



Property Services Branch
Compliance Audit Report

TABLE OF CONTENTS

Section	Page No.
1.0 MANAGEMENT SUMMARY	2
2.0 INTRODUCTION	2
3.0 OBJECTIVES AND SCOPE	3
4.0 METHODOLOGY	3
5.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS.....	5
5.1 DEPARTMENTAL ACCOUNTABILITY	4
5.2 PROCEDURAL MANUALS	5
5.3 STANDARDIZATION OF REAL ESTATE AND SERVICE CONTRACTS	5
5.4 DIVISIONAL LOCATION.....	6
5.5 ENERGY MANAGEMENT PROGRAM	7
5.6 POLICE SERVICES BOARD.....	8
6.0 REAL ESTATE	8
6.0.1 STAFFING	8
6.0.2 USE OF INDEPENDENT VALUATORS	9
6.0.3 PAYMENT AUTHORIZATION	10
6.1 ACCOMODATION PLANNING	11
6.1.1 LEASE STANDARDIZATION	11
6.1.2 STAFF TRAINING ON HEALTH AND SAFETY TRAINING ISSUES	12
6.1.3 REGIONAL INVENTORY LISTING	12
6.2 CAPITAL PROJECTS	13
6.2.1 COMPUTER ASSISTED SYSTEMS	13
6.3 FACILITIES MANAGEMENT	13
6.3.1 LONG TERM HEALTH CARE AND SOCIAL HOUSING.....	13
6.3.2 PRIORITIZATION OF WORK ORDER.....	14
6.3.3 DEPARTMENTS CIRCUMVENTING JOB AUTHORIZATIONS	15

1.0 Management Summary

We have completed a review of the Regional Municipality of York's (the Region) Property Services Branch (PSB). The principal focus of the review concentrated on reviewing the policies, procedures and controls within the newly established branch in order to provide management with the best possible system to meet the Regions growing accommodation needs.

The scope of the audit included an assessment of the strategic approach to accommodation operations, management and planning, isolating core competencies of building management, and a strategic energy management analysis. A number of meetings were held with PSB management and various regional department personnel to discuss both compliance and operational issues. Testing at a sufficient level of detail was completed to allow us to evaluate the effectiveness of the identified controls currently in use by the PSB.

We have concluded that the Branch has created a master inventory list and various controls are in place within the departments of the PSB. Although one of the main objectives of the Branch was to establish core competencies at the corporate level, management of departments have been reluctant to give up budgetary and maintenance control over the facilities they occupy. Without having the budgetary control, the PSB will never be able to function independently and objectively. Many departments noted that communication between the PSB need to be enhanced. Departments such as the York Regional Police are following the Police Services Act which enables them to do all property services themselves. The long term care facilities, for safety reasons, are maintaining their own facilities as well.

Procedural manuals should be formalized so that staff has a reliable source of guidance to refer to. The procedure manual would also outline policies for centralizing lease agreements on real estate and service contracts. We have also noted that the energy management program has yet to be fully implemented.

We express our appreciation for the excellent cooperation and assistance extended to us during the audit.

2.0 Introduction

In June, 2001, York Region Council authorized the establishment of a Property Services Branch. This new branch amalgamated the Accommodation and Business Planning, Realty Services, Facilities Management, and Facilities Capital Projects divisions into one corporate area within the Finance Department.

Since June of 2001, the Branch has undergone and continues to experience significant change both in ways that it provides its service and in ways it chooses to manage itself. While the Branch has continued to provide for its basic accommodation needs, the need for a co-ordinated approach will help provide quality, customer-oriented service to all departments, which in turn will result in enhanced program delivery to the taxpayers of the Region.

3.0 Objectives and Scope

The overall objective of the audit was to examine the policies, procedures, and controls that have been developed since June, 2001 in the PSB to ensure that the department has met Council's mandate.

Specifically the objectives of the review were to ensure that the Branch was providing the following:

- Strategic corporate approach to accommodation operations, management and planning;
- Efficiently managing space accommodation;
- Isolating core competencies;
- Strategic energy management; and
- Project management of future capital projects.

The scope of the audit included an assessment of current PSB operational policies and procedures, an examination of PSB management and operational reports, discussions with various client services of the PSB and the resulting observations, recommendations, conclusions and responses.

