

**PRESS RELEASE  
For Immediate Release**

**THE AUDITOR GENERAL OF THE VILLE DE MONTRÉAL  
RELEASES HIS FOURTH ANNUAL REPORT**

**Montréal, May 28, 2013** – In accordance with the provisions of the *Cities and Towns Act* (CTA), on May 23, 2013, the auditor general of the Ville de Montréal, Mr. Jacques Bergeron, presented the mayor, Mr. Michael Applebaum, with his fourth annual report for the year 2012. As planned, the mayor tabled the report at yesterday afternoon's session of city council and will do so again at the May 30th session of the urban agglomeration council.

The primary duty of the auditor general is to audit the financial statements of the city and of the municipal bodies that it controls or that are included within its reporting entity. The auditor general's responsibilities also include verifying that city operations comply with laws, regulations, policies and directives, and conducting value-for-money and information technology audits.

The auditor general's annual report for 2012 is available on his website at: [www.ville.montreal.qc.ca/verificateur](http://www.ville.montreal.qc.ca/verificateur). Following is a presentation of some of the highlights of the report that includes 13 value-for-money and information technology audits.

## **HIGHLIGHTS**

### **[Comments and Recommendations from the Auditor General](#) (chapter 1)**

As in past years, the auditor general formulates comments and recommendations to the municipal administration based on the results of his audits and his understanding of the situation. In particular, the auditor general sets out various avenues to explore for improving the city's management processes.

Risk management must take into account new parameters. Therefore, ***the auditor general recommends*** that the city produce a new risk management grid to determine key sectors and activities that are more exposed to the misappropriation of funds.

City authorities have made no decisions about desired levels of service for buildings and infrastructures and these levels of service define the parameters of investment. Therefore, ***the auditor general recommends*** that the city establish and seek approval for levels of service for these buildings and infrastructures, allocate the required levels of investment and adopt a realistic funding method.

Since infrastructure project planning is currently done on an annual basis, due to budget allocations uncertainty, **the auditor general recommends** that the city take the necessary steps to ensure that infrastructure project planning is carried out over a period of several years in order to facilitate project completion and help prioritize longer-term responses.

Since the three-year capital expenditures program (TCEP) is not approved early enough for business units (departments and boroughs) to be informed in a timely manner of budgets and the city administration does not make sure that the business units have the capacity to complete the projects for which they are responsible, **the auditor general recommends** that the city 1) ensure that adoption of the TCEP is scheduled earlier and 2) ensure that business units have the resources required to implement the projects provided for in the TCEP.

Since the municipal administration does not always receive all the relevant information from the business units that it requires to make informed decisions and to carry out its governance responsibilities, **the auditor general recommends** that city council take the necessary steps to ensure that business units are clearly informed of the high-priority or strategic sectors on which they must regularly report.

### **Follow-Ups to Recommendations from Previous Years (section 5.1)**

The percentage of recommendations made by the Bureau du vérificateur général (BVG) that received concrete corrective measures is an essential indicator for ensuring that central departments and boroughs implement these recommendations promptly. Follow-ups to the recommendations for a given year generally extend over a maximum period of three years.

For recommendations made in 2011, 92% have been “completed” or are “under way”, compared with the municipal administration’s annual objective of 80%. For all 1,382 recommendations made since 2005, 79% have been “completed” and 12% are “under way”.

However, **the auditor general noticed a certain laxness in implementing the recommendations outlined in the annual report in the year following their publication.** Only 35% of the recommendations made in 2011 were “completed” when the current report went to press, compared with 69% of the recommendations made in 2010 at the same time last year.

In the case of the Société de transport de Montréal (STM), results of the follow-up of the 17 recommendations made in 2010 as part of the audits dealing with tests of physical intrusion into its facilities and the integrated control system of the Montréal metro, show that six were “completed” and 11 are “under way”.

