

# City Hall set to open its books

## Council agrees to hire outside auditor

BY KIM GUTTORMSON, CALGARY HERALD    JUNE 9, 2010 7:10 AM



Calgary City Manager Owen Tobert

An external auditor will be brought in to investigate three years of city purchasing to address any lingering concerns of wrongdoing, city council decided Tuesday.

Reacting to a damning audit that criticized procurement practices -- and led to the city auditor suggesting possible fraud -- the city manager Tuesday fought back with his own report.

Owen Tobert said that while the general issues raised by the audit have merit, "the extent of the evidence is a fraction of what was indicated in the audit report."

He pointed out there is no evidence of fraud, nor that any investigations into fraud allegations are ongoing.

And Tobert took some council members to task for suggesting wrongdoing without any proof.

"I'm extremely disappointed that some members of council, without the benefit of any evidence, jumped to conclusions and attacked in the media the reputation of our corporation and staff. . . . To see this corporation's reputation tossed in search of a headline is, to say the least, disappointing."

"I'm not asking you to take my word for it that all is well. Have people come in and validate what I'm telling you."

Council approved hiring an external auditor to examine a number of high-risk files, with a final report coming back no later than early next year. That audit, which will go to tender, could cost in the neighbourhood of \$1 million.

Ald. Ric McIver said an external audit is worth doing.

"We heard clearly today there's \$4 million to \$5 million worth of questions that still need to be answered. There's no suggestion in there there's any wrongdoing, but there is a question, do we have all the facts, do we have all the paperwork, can we demonstrate all the purchasing was done in a proper way and today we can't say yes to all those things," he said.

Tobert's overall report -- basically an analysis by the internal control risk management team -- raised questions about the thoroughness of the procurement audit, done by the city's internal auditor.

The audit found too many contracts were awarded without competition and that too often the values were increased without proper documentation. The value of the 1,200 contracts looked at added up to hundreds of millions of dollars.

City staff have already adopted all recommendations made in the audit, and Tobert's report says there are a handful of contracts that require closer inspections, worth about \$10 million in total.

But it also outlines explanations for a number of "conclusions that weren't supported by the evidence."

Tracy McTaggart, who sat through the council meeting, wouldn't address the discrepancies in the findings.

"I was disappointed I was not given a chance to comment at council and I have no further comment," she said.

Tobert's report found no whistleblower tips alleging fraud relating to city contracts, although three of five investigations into the contracting process are ongoing.

That contradicts claims made by McTaggart two weeks ago, when she told the audit committee that given the amount of purchasing the city does she could "pretty much guarantee" there is fraud, and that the whistleblower program is investigating allegations of fraud relating to city contracts.

As well, concerns that the value of 740 purchase orders were increased by more than 50 per cent for a total of \$747.2 million are unfounded, the report said. Sixty per cent of that value could be attributed to construction management contracts, where the initial tender is for a lower amount because the manager hired then tenders out the construction work, adding it on to the contract. The report said the

final cost would be greater than the initial contract, but still within the original approved budget.

As well, another \$73 million was attributed to a data input error.

The report by the risk management group also stated that audit allegations there was no paperwork for hundreds of contracts worth hundreds of millions of dollars were incorrect because no one looked at the electronic files.

Ald. Diane Colley-Urquhart told council McTaggart said they did look at electronic files.

Mayor Dave Bronconnier said with the speculation following the audit report released in May -- from some members of council and the public -- the city manager had to address it.

"It has suggested there is impropriety taking place in the procurement audit. It has suggested that there was no documentation for literally hundreds of millions of dollars being spent by this corporation. And that in fact is not true," he said.

There is a meeting of audit committee next week, but this report is not on the agenda. However, a quality assessment review of the audit department, required every four years by the Institute of Internal Auditors, is due back but could be discussed in camera.

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