4.0 Methodology

The approach taken for the review included:

- Gaining an understanding of the PSB compliance requirements by completing a detailed review of the operational policies and procedures within the four main sections of the Branch; management and operational reports; and discussions with various clients of the PSB and their resulting observations, recommendations, conclusions, other supporting documentation; and conducting interviews with both PSB management and other departmental managers..
- Identifying and evaluating the adequacy and effectiveness of PSB procedures and key controls in place to ensure the PSB is meeting the Council's mandate.
- Testing at a sufficient level of detail to allow us to evaluate the effectiveness of the identified controls.
- Discussions and review of documentation provided to us by PSB management and personnel.
- Discussions with various PSB client services management of various issues. These discussions included York Region Police, Community Housing, Children's Care Centres and Long Term Health Services.
- Reviewing a draft report with branch management.

- Obtaining management responses.
- Issuing a final report outlining any issues, recommendations and branch management comments.

5.0 Detailed Observations and Recommendations

We have outlined the following observations which apply to all sections of the PSB. In Section 6.0, we outline observations and recommendations which apply to certain divisions only.

Subsequent to field work being completed and this report being issued, the Property Services Branch has prepared the Corporation's first Strategic Accommodation Plan. The Plan establishes a strategy to best achieve the Region's short, medium, and long term objectives for service delivery, within a framework designed to strongly support the Corporation's primary goals for excellence in customer service and employee satisfaction. The goals for completing the Plan were to:

- Develop an understanding of the great diversity of issues impacting on the Region's Real Property;
- Provide a context for ongoing decisions related to the management of the Region's portfolio of land and buildings; and
- Establish an action plan for the ongoing development of the Region's portfolio to ensure its consistency with, and ability to support, corporate initiatives, objectives, and requirements, in an effective, efficient, and financially responsible manner.

5.1 Departmental Accountability

Within the Finance and Administration Committees recommendations, one of the key mandates of establishing the PSB was to consolidate property responsibilities within the PSB so that other York Region departments can focus on their core competencies. We note that of the 51 facilities, 26 have given the responsibility of the operating and maintenance budget to the PSB. We noted that departments still control their budgets for items that are both capital and operating in nature.

One of the PSB's mandate was to ensure that core competencies be clearly defined for responsibilities between corporate support (PSB) and direct service delivery departments. In areas such as energy and facility management, these policies and procedural frameworks have not been clearly identified. Without information being provided to the PSB, this mandate will not be met in areas such as budgeting, payment of bills, facility management and energy use. In addition, PSB will be unable to benchmark facility performance.

Recommendation

Some departments do not want to relinquish budgetary control. The PSB is acting more like a consultant on an as-needed basis. Policies need to be in place to transfer financial responsibilities regarding property management, including operating and maintenance budget responsibilities and bill payments. Management of the PSB agreed that service level partnerships between the PSB and other York Region departments need to be established to clearly define each party's responsibilities. These agreements will help evaluate the ability of the PSB to service these departments and gain further economies of scale for the Region.

PSB management has the sole responsibility for facility leases. We recommend that all service contracts should be reviewed by one branch. Having various service contracts spread over many outside agencies is not cost effective. For example, having various York Region buildings situated closely to each other and using entirely different snow removal contractors

causes inefficiencies both financially and in the service provided to each facility. We recommend that a subcommittee be set up to research initiatives in standardizing these contracts. A legal or outside consulting firm would also bring additional input.

In areas such as energy management, a time deadline for sharing information should be established. We understand that various Energy providers have been contacted to providing easier billing procedures and obtaining energy in bulk formats. We noted that there have been numerous financing charges which could be saved if all bills were centralized.

Management Comments

Energy management data and billing processes have now been centralized within PSB.

PSB will discuss with Supplies & Services, CS&H and Police the consolidation of service contracts by the end of Q2, 2004.

Leasing process has been centralized within PSB.

5.2 Procedural Manuals

Observation

For the PSB to effectively deal with their client departments, a formalized procedural manual needs to be established. The use of management judgment within the PSB has become too common. Due to growing needs of the Region, standards should be established in relation to areas such as space and facility design, service level partnerships and workplace protocols.

Recommendation

Staff is very capable of completing job tasks, but job descriptions need to be clearly defined in a procedural manual. This manual should promote effective decision making with sound management of resources. The procedural manual will also provide guidance on the use service level partnerships (SLP). A benefit from these SLPs will be to clearly define what both parties agree to. These SLPs will also set benchmarks and penalties for non-compliance.

Management Comments

Agreed. PSB to develop procedural manual for processes related to design and provision of space by the end of Q2, 2004. SMG has endorsed concept of space and furniture being corporate assets, and PSB as being accountable for managing space.