### **Asset Disposal (section 5.2)**

The central departments and boroughs use a variety of assets to carry out their activities and deliver their services, including computer equipment and vehicles. The value of these assets

depreciates over time and, once their useful life is over, the business units must dispose of them. The Direction du matériel roulant et des ateliers municipaux (DMRA) offers a road vehicle disposal service, which is mandatory for the central departments, but optional for the boroughs.

**The objective of the audit, which examined five business units and nine boroughs created from the former suburban municipalities, was** to ensure that 1) assets are disposed of in such a way that the city receives fair value, 2) goods that are disposed of can no longer be used in a cost-effective manner by the city, 3) disposals are carried out in accordance with applicable laws and regulations and 4) data contained on hard drives is securely destroyed.

The audit found that, in all cases, with the exception of one borough, the business units did not produce or obtain a “secure data destruction certificate” attesting to the proper destruction of information stored on the hard drives, as required under good practices. In addition, there was no documentary follow-up of donations of computer equipment for most of the entities audited.

To ensure adherence to best practices, ***the auditor general recommends*** that the Division des services aux utilisateurs of the Service des technologies de l’information produce or obtain a “secure data destruction certificate” to formally document this operation. In the case of the Service de police de la Ville de Montréal (SPVM), the auditor general recommends that the SPVM implement controls to ensure the secure handling of hard drives once they are removed from their respective computer cases and sent to the Section des archives for destruction. The auditor general also recommends that Ville-Marie and Saint-Laurent boroughs, as well as the boroughs created from the former suburban municipalities, document all donations of computer equipment in a decision-making summary. A recommendation for the systematic, secure destruction of data contained in hard drives was also made for Saint-Laurent, L’Île-Bizard–Sainte-Geneviève and Pierrefonds-Roxboro boroughs.

As concerns the disposal of vehicles and rolling stock, the BVG found that there are no administrative frameworks in place and no directive supported by an established procedure to be followed when disposing of vehicles. It also found that the Division de la gestion du parc de véhicules (DGPV) does not prepare a decision-making summary when it arranges private sales or sales through calls for tenders but, generally speaking, does so when vehicles are donated to auto mechanic schools.

The audit did not reveal any discrepancies in the vehicle disposal process in Saint-Laurent borough.

To improve compliance with the city’s by-laws and regulations governing asset disposal, ***the auditor general recommends*** that the Direction du matériel roulant et des ateliers municipaux adopt an administrative framework for the central departments concerning the disposal of vehicles, which clearly establishes the scope, principles, roles, responsibilities, processes and documentation required.

### Infrastructure Work Timeframes (section 5.3)

On a yearly basis, the city adopts a three-year capital expenditures plan (TCEP) covering the infrastructure that is managed by its central departments and the boroughs' own road infrastructure and water and sewer rehabilitation programs. Infrastructure work contracts are awarded to the lowest compliant bidder and the price offered is the determining factor.

**The objective of the audit, which examined a sample of 17 projects in four boroughs and three directorates of business units from central departments was** to verify that 1) completion timeframes were stipulated in the contracts, 2) these timeframes were met and 3) measures were taken when contracts were not completed on time.

The audit found that, in the case of eight of the 17 projects that were examined, the work was completed within the initial timeframe, as stipulated in the infrastructure contracts signed with the contractors. Regarding the nine other projects that were not completed within the initial timeframe, no penalty was imposed in six cases despite delays that ranged between 9 and 58 days, while one project will be completed in 2013. In several cases, contract documents were missing or incomplete.

In order to comply with the administrative clauses, ***the auditor general recommends*** that Ville-Marie, Saint-Laurent and Rivière-des-Prairies–Pointe-aux-Trembles boroughs, as well as the Direction de l'eau potable and the Direction de la gestion stratégique des réseaux d'eau, obtain documentary evidence concerning projects that were not completed within the initial timeframe and for which no penalty was imposed in order to validate the reasons for this and provide periodic reports.

