security gaps that were identified and suggests that a series of recommendations be implemented to improve building security in the short, medium and long terms. An implementation plan for short-term measures was prepared in July 2018 and was about to be completed in January 2019. With respect to other more extensive security measures, the report states that the Direction de la gestion de projets immobiliers of the SGPI will have to be involved. In this sense, planning was initiated by developing a project opportunity sheet.

For the second security study conducted by the Lachine borough, only one building was analyzed by an outside firm. According to the information we obtained, this firm was awarded a contract in 2016 for occupational health and safety consulting services concerning Lachine's Direction des travaux publics facilities. Initially, high-risk activities and areas were identified to implement a Fire Safety Plan (FSP), but a comprehensive Emergency Measures Plan (EMP) was developed instead, in 2018.

Considering the countless security risks faced by City facilities (e.g., fire, theft and vandalism, dangerous gas leaks, terrorist acts), we believe that a security study must be conducted for each building in order to implement a specific security program for each facility. This means that the Division de la sécurité, which has the security expertise, will have to work closely with each City business unit that operates the buildings, because they are familiar with the buildings and how they work. Considering the size of the City's building inventory, these measures must first be implemented in critical buildings.

²² SGPI had already conducted a security study of this building in 2011.

RECOMMENDATIONS

- 3.1.4.B.** We recommend that the Service de la gestion et de la planification immobilière work with all City business units to establish the priority level of municipal buildings and plan security studies that will be used to support the identification of appropriate security measures to be implemented in each building.
-
- 3.1.4.C.** We recommend that the Service de la gestion et de la planification immobilière create, implement and maintain a security program based on a security study for each City building to ensure the security of users and assets, as well as the continuity of City operations.

BUSINESS UNITS' RESPONSES

- 3.1.4.B.** ***Service de la gestion et de la planification immobilière***
*[TRANSLATION] Building prioritization criteria will be updated to provide an up-to-date overview of municipal building security.
*(Planned completion: September 2019)**
- A study methodology will be created in conjunction with an external resource to develop criteria and checklists. The studies will be conducted in conjunction with the various business units and the Service de la gestion et de la planification immobilière. (Planned completion: March 2020)*
- Development and implementation of studies. (Planned completion: in 2022)*
-
- 3.1.4.C.** ***Service de la gestion et de la planification immobilière***
*[TRANSLATION] Building prioritization criteria will be updated to provide an up-to-date overview of municipal building security.
*(Planned completion: September 2019)**
- A study methodology will be created in conjunction with an external resource to develop criteria and checklists. The studies will be conducted in conjunction with the various business units and the Service de la gestion et de la planification immobilière. (Planned completion: March 2020)*
- Development and implementation of studies. (Planned completion: in 2022)*

3.2. EXISTING SECURITY MEASURES

At this stage, we identified major flaws in the governance of Municipal building security, with respect to the lack of progress in implementing the Policy and the Guideline, the division of roles and responsibilities and the lack of security standards. Not to mention the fact that security studies or appropriate security programs have not been implemented for most municipal buildings. Under the circumstances, it is fair to doubt whether all necessary security measures have been implemented in municipal buildings and whether they are effective.

This is why, without conducting a comprehensive audit, we looked into existing measures regarding the following security activities:

- Emergency measures plans;
- Remote monitoring;
- Controlled locksmithing;
- Guard services.

It should be noted that for some of these security activities, our audit considered a sample of 26 buildings occupied by the audited business units. We selected five buildings under a lease agreement in this sample, because, like buildings owned by the City, leased buildings or parts of leased buildings are covered by the Security Policy. In this regard, the Division des locations operated by the Direction des transactions immobilières of the SGPI, was also consulted. The details of our sample are presented in Table 1. It should be noted that buildings in the sample were selected because of their purpose (e.g., administrative, sports and recreation, industrial) and because they were critical buildings.

TABLE 1 – SAMPLE OF BUILDINGS BY AUDITED BUSINESS UNITS

	SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE ^[A]	ANJOU BOROUGH	LACHINE BOROUGH	CÔTE-DES-NEIGES-NOTRE-DAME-DE-GRÂCE BOROUGH	TOTAL
City-owned buildings	9	4	4	4	21
Leased buildings	2	1	1	1	5
TOTAL	11	5	5	5	26

[A] Buildings occupied by various business units entitled to receive services from the Service de la gestion et de la planification immobilière.

3.2.1. EMERGENCY MEASURES PLANS

3.2.1.A. BACKGROUND AND FINDINGS

Experience shows that various events can affect the security of users and an organization's operations. Incidents involving hazardous materials, electrical outages, fires, bomb threats, active shooters and floods come to mind, just to name a few. Under these circumstances, an ERP is a necessary management tool. It is a document that dictates the procedures to be followed by a rescue organization in the event of an emergency or disaster posing a threat to personal health and safety and asset integrity. It is designed to ensure a rapid and controlled response.

Note that an ERP involves the concept of a building "*risk assessment*". It includes a Fire Safety Plan (FSP). The City's fire safety bylaws²³ follow the National Fire Code of Canada (NFCC), which requires that a fire safety plan (FSP) be implemented for each building, that it be kept up to date and that fire drills be performed at least once a year. The ERP may also incorporate a variety of specific emergency plans (SEPs) for a variety of situations that may occur (e.g., hazardous material leaks, a bomb threat, an active shooter). The purpose of these SEP is to:

- mobilize the identified responders in order to mount a consistent and effective incident response that minimizes damage;
- protect staff and users in an emergency, as well as the environment, where appropriate.

Also, in accordance with best management practices, the ERP must also include a disaster recovery plan, which is all the more crucial for critical infrastructure that provides essential public services.

Although the main legal obligation to be met by an ERP is the FSP, establishing a SEP that addresses the risks to which City buildings exposed is highly recommended. In this regard, it should be noted that the City's Policy Guideline stipulates that the person responsible for a real estate asset must take steps to ensure the security of employees, citizens and visitors who use buildings for which he is responsible. In particular, he must be involved in identifying, assessing and controlling risks and looking for solutions.

It should be noted that the people we interviewed at SGPI told us from the outset that there was a computerized application called the Programme de gestion des mesures d'urgence dans les édifices municipaux (PGMUEM), which SGPI introduced (around 2006) to manage and update City building ERPs. The PGMUEM stipulates that a building emergency coordinator must be appointed. It includes an FSP template to be completed as well as a bomb alert SEP template. It does not include any other SEP templates. Each appointed coordinator is therefore responsible for recording in the PGMUEM the completed and updated

²³ RCG 12-003 – *By-law concerning the Service de sécurité incendie de Montréal* and RCG 12-005 – *By-law concerning fire safety*.

plans for buildings for which they are responsible. It should be noted that the Division de la sécurité is not responsible for ERPs. It ensures that ERPs are actually implemented by business units in accordance with the regulations, and it provides the necessary support, if applicable.

We examined the information entered in the PGMUEM and found that only 259 of the 1,500 City buildings were registered as having an FSP or SEP in the event of a bomb threat. Moreover, we reviewed the inventory of FSPs registered in the PGMUEM and found that many of these had not been updated for several years (e.g., the last updates were in 2004, 2007 and 2011). It appears that the information in the PGMUEM is not updated on a regular basis. This includes the identification of the designated emergency coordinators and the FSPs themselves, their approval and fire drill logs.

These findings point to the possibility that some City buildings do not have compliant FSPs, despite the fact that this is a legal requirement. Under the circumstances, because the information entered in the PGMUEM is incomplete and not up-to-date, the Division de la sécurité cannot currently rely on this tool to confirm, as required, whether there is one FSP per building or an SEP. We are of the view that corrective action will need to be taken promptly to provide the Division de la sécurité with an effective monitoring tool to respond in a timely manner in order to ensure that required adjustments are made expeditiously.

RECOMMENDATION

- 3.2.1.B. We recommend that the Service de la gestion et de la planification immobilière take the steps needed to acquire an effective monitoring tool. It will be used to perform required monitoring and quickly identify and respond to situations involving emergency measures plans required within municipal buildings and to ensure they are kept up to date.**

RÉPONSE DE L'UNITÉ D'AFFAIRES

- 3.2.1.B. Service de la gestion et de la planification immobilière**
[TRANSLATION] The potential for optimizing the implementation of the Programme de mesures d'urgence dans les édifices municipaux will be assessed in conjunction with the Division du bureau de projet et de la gestion de l'information of the Service de la gestion et de la planification immobilière. At the same time, a typical emergency management program will be developed. This program will then be distributed to users. The Direction de l'optimisation, de la sécurité et de la propriété will provide coaching and support to the units in revising and implementing their plans. (Planned completion: September 2019)

For buildings in our sample within each audited business unit, we tried to determine whether there was a more comprehensive ERP incorporating either an FSP or any other SEPs (i.e., regardless of whether they are listed in the PGMUEM) and examined it. If there was no ERP, we looked for an FSP and/or an SEP and reviewed them, if applicable. Generally, our examination reveals that only the boroughs of Lachine and CDN-NDG have developed an ERP for specific facilities. Otherwise, the only plans implemented by audited business units involved FSPs or SEPs in the event of ammonia leaks. The detailed results of our review are presented below.

EMERGENCY MEASURES PLAN

We obtained from the Lachine borough the ERP implemented in June 2002 for the two Lachine arenas, which was produced by an outside security firm. This ERP includes an inventory of building characteristics, risks and specific instructions for responding to various events (e.g., fire, malicious acts, hazardous material leaks, electrical outages, floods, earthquakes). However, we note that the ERP was last revised in February 2005.

With respect to the CDN-NDG borough, we note that an ERP was implemented for a sports facility in October 2011. This ERP provides response plans (e.g., emergency procedures, responders' roles, and evacuation plans) for various events (e.g., fire, hazardous material leaks, report of a suspicious package, bomb threats, physical threats, electrical outages, earthquakes). However, according to the information we obtained, this ERP has not been updated since then.

We also note that the implementation of measures to ensure that City activities and operations return to normal following an event is not a widespread practice²⁴. We believe that when business units operating these buildings are implementing an ERP, they should include the steps to be taken to ensure quick resumption of operations, particularly when they are critical.

In sum, developing such ERPs is a responsible and prudent management practice which, in our opinion, should be extended to all buildings requiring the implementation of such measures. As already mentioned above, it will be appropriate for these ERPs to be developed based on a risk assessment, as well as any standards that SGPI may have established. Also, because these ERPs are living documents that need to be continuously updated, procedures should also be established to ensure that they are sustainable.

FIRE SAFETY PLAN

With respect to FSPs, for each City-owned building in our sample, we tried to confirm that they had been implemented and updated, and that a fire drill had been conducted at

²⁴ According to the information we obtained, some business units are developing a business continuity plan in conjunction with the Direction de la sécurité civile et de la résilience.

the site last year. It should be noted that fire drills are designed to ensure that custodial staff and occupants use available evacuation routes effectively and safely. However, they also provide an opportunity to identify barriers to effective evacuation and then take appropriate corrective action. The results of the examination are presented in Table 2

TABLE 2 – FIRE SAFETY PLAN AND ANNUAL FIRE DRILL

AUDITED BUSINESS UNITS	SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE ^[A]	ANJOU BOROUGH	LACHINE BOROUGH	CÔTE-DES-NEIGES-NOTRE-DAME-DE-GRÂCE BOROUGH	TOTAL
SAMPLE – 21 CITY-OWNED BUILDINGS ITEMS ASSESSED	9 BUILDINGS	4 BUILDINGS	4 BUILDINGS	4 BUILDINGS	
Existing Fire Safety Plans	7	4	2	2	15
Security plans registered in the Programme de gestion des mesures d'urgence dans les édifices municipaux (PGMUEM)^[B]	7	4	2	2	15
Up-to-date security plans	2	4	0	1	7
Security plans approved by the Service de la gestion et de la planification immobilière (SGPI)	2	4	0	1	7
Annual fire drill	3	3	0	1	7

[A] Buildings occupied by various business units entitled to receive services from the Service de la gestion et de la planification immobilière.

[B] Source: Implementation of the Programme de gestion des mesures d'urgence in municipal buildings as at January 9, 2019.

The review found that 15 of the 21 buildings in our sample had an FSP, which was registered in the PGMUEM. Of the 15 existing FSPs, only 7 were current, approved, and included a fire drill within the last 12 months. Our review confirms that there is a significant risk that could compromise the security of users and City assets, as well as the continuity of operations in the event of a fire in buildings that do not have an FSP or an up-to-date FSP.

This situation is all the more troubling, the by-law stipulates that the City must have an updated FSP for each of its buildings.

As part of our audit work, we also reviewed a service agreement signed in January 2006 between the Service de sécurité incendie de Montréal (SIM) and SGPI²⁵. Under this agreement, SIM delegates responsibility to SGPI for producing an appropriate FSP for each City building. According to the procedure described in the agreement, FSPs are produced by property managers responsible for the buildings. They must then be validated annually by SGPI if the building is equipped with a single-stage fire alarm system. Only FSPs in buildings with a two-stage fire alarm system or buildings with hazardous materials procedures or storage must be approved by SIM. In fact, while this agreement is clear in terms of shared responsibility, we note that the process described in the agreement has not been implemented. As a result, we believe that SGPI will have to take steps to identify buildings for which FSP needs to be approved by SIM and make the necessary arrangements to comply with the agreement.

LEASED BUILDINGS

Moreover, it should be noted that the City's Security Policy also applies to all buildings or parts of buildings leased by the City. Specifically, in this situation, the Policy Guideline states that a City official must ensure that "*...the building owner meets the legal and regulatory personal safety requirements incumbent upon him, within the limits of the contractual relationship that binds him to the tenant*". We therefore tried to identify the personal safety measures implemented for the five leased buildings included in our sample.

According to the information we obtained, for buildings or parts of buildings leased by the City for central departments and boroughs from the former Ville de Montréal (including the CDN-NDG borough), the Division des locations du SGPI is responsible for financial monitoring, lease negotiations and compliance with clauses set out in the leases. For their part, boroughs from former suburban municipalities are responsible for their own leases and must, like SGPI, include fire safety clauses and ensure that building owners comply with them.

We examined the leases obtained from the audited business units and noted that all of them include a fire safety clause. However, we noted disparities in the way in which these clauses are written. While some leases have specific clauses outlining the requirements that the owner is expected to meet (e.g., evacuation plans and procedures, fire drills), others refer to clauses stipulating that owners must comply with all applicable building security laws and regulations. In our opinion, it is difficult to monitor security expectations and obligations because they are not always clear. We also noted that none of the audited business units had mechanisms in place to ensure that the owner complied with these fire safety clauses (see Table 3).

²⁵ At that time, the Division de la sécurité reported to the Direction des immeubles du Service de la mise en valeur du territoire et du patrimoine.

TABLE 3 – MONITORING FIRE SAFETY CLAUSES FOR LEASED BUILDINGS

ITEM ASSESSED	SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE ^[A] (2 BUILDINGS)	ANJOU BOROUGH (1 BUILDING)	LACHINE BOROUGH (1 BUILDING)	CÔTE-DES-NEIGES-NOTRE-DAME-DE-GRÂCE BOROUGH (1 BUILDING)
Fire safety clauses monitored	0	0	0	0

[A] Buildings occupied by various business units entitled to receive services from the Service de la gestion et de la planification immobilière.

Under the circumstances, we believe that steps will have to be taken to align practices regarding fire safety clauses to be included in lease agreements. In addition, mechanisms to monitor compliance with these clauses will have to be implemented so that the City can confirm that appropriate emergency measures are in place for all employees and users who enter these leased buildings benefit.

SPECIFIC EMERGENCY PLAN – AMMONIA LEAKS

In July 2010, the City adopted a 10-year Programme de soutien à la mise aux normes des arénas municipaux [Municipal arena upgrade support program] aimed at converting the refrigeration systems of 40 indoor rinks in 34 arenas across the 19 City boroughs to a greener technology. The City chose a natural refrigerant gas, ammonia²⁶, which poses a public health risk in the event of a leak. Given the highly dangerous impact of an ammonia leak on arena users and local residents, the boroughs, with the assistance of the Division de la sécurité, have developed and implemented SEPs in the event of an ammonia leak. In order to mount a quick and safe incident response, the SEP:

- defines responders' responsibilities according to the gravity of the situation;
- describes the emergency response measures for major ammonia leaks.

For the three arenas in our sample, we obtained a copy of these SEPs showing that they had actually been implemented (see Table 4).

²⁶ Ammonia is used as a refrigerant especially to replace halocarbon refrigerants (freons), whose emissions deplete the ozone layer.

**TABLE 4 – SPECIFIC EMERGENCY PLAN IN THE EVENT OF AN AMMONIA LEAK
IN THE THREE ARENAS**

ITEMS ASSESSED	ANJOU BOROUGH (1 BUILDING)	LACHINE BOROUGH (1 BUILDING)	CÔTE-DES-NEIGES– NOTRE-DAME-DE-GRÂCE BOROUGH (1 BUILDING)
There is a Specific Emergency Plan	YES	YES	YES
Registered in the Programme de gestion des mesures d'urgence dans les édifices municipaux (PGMUEM)	NO	NO	NO
Up-to-date Specific Emergency Plan	YES	NO	NO
Last updated in	November 2018	April 2015	November 2017

First, we found that none of these SEPs were registered in the PGMUEM application. Second, we reviewed these three SEPs and found that considerable work had been done to develop and implement them. It appears that Anjou borough updated them annually, however, the boroughs of Lachine and CDN-NDG did not.

Based on all the findings on emergency measures plans in municipal buildings, it is clear that a significant turnaround is required. We are therefore of the view that, based on a specific security study for each building, business units must implement SEPs deemed necessary to mount a rapid and effective response to an event that may pose a threat to the health and safety of users, as well as to City property and continuity of City operations.

RECOMMENDATIONS

- 3.2.1.C.** Considering the security studies that have already been conducted within the buildings for which they are responsible, we recommend that the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce implement the required emergency measures plans (FSP and SEP); ensure that they are updated; and provide measures for resumption of normal operations, in order to mount effective incident responses and ensure the security of users and assets and continuity of City operations.
-
- 3.2.1.D.** We recommend that the Service de la gestion et de la planification immobilière draw up a list of municipal buildings that require the Service de sécurité incendie to approve their fire safety plan, in order to comply with the provisions of the letter of agreement between SGPI and the Service de sécurité incendie.
-
- 3.2.1.E.** We recommend that the Service de la gestion et de la planification immobilière and the boroughs of Anjou and Lachine take steps to align Montreal fire safety clauses in lease agreements regarding buildings or parts of buildings and to provide the necessary monitoring mechanisms to ensure that landlords comply with them, so that the City can fulfill its due diligence responsibility with regard to the security of the buildings' users.
-
- 3.2.1.F.** We recommend that the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce register all their specific emergency plans in the Programme de gestion des mesures d'urgence dans les édifices municipaux (PGMUEM), in order to comply with the requirements of the City's Policy on Municipal building security.

BUSINESS UNITS' RESPONSES

- 3.2.1.C.** *Anjou borough*
[TRANSLATION] After the studies conducted in conjunction with the Service de la gestion et de la planification immobilière have been completed, emergency measures plans (Fire Safety Plan and Specific Emergency Plan) will be developed jointly with the Service de la gestion et de la planification immobilière. Elements relating to the implementation, monitoring and maintenance of operations will be incorporated into the process. (Planned completion: December 2022)

Lachine borough

[TRANSLATION] After the studies conducted in conjunction with the Service de la gestion et de la planification immobilière have been completed, emergency measures plans (Fire Safety Plan and Specific Emergency Plan) will be developed jointly with the Service de la gestion et de la planification immobilière. Elements relating to the implementation, monitoring and maintenance of operations will be incorporated into the process. (**Planned completion: December 2022**)

Côte-des-Neiges—Notre-Dame-de-Grâce borough

[TRANSLATION] After the studies conducted in conjunction with the Service de la gestion et de la planification immobilière have been completed, emergency measures plans (Fire Safety Plan and Specific Emergency Plan) will be developed jointly with the Service de la gestion et de la planification immobilière. Elements relating to the implementation, monitoring and maintenance of operations will be incorporated into the process. (**Planned completion: December 2022**)

3.2.1.D.**Service de la gestion et de la planification immobilière**

[TRANSLATION] A list of the buildings concerned will be established and compared with data from the Programme de gestion des mesures d'urgence dans les édifices municipaux. The Service de sécurité incendie de Montréal will be asked to validate and/or comment on fire safety plans pursuant to the 2006 letter of agreement. (**Planned completion: August 2019**)

3.2.1.E.**Service de la gestion et de la planification immobilière**

[TRANSLATION] In conjunction with the Division des locations of the Service de la gestion et de la planification immobilière, make a list of lease sites and ensure it is consistent with data from the Programme de gestion des mesures d'urgence dans les édifices municipaux. Subsequently, leases will be amended to include fire safety and physical safety clauses.

*This information will be shared with the boroughs to provide them with input. (**Planned completion: March 2020**)*

Anjou borough

[TRANSLATION] The borough will ensure that it uses the new lease documents to be developed by the Service de la gestion et de la planification immobilière and that each landlord complies with the elements relating to the monitoring mechanisms described in the leases. (**Planned completion: August 2019**)

Lachine borough

[TRANSLATION] The borough will ensure that it uses the new lease documents to be developed by the Service de la gestion et de la planification immobilière and that each landlord complies with the elements relating to the monitoring mechanisms described in the leases.

(Planned completion: August 2019)

3.2.1.F. Anjou borough

[TRANSLATION] As the Specific Response Plans outlined in recommendation 3.2.1.C. are completed, the designated official for each building will ensure that Specific Response Plans is incorporated into the Programme de gestion des mesures d'urgence dans les édifices municipaux system or any other new system that may be developed by the Service de la gestion et de la planification immobilière.

(Planned completion: December 2022)

Lachine borough

[TRANSLATION] As the Specific Response Plans outlined in recommendation 3.2.1.C. are completed, the designated official for each building will ensure that Specific Response Plans is incorporated into the Program de gestion des mesures d'urgence dans les édifices municipaux system or any other new system that may be developed by the Service de la gestion et de la planification immobilière.

(Planned completion: December 2022)

Côte-des-Neiges–Notre-Dame-de-Grâce borough

[TRANSLATION] As the Specific Response Plans outlined in recommendation 3.2.1.C. are completed, the designated official for each building will ensure that Specific Response Plans is incorporated into the Program de gestion des mesures d'urgence dans les édifices municipaux system or any other new system that may be developed by the Service de la gestion et de la planification immobilière.

(Planned completion: December 2022)

3.2.2. REMOTE MONITORING

3.2.2.A. BACKGROUND AND FINDINGS

Remote monitoring is a security solution to protect facilities, equipment or individuals. This activity is performed through a monitoring station, to which alarm signals and camera-captured images are sent, to detect disruptive events in real time (e.g., fire, intrusions, hazardous material leaks) and respond promptly. For this component, our audit examined remote monitoring operations.

REMOTE MONITORING MANAGEMENT BY THE SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE

According to the information we obtained, remote monitoring within SGPI is primarily focused on²⁷ the buildings of central departments and the nine boroughs from the former Ville de Montréal. Within SGPI, remote monitoring operations involve continuous interaction between the stakeholders of various administrative units, as illustrated in Table 5 below.