5.3 Standardization of Real Estate and Service Contracts

Observation

For real estate contracts (leases), the establishment of the PSB was to standardize these contracts so that the Region's resources were best utilized. We noted that the Emergency Medical Services Department has used the PSB to enter into recent facility leases with positive responses. We have noted that departments such as the York Region Police, Long Term Care and the housing operational division of Housing York Inc. have remained autonomous. As the Region continues to grow and expand, there is a required expertise and knowledge in determining the best location, cost and service, while appreciating their client's needs. Without communication with the PSB, the Region's future real estate planning will not run efficiently.

For service contracts, the PSB is still not aware of all contracts.

Recommendation

We understand that management of the PSB has attempted to gather a data base of real estate lease commitment terms, including costs, location and expiry dates. Due to staff capabilities and roles, they have not been able to expand it further. The creation of a lease administrator would appear to be a value added service. This individual should have a real estate and legal background within the York Region, with access to various real estate agents.

For service contracts, the facility management is not aware of all contracts. A database needs to be regularly updated to highlight the terms, costs and expiry of these contracts so that future planning needs can be monitored. They noted that many contracts are entered into for simplicity. These mainly concentrate on snow removal, cleaning, security and landscaping. These should be reviewed annually to ensure that these contracts are still viable expenses for the Region.

Management Comments

Inventory of leases has now been established within PSB.

Agree with creation of lease administrator to manage lease process and respond to lease administration issues on behalf of clients. This has been included in our 2004 business plan and budget.

Database for service contracts to be set up by Q1, 2004.

5.4 Organizational Location

Observation

The current organizational location is scattered throughout the main administration facility. Staff is not readily accessible to each other and information does not flow freely to each section within the PSB. We noted that meetings are held, but all sections within the PSB need to coordinate better to ensure projects are completed on a timely, cost-efficient manner.

Recommendation

The Administration building should be better organized to allow various departments to communicate to each other. Re-alignment of offices of closely connected divisions such as capital projects and accommodation planning would help. Weekly meetings and status report updates should also be formalized and introduced. We understand that management plans on performing a needs assessment implementation plan later in the year to address this issue.

Management Comments

Management has finalized their needs assessment implementation plan. The plan should begin to be implemented in Q1, 2004 and it is expected to continue to be implemented over a number of years as it is a strategic plan. Due to space limitations, all but the Real Estate section of the PSB will be in one location within the Administration building.

5.5 Energy Management Program

Observation

The manager of the Energy Management Program (EMP) was only recently hired. Due to the timing of hiring the manager of the EMP, not all policies have been put into place. We would note that a memorandum on December 6, 2002 highlighted various useful and accurate information. She highlighted the following:

- Overlapping of efforts in the administration of energy data;
- No accountability, as invoices are automatically approved with very little verification;
- Historical data is not tracked on a building by building basis so that the Region does not know how much energy it consumes; and
- Difficult to forecast and establish benchmarks.

We understand that the manager of the EMP is trying to obtain an historical database. Some York Region departments are reluctant in releasing this information. Also, without further staff resources, the information may take months establish the database.

Recommendation

Management should perform a cost-benefit analysis of the items listed in the memorandum. Further dedicated staff would expedite getting the database together. We also understand that various providers of energy have been contacted.

Management Comments

PSB Energy Management Program has been endorsed by Senior Management. Billing processes have been centralized and a strategy on energy procurement is being developed. A \$350,000 Federal Grant has been obtained to assist in energy retrofit projects.

5.6 Police Services Board

Observation

Currently, the York Regional Police have their headquarters situated within the Administrative building. The Police Services Board has their budget from the York Regional Council. Buildings are to be provided by the Municipality, but due to the Police Act, there is a separate mandate which allows all control over the buildings to be under Police control. There is very little sharing of information between the Police Board and the PSB. For instance, they hire their own cleaners, do all repairs and look after their own energy bills.

On the capital side, the new Police facility being built in Richmond Hill is a joint effort with the Emergency Medical Services. There has been involvement of the PSB in this planning process.

Recommendation

PSB management should consider having discussions with the Police staff in determining whether there is any benefit in sharing information and utilizing available staff. At a minimum, there may be ways of sharing energy information to see if there are any benefits available.

Management Comments

Initial discussions between PSB and Police have taken place regarding establishing a closer relationship in Facility Management. PSB will develop a strategy to discuss with Police senior staff by the end of Q1, 2004.

These points all relate directly and indirectly to each division of the PSB. Within each division, we will highlight other areas of observation and recommendation.