### Issue of Building and Subdivision Permits – Contaminated Lands (section 5.4)

Contaminated lands are concentrated mainly along riverbanks, watercourses and railways, as well as former landfill sites throughout the city's territory that were covered over and redeveloped over the years. In 2003, the legislative provisions of Bill 72, which replaced Division IV.2.1 of Chapter 1 of the *Environment Quality Act* (EQA), came into effect and established new rules regarding the protection of land and the rehabilitation of contaminated land. Québec municipalities were directly impacted by these legal amendments.

The Direction du greffe is the business unit responsible for preparing and maintaining the list of contaminated lands on the city's territory, while the city's boroughs share the responsibility for issuing permits under the provisions of the *Act respecting land use planning and development*.

**The objective of the audit, which examined four boroughs, was** to ensure that 1) the boroughs comply with the applicable legislative provisions when issuing building and subdivision permits that concern contaminated lands and 2) applicants pay the established fees for obtaining their permits and the duties of the delegated officers in charge of the permit issuing process are adequately segregated.

The audit examined 36 building and subdivision permits that concerned lands entered on the list of contaminated lands.

The audit found that, apart from Mercier–Hochelaga-Maisonneuve borough where an examination of permit applications showed that the applicable rules were known and applied, there was no evidence that verifications were carried out for permits issued in Le Sud-Ouest, Verdun and Lachine boroughs to ensure that they complied with the legislative provisions governing contaminated lands. In these boroughs, some aspects of the legal requirements for issuing this type of permit were misunderstood by the staff in charge and no controls were in place to ensure that applications for permits of this kind were processed in accordance with the applicable legislative provisions.

In order to make employees aware of the importance of exercising rigorous control to avoid issuing permits for projects that concern contaminated lands without having first obtained the required attestations and to provide assurance that the boroughs have fulfilled all of their legal obligations in this regard, ***the auditor general recommends*** that the entities concerned remind all employees of the specific legal provisions that apply and of the existence of guidelines regarding contaminated lands adopted by the city, and develop an analysis form listing the various checkpoints that must be verified before issuing permits.

Adequate controls must be in place for the collection of permit issuing fees to ensure, on the one hand, that applicants pay a fair price for their permit in accordance with the current fee schedule and, on the other hand, that the city collects all of the sums to which it is entitled. The audit by the BVG failed to find any information on file to recalculate the permit fees that were charged and, sometimes, there was scant proof that files were reviewed before permits were issued. Moreover, calculation errors in the amount that should have been charged to the applicant, which disadvantage the city, were detected in Verdun borough (30% of cases) and Lachine borough (10% of cases). This did not take into account permits that were often issued before the applicant had paid the fees to obtain them (Verdun and Lachine boroughs – 20% of cases, each).

Regarding this matter, ***the auditor general recommends*** that the entities involved issue a formal directive to all employees concerned to keep on file all information regarding permits issued, including information on the establishment of permit fees, and implement a review process before issuing permits.

### [Implementation Plan for Secondary Water and Sewer System Infrastructure Work \(Service de l'eau – Direction de la gestion stratégique des réseaux d'eau\) \(section 5.5\)](#)

The city has an impressive waterworks system that supplies drinking water to a population of close to two million and an equally impressive sewer system that collects and recovers wastewater. Jurisdiction over water management is shared among the urban agglomeration council (water supply infrastructure and equipment, with the exception of secondary systems), city council (local water and sewer line systems, except for the downtown region (under the

purview of the urban agglomeration council), and the boroughs (maintenance of all water mains).

The replacement value of all the water assets is \$40 billion (secondary systems: \$18.5 billion).

Studies conducted in 2002 at the time of the municipal reorganization revealed major deficiencies in the management and funding of water services. According to sound management practices, an annual renewal rate should be maintained in order to ensure infrastructure longevity. In 2002, the Québec government adopted a water policy that set the rate at 1% of the replacement value per year.

Given the scope and degraded condition of the assets, as well as under investment in recent years, what remained to be determined were the most appropriate responses and the best time for responding in order to achieve the desired level of service. Against this backdrop, in 2005, the city developed a response plan (RP) that was meant to serve as a reference for managers for planning short-term and medium-term investments.