TABLE 5 – SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE STAKEHOLDERS INVOLVED IN REMOTE MONITORING AND RELATED ACTIVITIES

REMOTE MONITORING MANAGEMENT BY THE SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE ^[A]		
ADMINISTRATIVE UNITS INVOLVED		
Division des services administratifs, Section centre d'appels	Division de la Sécurité	Division de la gestion immobilière et de l'exploitation des bâtiments spécialisés – Région Ouest ^[A]
ACTIVITIES INVOLVED		
Centre opérationnel de sécurité	Patrol Support and maintenance of security and data transmission systems	Alarm system (fire and gas leaks - ammonia) maintenance

^[A] Although it was not covered by our audit work, the Division de la gestion immobilière et de l'exploitation des bâtiments spécialisés – Région Ouest, reporting to the Direction de la gestion immobilière et de l'exploitation was considered for its role in maintaining some remote monitoring equipment.

Remote monitoring activities within SGPI can be summarized as follows:

- **COS:** the City monitoring station receives and processes signals (e.g., intruder alarms, fire, or hazardous material leaks) from security systems²⁸ and images captured by surveillance cameras installed in approximately 600 City buildings. Formerly managed by an officer of the Division de la sécurité, since January 1, 2018, COS has reported to the Section centre d'appels de la Division des services administratifs. COS is made up of a team of 12 security guards that provide 24/7 monitoring services for buildings connected to COS. Although this activity was excluded from the scope of our audit, it should be noted, for information purposes, that COS is also responsible for programming building access cards;

²⁷ A number of buildings managed by boroughs from former suburban municipalities are also connected to the SGPI monitoring station.

²⁸ They include control equipment and various sensors installed in buildings.

- **Patrol:** under the supervision of an officer and three sergeants, a team of 25 patrol officers from the Division de la sécurité is assigned to respond to the various incidents detected by COS. On the one hand, this patrol team responds to alarms throughout the Montreal area recorded by COS, first to confirm the alarm and then to take appropriate action. On the other hand, they also conduct surveillance rounds in some critical buildings (e.g., drinking water production plants, abandoned buildings);
- **Security system maintenance:** a team of 14 security and data systems technicians works at the Division de la sécurité to maintain these systems and ensure that they operate properly, with the exception of fire-related systems, whose maintenance, provided by eight other technicians, was transferred in January 2018 to the Division de la gestion immobilière et de l'exploitation des bâtiments spécialisés – Région Ouest.

Alarms received at COS are recorded and requests are forwarded to patrols who respond at the site. Security system technicians provide support for operations, especially security system and surveillance camera maintenance support. The interrelationship of COS stakeholders within the Section centre d'appels and Division de la sécurité stakeholders is therefore essential to ensure Municipal building security. Our audit work highlighted various problematic situations involving the following aspects of remote monitoring:

- Change management and division of roles and responsibilities;
- Security system access code management;
- Software and security system management;
- The COS succession plan.

CHANGE MANAGEMENT AND DIVISION OF ROLES AND RESPONSIBILITIES

For several years, SGPI has operated two call centres in separate administrative units, the Centre d'appels client²⁹ to receive corrective maintenance requests for buildings performed by the Divisions de la gestion immobilière et de l'exploitation des bâtiments spécialisés – Région Ouest and Région Est, and COS³⁰, which reported to the Division de la sécurité. As part of the organizational restructuring of SGPI, effective January 1, 2018, the two call centres were consolidated under the newly created Section centre d'appels reporting to the Division des services administratifs. According to the information we obtained, COS was transferred to this new section to improve customer service by responding to requests for urgent corrective maintenance that may be required in buildings at times that were not previously covered by the Centre d'appels client, thereby providing 24/7 service.

²⁹ The Centre d'appels client (872-1234) receives corrective maintenance service requests (e.g., breakages, breakdowns or malfunctions) for City buildings.

³⁰ Referring to the telephone line – (872-3017).

According to the information we obtained, this decision to remove COS from the Division de la sécurité was made without necessarily having consulted key Division de la sécurité stakeholders beforehand and without having addressed all the inconveniences this would cause in terms of support for its operations. In the opinion of Division de la sécurité stakeholders, COS is the clearinghouse for security issues. COS provides a wealth of information with regard to building security vulnerabilities. Now that it is part of an administrative unit whose primary mission is customer service, Division de la sécurité stakeholders are concerned that COS objectives may not be seamlessly aligned with Municipal building security priorities and are worried about some decisions made in silos by new COS stakeholders. In particular:

- historically, it appears that COS had agreed to assume responsibility for remote monitoring of buildings managed by some boroughs from former suburban municipalities. According to the information we obtained, under the new structure, COS officials apparently indicated their intention to discontinue this remote monitoring service for boroughs from former suburban municipalities because they are not covered by the SGPI service offering. Representatives of the Division de la sécurité were of the opinion that implementing such a decision immediately, without first implementing an alternative solution, would constitute an important security breach for the buildings involved. It was therefore decided that the planned action would be suspended.
- until November 2018, COS used radio communications to ensure the safety of patrols and security guards working the night shift, who are considered “lone workers³¹” (e.g., making sure that they are not injured, in danger or do not require assistance). Since then, the new COS leadership decided to stop assuming this responsibility because it felt that it was not part of a call centre’s duties, all the more so because they are not responsible for patrols and security guards. However, according to Division de la sécurité stakeholders, the concept of due diligence in occupational health and safety applies. If this task is stopped, without having planned and implemented an effective alternative, the safety of these lone workers may be compromised. Until an optimal solution is found, radio communications are used to ensure that lone workers are safe.

Based on the information we obtained, we note that in some respects the changes made to the organizational structure in terms of building safety include significant shortcomings, both in terms of operations management and human resources management. All the managers we interviewed deplore the fact that this change was made before the processes underlying the operational management of security activities were reviewed. Also, when we completed our audit work in February 2019, the division of roles and responsibilities between COS and the Division de la sécurité had not yet been formally clarified. This situation affects the relationships and cooperation between these two administrative units.

³¹ A worker is considered to be working alone when he is out of sight or out of earshot of other people; there is nobody to assist him, and he is performing dangerous work.

It should also be noted that, following the organizational restructuring within SGPI, security systems management, which was formerly performed by a single Division de la sécurité team, was assigned to two separate teams:

- a team of eight fire safety systems technicians (e.g., fire alarms, sprinklers) was transferred to the Direction de la gestion immobilière et de l'exploitation;
- a team of 14 security and data transmission systems technicians (e.g., video monitoring, access control, intrusion), who still report to the Direction de l'optimisation, de la sécurité et de la propreté (the Division de la sécurité).

The division of roles and responsibilities between these two administrative units for maintaining and repairing a variety of security equipment and systems connected to COS is shown in Table 6.

TABLE 6 – DIVISION OF ROLES AND RESPONSIBILITIES FOR MAINTAINING AND REPAIRING SECURITY EQUIPMENT AND SYSTEMS CONNECTED TO THE CENTRE OPÉRATIONNEL DE SÉCURITÉ (COS)^[A]

SECURITY COMPONENTS	NUMBER	RESPONSIBILITY FOR MAINTENANCE		
		DIRECTION DE LA GESTION IMMOBILIÈRE ET DE L'EXPLOITATION		DIRECTION DE L'OPTIMISATION, DE LA SÉCURITÉ ET DE LA PROPRIÉTÉ (DIVISION DE LA SÉCURITÉ)
		IN HOUSE	CONTRACTED	IN HOUSE
FIRE SAFETY				
Fire alarm system	329	196	133	-
Fire communicator (connected to the Centre opérationnel de sécurité)	329	196	-	133
AMMONIA LEAK DETECTION SYSTEM				
Ammonia leak detection system	21	21	-	-
Ammonia communicator (connected to the Centre opérationnel de sécurité)	21	21	-	-
INTRUSION DETECTION SYSTEM				
Intrusion alarm panel	587	-	106	481
Emergency buttons	231	-	-	231
VIDEO MONITORING				
Surveillance camera (connected to the recorder)	1,600	-	-	1,600
Recorder (connected to the Centre opérationnel de sécurité)	171	-	-	171
ACCESS CONTROL				
Controller (connected to the Centre opérationnel de sécurité)	136	-	-	136
Access card reader (connected to the controller)	1,100	-	-	1,100
Technical points ^[B]	255	-	-	255
TOTAL	4,780	434	239	4,107

^[A] Source: Compilation provided by the Division de la sécurité of the Service de la gestion et de la planification immobilière, in February 2019.

^[B] Technical points are used to monitor remote operation of equipment such as generators, nozzles, hazardous gas leak sensors, and fluid level (e.g., water, gasoline), temperature and humidity sensors.

According to the information we obtained for some City buildings, which are maintained and repaired in-house, fire safety technicians are responsible for ammonia leak detection systems (21), fire safety systems (196) and their respective communicators³². For the rest of the buildings, whose fire alarm systems are maintained and repaired under contract (133), the Division de la sécurité's technical team remained responsible for fire alarm system communicators. The same applies to intrusion systems, some of which are managed by the Direction de la gestion immobilière et de l'exploitation (106), while the remaining buildings are still managed by the Division de la sécurité (481).

There are complex, grey areas in handling some customer requests that require simultaneous involvement of various stakeholders, the scope of whose responsibilities is not always clearly defined (e.g., when an intrusion detection system under a maintenance contract needs to be reset, COS directs the request; the Direction de la gestion immobilière et de l'exploitation and its outside firm look after maintenance, and the Division de la sécurité is responsible for programming communication links).

It should be noted that new security system installations are completely outsourced as part of building projects for which other divisions of SGPI are responsible. However, Division de la sécurité technicians program these systems and their access codes (technicians and users). We were informed that they sometimes have to deal with significant system installation deficiencies (e.g., malfunctions, installations that are noncompliant or incompatible with the existing system) that require additional work. They deplore the lack of upstream coordination between the Division de la sécurité and the divisions responsible for implementing renovation or construction projects.

Under the circumstances, we believe that the Direction of the SGPI must issue clear security guidelines to ensure that the priorities of the Section centre d'appels, to which COS reports, and those of the Division de la sécurité can be properly aligned so that municipal building security is never compromised. Steps must be taken to clarify the division of roles and responsibilities of all the various stakeholders involved in security matters and to examine the potential for optimizing operations that promote effective coordination, both for security system installations during construction and renovation projects, and for subsequent maintenance and repair of these systems.

RECOMMENDATION

- 3.2.2.B. We recommend that the Service de la gestion et de la planification immobilière clarify the division of roles and responsibilities of all stakeholders involved in remote monitoring and examine the potential for optimizing related operations, so that they can be appropriately coordinated to enable sound Municipal building security management.**

³² A communicator is a device used to connect the system to the COS station.

BUSINESS UNIT'S RESPONSE

3.2.2.B. Service de la gestion et de la planification immobilière
[TRANSLATION] In conjunction with the Division des services administratifs of the Service de la gestion et de la planification immobilière, define activities related to remote surveillance as well as the stakeholders' role.

*During this process, potential optimization solutions will be assessed.
(Planned completion: November 2019)*

SOFTWARE AND SECURITY SYSTEM MANAGEMENT

To perform its work, COS operates a series of software and computer databases, whose functions include receiving and directing reported intrusions and fire alarms, creating and processing requests assigned to patrols and technicians on duty, creating and providing consulting services for response procedures and producing reports for security management analysis and decision-making.

According to the information we obtained, some of the software and databases used by COS were developed internally several years ago by Division de la sécurité technical "developers". Apparently, the City's Service des technologies de l'information was never involved in developing and supporting these databases and software. However, it seems that there are significant deficiencies in managing the software and security systems that COS uses for its operations. In particular:

- SGPI currently has no expertise available to update or develop existing security systems. In fact, the developers who operated the systems and databases are no longer employed by the City and they were not replaced before they left;
- in some cases, the Division de la sécurité team of technicians who provide support for some software programs operated by COS has no access code to maintain them. Also, these software programs require special programming expertise³³, which neither COS nor Division de la sécurité staff have. These issues involve a critical software program called the Integrated Collection and Operations System (ICOS), which is used to create queries, manage work in progress and record building incident response procedures;
- it was pointed out that some technical security system equipment is obsolete (e.g., recorders, cameras, card readers). Maintenance and upgrading of this equipment have been neglected in recent years;
- the lack of coordination between the Division de la sécurité and other SGPI administrative units responsible for planning and implementing construction and renovation projects means that equipment that is supposed to be installed is not necessarily compatible with existing systems.

³³ Reference was made to "Microsoft Access®".

Also, with respect to the information relating to the type of alarms recorded at COS, we were told that it is possible to generate reports on the number and type of alarms reported. COS processed approximately 60,840 alarms between January 1 and July 20, 2018. Although this management information is relevant, it appears that it is not easy to generate reports with more detailed management information (e.g., statistics by reported alarm type and frequency per building, number of requests processed or being processed in response to incident reports). According to the information we obtained, this situation could be attributable either to limitations of the existing software or the absence of incident response data.

We were told that queries generated using the ICOS application, for incidents reported to COS that require on-site patrols to respond, are not all routinely well documented. Alarms triggered inadvertently or due to negligence in a given building (e.g., incorrect security code, doors left unlocked or ajar) are considered "*false alarms*". This type of incident is not always documented in the system, although a patrol had to go check the alarm, identify the problem and secure the site. This situation is also valid for items noted during weekly preventive rounds performed by patrols. In fact, it is difficult to quantify the preventive rounds during which patrols identified unsafe situations and incidents were avoided (e.g., windows or doors left open or alarm systems not turned on). Patrols report details of their activities on their daily round sheets, and although sergeants in charge review the sheets in order to correct the causes of reported incidents, the fact remains that this information is recorded on paper and is not entered in ICOS, which means the information cannot be used to provide an overview.

In short, because COS is at the heart of remote monitoring of security in municipal buildings, it is essential that the technological tools and operational activities that support monitoring are always effective. All the stakeholders we interviewed believe that the vulnerabilities mentioned (e.g., technological tools and continuous technical assistance) were among the factors that put building security at risk in the event of a significant software or security system malfunction. Under the circumstances, we believe that SGPI management must provide clear guidelines to address these vulnerabilities by implementing appropriate remedial measures that will ensure the security of City buildings at all times. Also, it is undeniable that analyzing data that can be extracted from systems provides very useful information for identifying security breaches and vulnerabilities within buildings and then implementing necessary corrective measures. However, given the lack of documentation and the limitations of existing systems, representatives of the Division de la sécurité may find it more difficult to perform a comprehensive analysis and report on the status of security in City buildings. We therefore believe that solutions must be quickly considered so that the technological tools that are used can ultimately provide complete and reliable management information to support informed decision-making.

RECOMMENDATION

- 3.2.2.C.** We recommend that the Service de la gestion et de la planification immobilière take the steps needed to ensure that technological tools and operational activities supporting remote monitoring are effective, in order to enable continuous monitoring of Municipal building security, and to collect management information that can be used for informed decision-making.

BUSINESS UNIT'S RESPONSE

- 3.2.2.C.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] Conduct an inventory and assessment of the status of the Centre opérationnel's equipment and software with the Service de la gestion et de la planification immobilière's Division du bureau de projet, the Gestion de l'information and the Division des services administratifs. (Planned completion: November 2019)

Following this exercise, in conjunction with the Service des technologies de l'information, identify the resources needed to optimize systems and keep them up to date. Develop an implementation plan for optimizing technological tools. (Planned completion: to be determined)

MANAGEMENT OF REMOTE MONITORING BY BOROUGHS FROM FORMER SUBURBAN MUNICIPALITIES (ANJOU AND LACHINE)

It should be noted that boroughs from former suburban municipalities are responsible for remote monitoring of the buildings they manage.

With regard to the Anjou borough, the information we obtained reveals that a private firm has been contracted to remotely monitor intrusion and fire alarm systems in the borough's buildings. Borough employees are available 24/7 to answer calls from the central monitoring station, reporting that alarms have been triggered in the buildings. The supervisor on duty must travel to the sites to confirm the alarms and take appropriate action. We are told that the established response procedure is not documented.

Cameras are also installed in some of the busiest buildings. Images captured by these cameras are available for viewing in the event of incident investigations subject to approval of the information technology team leader, who is responsible for video monitoring management. It should be noted that "*Public video surveillance regulations*"³⁴ stipulate the authorizations required to view images from a remote monitoring system and the obligation that members of the public welcomed in an area under video surveillance

³⁴ Source: Commission d'accès à l'information du Québec.

must be informed. Based on the information we obtained, we note that the responsible stakeholders were aware of current regulations. The regulations set out rules regarding the authorizations required to view images from a remote monitoring system and the obligation that members of the public welcomed in an area under video surveillance must be informed.

As for the Lachine borough, remote monitoring is also awarded to an outside firm. Procedures are in place for reporting alarms to responsible building staff. A list containing the contact information of responders to be contacted upon receipt of alarm signals has been established. However, the stakeholders we interviewed stated that the list is not up to date and that the incident response procedure is not documented.

Surveillance cameras have been installed in the buildings. However, they are not connected to a central station and captured images are not viewed in continuous mode. Instead, they are recorded on video tapes for use in investigating alarms or mischief. However, images captured by these live cameras can be viewed, as required. In this regard, we note that borough representatives are aware of current video surveillance regulations.

Our audit work did not include a thorough analysis of remote monitoring management in the boroughs of Anjou and Lachine. However, we are of the opinion that the boroughs should reassess the resources put in place to remotely monitor their respective buildings, based on any vulnerabilities identified in previous security studies (as recommended in section 3.1.4.). In addition, response procedures upon receipt of alarm signals must be documented in accordance with ERPs that has been developed for borough buildings (as recommended in section 3.2.1.).

RECOMMENDATIONS

- 3.2.2.D.** **We recommend that the boroughs of Anjou and Lachine reassess the effectiveness of resources in place to remotely monitor their respective buildings, based on vulnerabilities previously identified by security studies, in order to ensure their security.**
- 3.2.2.E.** **We recommend that the boroughs of Anjou and Lachine develop documented and up-to-date response procedures, consistent with previously established building emergency response plans, to provide guidance on processing incoming alarm reports and thereby promote prompt, effective incident responses.**

BUSINESS UNITS' RESPONSES

3.2.2.D. *Anjou borough*

[TRANSLATION] Following the risk analysis, the Service de la gestion et de la planification immobilière will prepare frameworks, and the borough will ensure that current practices comply with them.

(Planned completion: December 2019)

Lachine borough

[TRANSLATION] Following the risk analysis, the Service de la gestion et de la planification immobilière will prepare frameworks, and the borough will ensure that current practices comply with them.

(Planned completion: December 2019)

3.2.2.E. *Anjou borough*

[TRANSLATION] Emergency plans developed pursuant to recommendation 3.2.1.C. will describe the procedure to be followed when an alarm is received. (Planned completion: December 2019)

Lachine borough

[TRANSLATION] Emergency plans developed pursuant to recommendation 3.2.1.C. will describe the procedure to be followed when an alarm is received. (Planned completion: December 2019)

3.2.3. CONTROLLED LOCKSMITHING

3.2.3.A. BACKGROUND AND FINDINGS

Locksmithing management is one of the activities that help ensure the security of occupants and property by controlling keys that provide access to the building or parts of the building.

Locksmithing, like building access control, can include the distribution and control of two types of keys:

- regular keys for normal use (e.g., office door, closet), which can be easily duplicated;
- high-security keys protected by a patent, which can only be reproduced (a unique code) by an authorized manufacturer, with the approval of designated officials within the organization. Such keys ensure greater access security, usually at more strategic locations (e.g., a hazardous material warehouse). They can also be used to provide a limited number of people with access to various buildings or parts of a building (a master key), while limiting access to other areas (e.g., access to electrical control rooms or mechanical rooms).

Effective locksmithing management must meet the following prerequisites:

- City standards have been previously established for situations requiring the use of controlled key locks;
- a key control list has been established for each building, i.e., a checklist that includes all doors and their keys. Given the sensitive information they contain, access to an organization's key control lists is expected to be limited to the designated locksmith;
- guidelines have been developed and distributed to govern the use, distribution, retrieval or replacement of keys;
- a key management and tracking system has been introduced.

Also, it should be noted that locksmithing activities are regulated and require a locksmith permit issued by the Bureau de la sécurité privée (BSP).

Our audit work reviewed the regulations governing controlled locksmithing management within each audited business unit.

It should be noted at the outset that the Division de la sécurité of the SGPI is responsible for controlled locksmithing management in buildings operated by the central departments and the nine boroughs from the former Ville de Montréal³⁵. Boroughs from former suburban municipalities are responsible for (regular and controlled) locksmithing management within buildings under their jurisdiction.

LOCKSMITHING MANAGEMENT BY THE SERVICE DE LA GESTION ET DE LA PLANIFICATION IMMOBILIÈRE

According to the information we obtained, it appears that controlled locksmithing was originally established without any standards governing the use of controlled key locks or that controlled key lock management guidelines had not been established beforehand. Over time, the growing demand for controlling access to sensitive facilities, coupled with countless transformations in the organizational structure, transfer of responsibilities and numerous transfers within the same unit complicated controlled locksmithing within the City.

Given the size of the City's building inventory, the lack of guidelines for effective locksmithing management is a serious matter. Because controlled keys have been distributed without following a structured protocol and keeping track of keys in circulation, it appears

³⁵ For information purposes, it should be noted that within SGPI, the Direction de la gestion immobilière et de l'exploitation is the department responsible for regular locksmithing management, not the Direction de l'optimisation, de la sécurité et de la propriété.

that some controlled keys (including master keys³⁶) are now in circulation, but their owners are unknown. All the stakeholders interviewed within SGPI agree that the situation is quite troubling because it seriously compromises security in City buildings.

In addition to this security breach, the information we obtained indicates that controlled locksmithing management for which SGPI is responsible, also has other major deficiencies including:

- **Overuse and improper use of controlled keys:** although controlled key locks should be used exclusively for high security level access or to provide access to a limited number of persons, as applicable, the information we obtained indicates that in the absence of guidelines, controlled keys have been used for purposes that do not require a high level of security (e.g., for closets or office doors). This situation is very odd because controlled keys are more expensive than regular keys and require special management;
- **Complicated key control lists:** the inventory of key control lists within the Division de la sécurité is stored on three different types of media (approximately 8,000 key control lists are on paper, 559 are on Excel spreadsheets and 415 are stored on a locksmithing software application). These figures provide an indication of the size and complexity of the City's locksmithing operations. For information purposes, each key control list outlines the key tree within a building, including the key code, matching lock, the access they provide and the number of keys in circulation. What complicates matters is that there are currently three generations of controlled keys (i.e., three different patented technologies) in circulation in the City. In some cases, all three generations have been used in the same building, which means the building needs three different key control lists;
- **No successors:** for several years, controlled locksmithing was managed by a single SGPI locksmith (key master), until he retired in June 2018. Although everyone knew he was about to leave, nobody was found to replace him. Since the end of 2018, the locksmith's responsibilities were temporarily assigned to one of the newly recruited Division de la sécurité advisors. First, this resource does not have the appropriate BSP permit authorizing him to fully manage this activity. Second, considering the issues mentioned above, it appears that controlled locksmithing management is a heavy workload for this resource whose security consulting expertise is not being fully exploited;
- **Delays in processing requests for controlled keys:** SGPI client business units must contact the Division de la sécurité directly for all controlled key requests. At the time of our audit, we were informed that a considerable backlog (approximately eight months) had accrued in processing customer requests for the installation of new high-security locks for renovation projects. The stakeholders we interviewed in the CDN-NDG borough reported that there is a large backlog of requests for keys and that this affects management of their own operations (e.g., time wasted on implementing temporary solutions to control access to buildings);

³⁶ Within the City, master keys provide access to all sections of a building and all buildings of the same type (e.g., arenas or pools), or even different types of facilities (e.g., electrical control rooms and mechanical rooms).