6.0 Real Estate

6.0.1 Staffing

Observation

Management has informed us that there were 73 real estate transaction in 2001, growing to 147 in 2002 and a projected figure of over 200 in 2003. This division has very few staff, especially with the knowledge and expertise of the Expropriation Act. In order to facilitate the growing number of transactions, training and succession planning needs to be developed to ensure proper handling and timely completion of these transactions.

Recommendation

With the increasing expansion of York Region, this division should be appropriately staffed. PSB needs to re-evaluate the section's long term staffing levels. Due to the extensive expertise and training of these staff, the PSB could be best serviced by having a continuous training, mentoring and course sessions.

Management Comments

Additional staff has been requested as part of the 2004 Budget process to accommodate continued growth in Regional Roads Programs. A training plan for staff will be implemented by the end of Q1, 2004.

6.0.2 Use of Independent Appraisers

Observation

Currently, there are no formal written policies in place of when to use independent appraisers. For example, the current practice is that appraisals are only performed if the Region is expropriating residential property. Although no dollar threshold is in place, management is aware of the minimum costs in having appraisals and includes this analysis within determining the expropriation amounts. All other properties do not require appraisals. Management has indicated that they use internal appraisers to value property when it is being sold. Occasionally, if the value is greater than \$500,000 an independent appraisal is obtained (for all properties). We did not find any instances of unusual transactions where the Region paid substantially more than market value.

Recommendation

A policy should be established in determining when to use an appraisal. An example might be when the Region is performing a cost-benefit analysis of demolishing a building or when a property is being sold, acquired or expropriated which is above a threshold set by management.

Management Comments

Roster of appraisers to be established by the end of Q1, 2004. Revised appraisal process and policies by the end of Q2, 2004.

6.0.3 Payment Authorization

Observation

According to By-Law A-0304-2002-031, the current policies in place are for purchases not exceeding \$100,000:

- For amounts under \$10,000, the Commissioner or the Chief Administrative Officer may authorize the purchase (or each individual's designate);
- For amounts over \$10,000, but below \$50,000, the Commissioner or the Chief Administrative Officer (or each individual's designate) may authorize the purchase, provided that three written quotations are solicited, if possible and the lowest quotation is selected.
- For amounts over \$50,000, but not exceeding \$100,000, the Commissioner or the Chief Administrative Officer (or each individual's designate) may authorize the purchase provided that three solicited written quotations are received from alternative sources and the lowest quotation is selected.

In discussion with PSB management, the authorization process of balances between \$10,000 and \$50,000 cannot be completed on a timely basis due to difficulties with the solicitation process.

We believe that the process for purchases over \$100,000 is adequate at this time.

Recommendation

Management may want to consider providing the director of PSB to authorize purchases for amounts under \$50,000.

Management Comments

The delegation of authority within the Purchasing by-law allows PSB Director to authorize purchases under \$50,000.

6.1 Accommodation Planning

6.1.1 Lease Standardization

Observation

A key mandate of the PSB was to centralize and standardize lease administration. The PSB were to also negotiate leases on behalf of the departments. As these are time consuming and costly exercises, Council wanted the departments to spend more time on their core competencies.

Through discussions with Community Services and Housing their needs were not always addressed in these contracts. For instance, the standardization of who's responsibility it is for cleaning, utilities and maintenance should be in all leases. PSB is entering into facility leasing contracts without sufficient input from the department managers. Copies of these leases are still with the PSB and have not been provided to the department.

Recommendation

Leasing contracts need to be standardized. Communication between the PSB and the departments need to be strengthened so that all parties are aware of issues such as budgetary and future space planning.

Management Comments

In conjunction with Legal Branch, PSB has established new standardized leases (when acting as both tenant and landlord).

The Accommodation Working Group provides a forum for discussion of space-related issues between PSB and client departments.

Copies of leases are now available to each department through a web-based application.

6.1.2 Staff Training on Health and Safety Training Issues

Observation

The establishment of the PSB mandated that areas such as fire, health and safety and indoor air quality under their control for building which York Region owns. For buildings which are leased, the landlord is responsible for these areas. We understand that the facilities currently owned are meeting industry standards. PSB is willing to discuss these areas where the facilities are rented, but many departments are under the impression that the PSB is responsible for both owned and leased buildings and that the minimum standards are too low.

Recommendation

The PSB should have meetings with other York Region departments to ensure that fire, health and safety and indoor air quality is explained under the appropriate parties responsibilities. Joint strategy meetings would enable all departments to discuss industry standards and other areas where PSB have expertise.

Management Comments

PSB and the Health & Safety Section of Human Resources Branch are developing a protocol for addressing indoor air quality complaints which will be completed by the end of Q1, 2004. Throughout 2004 PSB will attend client department management meetings to explain the new protocol.