In May 2010, using inventory data, RPs were produced for the primary waterworks system, sewer main system and secondary water and sewer systems.

**The objective of the audit, which examined the infrastructure of secondary water and sewer systems, was** to ensure that responses deployed on the city's infrastructures will be based on the establishment of priorities.

The audit found that the majority of as-built (AB) plans were not sent to the Division de la géomatique for updating of the inventory data despite a guideline to this effect issued by the Direction générale in 2011, entitled "Préparation et transmission des plans tels que construits / Plans TQC," [TRANSLATION] "Preparation and forwarding of as-built plans / AB Plans". The lack of available AB plans at the time of reconstruction or rehabilitation necessitates the production of more comprehensive site reports before calls for tenders can be issued.

Regarding the condition of secondary sewer lines, the audit found that, as at December 31, 2011, roughly 70% of the sewer system had been inspected but that proportion differed from one borough to another. The situation was especially troubling in Ville-Marie and Le Plateau-Mont-Royal boroughs, which represent a vital sector, because more than 40% of the sewer lines inspected required short-term responses.

Regarding the water system, the audit found that the Service de l'eau does not have reliable knowledge about the condition of all secondary systems, especially with respect to detecting leaks.

Despite the existence of the RP and partnership agreements and the efforts of the Direction de la gestion stratégique des réseaux d'eau (DGSRE) to follow up on maintenance activities, knowledge of the condition of the assets at this time does not allow response prioritization involving maintenance, rehabilitation or reconstruction work according to a comprehensive strategy.

Estimates have made it possible to set yearly investment levels, which have risen from \$127 million to \$246 million since 2003. However, the BVG found that the average level of investments from 2004 to 2011 was \$65 million/year, which is well below these targets. This is also well below the level of investment required in accordance with good practices (\$185 million), as well as those proposed in the RP (\$290 million). The system has suffered from major underinvestment, increasing its state of deterioration and running the risk of causing major disruptions to citizens.

Despite the fact that the source of the projects selected should still be, for the most part, part of the RP, since it lists the priority responses, the audit found that the boroughs' final RPs are not systematically used for selecting projects to be included in partnership agreements between the DGSRE and the boroughs and that the boroughs do not follow the order of priority set out in the RPs. Consequently, the BVG did not feel that all priority responses were identified.

Regarding investments, the audit found that only 54% of the amounts allocated for 2011 and 65% of the amounts allocated for 2010 were spent, respectively. A considerable portion of projects were delayed. The BVG noted that the DGSRE did not carefully analyze project investment reports.

Good practices define water and sewer system maintenance as an essential need that must be accompanied by response planning and funding. The audit found that there is a discrepancy in how the boroughs operate and the DGSRE is at a loss to explain with certainty the reasons for this situation.

Finally, regarding accountability, the audit found that the DGSRE had never produced annual reports on achievements for all the 19 boroughs.

***The auditor general recommends*** that 1) an inventory be done, 2) the condition of the sewer systems be assessed and leaks in the water systems identified, 3) the level of service be approved by authorities along with the corresponding long-term investment, 4) a comprehensive response strategy be developed that integrates maintenance, rehabilitation and reconstruction work and 5) a periodic assessment be done of the accumulated deficit for maintenance of the secondary systems.

### **Implementation Plan for Arterial Road System Infrastructure Work (Service des infrastructures, du transport et de l'environnement – Direction des infrastructures)** (section 5.6)

City council is responsible for decisions concerning the arterial system, whereas regular and preventative maintenance, as well as the management of the local system, are the responsibility of the boroughs. Connected to the highway network, which is managed by the Ministère des Transports, the arterial system is used heavily every day by automobile traffic. According to the Division de la gestion des actifs de voirie (DGAV), the current system is aging and deteriorating rapidly. High volumes of traffic often greater than anticipated 50 years ago are placing heavy demands on it. The system is in poor condition and is the subject of numerous complaints.