- **Lack of coordination among the various SGPI administrative units:** the stakeholders we interviewed at the Division de la sécurité indicate that locksmithing management issues are also noted during the implementation of construction and renovation projects. Although we did not perform a review, it was mentioned that standard specifications used by SGPI for awarding contracts call for the installation of the same controlled key technology, which may not necessarily be updated. Given these considerations, security experts within the Division de la sécurité are apparently not routinely consulted or are consulted too late when the work has almost been completed.

We find these locksmithing management shortcomings within SGPI troubling, to say the least. There is no doubt that this activity must be reassessed in the near future and steps must be taken to correct the situation so that this security measure, along with a complementary set of measures, achieves the objectives as a means of protecting occupants and property in municipal buildings.

LOCKSMITHING MANAGEMENT IN BOROUGHS FROM FORMER SUBURBAN MUNICIPALITIES (ANJOU AND LACHINE)

According to the information we obtained from people interviewed in the Anjou borough, two foremen were put in charge of locksmithing management. We find that locksmithing activities (e.g., production, distribution and tracking of keys in circulation) are not managed in accordance with established guidelines or frameworks, but rather various informal practices introduced over time. In particular:

- controlled locksmithing is used mainly to control access to the perimeter of buildings and limit access to some areas within them including critical facilities. Each administrative unit head is responsible for defining the rules for limiting such access and the rules are not necessarily documented;
- keys are produced and distributed only upon approval of a request from building officials. A specialized firm produces controlled keys. It appears that employees who have these keys subsequently become responsible for tracking them without further control on the part of the persons designated to manage this activity;
- keys in circulation are not tracked on a regular basis.

It should be noted that an exception applies to the previously described operating procedure for one of the buildings in the borough. We found that there was a specific locksmithing management guideline for the building. It covered identification of key holders, assignment of keys and the lost key procedure. We also noted another procedure for processing access card applications and the procedure for monitoring controlled keys lent on a temporary basis. According to the information we obtained, these guideline come from the borough's information technology team, which has also set up a computer application for managing keys in circulation for this building.

In our opinion, in the absence of formal locksmithing management guidelines, the borough is exposed to the risk of compromising the security of its facilities. This is why we believe that steps will have to be taken to tighten locksmithing management.

Regarding the Lachine borough, the officials we interviewed informed us that locksmithing management is the responsibility of the borough locksmith who has the accreditations required by the BSP. The borough locksmith has exclusive access to a secure room containing key control lists and key-cutting machines for making regular keys. Controlled keys used primarily for building perimeter access are produced by an external supplier with the required licences.

The information we obtained revealed that since 2015 there has been a procedure for borrowing keys, which provides for approval of the request by designated officials within the borough and, finally, a penalty for failing to return a borrowed key. It appears that this procedure is not closely monitored. It is also apparent from the information provided to us that no other formal locksmithing management guidelines have been established (e.g., procedures for distribution, recovery or replacement of keys). The people we interviewed mentioned that the procedure for requesting keys is known, but it has not been formalized. The locksmith, in office for several years, says that his role is limited because he does not have authority or oversight over the distribution of keys. He says he has not been authorized to manage locksmithing, only to make copies of (regular) keys and unlock doors when required. However, all locksmithing management should be performed by a qualified person. It was also mentioned that the following aspects of locksmithing management should be improved:

- Tracking of keys in circulation is generally very deficient in many respects (e.g., the lack of a key inventory for each building, the number of keys in circulation and a list of holders who are not necessarily known);
- All borough tradesmen and foremen have controlled keys for access to all buildings. Also, managers have sets of keys to buildings for which they are responsible. The outside organizations that operate the buildings also have these keys. However, the large number of persons who have controlled keys, combined with weaknesses in monitoring keys in circulation, increase the risk that the security of the borough's buildings may be compromised;
- We were informed that the borough locksmith planned to retire in January 2019. According to the information we obtained, although there were plans to assign another resource to assume the locksmith's responsibilities, no steps had been taken to replace the locksmith at the time of our audit work. Based on the comments received from the person responsible for replacing the locksmith, we note that he was not aware of the need to implement guidelines and procedures for defining locksmithing management or the requirements of the BSP and qualifications required for performing this work.

In short, we generally find that there are significant, even troubling, deficiencies in locksmithing management in the City that could seriously compromise the security of buildings,

users and continuity of City operations. Considering that Municipal building security is a strategic issue, we feel it is essential that the situation be corrected, starting with critical buildings. A profile of locksmithing management in the City should be produced and reviewed. The locksmithing management guidelines should then be established along with a response strategy with regard to corrective measures to be taken to rectify any security breaches that have been identified.

RECOMMENDATIONS

- 3.2.3.B.** We recommend that the Service de la gestion et de la planification immobilière work with all City business units to produce a status update and perform the required locksmithing management review, in order to reflect the City's standards, and to establish a short-term response strategy to mitigate security breaches and ensure security within municipal buildings and continuity of operations.
- 3.2.3.C.** We recommend that the Service de la gestion et de la planification immobilière and the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce establish and distribute locksmithing operations management guidelines (e.g., key use, distribution, retrieval, replacement and tracking) and produce a locksmithing succession plan in order to promote effective locksmithing management.
- 3.2.3.D.** We recommend that the Service de la gestion et de la planification immobilière and the Lachine borough take the necessary steps to assign locksmithing management to qualified personnel who have the certifications required by the Bureau de la sécurité privée, in order to ensure that locksmithing management is in compliance and to promote consistent, effective management.

BUSINESS UNITS' RESPONSES

- 3.2.3.B.** *Service de la gestion et de la planification immobilière*
[TRANSLATION] An analysis is under way with an external firm in order to produce a comprehensive overview and make recommendations. This work and the policy directions will be presented at a committee meeting that will include the Direction de la gestion immobilière et de l'exploitation and the boroughs. (Planned completion: September 2019)
Subsequently, a response strategy that includes an access management vision and an action plan will be implemented to minimize security breaches and deliver a sustainable and effective solution.
(Planned completion: March 2020)

Implementation of the response strategy for all buildings. (Planned completion: to be determined)

3.2.3.C.

Service de la gestion et de la planification immobilière

[TRANSLATION] An administrative framework will be developed in conjunction with the various stakeholders involved in controlled locksmithing activities. The framework will be distributed to the various business units. In addition, the roles and responsibilities for locksmithing activities are under review in response to the labour shortage in this area of expertise. (Planned completion: December 2019)

Anjou borough

[TRANSLATION] Because the Service de la gestion et de la planification immobilière will review the locksmithing management model and related practices (an administrative framework will be developed), the borough will ensure that these changes are incorporated into practices and monitored. Responsible for all buildings except the Ville de Montréal city hall. (Planned completion: December 2021)

Lachine borough

[TRANSLATION] Because the Service de la gestion et de la planification immobilière will review the locksmithing management model and related practices (an administrative framework will be developed), the borough will ensure that these changes are incorporated into practices and monitored. (Planned completion: December 2019)

Côte-des-Neiges—Notre-Dame-de-Grâce borough

[TRANSLATION] Because the Service de la gestion et de la planification immobilière will review the locksmithing management model and related practices (an administrative framework will be developed), the borough will ensure that these changes are incorporated into practices and monitored. (Planned completion: December 2019)

3.2.3.D.

Service de la gestion et de la planification immobilière

[TRANSLATION] The whole activity is being reviewed. The Direction de l'optimisation de la sécurité et de la propreté's structure has been modified to respond effectively to requests.

As specified in 3.2.3.B. and 3.2.3.C., new policy directions will be submitted before the end of the year. (Planned completion: September 2019)

Lachine borough

[TRANSLATION] The borough will ensure that this activity is assigned to a person with the required certifications.

(Planned completion: September 2019)

3.2.4. GUARD SERVICES

3.2.4.A. BACKGROUND AND FINDINGS

Guard services are provided by security guards who monitor facilities to protect persons, assets or sites by maintaining order, ensuring that users comply with rules and preventing crime. Security guards must perform security rounds, control access, monitor elevators or even monitor surveillance cameras. Guards can also act as first responders in case of trouble in the building.

Given that the City operates buildings that are used for various purposes (e.g., sports centres, industrial, administrative or scientific buildings), it is important that guard services respond to the specific requirements of these buildings. The requirements include:

- building protection needs in terms of guard services are defined;
- a protection plan (e.g., number of resources and guard time) is established;
- guidelines for the tasks to be performed by security guards are defined;
- guard service performance is monitored (regular on-site monitoring by outside firms and/or the client).

Our audit work reviewed how this activity was managed in City buildings.

GUARD SERVICES MANAGEMENT BY THE SERVICE DE GESTION ET DE LA PLANIFICATION IMMOBILIÈRE

We should first mention that the Division de la sécurité provides security services for buildings managed by central departments, former Ville de Montréal boroughs, and some buildings managed by boroughs from former suburban municipalities. With the exception of one City building for which 25 security guards (blue-collar workers) provide security, contracts are awarded to outside firms to provide guard services for other buildings managed by SGPI. These contracts are managed by two Division de la sécurité officers.

For in-house guard services, we noted that a person had been appointed to manage guard services; guard service requirements had been defined and that guidelines and procedures had been developed and implemented.

With respect to security guard operations awarded to outside firms, we examined two of the five security contracts in effect at the time of our audit. The details of these contracts are shown in Table 7.

TABLE 7 – GUARD SERVICE CONTRACTS REVIEWED

SUCCESSFUL BIDDER	CONTRACTS	AMOUNT (WITH TAXES)	CONTRACT DURATION	BENEFICIARIES	DESCRIPTION
Firm A	1	\$7.9 M	March 31, 2018 to May 4, 2021	1 regular client	4 facilities
	2	\$5.6 M	May 5, 2018 to May 4, 2021	8 regular clients	Regular clients with one or more facilities
				Miscellaneous clients	Bank of 33,000 hours per year, used for: <ul style="list-style-type: none">• additional requests from regular customers• one-time requests from non-regular customers

We reviewed the technical specifications included in the tender documents of the two contracts and had questions regarding the type of contract awarded to the successful bidder. We find that the detailed description of expectations in the contract are akin to requirements in a complete facility security management contract, rather than just guard services. In addition to setting up a security patrol system and providing the necessary equipment (a punch system) to monitor rounds, the contracts stipulate that the successful firm must:

- assess and update the risks associated with assets and problem situations;
- establish, update and implement protection plans;
- develop and maintain response protocols, evacuation procedures and operational procedures.

According to us, it is fair to believe that many of the tasks assigned to the firm should have been developed in accordance with the standards set by the City with respect to the characteristics of its building inventory. Division de la sécurité officers responsible for managing guard service contracts confirm that the successful outside firm is expected to introduce and implement a comprehensive facility security plan. It appears that the decision to relinquish this responsibility was made primarily because of the lack of resources within the Division de la sécurité.

We find that some of the buildings covered by the contracts we reviewed are critical facilities whose operations are particularly complex. The contract awarded to the outside firm involves a heavy workload in terms of understanding the operations of the various business units, analyzing the particular issues of each building, and implementing appro-

priate security measures, procedures and an operational management team. According to the information we obtained, the firm also needs to provide support during a significant break-in period, so that everything is fully operational. Given the short contract timeframes, it goes without saying that at the end of these contracts, a new contractor will have to develop security expertise for these critical facilities and implement its own operating procedure. According to the information we obtained, procedures established by the firms are supervised by Division de la sécurité officers responsible for this activity, and service delivery is monitored (e.g., regular site visits, spot checks, guard reports and incident reports). However, by assigning these tasks to outside firms, the City may lose internal expertise in terms of specific security for its buildings, some of which are particularly critical. This approach also entails the following risks:

- Outside practice guidelines that may not meet City security standards;
- Security measures implemented by the firm that may not fully respond to the building's inherent risks and specificities;
- Relevant historical building security data may be lost and not be incorporated into the City's security management systems;
- A break in continuity when security management is transferred from one firm to another.

For these reasons, if the objective is to award security contracts to outside firms, we are of the view that tender documents should at least refer to internal guidelines and procedures based on previous security studies for the buildings concerned, in accordance with City security standards.

As for the section of one of the contracts relating to banked hours (33,000 hours per year), we were informed that it was estimated based on hours used in the past to respond to one-time guard service requests from non-regular customers or to meet additional needs of regular customers. Upon receipt of requests, Division de la sécurité officers assess security requirements, and then, if necessary, requirements are defined in procedures and guidelines that security guards will be required to follow, and which will be monitored to ensure service delivery.

However, due to the unpredictability of some guard service requests (e.g., extra security required during a public event, a security system failure), the estimated number of hours specified in the contract is sometimes insufficient. As a result, SGPI is not always able to provide the security services requested by the City's business units covered by its service offering. In the opinion of the various stakeholders we interviewed, this issue affects customer service and the Division de la sécurité's image.

We believe that a more stringent process will have to be established so that SGPI, in conjunction with all the business units covered by its service offering, can identify security service requirements and more accurately estimate the number of contract hours and the budget for these activities.

RECOMMENDATIONS

- 3.2.4.B.** We recommend that the Service de la gestion et de la planification immobilière reassess the process for awarding security service contacts to outside firms in order to ensure guard services are performed in accordance with building security studies and standards previously established by the City.
- 3.2.4.C.** We recommend that the Service de la gestion et de la planification immobilière, in conjunction with all business units concerned, implement a process for identifying guard service requirements and to more accurately estimate security service budgets so that it can provide services to client business units.

BUSINESS UNITS' RESPONSES

- 3.2.4.B.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] Following a discussion with the boroughs and central departments on guard service operations, define the level of service expected as well as the requirements stipulated in the calls for tenders. Subsequently, in conjunction with the Service d'approvisionnement, propose a contract management model responsive to guard service requirements. (Planned completion: March 2020, in connection with 3.1.4.B.)
- 3.2.4.C.** ***Service de la gestion et de la planification immobilière***
[TRANSLATION] Ensure that service requests are followed by a security audit between the Division de la sécurité and the business units, so that actual needs can be addressed and budgeted for accordingly.
Following a discussion with the boroughs and central departments on guard service operations, define the level of service expected as well as the requirements stipulated in the calls for tenders. Subsequently, in conjunction with the Service d'approvisionnement, propose a contract management model responsive to guard service requirements. (Planned completion: March 2020, in connection with 3.2.4.B.)

MANAGEMENT OF GUARD SERVICES BY BOROUGHS FROM FORMER SUBURBAN MUNICIPALITIES (ANJOU AND LACHINE)

For this component, we found that the boroughs of Anjou and Lachine provide security for some of their buildings.

In the case of the Anjou borough, this activity is performed in one building under a contract awarded to a firm to provide services on a regular basis. A procedure and guideline established by the borough must be followed by security guards, who report to a company supervisor. Service delivery is monitored by a designated borough official.

As for the Lachine borough, at the time of our audit work, guard services were provided under a contract (hours banks) awarded to an outside firm. This contract is for the provision of guard services on a regular basis for three buildings and occasionally for three other facilities. A designated officer is responsible for managing the contract while security requirements for each building are determined by the building operators.

For one of the three buildings receiving guard services on a regular basis, we obtained evidence of existing procedures and guidelines and a guard services schedule based on the building's business hours. Service delivery is monitored by a supervisor from the outside firm. Daily reports as well as response reports, if any, are sent to the designated building official. As for the other two buildings, we note that there are no guidelines or documented procedures regulating the firm's security guard services. According to the stakeholders we interviewed, assigned security guards are familiar with the facilities and operations within these buildings, and the building official gives them specific instructions on an informal basis, as needed (e.g., limiting access to a temporarily closed section of the building, performing an extra round in isolated areas at peak times).

Finally, for three other facilities where security services are occasionally required during events, we note that the borough has not issued any documented procedures for supervising this activity. According to the information we obtained, it appears that front-line employees are responsible for managing guard service activities, although they may not necessarily have the required expertise in this area. When the services of a firm are required, a meeting is planned with the security guard assigned by the firm to tour the site, provide instructions and present the regulations to be followed by users.

In our opinion, the Lachine borough would benefit from having specific procedures and guidelines for each of its facilities requiring guard services. The guidelines would ensure delivery of services that respond to the risks and characteristics of buildings and that can easily be monitored. This would also help ensure continuity of expected guard services, regardless of the assigned employee or the outside firm providing the services.

RECOMMENDATION

- 3.2.4.D.** We recommend that the Lachine borough develop specific procedures and guidelines for each of its facilities requiring guard services, in order to ensure guard service delivery that responds to the risks and specificities of the buildings and to allow services to be monitored and implemented on an ongoing basis.

RÉPONSE DE L'UNITÉ D'AFFAIRES

- 3.2.4.D.** *Lachine borough*
[TRANSLATION] The borough will participate in the discussion process on guard service operations initiated by the Service de la gestion et de la planification immobilière with the boroughs and central departments, in order to define the expected level of service and the requirements to be stipulated in the calls for tender.

The borough will ensure that security guards responsible for local guard services are sent to the framework that will be produced subsequent to this joint approach. (Planned completion: March 2020)

3.3. REPORTING

3.3.A. BACKGROUND AND FINDINGS

Given that the City views Municipal building security as a strategic issue, it is important that the management of security measures include the introduction of appropriate reporting mechanisms. These should enable managers and, ultimately, City authorities to assess the extent to which established building security objectives have been achieved and, if applicable, guide decision-making accordingly. To this end, management reports should be produced periodically. They include relevant information to assess the adequacy and effectiveness of existing security.

It should be noted that the Policy and Guideline outline reporting requirements. They stipulate that:

- each borough director and each department manager must submit a report to SGPI on his action plan for the previous year and an action plan for the current year aimed at developing, implementing and updating security programs validated by SGPI;
- at the beginning of each year, the director of SGPI must file a comprehensive report with the city manager on management of security in municipal buildings and buildings or parts of buildings leased by the City.

According to the information we obtained, because the Security Policy has not been implemented since the Direction générale adopted it in 2014, no action plans or reports have been obtained from the City's business units. SGPI has never filed a comprehensive report on Municipal building security management.

As a result, it should be noted that SIM and SGPI entered into a service agreement in 2006, under which SIM delegated to SGPI responsibility for producing FSPs for municipal buildings³⁷. Although the agreement stipulated that the Division de la sécurité was to send SIM an annual report on the activities of the PGUMEM, it appears that to date no steps have been taken to comply with this requirement.

In our opinion, SGPI will need to take the steps needed to ensure that it complies with the annual reporting requirements set out in the Policy and Guideline on reporting as well as the requirement set out in the agreement entered into with SIM, as mentioned above. This also applies to the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce, which will have to make the necessary arrangements to report on security within the buildings they manage, in accordance with the requirements of the current Policy.

At the operational level, we noted that the Division de la sécurité produced reports on remote monitoring and guard service activities (e.g. weekly security rounds reports by patrols and security guards, reports on the number of alarms recorded by COS). Aside from this, the information we obtained from the managers we interviewed shows that reporting on the various Municipal building security activities is primarily done verbally during informal meetings held from time to time. The situation is similar in the boroughs we audited, where building security activities are managed in silos within their various administrative units, and formal building security reporting mechanisms have not been established.

We are of the view that, depending on existing policies, operational management of Municipal building security activities must be discussed to identify objectives and performance indicators. Since security is a strategic issue, it goes without saying that all City business units will have to contribute to achieving the same objectives. We believe it is appropriate that a dashboard be developed and produced periodically to guide managers in their decision-making for implementing the necessary corrective measures to protect users and assets and ensure continuity of City operations.

RECOMMENDATIONS

- 3.3.B. We recommend that the Service de la gestion et de la planification immobilière and the boroughs of Anjou, Lachine and Côte-des-Neiges–Notre-Dame-de-Grâce implement the necessary mechanisms to meet the reporting requirements set out in all signed agreements and the Policy on Municipal building security.**

³⁷ Reference: section 3.2.1. "Emergency Measures Plan" of this report.

3.3.C. We recommend that, as a mandatory, the Service de la gestion et de la planification immobilière ensure Municipal building security, identify objectives and performance indicators for operational management of security activities in accordance with SGPI policies, and develop a dashboard to guide managers in their decision-making to ensure sound management and to provide the city manager with management reports.

BUSINESS UNITS' RESPONSES

- 3.3.B.** ***Service de la gestion et de la planification immobilière***
 [TRANSLATION] In conjunction with the Bureau du contrôleur général, implement audit mechanisms to ensure that the units comply with the Policy. Subsequently, develop a reporting process for business units. Finally, audits will be conducted by building priority in accordance with the criteria set out in the Policy on Municipal building security.
(Planned completion: December 2021)
- Anjou borough***
 [TRANSLATION] The borough will ensure that it complies with the reporting requirements that will be established as part of the planned collaborative work between the Service de la gestion et de la planification immobilière and the Bureau du contrôleur général.
(Planned completion: December 2021)
- Lachine borough***
 [TRANSLATION] The borough will ensure that it complies with the reporting requirements that will be established as part of the planned collaborative work between the Service de la gestion et de la planification immobilière and the Bureau du contrôleur général.
(Planned completion: December 2021)
- Côte-des-Neiges—Notre-Dame-de-Grâce borough***
 [TRANSLATION] The borough will ensure that it complies with the reporting requirements that will be established as part of the planned collaborative work between the Service de la gestion et de la planification immobilière and the Bureau du contrôleur général.
(Planned completion: December 2021)

- 3.3.C.** ***Service de la gestion et de la planification immobilière***
 [TRANSLATION] Identify performance indicators related to the policy directions issued by the Direction générale. Subsequently, collect data from the boroughs and central departments. ***(Planned completion: September 2019)***
Every year, a dashboard providing a visual representation of this exercise will be submitted to the Direction générale. (Planned completion: annually)

4. CONCLUSION

The Ville de Montréal (the City) owns a large building inventory made up of various types of buildings used by citizens, municipal employees and visitors. Thousands of people use these buildings on a daily basis.

To protect occupants, there are legal provisions governing various aspects of building security, which may be limited to the requirement to develop and maintain a fire safety plan for each building. Under these circumstances, Municipal building security management must be organized effectively to ensure compliance with laws and regulations, but most importantly to ensure the security of users, property and the environment as well as the continuity of operations. The City is required to implement a set of prevention, protection, response and emergency measures that respond to the risks characterizing each building, in accordance with previously established City policies.

In 2014, the Direction générale of the City adopted the first policy (the Policy) regarding “Municipal building security”. Through this Policy, the City recognizes that it is important to ensure the security of employees, citizens and visitors to its facilities and to protect its critical infrastructure. In fact, the City says this is a strategic issue. The Security Policy therefore applies to all City business units, buildings, and all buildings or parts of buildings leased by the City. The Service de la gestion et de la planification immobilière (SGPI), through its Division de la sécurité, is the business unit mandated by the Direction générale, *inter alia*, to ensure the development and coordination of the City’s global action plan for implementing this Policy.