6.1.3 Regional Inventory Listing

Observation

Currently, the real estate division handles the acquisition, disposition and expropriation of real estate. Management's key mandate was to establish an inventory of property. This listing is substantially complete, with only small parcels of land adjacent to Regional Roads to finalize.

The Regional inventory listing of all York Region properties is currently developed on a computerized spreadsheet. This listing, although backed-up regularly, is not password protected or access restricted. Thus, an individual might be able to gain access to the file and alter this listing.

Recommendation

Management should limit the access to this listing by either using password protection or access restriction based on security level of individual.

Management Comments

Agreed. Listing will be password protected, and distributed to Accommodation Working Group by Q1, 2004.

6.2 Capital Projects

6.2.1 Computer Assisted Systems

Observation

Currently, the Capital Projects division monitors financial progress of projects through Microsoft Project Manager. Staff have indicated the software does not integrate financial and non-financial areas to meet their needs.

Recommendation

Various Capital Asset Project Management software programs are currently on the market. Management should consider software that can be used with their existing system. A cost-benefit analysis should be performed. Also, the facility management, business planning and capital project divisions should share information so that duplication of tasks is avoided.

Management Comments

Management to investigate cost benefit of purchasing Capital Asset Planning System by the end of Q2, 2004.

6.3 Facilities Management

6.3.1 Long Term Care (LTC)

Observation

Currently, these facilities utilize their own staff to perform regular maintenance and repairs. They have their own policies and procedures in place and do not utilize the PSB for any facilities management issues. There have been concerns that PSB does not deal with the buildings on a day-to-day basis and therefore do not suit the needs of this department. For instance, a LTC facility needed repairs immediately.

Recommendation

The PSB currently has an abundance of work load. LTC has two dedicated staff. Management should consider transferring these individuals under the PSB control, but still mainly performing duties for LTC. In doing so, security for these buildings will be maintained, but cross training with other PSB staff will facilitate the handling overflow of LTC maintenance facility issues.

Management Comments

PSB staff to discuss recommendation with Health Department staff by the end of Q2, 2004.

6.3.2 Prioritization of Work Orders

Observation

The facilities management division uses an on-line work order request system. This system allows for the facilities management to prioritize orders. Through discussion with departments such as Community Services and Housing, they noted that once the order is placed, the department is still responsible for prioritizing the orders once the facilities maintenance staff arrive. One of the reasons provided was that the facilities management was understaffed, even though the Works department, Police Board and the Long Term Health Care facilities are managed by internal staff. Work order processing is further delayed due to the significant amount of time required in setting up special functions such as BBQ's. Management has informed us that they lost 21 worker days to setting up special functions in 2002.

Recommendation

In order for the facilities to be maintained properly, a separate staff needs to be created for setting up special functions. Management should re-evaluate the staffing needs and the lead times in handling work orders, especially with the amount of expansion projected over the next few years. Departments are still finding that it is easier for them to do the job themselves or hire external contractors to do the repairs then to consult with the PSB. Also, staff should complete all work orders at the facility in order of priority.

Management Comments

PSB is centralizing the Special Events requirements within the Facility Section by the end of Q1, 2004. The room booking and A/V functions are being transferred from Clerks. This will provide enhanced service to client departments and the Chair's Office.

PSB has established prioritized service levels for emergency and non-emergency responses to work orders. These levels will be included in the Service Level Partnerships with client departments which are expected to be completed by the end of Q1, 2004.

PSB Staff no longer assists clients with their BBQ's.

6.3.3 Departments Circumventing Job Authorizations

Observation

Through discussions with PSB management, it was noted that some departments might initially be refused either facilities repairs or capital purchases by the PSB. These departments then approach their program manager to authorize these purchase orders. This job authorization did not occur frequently, but it does undermine PSB management authority and creates further maintenance issues. For example, a proposal was put forward to build a deck on a facility. PSB management denied the expenditure, but it was later approved as a project cost for running a program.

Recommendation

In order for the PSB to gain efficiency and for York Region to allow for core competencies to be achieved, program managers should not be allowed to approve these expenditures which fall under the authority of the PSB. Service Agreement Partnerships would also be instrumental in avoiding these conflicting job authorizations.

Management Comments

PSB staff to clearly define roles and responsibilities in Service Level Partnerships which are expected to be completed by the end of Q1, 2004.

original signed

**Jim Davidson,
Commissioner, Corporate Services**

original signed

**Barry Crowe,
Director of Property Services Branch**