The city inspects its systems regularly to assess the extent of deterioration, which enables it to respond to emergencies and plan the responses required to extend the useful life of assets and maintain them in satisfactory condition. The planning process should, therefore, be very important given the current context since the city is feeling the effects of considerable shortcomings in the maintenance and rehabilitation of roads and sidewalks.

**The objective of the audit, which focused on the implementation of infrastructure work, was** to ensure that responses deployed on the city's infrastructures resulted from the establishment of priorities. Overall, the audit examined bridges, tunnels and related structures (report produced in March 2011), the infrastructures of secondary water and sewer systems and the arterial road system (reports produced in 2013).

The audit revealed that, although the Division de la gestion des actifs de voirie (DGAV) is equipped with a computer system, some physical inventory data are not in the databases and few as-built (AB) plans have been digitized. At the time of our audit, therefore, the DGAV did not have reliable data.

With respect to the arterial road system, the fact that responsibilities are distributed among the DGAV and the 19 boroughs is not helpful in implementing a comprehensive response strategy (maintenance, repair, rebuilding). Having boroughs in charge of operating budgets and the DGAV in charge of capital budgets is not conducive to integrated planning.

The BVG also found that there is no structured preventative maintenance program in place in accordance with the Politique des équipements et des infrastructures.

Regarding funding, the BVG found that underinvestment is worsening each year and the desired condition of the system has never been clearly and specifically confirmed by the municipal authorities, contrary to what key references have suggested. Moreover, the DGAV is unable to show that the projects that have been selected for its annual plan are the highest priorities. None of the projects retained in the project log were classified according to priority to establish a multi-year completion plan.

The audit also led the BVG to conclude that a major portion of the budget allocation is not assigned, during the year, to the completion of projects. As a result, several major projects were postponed to subsequent years.

Moreover, the audit found that no accountability mechanisms were in place to keep the Direction générale and municipal authorities informed (about the degree of completion of planned projects, project reports, the increase in the investment deficit, and anticipated progress in the condition of the system.)

Given the importance of the level of investments required in coming years, ***the auditor general recommends*** that the business units concerned (Direction générale and Direction des infrastructures), 1) report inventory data that is not available, 2) develop a comprehensive response strategy for determining and prioritizing needs, 3) design, document and implement a preventive maintenance program in accordance with the Politique des équipements et des infrastructures, 4) obtain city council approval concerning the level of service and the

corresponding long-term investment, 5) create files that show the priorities used in decision-making, 6) provide reasons for postponements of projects in order to find solutions to irritants that delay project completion and 7) establish mechanisms of accountability, focusing in particular on the degree of implementation of planned projects, project reporting, changes in the investment deficit, and the anticipated improvement in the condition of the system.

### **Contract Awarding and Management Process** **(Société du parc Jean-Drapeau) (section 5.7)**

The Société du parc Jean-Drapeau (SPJD) is a paramunicipal organization whose mission is to manage, administer, operate, develop and implement activities for the Parc Jean-Drapeau site, which falls under the category of facilities and infrastructures of public interest. The members of its board of directors are appointed by the city and its budgets are approved by the urban agglomeration council.

**The objective of the audit, which examined 10 contracts, five of which involved the renovation and expansion of the Hélène-de-Champlain building, was to ensure that the awarding and management of contracts at the SPJD are done through a rigorous process that complies with the laws, regulations and internal policies in effect.**

The audit found that, in November 2010, the city's executive committee authorized the SPJD to sign a 35-year lease with the developer who was retained following a call for tenders to transform the Hélène-de-Champlain building into a high-end restaurant complex meeting the criteria for "Grand Chef Relais & Châteaux" accreditation. The decision-making summary estimated the cost of the work at \$7.3 million, including \$5.3 million that was to be funded by the city and \$2 million by the future operator. Shortly after being hired in April 2011, the firm entrusted with overseeing the renovation work revised its cost estimates upward to \$16.4 million.