Our audit work highlights significant deficiencies. As a result of our findings, we recommended corrective measures to improve security management practices. The following facts were identified:

- Since its adoption in 2014, SGPI has never fully implemented the Policy and the City business units have never enforced it;
- To date, the Direction générale of the City does not have a comprehensive report enabling him to assess the current status of Municipal building security or an action plan to implement the Policy;
- The concept of “*security program*” described in the Policy has never been defined by SGPI in terms of its content and expected standards by building type;
- Several situations highlight the fact that the division of roles and responsibilities of the various Municipal building security stakeholders should be clarified within SGPI;
- According to the information we obtained from the audited business units, only three buildings were the subject of a security study which identified security measures to be implemented in response to the threats and risks to which the buildings are exposed due to their characteristics and typology;

- SGPI is currently unable to monitor the comprehensiveness and compliance of security measures that must characterize each City building because the inventory of existing security measures has not been performed and because the computerized tool for recording existing emergency plans contains incomplete and outdated information;
- No steps have been taken to standardize fire safety clauses in the leases of buildings or parts of buildings leased by the City, and no internal monitoring has been performed to ensure that landlords meet their obligations to ensure the security of the leased buildings;
- There are troubling breaches in controlled locksmithing management that must be addressed promptly by establishing guidelines and a response strategy to identify appropriate mitigation measures;
- Guard service activities should be reassessed to more accurately identify requirements for such responses in buildings and to perform them in accordance with the security standards established by the City;
- As a mandatory, SGPI has not yet identified targets and indicators for assessing and reporting on the performance of security operations in municipal buildings, based on the policies adopted.

We believe it is essential that the municipal administration establish security policies it deems appropriate in order to better define the level of security it intends to propose for municipal buildings.

The City recognizes that security is important, since it has made it a strategic issue. It is now urgent to take concrete steps to mitigate risks in City buildings and demonstrate that the City is fulfilling its responsibilities to ensure user security and the integrity of its facilities.

5. APPENDICES

5.1. OBJECTIVE AND EVALUATION CRITERIA

OBJECTIVE

Ensure that security in City buildings, as well as leased buildings or parts of buildings, is managed in accordance with statutes, regulations, policies and guidelines governing security management to ensure the security and integrity of facilities and users.

EVALUATION CRITERIA

- The division of roles and responsibilities among City security stakeholders is clearly established and fully implemented.
- Security programs are developed, implemented and monitored in accordance with established guidelines.
- Reports on security in designated buildings are issued periodically.

5.2. ROLES AND RESPONSIBILITIES OF CITY STAKEHOLDERS INVOLVED IN MUNICIPAL BUILDING SECURITY

TARGET BUSINESS UNITS	HIERARCHICAL LEVEL	RESPONSIBILITIES ^[A]
Service de la gestion et de la planification immobilière		<ul style="list-style-type: none"> • Distribute, implement and interpret the Policy, and assess its implementation; • Coordinate the City's global action plan to implement the Policy; • Provide business units with advice; • Review action plans and business unit reports; • Prepare an annual report on security management in municipal buildings and buildings or parts of buildings leased by the City; • Provide oversight on Municipal building security management.
All City business units	Senior executives and managers	<ul style="list-style-type: none"> • Increase awareness of the Policy on Municipal building security among managers and employees.
	Top level executives	<ul style="list-style-type: none"> • Identify and assess risks in the unit; • Identify and prioritize security targets in municipal buildings; • Develop and implement an action plan that includes prevention, protection and response measures; • Assess prevention, protection and response measures; • Take corrective action as needed; • Review targets and reporting on an annual basis.
	Property managers ^[B]	<ul style="list-style-type: none"> • Ensure that buildings comply with Policy guidelines and legal and regulatory fire safety standards; • Implement and update security programs in buildings for which they are responsible; • Have the Service de la gestion et de la planification immobilière validate security programs; • Register security programs in the Programme de gestion des mesures d'urgence dans les édifices municipaux. • Distribute information on security programs to people who use the buildings.
	Employees	<ul style="list-style-type: none"> • Become familiar with the Policy, guidelines and security program in the building where they work and the action plan and requirements that apply to them; • Help identify, assess, eliminate and control risks, and look for and implement solutions; • Comply with legal and regulatory standards and guidelines.

^[A] Source: Politique et directive de sécurité dans les édifices municipaux de la Ville – March 2016.

^[B] Official responsible for managing a real estate asset.

4.10.

LOGICAL PENETRATION TESTS



BACKGROUND

Several Ville de Montréal (the City) business units and some organizations controlled by the City have systems through which critical and confidential information passes.

To have effective security measures to adequately protect information systems against cyberattacks, the industry strongly recommends that logical penetration tests be used to test the strength of controls applied in various computer environments. According to information security experts, testing information systems' resistance to internal or external penetration attempts is a key issue.

Logical penetration tests are controlled and secure replications of malicious steps taken by hackers to break into systems and networks, either from the Internet or internally, in order to better detect potential flaws in information systems, networks or software and strengthen information security. Unlike hacker penetration attempts, logical penetration tests are legal because the audited entities provide their consent before testing is started. Specialists generally use the same tools and techniques as hackers do. The difference is that they do not damage information systems, make them unavailable, or alter the information handled by them and do not steal confidential information. The attacked systems' integrity, confidentiality and availability are maintained during tests.

There are two main types of logical penetration tests:

- **External logical penetration tests:** they reveal whether a hacker could use the Internet to compromise the security of information systems to:
 - obtain confidential or privileged information;
 - alter the information handled by these systems;
 - make information systems unavailable.
- **Internal logical penetration tests:** they can determine whether a person could use the internal system with his usual access rights to compromise the security of the information systems and perform the same three actions defined for external tests. Internal testing is also used to access and test information systems that are invisible from the Internet.

PURPOSE AND SCOPE OF THE AUDIT

We performed logical penetration tests throughout 2018. The main objective of this engagement was to test the security of IT environments considered critical in order to qualify their resistance to certain levels of attacks.

For obvious security reasons, in this annual report we cannot disclose the details of the target systems and the results of our logical penetration tests. Moreover, the business units concerned would have implemented appropriate action plans to address any deficiencies we would have noted.



4.11.

CYBERSECURITY INCIDENT MANAGEMENT

BACKGROUND

The Ville de Montréal (the City) uses many information systems that process a very large amount of data, some of which are confidential, such as personal information, which must be protected to prevent misuse. Currently, all major organizations are connected in one way or another to the entire globe and are exposed to cyberattacks that are experiencing exponential growth.

Cybersecurity is the act of protecting the organization from cyberattacks from outside or inside the organization. Cybersecurity tools may include all frameworks, technical tools, security concepts, security mechanisms, risk management approaches, and awareness and training programs to protect the data of its citizens and employees, users and the organization's information assets. These primarily include applications, servers, databases and telecommunication and network equipment.

Cyberattacks are increasing exponentially. The question is no longer whether, but when, the City will be attacked.

A cybersecurity incident can cause significant harm, for example:

- significant financial costs when a cyberattack lasts too long;
- the theft and dissemination of confidential information (e.g., personal information, strategic information);
- taint the city's reputation;
- loss of citizens' trust;
- lawsuits.

If the City is not properly prepared, an incident may have a negative impact on its business operations. In order to significantly reduce the impacts of a cyberattack, proper management of cybersecurity incidents is critical and must include the following:

- Adequate documentation of policies and procedures;
- Formal assignment of responsibility for managing cybersecurity incidents to experienced people;
- A cybersecurity awareness and training program;
- Technological and administrative detection tools to prevent and thwart cyberattacks;
- Categorization of cybersecurity incidents to prioritize those with the greatest impact and probability;
- An incident coordination, communication and monitoring process to reduce attack time and improve overall management of cybersecurity incidents.

OBJECTIVE AND SCOPE OF THE AUDIT

The objective of the audit was to assess the process implemented to ensure that the City manages cybersecurity incidents properly in order to address them in a timely manner, limit their impact and prevent them from reoccurring.

For obvious security reasons, we cannot disclose the objective and results of this audit in this annual report. Moreover, the business units concerned would have implemented appropriate action plans to address any deficiencies we would have noted.



5. **FOLLOW-UP ON RECOMMENDATIONS OF PREVIOUS YEARS**

5. FOLLOW-UP ON RECOMMENDATIONS OF PREVIOUS YEARS

The percentage of recommendations made by the Bureau du vérificateur général (the Bureau) that have led to concrete measures is an essential indicator in ensuring that central departments and boroughs implement their recommendations.

The Bureau's policy is to follow up on the recommendations in the year following their publication in the annual report. The follow-up cycle of a given year's recommendations is generally limited to a period not exceeding three years, except in very special circumstances where some recommendations are followed up for one, two or three additional years.

RESULTS OF FOLLOW-UP TO RECOMMENDATIONS – PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY AUDIT

The results of follow-up to the recommendations made in the 2013-2017 annual reports are presented in Table 1.

**TABLE 1 – RESULTS OF FOLLOW-UP TO RECOMMENDATIONS BY STATUS
PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY
AS OF APRIL 16, 2019**

STATUS OF RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS PER YEAR					
	2013	2014	2015	2016	2017	TOTAL
Resolved	165	327	267	60	67	886
In progress	8	45	56	19	68	196
Deferred	3	10	4	2	6	25
Not resolved	31	11	0	3	0	45
To be implemented^[A]	0	0	3	16	69	88
TOTAL NUMBER OF RECOMMENDATIONS MADE	207	393	330	100	210	1,240

^[A] These recommendations have not been followed up by the business units concerned.

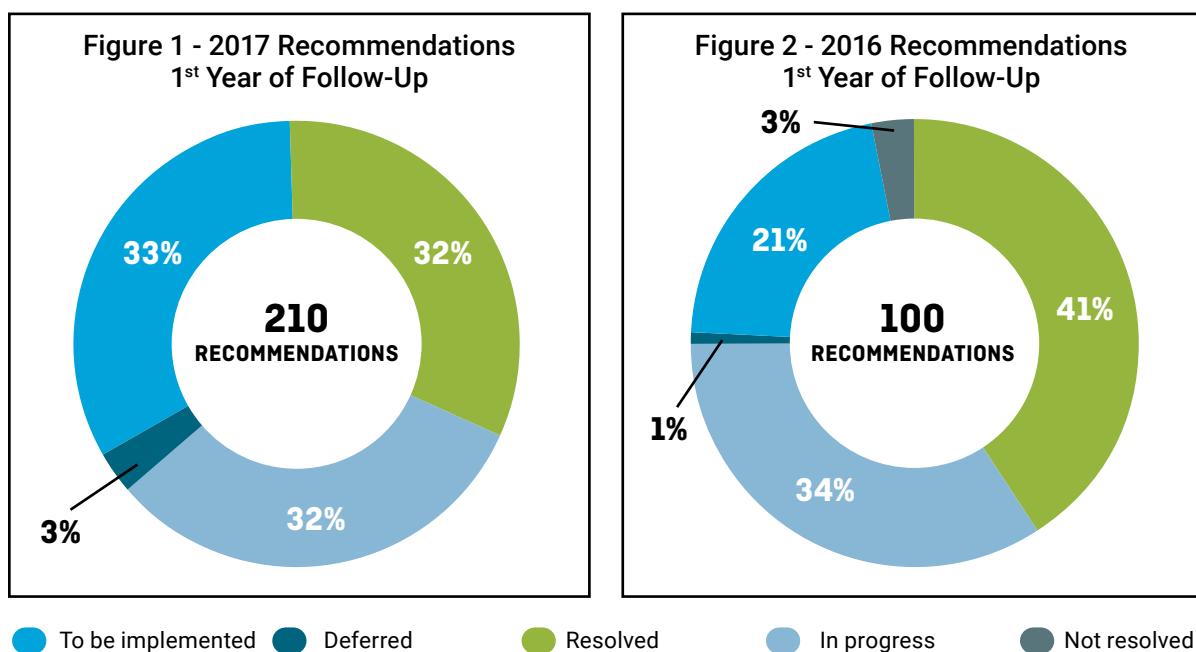
5. | FOLLOW-UP ON RECOMMENDATIONS OF PREVIOUS YEARS

We note that recommendations whose status is «resolved» in the first year of follow-up after their publication in the Auditor General's annual report represent 32% (67/210) for those of 2017 (41% for those of 2016) – (see Figures 1 and 2).

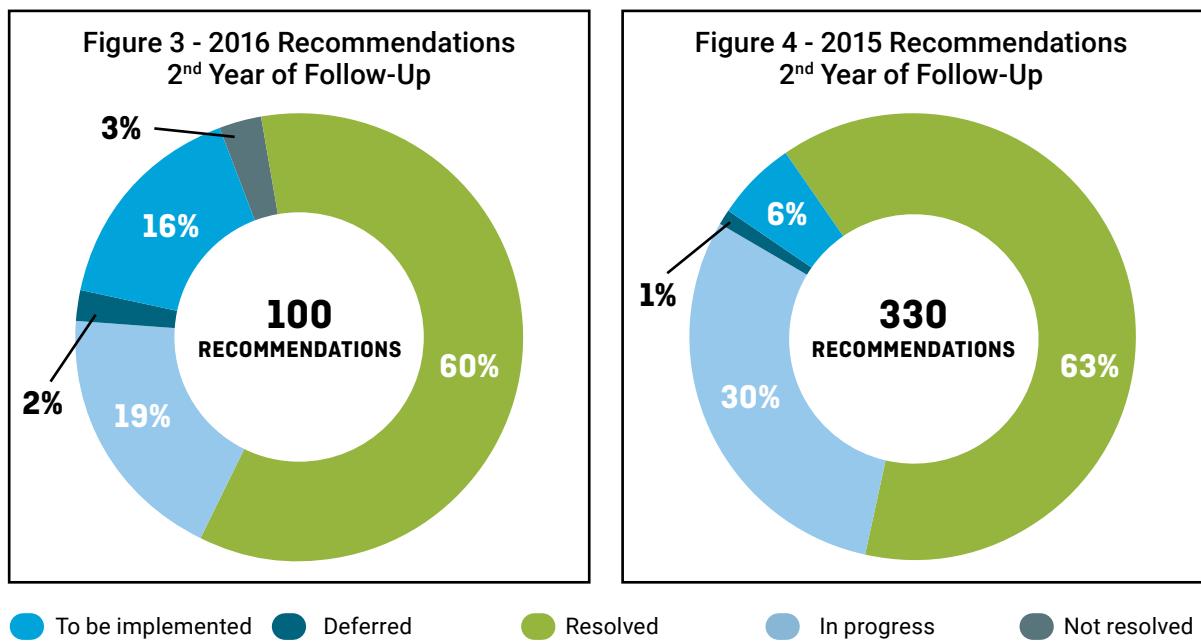
Recommendations whose status is «resolved» in the second year of follow-up after their publication represent 60% (60/100) for those of 2016 (63% for those of 2015) – (see Figures 3 and 4).

Recommendations whose status is «resolved» in the third year of follow-up represent 81% (267/330) for those of 2015 (78% for those of 2014) – (see Figures 5 and 6).

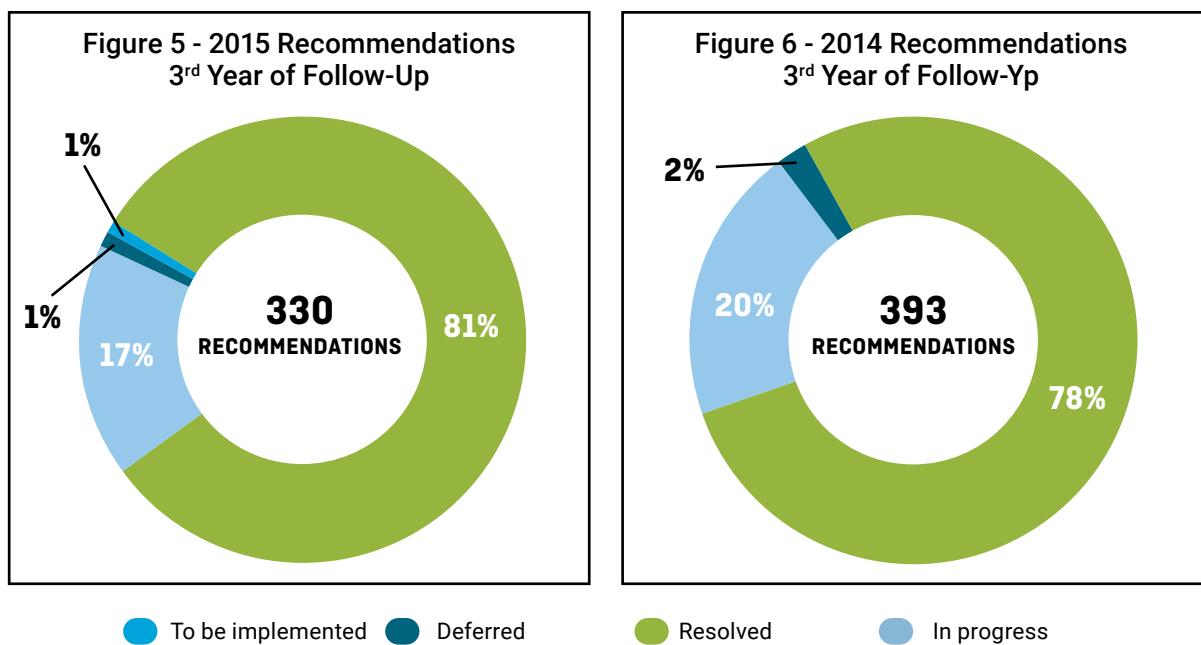
FIGURES 1 AND 2 – RECOMMENDATIONS RATE OF 2017 AND 2016 BY STATUS PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY 1ST YEAR OF FOLLOW-UP



**FIGURES 3 AND 4 – RECOMMENDATIONS RATE OF 2016 AND 2015 BY STATUS
PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY
2ND YEAR OF FOLLOW-UP**



**FIGURES 5 AND 6 – RECOMMENDATIONS RATE OF 2015 AND 2014 BY STATUS
PERFORMANCE AUDIT AND INFORMATION TECHNOLOGY
3RD YEAR OF FOLLOW-UP**



ADDITIONAL NOTES TO THE RESULTS OF RECOMMENDATIONS FOLLOW-UP

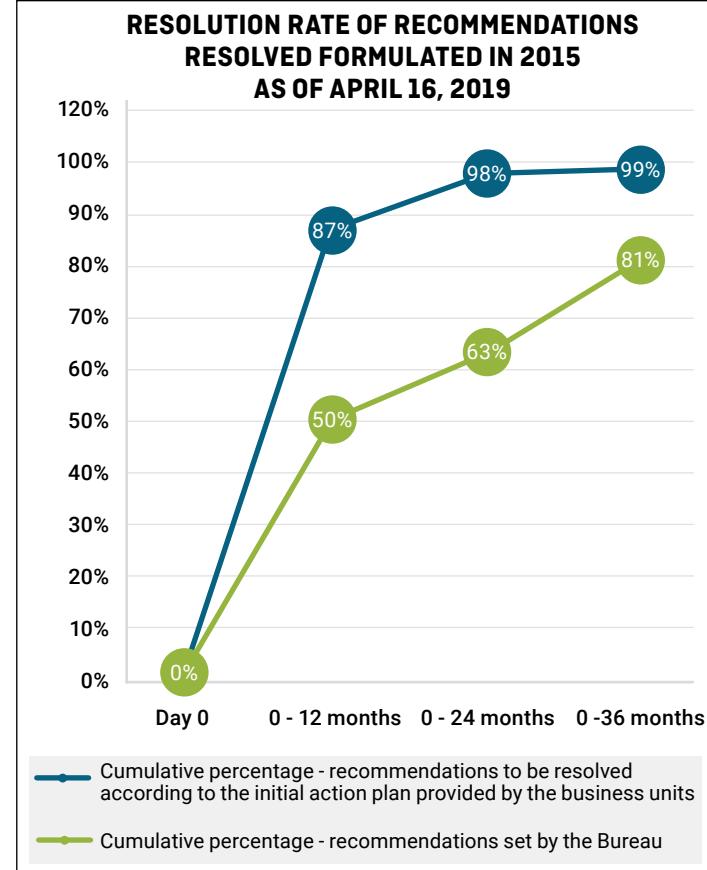
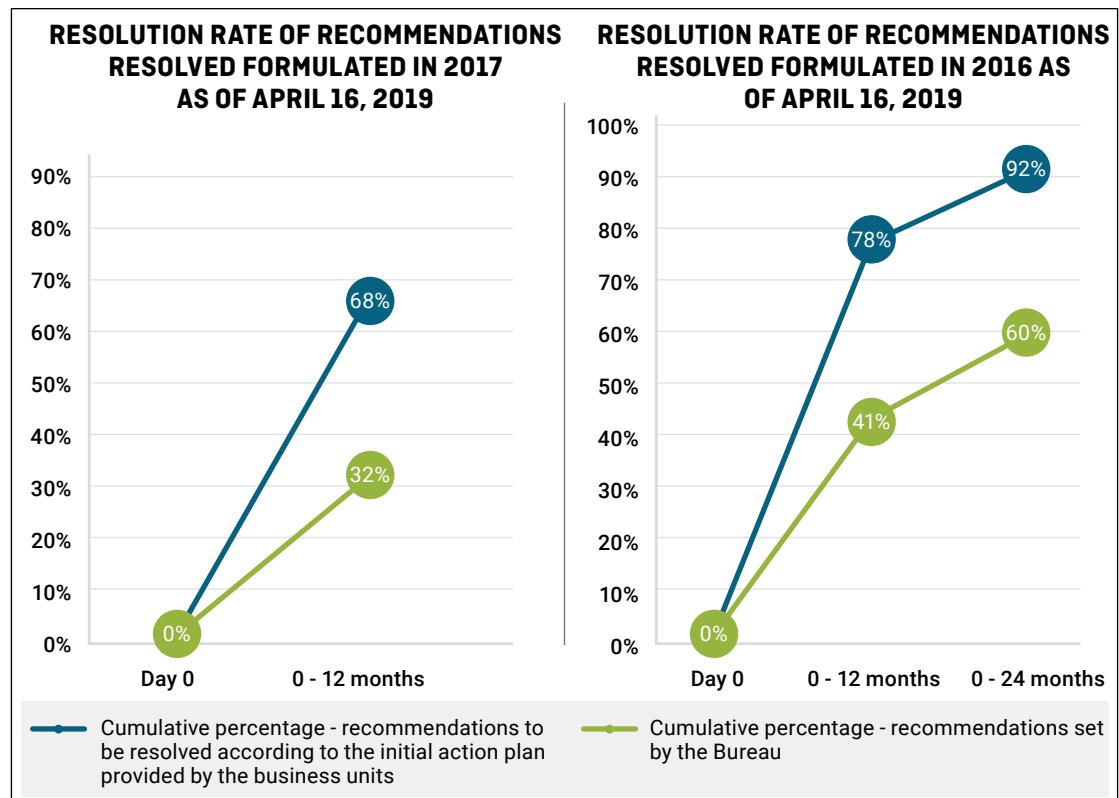
The objective of our follow-up work is to ensure that business units undertake measures to implement the action plans they have provided, within the planned implementation schedule. In this context, it is expected that business units will ensure a rigorous response to the Bureau's recommendations while following up on the implementation of action plans for these recommendations at the appropriate time.

According to the action plans of business units for the 2017, 2016 and 2015 recommendations, the scheduled implementation times ranged from 0 to just over 36 months. Table 2 presents the change in the percentage of recommendations over time that the Bureau has confirmed to be resolved, based on the completion date initially planned by the business units in question for those recommendations.