On reading the terms of the lease, the BVG noted an inappropriate distribution of roles and responsibilities between the developer and the SPJD. This poor distribution, combined with the lack of a functional and technical program, undeniably exposed the SPJD to the risk of losing control over the project. These facts led the BVG to question whether enough information was communicated to the various bodies (the SPJD board of directors and the city's executive committee).

The audit led us to conclude that several key steps inherent in the project planning process were not given the full attention that they deserved, in particular the cost estimate of the project that was not reviewed as thoroughly as expected given the scope and complexity of the project.

A misunderstanding between the SPJD and the developer who was retained resulted in the decision by the SPJD's board of directors to terminate the contract that bound the parties. Consequently, in compensation for the costs incurred by the developer and certain suppliers that had not been paid, the SPJD was forced to pay \$2 million.

Considering the importance of ensuring greater transparency in decision-making and the fact that improving the infrastructures of Parc Jean-Drapeau is part of the priorities of the city, which will be celebrating its 375th anniversary in 2017, **the auditor general recommends** that the SPJD re-evaluate, on a short-term basis, its practices (documentation, call for tenders, evaluation of bids, approval and awarding of contracts, project follow-up, accountability, minutes of meetings), so that they benefit from structuring and monitoring, and ensure that all the information needed to make an informed decision is communicated to the authorities at the appropriate time.

The auditor general also recommends that all the information about each contract that has been awarded be properly entered into the electronic call for tenders system (SEAO) in accordance with the provisions of the CTA and that a mechanism be implemented to periodically report to the members of the board of directors regarding unforeseen additional expenses approved by the executive director for awarded contracts.

### **Residential Swimming Pool Safety Regulations (section 5.8)**

According to a count done by the city in 2004, there were nearly 33,000 residential swimming pools in Montréal. Between 2000 and 2008, Québec recorded an average of nine residential swimming pool drownings per year. Since 2010, municipalities are responsible for ensuring compliance with the *Residential Swimming Pool Safety Regulation* under which a resident is required to obtain a municipal permit to build, install or replace a swimming pool. The boroughs are responsible for issuing permits related to swimming pools.

**The objective of the audit, which examined three boroughs (Ahuntsic-Cartierville, Pierrefonds-Roxboro, Rivière-des-Prairies–Pointe-aux-Trembles), was** to review the measures undertaken by the city business units responsible for ensuring not only compliance with the regulatory and legislative provisions governing residential swimming pool safety but also the preventive measures adopted by these business units to raise resident pool owners' awareness about the safety standards prescribed in the provincial regulation.

The audit found shortcomings in the harmonization of the various regulatory provisions that apply to the documentation of the elements verified to ensure compliance with the regulation, as well as the lack of a tool to plan the required inspections after a permit is issued.

The BVG concluded that identifying non-compliant installations is not possible within the framework of planned inspections because no mechanism exists to identify residences that have a pool. Follow-up on notices of non-compliance do not entail the thoroughness required to formalize expected corrective measures and ensure that citizens carry out these measures. In addition, ways of raising citizens' awareness, where these exist, are either incomplete or out of date and there are no mechanisms for reporting to authorities.

To increase the safety of citizens and comply with regulatory and legislative provisions governing residential pool safety, **the auditor general recommends** that the business units involved take appropriate steps to fulfill their responsibilities to monitor compliance with the *Residential Swimming Pool Safety Regulation*, especially by implementing a systematic follow-

up process of inspections to be carried out and closer monitoring of corrective actions resulting from non-compliance notices that have been issued.

### First Responder Service and Fire Safety Cover Plan (Service de sécurité incendie de Montréal) (section 5.9)

In recent years, management at the Service de sécurité incendie de Montréal (SIM) has been entrusted with two major projects, namely the implementation of a first responder (FR) service and the development and implementation of a fire safety cover plan (FSCP). The anticipated total cost of the FR service during the three-year implementation and start-up period was \$28,725,400 (2007–2009), while the planned operating budget for the five years needed to fully implement the FSCP was \$63,399,400 (2009–2013).

**The objectives of the audit were** to ensure that implementing the FR service achieved the expected results and that the FSCP was moving forward in accordance with the implementation plan approved by the Ministère de la Sécurité publique (MSP) and adopted by the urban agglomeration council.

The audit found that there was no agreement between the SIM and the Corporation d'urgences-santé aimed at harmonizing the radio codes used by firefighter FRs and ambulance technicians. In addition, the amount received from the Agence de la santé et des services sociaux de Montréal (ASSSM) between 2007 and 2011 totalled \$35,070,500, while the total cost incurred by the SIM for the implementation and operation of the FR service was \$56,374,200. There was no accountability reporting to the Direction générale regarding the FR service that would have made it possible to ensure that appropriate actions were taken in a timely manner.

In the case of the FSCP, the audit found that needs were poorly defined, and that there was a considerable delay in the development and implementation of the fire prevention management system (SCAP) (the first component of the FSCP.) The BVG also concluded that SIM failed to prepare estimates for the initial project. In addition, the completion date was postponed to 2014 without the approval of the MSP.

In the case of the second component of the FSCP (intervention), the BVG discovered that cost overruns were expected for the construction of two fire halls and for the refurbishment of four other fire halls, which raises questions about the reliability of the initial estimates that were factored in at the time that the FSCP was developed.

The third component of the FSCP deals with the supply of water. The audit found that no feasibility study or cost estimate was done by the SIM for these projects that were intended to solve the problem of the supply of water for the West Island.

Since the FR service is operational in 65 fire halls and that it is now in the consolidation phase, **the auditor general recommends** that the SIM, on the one hand, approach the ASSSM to obtain financial compensation to achieve fiscal balance and, on the other hand, produce a periodic accountability report for the Direction générale.

Regarding the implementation of the FSCP, the auditor general recommends 1) obtaining the approval of the MSP for all changes to the initial plan, 2) implement an inspection program for the highest risk buildings, 3) take the necessary measures to ensure compliance with the completion dates of the fire hall construction projects and 4) look into all possible solutions for funding a West Island training centre.

### **Subcontracted Construction Work (section 5.10)**

For the years 2011 and 2012, the monetary value of work contracts awarded by municipal authorities amounted to approximately \$500 million. These contracts were awarded to the lowest qualified tenderer and the bid price was the deciding factor. It may happen that part of the work planned in the contract is entrusted to subcontractors and the city has a duty to know their identity and the nature of the work that they will be doing.

Since 2010, the provincial government has made several amendments to the laws in an effort to prevent, combat and penalize certain fraudulent practices in the construction industry.

**The objective of the audit, which examined the practices of seven business units based on a sample of 13 contracts, was** to assess the extent to which the city ensures that the work entrusted by the contractor to subcontractors complies with the call for tenders documents and specifications and implements the necessary audit procedures to obtain relevant information for decision-making, especially regarding subcontractors.

The audit found that there is no consistency regarding all the items in the administrative clauses of the specifications dealing with subcontractors, especially at the time the list of subcontractors is received and during the approval of this list the approval of the changes made to this list and the transmission of a copy of the renewal of all licenses that will expire before the end of the contract.

The BVG concluded, in the case of all the contracts that were examined, that the business units had failed:

- to demonstrate follow-up with the contractors to obtain all the required information and documents;
- to demonstrate evidence that controls were exercised to ensure that subcontractors were compliant with the legal provisions governing them.

In order for the business units to have all relevant information on all the subcontractors, ***the auditor general recommends*** that the business units put control mechanisms in place to ensure receipt, from contractors, of the required information about subcontractors and to ensure compliance with the legislative provisions.

### **“Integrated Human Resources and Payroll Management System” Project (section 5.11)**

In October 2003, the executive committee approved a project to implement a common and integrated platform, named “SIMON”, regrouping the financial, procurement, human resources

and payroll management systems. The main purpose of the human resources component was to provide the city with an integrated management system (HR-Payroll MS) supporting processes based on the best practices of large organizations.