TABLE 2 – RESOLUTION RATE OF RECOMMENDATIONS FORMULATED IN 2017, 2016 AND 2015 AS OF APRIL 16, 2019

PERIOD OF IMPLEMENTATION OF THE RECOMMENDATIONS	RECOMMENDATIONS MADE IN 2017		RECOMMENDATIONS MADE IN 2016		RECOMMENDATIONS MADE IN 2015	
	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
	PERCENTAGE OF RECOMMENDATIONS SETTLED BY BUSINESS UNITS	PERCENTAGE OF RECOMMENDATIONS SETTLED ACCORDING TO THE BUREAU	PERCENTAGE OF RECOMMENDATIONS SETTLED BY BUSINESS UNITS	PERCENTAGE OF RECOMMENDATIONS SETTLED ACCORDING TO THE BUREAU	PERCENTAGE OF RECOMMENDATIONS SETTLED BY BUSINESS UNITS	PERCENTAGE OF RECOMMENDATIONS SETTLED ACCORDING TO THE BUREAU
0-12 months	143 (68%)	67 (32%)	78 (78%)	41 (41%)	289 (87%)	164 (50%)
Cumulative 0-24 months	191 (91%)	N/A ^[A]	92 (92%)	60 (60%)	322 (98%)	207 (63%)
Cumulative 0-36 months	206 (98%)	N/A ^[A]	100 (100%)	N/A ^[A]	327 (99%)	267 (81%)
Cumulative > 36 months	210 (100%)	N/A ^[A]	100 (100%)	N/A ^[A]	330 (100%)	N/A ^[A]

^[A] Implementation date not yet due, as of the date of this report.



5. | FOLLOW-UP ON RECOMMENDATIONS OF PREVIOUS YEARS

In short, as of April 16, 2019, for the 2017 recommendations subject to their first year of follow-up, we note that 32% were resolved within 0 to 12 months compared to the anticipated rate of 68% given in the action plans provided by the business units.

As for the 2016 recommendations, which were subject to their second year of follow-up, 60% were resolved within 0 to 24 months compared to the anticipated rate of 92% for the same period.

As for 2015 recommendations, which were subject to their third year of follow-up, 81% were resolved within 0 to 36 months compared to the anticipated rate of 99% for the same period.

We have also established, in a second time, how the business units fared in terms of complying with the implementation dates for the 2017 recommendations initially set out in their action plans. Our results are presented in Table 3.

TABLE 3 – IMPLEMENTATION DATE OF 2017 RECOMMENDATIONS, BY STATUS AS OF APRIL 16, 2019

STATUS OF RECOMMENDATIONS CONFIRMED BY THE BUREAU	NUMBER OF RECOMMENDATIONS BY STATUS	IMPLEMENTATION DATE		
		RESPECTED (OR NOT EXPIRED)	EXPIRED	
			NUMBER RATE	AVERAGE TIME CALCULATED
Resolved	67 (32%)	5 (8%)	62 (92%)	161 days ^[B] (5.3 months)
In progress	68 (32%)	8 (12%)	60 (88%)	187 days ^[C] (6.1 months)
Deferred	6 (3%)	0 (0%)	6 (100%)	269 days ^[C] (8.8 months)
Not resolved	0 (0%)	0 (0%)	0 (0%)	N/A ^[D]
To be implemented ^[A]	69 (33%)	38 (55%)	31 (45%)	124 days ^[C] (4.1 months)
TOTAL NUMBER OF 2017 RECOMMENDATIONS	210 (100%)	51 (24%)	159 (76%)	168 DAYS (5.5 MONTHS)

[A] These recommendations have not been followed up by the business units concerned.

[B] Timeline calculated from the date the business unit follows up on the recommendations («resolved» provisional status) and the implementation date initially scheduled in the action plan.

[C] Timeline calculated between April 16, 2019, and the implementation date originally scheduled in the action plan.

In light of these results, we note that the implementation date initially set out was respected by business units (or not expired) for only 24% of the recommendations made in 2017 (23% in 2016). Of this number, 8% (12% in 2016) were deemed “resolved.”

Moreover, for several recommendations, our follow-up work revealed that the business units did not take sufficient steps to implement the recommendations, or were unable to demonstrate the status.

We note the following:

- 36 recommendations from 2013 to 2017, 17 (47%) of which were formulated in 2017, which had been considered “resolved” by the business units, had to be kept «in progress» since the measures put in place by the business units did not respond to the recommendations, or the business units had not been able to demonstrate any evidence of the measures having been taken;
- 44 recommendations (7%) for 2015, 2016 and 2017, specifically, 3 from 2015 and 10 from 2016 and 31 from 2017, for which the initial implementation date had passed, still have the «to be implemented» status, indicating no follow-up on them by the business units concerned.

RESULTS OF FOLLOW-UP TO RECOMMENDATIONS – AUDIT OF FINANCIAL STATEMENTS

The results of follow-up to recommendations made in the 2013 to 2017 reports on internal control weaknesses are presented in Table 4.

**TABLE 4 – RESULTS OF FOLLOW-UP TO RECOMMENDATIONS BY STATUS
AUDIT OF FINANCIAL STATEMENTS
AS OF APRIL 16, 2019**

STATUS OF RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS PER YEAR					
	2013	2014	2015	2016	2017	TOTAL
Resolved	10	6	8	11	3	38
In progress	0	0	4	7	9	20
Deferred	0	0	0	0	0	0
Not resolved	0	0	0	2	0	2
To be implemented ^[A]	0	0	0	0	3	3
TOTAL OF RECOMMENDATIONS MADE	10	6	12	20	15	63

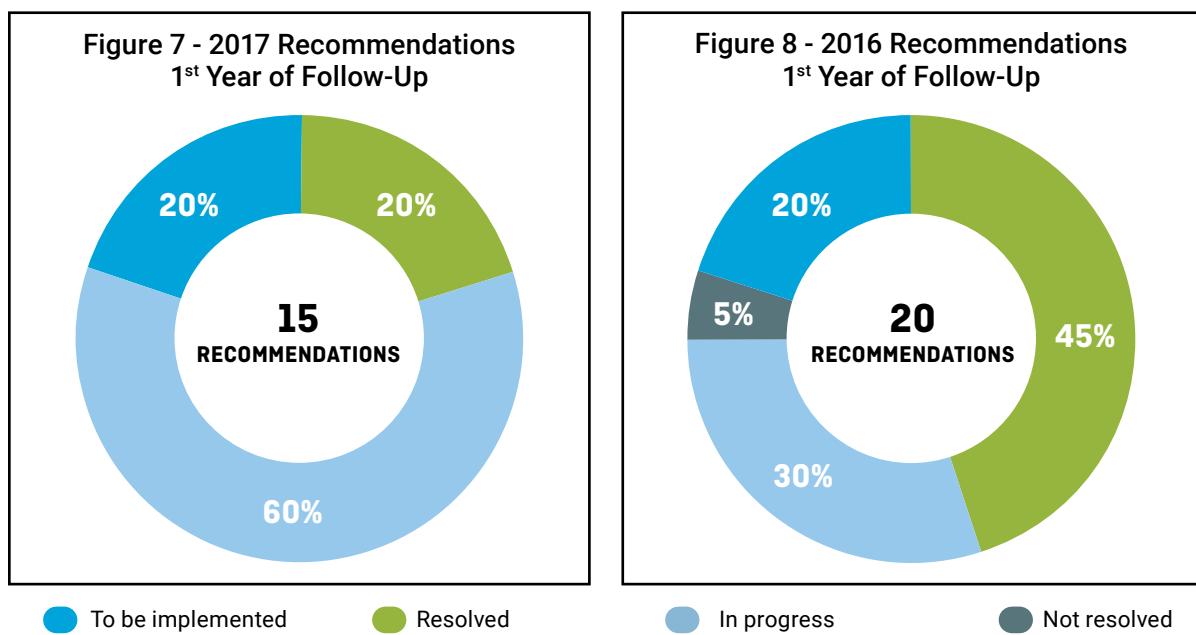
^[A] These recommendations have not been followed up by the business units concerned.

We note that recommendations whose status is «resolved» in the first year of follow-up after their publication in the report on internal control weaknesses for the Ville de Montréal (the City) presented to the City's audit committee represent 20% for those of 2017 (45% for those of 2016) – (see Figures 7 and 8).

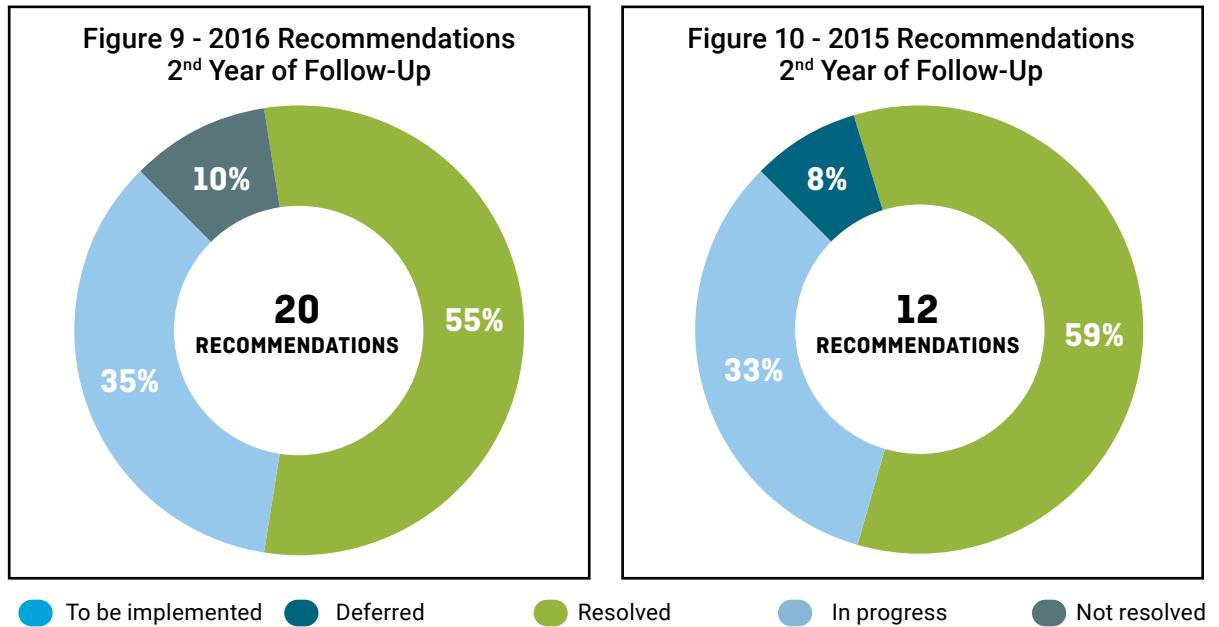
Recommendations whose status is «resolved» in the second year of follow-up after their publication represent 55% for those of 2016 (59% for those of 2015) – (see Figures 9 and 10).

Recommendations whose status is «resolved» in the third year of follow-up represent 67% for those of 2015 (83% for those of 2014) – (see Figures 11 and 12).

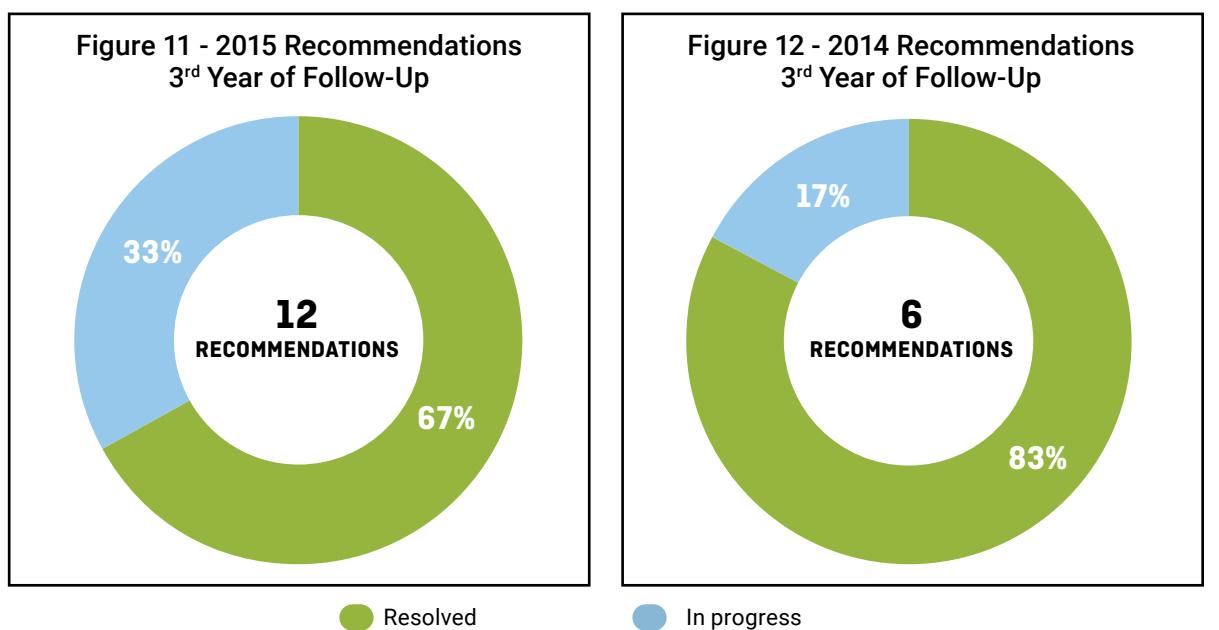
**FIGURES 7 AND 8 – RECOMMENDATIONS RATE OF 2017 AND 2016 BY STATUS
AUDIT OF FINANCIAL STATEMENTS
1ST YEAR OF FOLLOW-UP**



**FIGURES 9 AND 10 – RECOMMENDATIONS RATE OF 2016 AND 2015 BY STATUS
AUDIT OF FINANCIAL STATEMENTS
2ND YEAR OF FOLLOW-UP**



**FIGURES 11 AND 12 – RECOMMENDATIONS RATE OF 2015 AND 2014 BY STATUS
AUDIT OF FINANCIAL STATEMENTS
3RD YEAR OF FOLLOW-UP**



CONCLUSION

We note that the rate at which recommendations in the performance audit, information technology audit, and the audit of financial statements are being implemented has not improved at all in the past three years. More specifically, we note that 68% of the recommendations made in 2017 for performance audit and the information technology audit should have been implemented at the time of our first follow-up, in accordance with the action plans provided by the business units. However, the actual implementation rate is 32%.

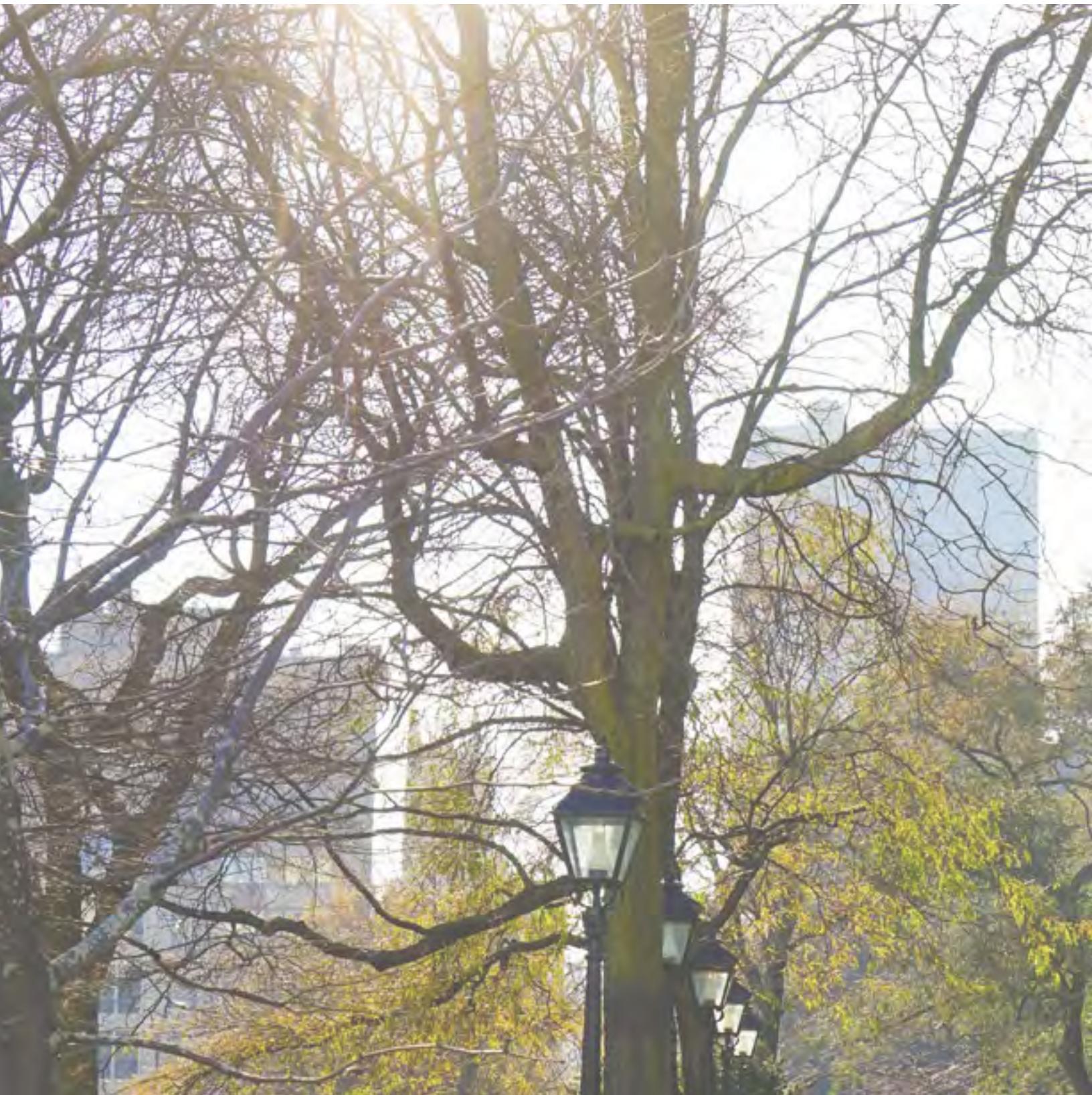
Secondly, we note that in terms of implementation times for the recommendations formulated in 2017, only 8% (5 of 67) were resolved within the implementation dates initially put forward by the business units in their action plans, and that in the last two years, 12% of recommendations formulated in 2016 (5 of 41) and only 10% of recommendations formulated in 2015 (17 of 164) were resolved by the planned completion time. These findings show that the situation deteriorates. The business units do not, to a large extent, respect the timelines they transmit to us in their action plan. To this end, following the first year of follow-up, for the recommendations formulated in 2017, 2016 and 2015, we find that the planned implementation dates submitted by the business units for the implementation of the recommendations were, on average, exceeded by 5.5, 5.7 and 6.4 months respectively.

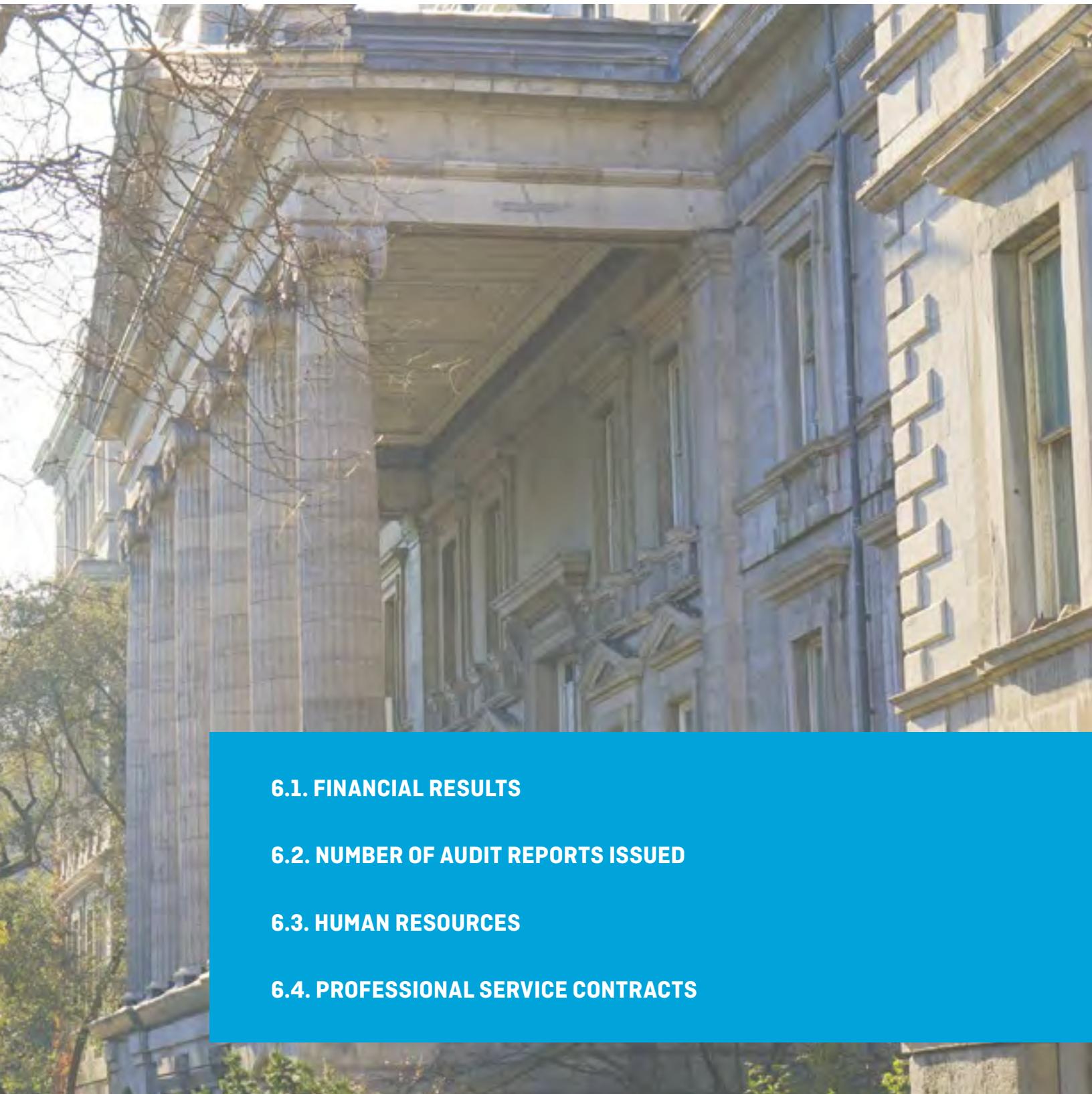
We believe that sustained efforts should be made by the municipal administration to encourage the City's business units to implement the recommendations addressed to them, in accordance with the deadlines set out in the action plans they submit themselves. In this sense, we reiterate our recommendation that municipal administration establish performance indicators to measure the degree of the implementation of the recommendations included in the Auditor General's audit reports and follow-up on them.



6.