**The objective of the audit, which examined the HR-Payroll MS project, was** to take stock of the moratorium announced in 2006 and to assess the current situation with respect to management of the project and the capacity to efficiently manage human resource and payroll processes.

The audit found that, following the 2006 moratorium, the project was ignored for several years and no official statement was ever made by the Direction générale and the authorities with respect to continuing the project. The BVG also concluded that the overall cost of the project, even if it were completed, would be much higher than the initial budget of \$25 million. Finally, the BVG concluded that the delays and considerable cost overruns incurred during work on the project were attributable to the customization of the Oracle Suite products and poor project management, as well as a lack of leadership, follow-up or accountability.

In a context in which he considers it is unacceptable that an organization the size of the city does not yet dispose of appropriate administrative systems to support the management of processes that are *a priori* relatively simple, **the auditor general recommends** that the entire project be revived, a recommendation be made to the executive committee proposing an action plan, work be carried out within a rigorous management framework and periodic status reports on the project be made to the executive committee.

### **“Time Management” Subproject (section 5.12)**

One of the processes included in the scope of the initial Integrated HR-Payroll MS project was the time management process (TM subproject). Despite the moratorium imposed on the SIMON project in 2006, the Service des finances resumed work on the TM subproject, separating it from the SIMON project in 2007.

**The objective of the audit, which examined the TM subproject, was** to assess the management of the project and its impact on the implementation of the TM system, and to take stock of current risks with respect to security, system performance and continuity of operations.

The BVG noted several major problems that had arisen during the development and implementation of the components making up the Kronos software package that was purchased to fill the shortcomings in the TM systems used by the boroughs and the central departments. Firstly, in the area of governance, the BVG found deficiencies with respect to project structure and risk management. Secondly, regarding the development phases of the project, the BVG concluded that the decision to purchase a large number of licenses at the outset of the project resulted in a major expense for licences that were not used. In addition, there is a risk that the parameterization of data in the Kronos package was not carried out in compliance with the applicable collective agreements and related employment contracts. Finally, in matters of management of security, performance and continuity, the BVG found a lack of separation between development and production environments, too many “SuperAccess” codes and the

absence of security certification for the Kronos software package, metrics for tracking its performance and a system recovery plan.

Consequently, **the auditor general recommends** that the departments concerned 1) ensure that the collective agreements and letters of agreement were properly interpreted and integrated into the Kronos software package, 2) review the assignment of access profiles, improve control procedures and obtain security certification, 3) establish standards for tracking the performance of the Kronos software package and implement a recovery plan and 4) assess the relevance of using a progressive license acquisition strategy in the future.

### Protection of Personal Information (section 5.13)

With more than 1.6 million residents and 28,000 employees, the city collects and processes a considerable amount of information concerning the private life of its citizens, elected officials and employees. The *Act respecting access to documents held by public bodies and the protection of personal information* applies to the city.

**The objective of the audit was** to evaluate the effectiveness of the controls put in place to ensure adequate software and physical security of the personal information (PI) held by the city, with the exception of information related to the Service de police de la Ville de Montréal (SPVM).

Overall, the audit did not reveal any major deficiencies in the controls put in place for the protection of PI held and processed by the city. The BVG did find, however, that the environments of several systems (development, test and training) other than production contained unprotected PI. The use of real data in these environments is not necessary, especially if the data is confidential, as is the case with PI.

The BVG also found discrepancies in the configuration of the safety parameters of passwords and in the management of access rights to certain information systems.

As the impact level of most of these discrepancies is **high**, **the auditor general recommends** that the departments involved 1) black out data regarding PI in environments other than production, 2) configure the security parameters of passwords for the systems involved and 3) improve the procedures for managing access rights.

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**Source:** Bureau du vérificateur général

**For information:** Gilles Corriveau  
Enigma  
Tel. no.: 514-982-0308, Ext. 207  
Cell no.: 514 984-4184  
Email: [g.corriveau@enigma.ca](mailto:g.corriveau@enigma.ca)