OVERVIEW OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL





6.1. FINANCIAL RESULTS

6.2. NUMBER OF AUDIT REPORTS ISSUED

6.3. HUMAN RESOURCES

6.4. PROFESSIONAL SERVICE CONTRACTS

6. OVERVIEW OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL

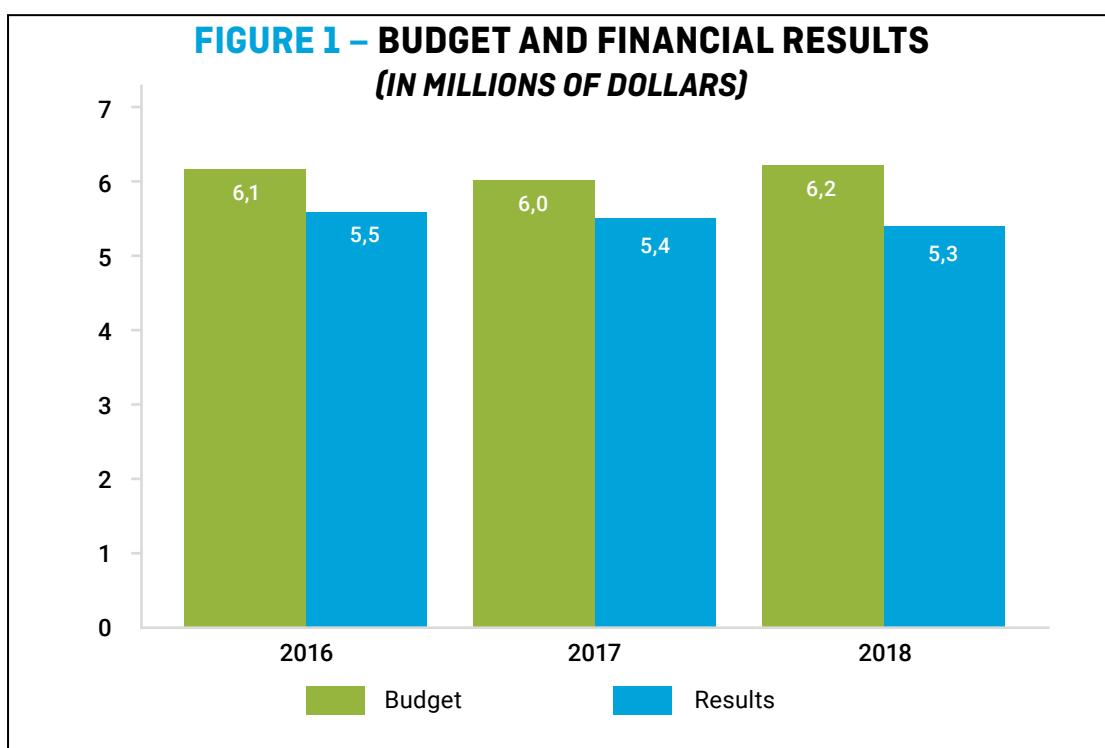
This chapter presents the highlights of the results obtained for the year 2017 regarding the performance of the Auditor General's mandate and the utilization of resources for this purpose. More specifically, we present different indicators so the reader can appreciate the performance of the Bureau du vérificateur général (the Bureau).

The indicators presented are:

- The financial results;
- The number of audit reports issued;
- Human resources:
 - Current and Future Staff Portrait,
 - Use of time,
 - Staff turnover rate,
 - Absenteeism rate,
 - Average number of hours and cost of training,
 - Equal access to employment;
- Professional service contracts.

6.1. FINANCIAL RESULTS

For the year 2018, the Bureau's operating expenditures amounted to \$5.3 million, compared to the budget of \$6.18 million. This favourable variance is explained, in particular, by the five positions that remained vacant practically all year round 2018 and the maternity leaves of two employees, the sick leave of two employees and finally the departure of four resources. We have four positions in the fall of 2018, two senior Auditors in the performance audit, a new administrative assistant as well as the position of Auditor General Assistant in Information Technology (IT). Figure 1 illustrates the Bureau's financial results for the past three years.



In accordance with the provisions of section 108.2.1 of the *Cities and Towns Act*, the Auditor General accounts for the year ended December 31, 2018, were audited by an independent auditor mandated by the Ville de Montréal (the City). The report of the independent auditor is presented in Appendix 9.2.

6.2. NUMBER OF AUDIT REPORTS ISSUED

Table 1 details the number of reports issued over the past few years for audits of the financial statements, regulatory compliance, as well as a performance audit (PA) and IT.

**TABLE 1 – NUMBER OF AUDIT REPORTS ISSUED
FROM 2015 TO 2017**

REFERENCE ANNUAL REPORT	FINANCIAL STATEMENTS	COMPLIANCE	PA AND IT	TOTAL NUMBER OF AUDIT REPORTS
2016	18	2	7	27
2017	17	2	9	28
2018	9	1	11	21

The reduction in the number of reports issued in 2018 compared to 2017 is primarily attributable to the implementation of new procedures pursuant to the adoption of Bill 155 in April 2018. Based on our analysis, we considered it appropriate to continue our financial audit for the City and for 5 of the 11 organizations in the reporting entity. Our budget was reduced by \$390,500 to reflect this new situation.

6.3. HUMAN RESOURCES

The Bureau is known for its high-quality work, and its extensive competencies and broad experience are a major asset for giving elected officials and citizens an objective and independent view of how well public funds are being managed. The Bureau is comprised of some thirty qualified professionals, including accountants, forensic accountant, engineer, lawyer and specialists in business administration and information technology. The Bureau's staff hold a variety of certifications such as public accountant (CPA), financial auditor (CPA, auditor), internal auditor (CIA), information systems auditor (CISA), forensic accountant (CPA, CFF, CFE) and engineer (Eng.).

The Bureau's philosophy is, on the one hand, to have an internal core of experienced professionals who, collectively, have expertise in the City's various spheres of professional activities related to the financial, the performance audit and the statutory and regulatory compliance audit. On the other hand, we enlist external resources to meet one-off needs for very specialized expertise, to spread the workload inherent in the peak period related to audits of the financial statements of the City and the organizations for which the Auditor General considers it appropriate to continue work and sometimes to provide temporary coverage for leaves or vacancies.

WORKFORCE TRENDS AND STATUS

Table 2 presents the workforce trends as of December 31 of the years 2016 to 2018.

**TABLE 2 – WORKFORCE TRENDS AS OF DECEMBER 31
OF THE YEARS 2016 TO 2018**

YEAR	TOTAL EMPLOYEES
2016	30
2017	29
2018	28

There were 28 employees as of December 31, 2018. During the year, a senior auditor accepted a position with a borough, while three other resources left. However, three new people joined the Bureau.

Table 3 illustrates the workforce status of the Bureau by directorate and in relation to authorized and filled positions as of December 31, 2018.

TABLE 3 – WORKFORCE STATUS AS OF DECEMBER 31, 2018

DIRECTORATES	AUTHORIZED POSITIONS	FILLED POSITIONS	POSITIONS TO FILL
Bureau de la vérificatrice générale	5	4	1
Financial audit and administration	12	12	0
Performance audit and statutory and regulatory compliance	10	9	1
Information technology audit	6	3	3
TOTAL	33	28	5

At the end of 2018, we had five vacant positions, compared to four last year. The increase in vacancies is primarily attributable to the departures mentioned above.

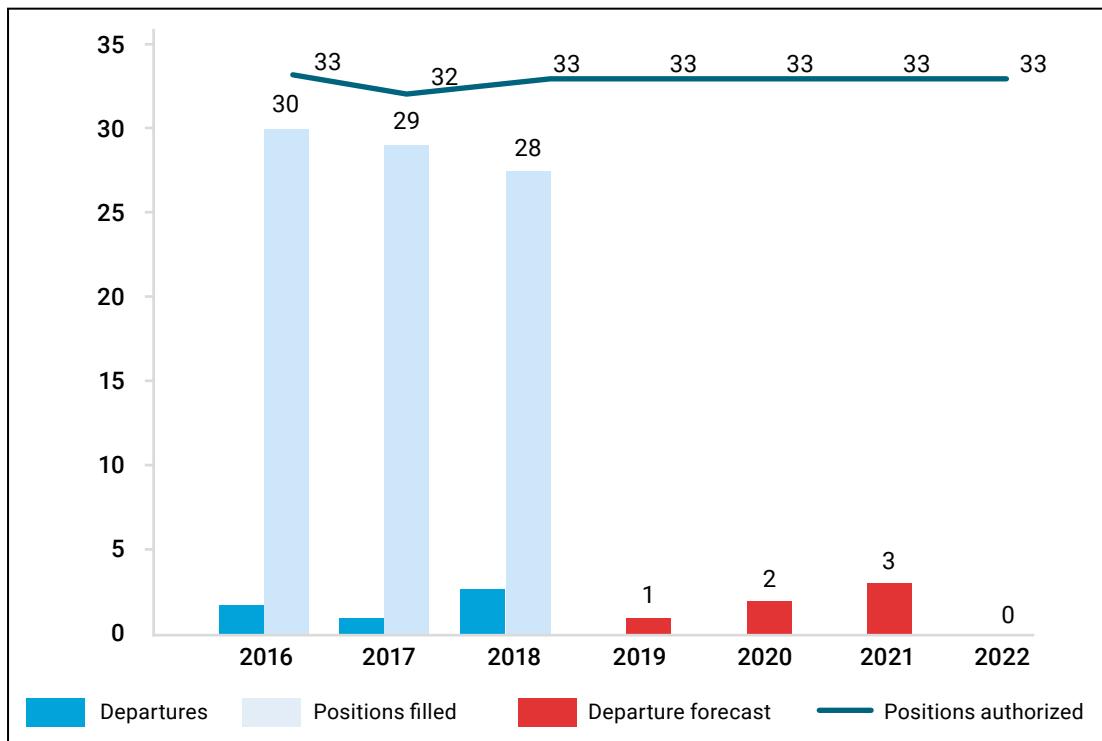
However, in the fall of 2018, we staffed four positions, including the Auditor General Assistant in IT, with a resource from the Bureau, and we filled two of the three senior performance auditor positions, and the new executive assistant position with external resources.

When this report was produced, we had initiated a staffing process to fill the three senior IT auditor positions.

We hope that these recruitment campaigns will allow us to build a succession team to address the imminent departure of some experienced resources within the Bureau.

Figure 2, Workforce Evolution and Forecasting for 2016 to 2022, reveals the importance of immediately implementing a succession plan, to begin training successors and mitigate any dilution of expertise.

**FIGURE 2 – EVOLUTION AND FORECASTING
OF THE WORKFORCE FROM 2015 TO 2021**



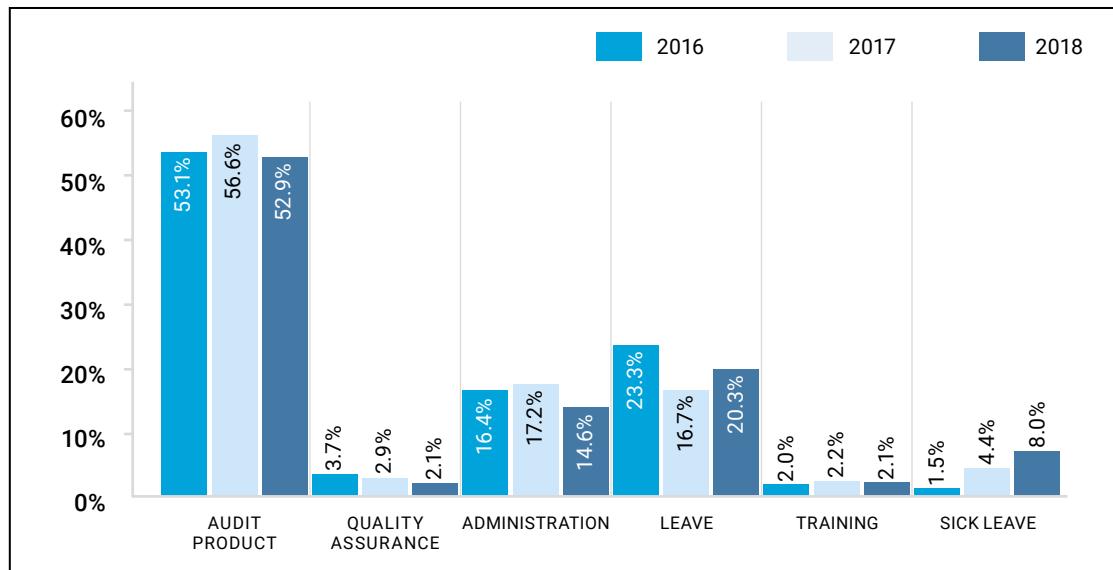
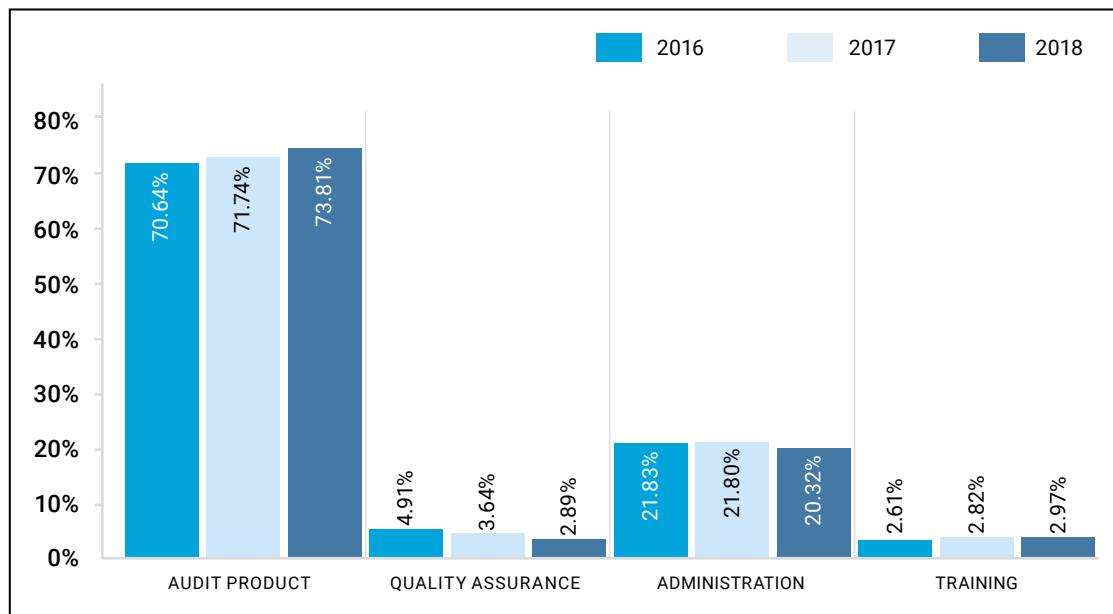
Despite the 2018 recruitment efforts, the situation remains troubling for the coming years because:

- five positions were vacant as of December 31, 2018;
- six departures are expected by the end of 2022, including one of the four senior Bureau staff members.

We conducted a strategic planning exercise in 2018, which led us to question the organizational structure of the Bureau and review our needs in terms of hiring and succession. This plan completed in early 2019 is presented in Chapter 8.

USE OF TIME

Figures 3 and 4 present the breakdown of total hours and hours worked of the Bureau's members for the past three years.

FIGURE 3 – BREAKDOWN OF TOTAL HOURS**FIGURE 4 – BREAKDOWN OF HOURS WORKED, BY ACTIVITY**

Audit product : includes the activities of audit of the financial statements and compliance, value-for-money and information technology audits.

Quality assurance : includes the time devoted to quality control of audit engagements, both during the engagement and after the fact, which control is exercised pursuant to the standards in force.

Administration : includes general administration, meeting, financial management, human resources management, goods and services acquisition, IT support and secretarial tasks.

6. | OVERVIEW OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL

The results presented in Figure 4 show a slight 1.5% decrease between 2017 and 2018 in terms of hours worked on administration activities.

The hours dedicated to quality assurance declined in 2018 in comparison to the previous year because management members spent less time on the development and implementation of the new methodology to comply with the new CPA Canada standards for direct and indirect reporting engagements than they did in 2016 and 2017.

Other indicators related to the use of time and the staff turnover rate are presented in Tables 4 to 6.

STAFF TURNOVER RATE

TABLE 4 – STAFF TURNOVER RATE

	2016	2017	2018
Turnover rate	6.7%	3.4%	14%

The calculation of the staff turnover rate includes retirements, resignations and departures by transfer to another department or borough of the City. As mentioned earlier, there were four departures during 2018.

ABSENTEEISM RATE

TABLE 5 – ABSENTEEISM RATE

	2016	2017	2018
ABSENTEEISM RATE	1.5%	3.9%	8.0%

The absenteeism rate increased by 4.1% between 2017 and 2018 mainly due to long-term sick leave.

NUMBER OF HOURS AND COST OF TRAINING

TABLE 6 – NUMBER OF HOURS AND COST OF TRAINING

	2016	2017	2018
Average hours of training per employee	36	41	39
Training cost to payroll ratio	3.4%	2.9%	2.8%

The average number of hours spent on training decreased from 41 to 39. The training cost to payroll ratio, in accordance with the *Act to promote workforce skills development and recognition*, is relatively stable. We should note that the objective for the City as a whole is 1%.

EQUAL ACCESS TO EMPLOYMENT

Like the City, the Bureau pays special attention to questions of equal access to employment. The breakdown of the representation of target groups in the *Act respecting equal access to employment in public bodies*, as of December 31 of the past three years, is presented in Table 7.

TABLE 7 – REPRESENTATION OF TARGET GROUPS

TARGET GROUP	2016	2017	2018
Men	43.3%	41.4%	39.3%
Women	56.7%	58.6%	60.7%

TARGET GROUP	2016	2017	2018
Aboriginal peoples	0.0%	0.0%	0.0%
Visible minorities	10.0%	6.9%	7.14%
Ethnic minorities	6.7%	6.9%	3.57%
TOTAL	16.7%	13.8%	10.71%

Female representation in our workforce has remained stable over the past year. We still have 17 women in our 28-person workforce.

6.4. PROFESSIONAL SERVICE CONTRACTS

Professional fees are the second-largest expense, after compensation and benefits. The Bureau hires professionals to meet temporary labour requirements during the peak financial statement period or to temporarily fill in for people on vacation or fill vacancies and to have access to highly skilled experts specialized in areas related to our audit topics or for administrative purposes. Finally, because our Bureau's administrative management operates at arm's length from the City, contracts have been awarded to support our infrastructure and exceptionally in 2018 for certain non-recurring items (e.g. the risk matrix, the strategic plan and PL 155). Professional fees as of December 31, 2018, were \$806,988 (see the breakdown in Table 8).

TABLE 8 – PROFESSIONAL FEES

Financial Audit	44%
Performance audit and statutory and regulatory compliance	13%
Information technology audit	10.4%
Administrative	32.6%



7. **REPORTING – ALLEGATIONS**

7. REPORTING – ALLEGATIONS

BACKGROUND

Allegations may be submitted to the Bureau du vérificateur général (the Bureau) by email, mail, telephone or in person. It is important to emphasize that the Bureau has a highly secure email account set up specifically for this purpose. This account is hosted by an external provider and is not linked to the Ville de Montréal's (the City) email system. The email address is: verificateurgeneral@bvgmtl.ca.

PROCESSING ALLEGATIONS

Allegations are processed according to priority criteria, such as the nature of the claim and the degree of risk involved. A well documented and highly secure file is created for every allegation.

All other allegations that we receive undergo a preliminary evaluation to determine whether an investigation should be initiated, based on the nature of the claim, the probative value of the information provided and the risks involved. However, a preliminary evaluation is not conducted if the subject of the allegation does not fall within the Auditor General's purview or if the allegation is not substantial enough to warrant further investigation. Depending on the circumstances, such matters may be transferred to another City entity or closed without any further action being taken.

If an investigation is warranted, it will be conducted in accordance with recognized investigative and forensic accounting practices. Once the investigation is completed, a report may be produced and sent to the municipal administration. In cases where there is evidence of criminal wrongdoing, our findings are reported to the competent authorities.

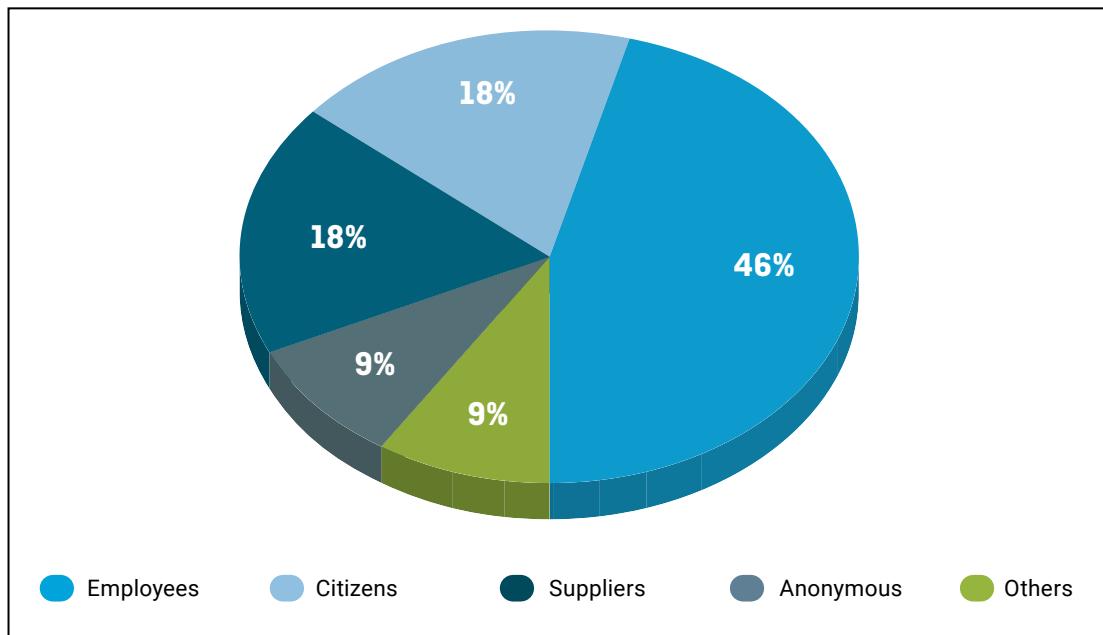
In 2018, we reviewed 11 allegations, versus 9 in 2017. All these allegations were processed during the year. They were closed for the following reasons:

- Investigation completed (2 allegations);
- Insufficient evidence (6 allegations);
- Transfer to another body, because the allegation was outside of the Auditor General's purview (3 allegations).

SOURCES OF ALLEGATIONS RECEIVED

Figure 1 shows the sources of the allegations that we received, 46% of which (5 out of 11) were submitted by employees.

FIGURE 1 – OVERVIEW OF ALLEGATIONS RECEIVED IN 2018 BY SOURCE



Most of these allegations were submitted through the Bureau's email account (10 out of 11). One complainant submitted his allegation by letter.

It is interesting to note that only one allegation was made anonymously. When complainants disclose their identity, it is easier for us to obtain the information we need to pursue our audits and investigations. It is important to point out that we guarantee the confidentiality of complainants who agree to disclose their identity and that the *Public Protector Act* protects the confidentiality of whistleblowers.

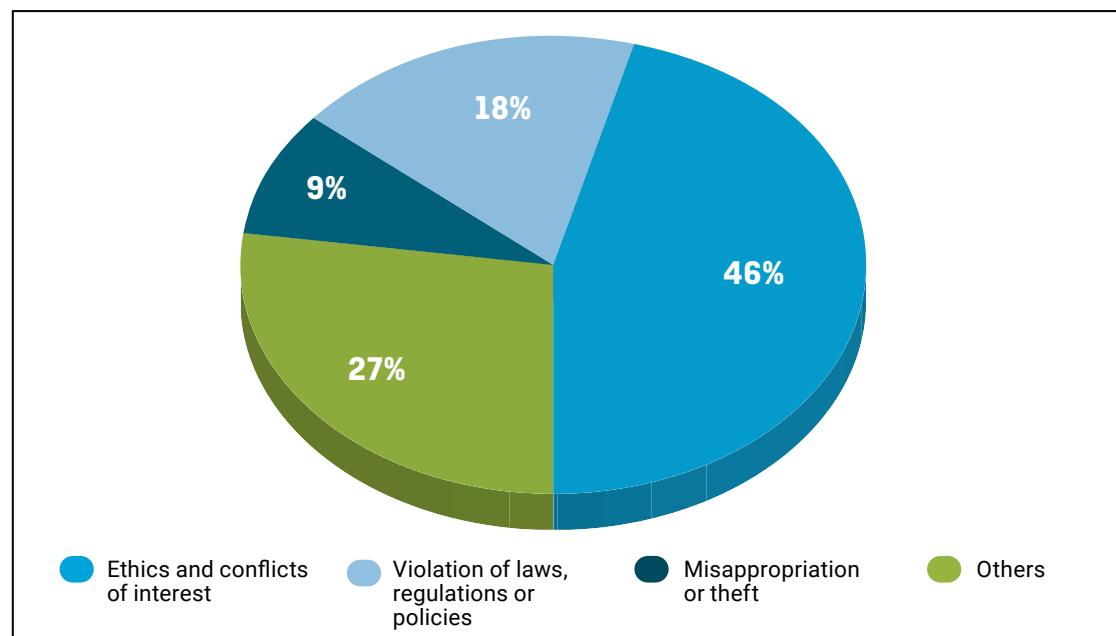
Also, under section 107.16 of the *Cities and Towns Act*, the Auditor General cannot be compelled to give testimony relating to any information obtained in the performance of their duties or to produce any document containing such information. Section 41 of the *Act respecting Access to documents held by public bodies and the Protection of personal information* provides further protection.

CATEGORIES OF ALLEGATIONS RECEIVED

In Figure 2, we have grouped together the allegations received by category of alleged wrongdoings:

- Breach of ethics and conflict of interest (5 allegations);
- Violation of laws, regulations or policies (2 allegations);
- Misappropriation or theft (1 allegation);
- Other (3 allegations).

FIGURE 2 – OVERVIEW OF ALLEGATIONS RECEIVED IN 2018 BY CATEGORY



TRANSFER OF ALLEGATIONS TO OTHER AUTHORITIES

In 2018, some allegations were transferred to other authorities who had the expertise to deal with them. Some allegations involved areas of expertise that were outside of the scope of the Auditor General's duties. It should be noted that all transfers were previously approved by the applicants.

The allegations that were transferred can be broken down as follows:

- General controller: 1 allegation transferred;
- General inspector : 2 allegations transferred.

NEWS IN 2019

In the coming year, a memorandum of understanding will be developed with the general controller, the general inspector and the Auditor General to avoid duplication in dealing with the allegations they receive. On several occasions, allegations are forwarded to other authorities because the complainants are often unaware of our respective areas of expertise in dealing with allegations. The purpose of this protocol will be to clearly define the roles and responsibilities of each authority in order to avoid any confusion and to enable them to work together more effectively.



8.

STRATEGIC PLAN

2019-2023

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NOTES

To lighten the text, the masculine was used to refer both to women and men.

Ce document est aussi disponible en français.

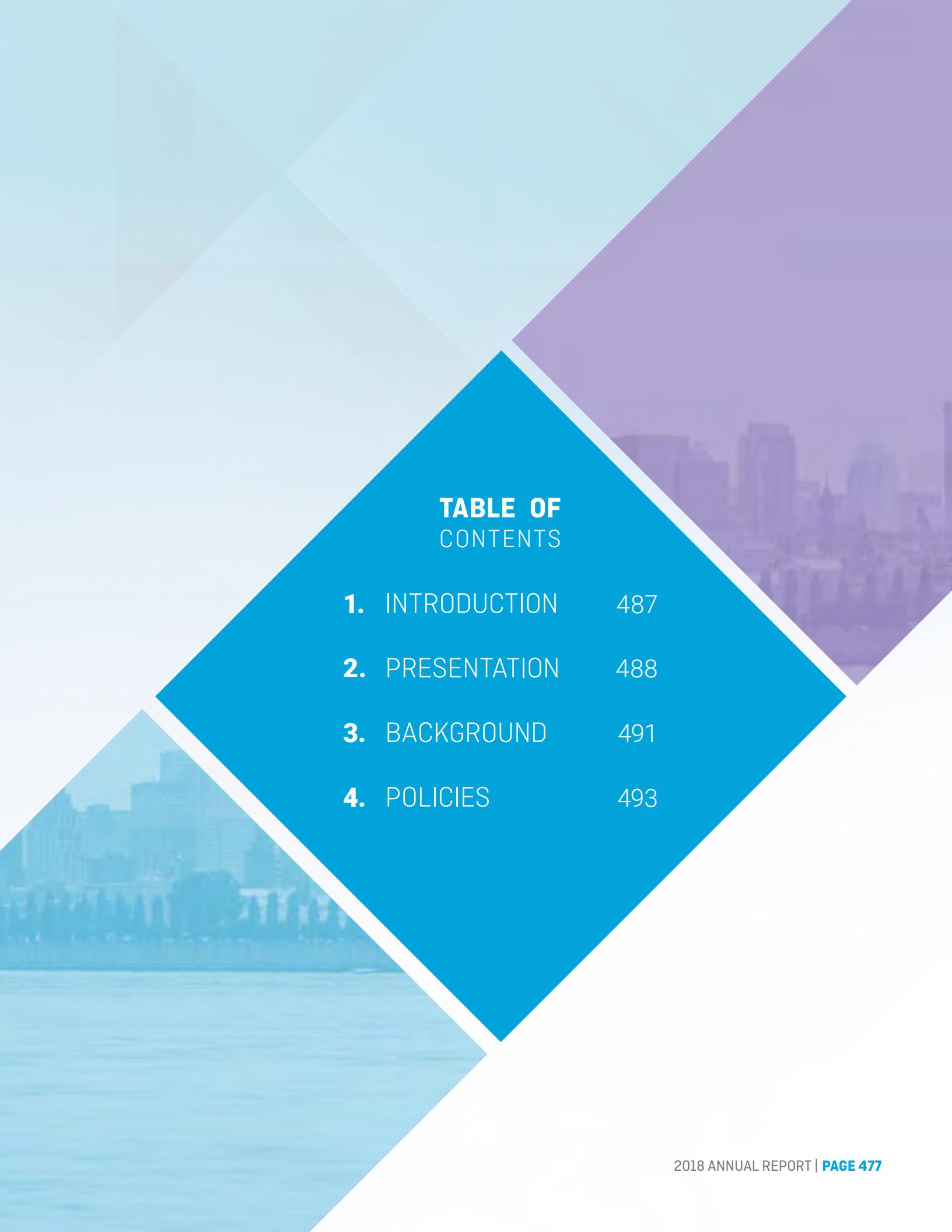


TABLE OF CONTENTS

1.	INTRODUCTION	487
2.	PRESENTATION	488
3.	BACKGROUND	491
4.	POLICIES	493



1. INTRODUCTION

We are pleased to present the Bureau du vérificateur général de la Ville de Montréal's (BVG) *2019-2023 Strategic Plan*.

This plan is based on an approach taken by our organization in light of the many changes that affect both the management of Quebec municipalities and the role and scope of the work performed by the offices of the Auditor General, such as ours.

Since I started my seven-year term as the Ville de Montréal Auditor General in August 2016, I have seen the vital role played by the BVG as a result of the high-quality work performed by a very experienced team over the last 40 years.

While respecting the excellent procedures already in place, my entire team and I want to help promote and develop this function within the Ville de Montréal (the City) by maintaining and strengthening the BVG's internal expertise. The *2019-2023 Strategic Plan* defines the objectives that will guide our actions over the next five years.

The plan is based on three major policies:

GUIDELINES

- 1 Increase the added value of interventions;**
- 2 Introduce innovative practices to produce high-quality work;**
- 3 Ensure the sustainability of the team's skills.**

We are confident and convinced that this strategic plan will enable the BVG to implement meaningful actions and thereby fulfill its mission.

2. PRESENTATION

The *Cities and Towns Act* (“CTA”) requires that municipalities with 100,000 or more residents appoint an official known as the “Auditor General.” The Auditor General plays an essential role in the governance of municipalities because he reassures elected officials and citizens that public funds are managed economically, efficiently and effectively.

MANDATE

The Auditor General has the mandate to audit the accounts and affairs of the City and organizations described in section 107.7 of the CTA. Auditing accounts and affairs includes, to the extent deemed appropriate by the Auditor General, the financial audit, performance audit and the audit of operations’ compliance with laws, regulations, policies and guidelines.

FINANCIAL AUDIT	Financial audits are planned and conducted to provide reasonable assurance that the financial statements are free from material misstatement. We perform our audit work in accordance with Canadian Auditing Standards (CAS) generally accepted.
PERFORMANCE AUDIT	<p>The purpose of resource performance audits is to determine whether resources available to the City and organizations are managed economically, efficiently and effectively.</p> <p>An optimization audit is an independent, objective assessment of how the City and the organizations manage and report on their activities. We perform our audit engagements 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.</p> <p>Information technology audits are part of performance audits.</p>
COMPLIANCE AUDIT	The purpose of compliance audits is to ensure that operations and activities conducted by the City and the organizations comply with applicable laws, regulations, policies and guidelines.
OTHER WORK	City council may file a request with the Auditor General to investigate and report on any matter within its jurisdiction. However, such an investigation cannot take precedence over the Auditor General’s primary obligations.

TEAM

The BVG's team is made up of approximately 30 qualified professionals, including accountants, a forensic accountant, an engineer, counsel and management and information technology specialists. This multidisciplinary team is an asset for the office.

MISSION

Provide city council and citizens with an objective and independent view of the quality of public funds management, including the economic, efficient and effective use of resources, legal and regulatory compliance, and the reliability of financial statements.

VISION

A team recognized for its expertise, the quality of its work and its value-added reports.

VALUES

INDEPENDENCE

We remain free from any influence that could affect our professional judgment.

OBJECTIVITY

We perform our work with neutrality and impartiality based on facts.

RESPECT

We are considerate, courteous and listen carefully.

INTEGRITY

We perform our duties honestly, meticulously and ethically.

3. BACKGROUND

VALUE-ADDED INTERVENTIONS

Several bills introduced and adopted in 2017 and 2018 have significant impacts on municipalities, especially Montreal.

Bill 121 is a prime example. It recognizes the City as the metropolis of Quebec by amending its powers and jurisdiction in various areas, including economic development, social housing, culture and heritage. Bill 122 redefines municipal institutions by giving them more autonomy, flexibility and power. Bill 155 redefines the Auditor General's role in municipalities with at least 100,000 residents by amending the scope of his work.

The greater powers and responsibilities that these bills entail mean that both municipalities and the Auditor General must adapt and adhere to stringent governance and reporting practices. We will have to monitor any new bills that will have an impact on the City and the Auditor General and, if necessary, review our procedures accordingly.

Constant changes in auditing standards require that we continually improve our procedures. The Bureau sur des comités de l'Ordre des CPA and professional training courses help maintain our staff's financial auditing expertise. The work methodology for conducting performance audits had to be revised pursuant to the adoption of new certification standards. We must meet the new standards and maintain the highest quality standards.

The growth of information technology in the City, which is expected to continue over the next few years, will also have an impact on the scope of the BVG's work. Various aspects of information technology (IT), such as cybersecurity, will need to be audited.

With this in mind, the BVG will seek to clearly explain its role to elected officials and other stakeholders and increase access to its publications, by reviewing and simplifying the various communication tools in order to focus on key messages.

Finally, all these initiatives are useful insofar as the recommendations made in our reports are followed. To help increase the number of recommendations that are implemented, the BVG will review its current approach to monitoring recommendations in the coming years.

INNOVATION CHALLENGE

It is clear that IT can now improve process efficiency and ensure operations quality from a sustainability standpoint. Like the City, where extensive new technology is being introduced, the BVG intends to improve its methods by focusing on innovative practices and advanced technological tools. It will undoubtedly take time to adapt to these tools and the required changes in working methods, but there will be significant long-term benefits.

The other important benefit of these new procedures is, of course, that they will create a greener environment by reducing paper consumption. Sustainability is a key objective, and one of the most practical ways to help achieve this goal is to strive for a paperless work environment.

SUCCESSION PLANNING – A DELICATE ISSUE

The BVG team is recognized for its high-quality work and its wide range of skills and experience.

However, much of this expertise may be lost in the coming years. Nearly 20% of the team is eligible for retirement, and the steps taken to find solutions to the problem of skill retention have not always produced the desired outcomes. Also, the scarcity of qualified resources in the audit market is an important issue for the office.

It is therefore essential, over the next few years, to review these recruitment processes and implement a new talent management strategy to attract the best talent. It will also be important to build loyalty by supporting the development of staff expertise and maintaining a high level of engagement.

4. GUIDELINES

For each policy, we have established objectives with indicators and targets that will allow us to measure our commitments for the next five years.

Guideline	1	Increase the added value of interventions	Over the next few years, the Bureau du vérificateur général will take various steps to reassure elected officials and citizens that public funds are being managed economically, efficiently and effectively.
OBJECTIVE	INDICATOR	TARGET	
Enhance the performance audit selection process.	• Introduce a new risk matrix.	2019	
	• Update the risk matrix.	Annually from 2020	
	• Enhance monitoring activities.	2019	
Conduct performance audits focused on issues or services that directly affect citizens and the quality of services they receive.	• Number of performance audit engagements focused on issues or services that directly affect citizens and the quality of services they receive.	At least one engagement per year	
Conduct sustainable development performance audits.	• Number of performance audit engagements with a focus on sustainable development.	At least one engagement per year	
Conduct IT performance audits.	• Number of IT performance audit.	At least two engagements per year	
Conduct cybersecurity audits.	• Number of cybersecurity performance audit engagements.	At least one engagement per year	
Conduct performance audits that focus on major legal and regulatory compliance issues.	• Number of performance audit mandates dealing with major legal and regulatory compliance issues.	At least one engagement per year	

OBJECTIVE	INDICATOR	TARGET
Perform audits for organizations referred to in section 107.7, subsection 3.	• Develop an intervention strategy.	2019
	• Implement the strategy.	2020
Perform audit work on organizations that have received contributions from the Ville de Montréal.	• Develop an intervention strategy.	Completed
	• Implement the strategy.	2019
Maintain our presence in financial audits.	• Review our financial auditing strategy.	Once a year
Help increase the rate at which our recommendations are implemented.	• Produce management tables to encourage discussions on the current approach to monitoring recommendations.	2019
	• Assess the appropriateness of the current approach to monitoring recommendations.	2020
	• Assess the extent to which the new approach to monitoring recommendations has been implemented.	2021 and subsequent years
Establish processes to comply with the <i>Access to information Act</i> .	• Post additional information on the website and provide additional information on the application form.	Completed
	• Write guidelines and procedures.	2019
	• Implement monitoring to meet the deadline required by law.	2019
Clearly explain our role to elected officials and other stakeholders.	• Develop documents explaining the delineation between the Auditor General's engagement and the interventions of the Bureau de l'inspecteur général, the , the Ombudsman and the City's organizational performance group.	2019
	• Redesign the BVG website.	2019

Guideline**2****Introduce innovative practices to produce high-quality work**

The Bureau du vérificateur général (BVG) will implement best practices to ensure audit quality and to incorporate sustainable management principles.

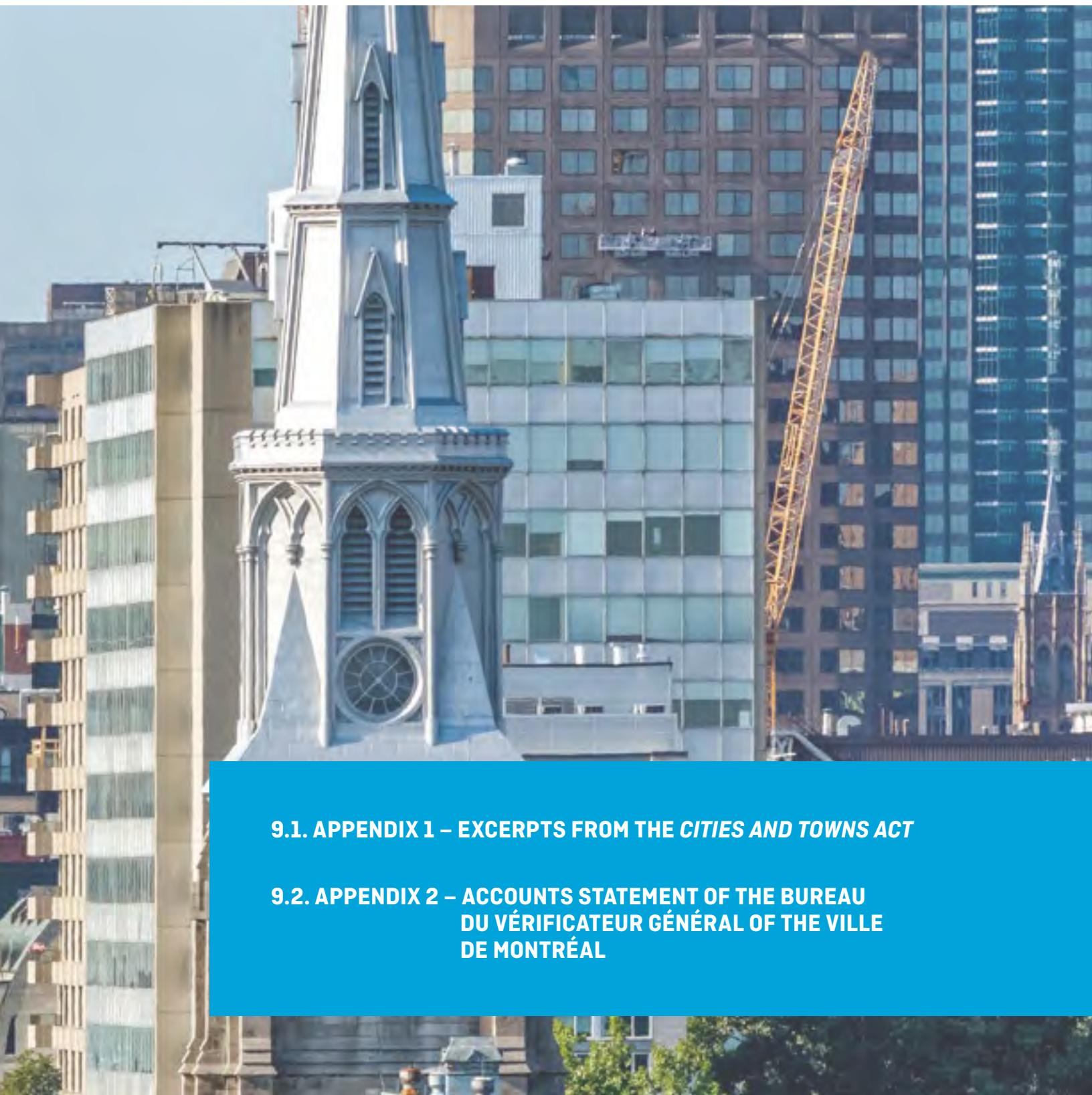
OBJECTIVE	INDICATOR	TARGET
Maintain the quality of our work.	<ul style="list-style-type: none"> Percentage of evaluated work that meets certification standards. 	100%
	<ul style="list-style-type: none"> Monitor Canadian Certification Standards. 	Ongoing
	<ul style="list-style-type: none"> Update the Quality Assurance Manual. 	Once a year
Include a focus on compliance with laws, regulations and guidelines in performance audit engagements.	<ul style="list-style-type: none"> Percentage of performance audit engagements conducted with a focus on legal and regulatory compliance. 	100%
Routinely include a risk assessment of irregularities and fraud in performance audit engagements.	<ul style="list-style-type: none"> Percentage of audit engagements involving a risk assessment of irregularities and fraud. 	100%
Provide technological tools and innovative software to maintain our effective audit practices and promote a paperless work environment.	<ul style="list-style-type: none"> Review BVG processes where technology tools and software have been updated or implemented. 	Once a year
	<ul style="list-style-type: none"> Review the strategy to promote a paperless environment. 	2019
	<ul style="list-style-type: none"> Introduce indicators. 	2020 and subsequent years

Guideline	3	Ensure the sustainability of the teams' skills	In the coming years, the Bureau du vérificateur général (BVG) will attract appropriate talent to meet its needs and maintain the expertise developed to date. It will also give them a stimulating work environment with opportunities to grow professionally.
OBJECTIVE		INDICATOR	TARGET
Attract and retain the best talent to fulfill the BVG's mission and maintain its expertise.		<ul style="list-style-type: none"> Develop a strategy to attract and retain talent. 	2019
		<ul style="list-style-type: none"> Introduce indicators. 	2020
Promote and support the development of staff expertise based on the needs of the BVG.		<ul style="list-style-type: none"> Establish an expertise development path for each employee. 	2020
		<ul style="list-style-type: none"> Grant each employee a minimum number of training days. 	6 days a year
Achieve and maintain a high level of staff engagement.		<ul style="list-style-type: none"> Develop a skills assessment, succession management, coaching and mentoring program. 	2019
		<ul style="list-style-type: none"> Implement a skills assessment, succession management, coaching and mentoring program. 	2020



9. APPENDICES





9.1. APPENDIX 1 – EXCERPTS FROM THE CITIES AND TOWNS ACT

**9.2. APPENDIX 2 – ACCOUNTS STATEMENT OF THE BUREAU
DU VÉRIFICATEUR GÉNÉRAL OF THE VILLE
DE MONTRÉAL**

9. APPENDICES

9.1. APPENDIX 1 – EXCERPTS FROM THE CITIES AND TOWNS ACT

CQLR, chapter C-19

Updated to December 31, 2018

IV.1. – CHIEF AUDITOR

2001, c. 25, s. 15.

A. – APPOINTMENT

2018, c. 8, s. 33.

CHIEF AUDITOR

107.1. The council of every municipality having 100,000 inhabitants or more shall have an officer called the chief auditor who is a member of the Ordre des comptables professionnels agréés du Québec.

2001, c. 25, s. 15; 2018, c. 8, s. 34.

TERM

107.2. The chief auditor shall, by a resolution approved by a two-thirds majority of the votes of the members of the council, be appointed for a single term of seven years.

2001, c. 25, s. 15; 2018, c. 8, s. 35.

107.2.1. The chief auditor shall perform his duties of office exclusively and on a full-time basis. However, he may participate in educational activities, in particular as an instructor, or professional activities within associations of auditors, educational or research institutions, committees within his professional order, or the Association des vérificateurs généraux municipaux du Québec.

2018, c. 8, s. 36.

INELIGIBILITY

- 107.3.** In no case may the following persons act as chief auditor:
- (1) a member of the council of the municipality and, where applicable, of a borough council ;
 - (2) the associate of a member mentioned in subparagraph 1;
 - (3) a person who, personally or through an associate, has any direct or indirect interest in a contract with the municipality, a legal person referred to in subparagraph 2 of the first paragraph of section 107.7 or a body referred to in subparagraph 3 of that paragraph;
 - (4) a person who, in the four years preceding his appointment, was a member of a council, or an employee or officer, of the municipality, unless the person was an employee under the direction of the chief auditor during all or part of those years.

DISCLOSURE OF INTEREST

The chief auditor shall disclose in every report produced any situation that could cause a conflict between the chief auditor's personal interest and duties of office.

2001, c. 25, s. 15; 2018, c. 8, s. 37.

INABILITY OF VACANCY

107.4. 107.4 If the chief auditor is unable to act, or if the office of chief auditor is vacant, the council shall:

- (1) not later than at the sitting following the inability to act or the vacancy, designate a person qualified to replace the chief auditor, for a period of not more than 180 days ;
- (2) not later than at the sitting following the inability or the vacancy, or not later than at the sitting following the expiry of the period fixed under paragraph 1, appoint a new chief auditor in accordance with section 107.2.

2001, c. 25, s. 15.

B. – OPERATING EXPENSES

2018, c. 8, s. 38.

EXPENSES

107.5. The budget of the municipality shall include an appropriation to provide for payment of a sum to the chief auditor to cover the expenses relating to the exercise of the chief auditor's duties.

AMOUNT OF APPROPRIATION	Subject to the third paragraph, the appropriation must be equal to or greater than the sum of A + B + C where: (1) A is \$500,000; (2) B is the product obtained by multiplying 0.13% by the portion of the appropriations provided for in the budget for operating expenses that is equal to or greater than \$345,000,000 but less than \$510,000,000; and (3) C is the product obtained by multiplying 0.11% by the portion of the appropriations provided for in the budget for operating expenses that is equal to or greater than \$510,000,000.
SYSTEM OF ELECTRIC POWER	Where the budget of the municipality provides for appropriations for operating expenses related to the operation of a system of production, transmission or distribution of electric power, 50% only of those appropriations shall be taken into account in establishing the total of the appropriations referred to in the second paragraph. 2001, c. 25, s. 15; 2001, c. 68, s. 5; 2018, c. 8, s. 39.
C. – MANDATE	2018, c. 8, s. 40.
APPLICATION OF POLICIES AND STANDARDS	107.6. The chief auditor is responsible for the application of the municipality's policies and standards relating to the management of the human, material and financial resources assigned to auditing. 2001, c. 25, s. 15.
ACCESS TO INFORMATION	107.6.1. Despite section 8 of the Act respecting Access to documents held by public bodies and the Protection of personal information (chapter A-2.1), the chief auditor shall perform the duties conferred by that Act on the person in charge of access to documents or the protection of personal information with regard to the documents the chief auditor prepares in performing his duties or with regard to the documents he keeps for the purposes of his mandate, provided the latter documents are not also kept by a body subject to that Act. The chief auditor shall transmit without delay to the person in charge of access to documents or the protection of personal information within a concerned body any application he receives concerning documents that are also kept by the body. 2018, c. 8, s. 41.

**LEGAL PERSON
TO AUDIT**

107.7. The chief auditor shall audit the accounts and affairs:

- (1) of the municipality;
- (2) of every legal person
 - a) that is part of the reporting entity defined in the municipality's financial statements;
 - b) of which the municipality or a mandatary of the municipality appoints more than 50% of the members of the board of directors; or
 - c) of which the municipality or a mandatary of the municipality holds more than 50% of the outstanding voting shares or units;
- (3) of any body referred to in the first paragraph of section 573.3.5, provided
 - a) in the case of a body referred to in subparagraph 1 of the first paragraph of that section, it is the mandatary or agent of the municipality;
 - b) under subparagraph 2 of the first paragraph of that section, the majority of the members of its board of directors are members of the council of, or are appointed by, the municipality;
 - c) its budget is adopted or approved by the municipality;
 - d) in the case of a body referred to in subparagraph 4 of the first paragraph of that section, it receives part or all of its financing from the municipality; or
 - e) or in the case of a body designated under subparagraph 5 of the first paragraph of that section, it has its principal place of business in the territory of the municipality.

If, under this section, section 108.2.0.1, article 966.2.1 of the Municipal Code of Québec ([chapter C-27.1](#)) or section 86 of the Act respecting the Commission municipale ([chapter C-35](#)), a mandate to audit certain aspects of the accounts and affairs of a body referred to in section 573.3.5 is entrusted to more than one auditor, the audit of those aspects must be conducted exclusively by the following designated auditor:

- (1) the chief auditor of the municipality with the largest population;
- (2) if no chief auditor of a municipality is concerned, the Commission municipale du Québec;
- (3) if neither a chief auditor of a municipality nor the Commission is concerned, the external auditor of the municipality with the largest population

2001, c. 25, s. 15; 2010, c. 18, s. 20; 2018, c. 8, s. 42.

AUDIT OF THE AFFAIRS AND ACCOUNTS

107.8. The audit of the affairs and accounts of the municipality and of any legal person or body referred to in subparagraph 2 or 3 of the first paragraph of section 107.7 includes, to the extent considered appropriate by the chief auditor, financial auditing, auditing for compliance of their operations with the Acts, regulations, policies and directives, and auditing for value-for-money.

POLICIES AND OBJECTIVES

The audit must not call into question the merits of the policies and objectives of the municipality or legal persons or bodies referred to in subparagraph 2 or 3 of the first paragraph of section 107.7.

AUTHORITY

The chief auditor in the performance of his duties is authorized

- (1) to examine any document concerning the affairs and accounts relating to the objects of the audit ;
- (2) to require from any employee of the municipality or any legal person or body referred to in subparagraph 2 or 3 of the first paragraph of section 107.7 all information, reports and explanations the chief auditor considers necessary.

2001, c. 25, s. 15; 2001, c. 68, s. 6; 2018, c. 8, s. 43.

SUBSIDIED LEGAL PERSON

107.9. Any legal person receiving an annual subsidy from the municipality of at least \$100,000 is required to have its financial statements audited.

COPY TO THE CHIEF AUDITOR

The auditor of a legal person not referred to in paragraph 2 of section 107.7 that receives an annual subsidy from the municipality of at least \$100,000 shall transmit to the chief auditor a copy of

- (1) the annual financial statements of the legal person;
- (2) the auditor's report on the statements;
- (3) any other report summarizing the auditor's findings and recommendations to the board of directors or the officers of the legal person.

DOCUMENTS AND INFORMATIONS

That auditor shall also, on the request of the chief auditor

- (1) place at the disposal of the chief auditor any document relating to the auditor's audit and its results;
- (2) provide all information and explanations the chief auditor considers necessary concerning the auditor's audit and its results.

ADDITIONAL AUDIT	Where the chief auditor considers that the information, explanations and documents provided by an auditor under the second paragraph are insufficient, the chief auditor may conduct such additional audit as he considers necessary. 2001, c. 25, s. 15.
ASSISTANCE BENEFICIARY	107.10. The chief auditor may conduct an audit of the accounts or documents of any person or body having received financial assistance from the municipality or from a legal person or body referred to in subparagraph 2 or 3 of the first paragraph of section 107.7 to verify the use made of such assistance.
ACCOUNTS AND DOCUMENTS	The municipality and the person or body having received the financial assistance are required to furnish to or place at the disposal of the chief auditor any accounts and documents that the chief auditor considers relevant to the performance of the chief auditor's duties.
INFORMATIONS	The chief auditor is authorized to require from any officer or employee of the municipality or from any person or body having received financial assistance any information, reports and explanations the chief auditor considers necessary to the performance of the chief auditor's duties. 2001, c. 25, s. 15; 2018, c. 8, s. 44.
PENSION PLAN OR FUND	107.11. The chief auditor may conduct an audit of the pension plan or pension fund of a pension committee of a municipality or a legal person referred to in paragraph 2 of section 107.7 where the committee requests the chief auditor to do so with the approval of the council. 2001, c. 25, s. 15.
INVESTIGATION ON DEMAND	107.12. The chief auditor shall, every time the council so requests, investigate and report on any matter within the competence of the chief auditor. In no case, however, may the investigation take precedence over the primary responsibilities of the chief auditor. 2001, c. 25, s. 15.

ANNUAL REPORT**D. – REPORTING**

2018, c. 8, s. 45.

107.13. Not later than 31 August each year, the chief auditor shall transmit a report presenting the results of the audit for the fiscal year ended on 31 December to the mayor of the municipality, or to the legal person or body, that was audited.

A report on the audit of a legal person or body shall also be transmitted to the mayor of a municipality related to the legal person or body under subparagraph 2 or 3 of the first paragraph of section 107.7, subparagraph 4 or 5 of the first paragraph of section 85 of the Act respecting the Commission municipale ([chapter C-35](#)), or subparagraph 2 or 3 of the first paragraph of article 966.2 of the Municipal Code of Québec ([chapter C-27.1](#)).

Where applicable, the report must also indicate any fact or irregularity concerning, in particular,

- (1) control of revenue including assessment and collection;
- (2) control of expenditure, including authorization, and compliance with appropriations;
- (3) control of assets and liabilities including related authorizations;
- (4) accounting for operations and related statements;
- (5) control and safeguard of property owned or administered;
- (6) acquisition and utilization of resources without sufficient regard to economy or efficiency;
- (7) implementation of satisfactory procedures to measure and report effectiveness in cases where it is reasonable to do so.

The chief auditor may also, at any time, transmit to the mayor of a municipality or to a legal person or body a report presenting his findings and recommendations. Such a report concerning a person or body must also be transmitted to the mayor of a municipality related to the person or body under the provisions mentioned in the second paragraph.

The mayor of a municipality shall file any report he receives under this section at the first regular sitting of the council following receipt of the report.

2001, c. 25, s. 15; 2010, c.18, s. 21; 2018, c. 8, s. 46.

107.14. (*Repealed*).

2001, c. 25, s. 15; 2006, c. 31, s. 16; 2010, c. 18, s. 22; 2017, c. 13, s. 50; 2018, c. 8, s. 47.

107.15. (*Repealed*).

2001, c. 25, s. 15; 2018, c. 8, s. 47.

E. – IMMUNITY

2018, c. 8, s. 48.

NON-COMPELLABILITY

107.16. Notwithstanding any general law or special Act, neither the chief auditor nor the employees under the chief auditor's direction or the professionals under contract may be compelled to give testimony relating to any information obtained in the performance of their duties or to produce any document containing such information.

IMMUNITY

Neither the chief auditor nor the employees under the chief auditor's direction may be prosecuted by reason of any act they have done or failed to do in good faith in the performance of their duties.

No civil action may be instituted by reason of the publication of a report of the chief auditor prepared under this Act or of the publication in good faith of an extract or summary of such a report.

IMMUNITY

Except on a question of jurisdiction, no application for judicial review under the Code of Civil Procedure ([chapter C-25.01](#)) may be exercised nor any injunction granted against the chief auditor, the employees under the chief auditor's direction or the professionals under contract acting in their official capacity.

CANCELLATION

A judge of the Court of Appeal, on an application, may summarily annul any proceeding instituted or decision rendered contrary to the provisions of the first paragraph.

2001, c. 25, s. 15; I.N. 2016-01-01 (NCCP).

AUDIT COMMITTEE

107.17. The council may establish an audit committee and determine its composition and powers.

AUDIT COMMITTEE OF THE URBAN AGGLOMERATION OF MONTRÉAL

Despite the first paragraph, in the case of the urban agglomeration of Montréal, the council must establish an audit committee composed of not more than 10 members appointed on the proposal of the mayor of the central municipality. Two of the committee members must be council members representing the reconstituted municipalities. Those two members shall take part in deliberations and votes of the committee on any matter related to an urban agglomeration power.

OPINIONS AND INFORMATIONS OF THE COMMITTEE

In addition to the other powers that may be entrusted to it, the committee established in the case of the urban agglomeration of Montréal shall submit opinions to the urban agglomeration council on the requests, findings and recommendations of the chief auditor concerning the urban agglomeration. It shall also inform the chief auditor of the interests and concerns of the urban agglomeration council with respect to the audit of the accounts and affairs of the central municipality. On an invitation by the committee, the chief auditor or a person designated by the chief auditor may attend a sitting and take part in deliberations.

2001, c. 25, s. 15; 2008, c. 19, s. 11; 2009, c. 26, s. 19.

V. – EXTERNAL AUDITOR

2001, c. 25, s. 16.

APPOINTMENT OF AN EXTERNAL AUDITORS

108. The council shall appoint an external auditor for not less than three nor more than five fiscal years. At the end of the term, the external auditor shall remain in office until replaced or reappointed.

In the case of a municipality with a population of at least 10,000 but less than 100,000 inhabitants, the council may appoint two external auditors. In such a case, the council shall entrust one auditor with the audit mandates under section 108.2 and the other with the audit mandate under section 108.2.0.1.

Every external auditor must be a member of the Ordre des comptables professionnels agréés du Québec.

When carrying out their value-for-money audit mandate and despite any general law or special Act, neither an external auditor nor the employees under the external auditor's direction or the professionals under contract may be compelled to give testimony relating to any information obtained in the performance of their duties or to produce any document containing such information. A judge of the Court of Appeal may, on an application, summarily annul any proceeding instituted or decision rendered contrary to this paragraph.

Neither an external auditor nor the employees under the external auditor's direction may be prosecuted for any act they have done or failed to do in good faith in the performance of the duties related to their value-for-money audit mandate.

No civil action may be instituted for the publication of a report of an external auditor prepared under this Act in connection with a value-for-money audit mandate or the publication in good faith of an extract or summary of such a report.

Except on a question of jurisdiction, no application for judicial review under the Code of Civil Procedure ([chapter C-25.01](#)) may be exercised nor any injunction granted against an external auditor, the employees under the external auditor's direction or the professionals under contract when the external auditor, employees or professionals are acting in their official capacity in connection with their value-for-money audit mandate.

R. S. 1964, c. 193, s. 104; 1975, c. 66, s. 11; 1984, c. 38, s. 11; 1995, c. 34, s. 12; 1996, c. 27, s. 12; 1999, c. 43, s. 13; 2001, c. 25, s. 17; 2003, c. 19, s. 110, s. 250; 2005, c. 28, s. 196; 2009, c. 26, s. 109; 2016, c. 17, s. 8; 2018, c. 8, s. 49.

VACANCY

108.1. If the office of the external auditor becomes vacant before the expiry of his term, the council shall fill the vacancy as soon as possible.

1984, c. 38, s. 11; 2001, c. 25, s. 18; 2003, c. 19, s. 111.

DUTIES

108.2. The external auditor of a municipality having less than 100,000 inhabitants, or the external auditor designated by the council where two external auditors have been appointed, shall audit, for the fiscal year for which he was appointed,

- (1) the financial statements of the municipality and of any legal person referred to in subparagraph 4 of the first paragraph of section 85 of the Act respecting the Commission municipale ([chapter C-35](#)) that is related to the municipality in the manner provided for in that subparagraph;
- (2) the effective aggregate taxation rate to verify its compliance with Division III of Chapter XVIII.1 of the Act respecting municipal taxation ([chapter F-2.1](#));
- (3) any document determined by the Minister of Municipal Affairs, Regions and Land Occupancy by a regulation published in the *Gazette officielle du Québec*.

1984, c. 38, s. 11; 1996, c. 2, s. 209; 1999, c. 43, s. 13; 2001, c. 25, s. 19; 2003, c. 19, s. 250; 2005, c. 28, s. 196; 2006, c. 31, s. 17; 2009, c. 26, s. 109; 2017, c. 13, s. 51; 2018, c. 8, s. 50.

108.2.0.2. A municipality referred to in section 108.2.0.1 may, by by-law, entrust to the Commission municipale du Québec the audit mandate provided for in that section. An authenticated copy of the by-law must be transmitted to the Commission without delay.

A by-law made under the first paragraph applies from the fiscal year following that of its coming into force, provided it comes into force before 1 September; if it does not, the by-law applies from the second fiscal year following that of its coming into force. Section 108.2.0.1 ceases to apply to the municipality's external auditor as of that fiscal year.

Despite the third paragraph of section 86 of the Act respecting the Commission municipale ([chapter C-35](#)), the audit mandate entrusted to the Commission by a by-law adopted under this section must be carried out once every two years.

The by-law may not be repealed.

2018, c. 8, s. 51.

DUTIES

108.2.1. The external auditor of a municipality having 100,000 inhabitants or more shall audit, for the fiscal year for which he was appointed,

- (1) the accounts and affairs of the chief auditor;
- (2) the financial statements of the municipality and of any legal person referred to in subparagraph 2 of the first paragraph of section 107.7;
- (3) the effective aggregate taxation rate to verify its compliance with Division III of Chapter XVIII.1 of the Act respecting municipal taxation (chapter F-2.1); and
- (4) any document determined by the Minister of Municipal Affairs, Regions and Land Occupancy by a regulation published in the *Gazette officielle du Québec*.

2001, c. 25, s. 20; 2001, c. 68, s. 7; 2003, c. 19, s. 250; 2005, c. 28, s. 196; 2009, c. 26, s. 109; 2017, c. 13, s. 52; 2018, c. 8, s. 52.

108.2.2. An audit conducted by an external auditor must not call into question the merits of the policies and objectives of the municipality or of a person or body whose accounts and affairs are being audited.

2018, c. 8, s. 53.

108.3. Each year, not later than on the date determined by the municipal council, the external auditor shall transmit any report for the preceding fiscal year that was made under section 108.2, 108.2.0.1 or 108.2.1 to the treasurer of the municipality concerned or to the legal person or body concerned.

Any report on the audit of a legal person or a body must also be transmitted to the mayor of a municipality related to the legal person or body under subparagraph 2 or 3 of the first paragraph of section 107.7 or under subparagraph 4 or 5 of the first paragraph of section 85 of the Act respecting the Commission municipale (chapter C-35).

Any report made under section 108.2.0.1 on the value-for-money audit of a municipality having at least 10,000 but less than 100,000 inhabitants must also be transmitted to the Commission municipale du Québec not later than 30 September following the last fiscal year to which the report pertains. The Commission shall publish the report on its website.

The treasurer of a municipality shall file any report he receives under this section at the first regular sitting of the council following receipt of the report.

1984, c. 38, s. 11; 2001, c. 25, s. 21; 2010, c. 18, s. 23; 2017, c. 13, s. 53; 2018, c. 8, s. 54.

COUNCIL'S REQUIREMENT

108.4. The council may require any other audit it considers necessary, and require a report.

However, a council may not ask the external auditor for audits that fall under the mandate assigned to the Commission municipale du Québec under the Act respecting the Commission municipale (chapter C-35).

1984, c. 38, s. 11; 2018, c. 8, s. 55.

DOCUMENTS AND INFORMATIONS

108.4.1. The external auditor shall have access to the books, accounts, securities, documents and vouchers and may require the employees of the municipality to furnish any information and explanations necessary for the performance of the external auditor's mandate.

2001, c. 25, s. 22.

DOCUMENTS

108.4.2. The chief auditor shall place at the disposal of the external auditor all books, statements and other documents prepared or used by the chief auditor during the audit conducted under section 107.7 and that the external auditor considers necessary to carry out his mandate.

2001, c. 25, s. 22; 2005, c. 28, s. 49.

INELIGIBILITY

108.5. In no case may the following persons act as external auditor of the municipality;

- (1) a member of the council of the municipality and, where applicable, of a borough council;
- (2) an officer or an employee of the municipality;
- (3) the associate of a person mentioned in paragraph 1 or 2;
- (4) a person who, during the fiscal year for which the audit is carried out, has, directly or indirectly, personally or through his associate, any participation, interest or commission in or under a contract with the municipality or in respect of such a contract, or who derives any benefit from the contract, unless his connection with the contract arises from the practice of his profession.

1984, c. 38, s. 11; 1996, c. 2, s. 209; 1999, c. 40, s. 51; 2001, c. 25, s. 23.

RESPONSIBILITY

108.6. The external auditor may be an individual or a partnership. The external auditor may entrust his employees with his work but his responsibility is then the same as if he had performed all the work personally.

1984, c. 38, s. 11; 1999, c. 40, s. 51; 2001, c. 25, s. 24.

VII. – DIRECTOR GENERAL**CHIEF OFFICER**

113. The director general is the chief officer of the municipality.

AUHORITY The director general has authority over all the other officers and employees of the municipality, except the chief auditor, who reports directly to the council. With respect to an officer or employee whose duties are prescribed by law, the authority of the director general is exercised only within the framework of his duties as the administrator of human, material and financial resources of the municipality and may in no case hinder the carrying out of duties that are prescribed by law.

POWER OF SUSPENSION. The director general may suspend an officer or employee from his duties. He shall immediately make a report of the suspension to the council. The council shall decide the case of the suspended officer or employee, after inquiry.

R. S. 1964, c. 193, s. 109; 1968, c. 55, s. 5; 1983, c. 57, s. 50; 2001, c. 25, s. 27.

9.2. APPENDIX 2 - REPORT OF THE INDEPENDENT AUDITOR

Accounts statement of the Bureau du vérificateur général of the Ville de Montréal

Year ended December 31, 2018



Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel.: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

Independent Auditor's Report

To the Mayor,
the Chairman and Members of the Executive Committee,
the Members of the Municipal Council of the Ville de Montréal, and
the Members of the Agglomeration Council of the Ville de Montréal

Opinion

We have audited the accounts statement of the Bureau du vérificateur général of the Ville de Montréal (the "Bureau du vérificateur général") for the year ended December 31, 2018, and the note to the statement, including a summary of significant accounting policies (collectively referred to as the "statement").

In our opinion, the accompanying statement for the year ended December 31, 2018, is prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the statement.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Ville de Montréal in accordance with the ethical requirements that are relevant to our audit of the statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist the Bureau du vérificateur général to meet the requirements of the section 108.2.1 of the *Cities and Towns Act*. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Statement

Management of Bureau du vérificateur général is responsible for the preparation of the statement in accordance with the basis of accounting described at Note 1, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau du vérificateur général's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "Deloitte LLP". The "D" is large and stylized, followed by "eloitte" and "LLP" in a smaller, more standard font.

April 29, 2019

¹CPA auditor, CA, public accountancy permit No. A116207

ANNEXE 2 – RELEVÉ DES COMPTES

Accounts statement of the Bureau du vérificateur général

Year ended December 31, 2018

(In thousands of dollars)

	2018 ⁽¹⁾	2018	2017
	Budget	Actual	Actual
	\$	\$	\$
Compensation of personnel	4,111	4,188	4,148
Professional, technical and administrative services	1,825	879	752
Other operating expenses	246	234	527
Total	6,182	5,301	5,427

⁽¹⁾ Approved budget, as modified, presented in the accounting system of the Ville de Montréal for the Bureau du vérificateur général and adopted by the municipal council and the agglomeration council of the Ville de Montréal.

Accounts statement of the Bureau du vérificateur général

Note to the statement

Year ended December 31, 2018

1. Accounting policy

This accounts statement of the Bureau du vérificateur général was prepared in accordance with the recognition and measurement principles of Canadian public sector accounting standards, according to the same accounting policies described in Note 2 to the consolidated financial statements of the Ville de Montréal for the year ended December 31, 2018, with the exception that fixed assets are not capitalized and amortization that would result from them is not considered.



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