

# Auditor probes City Hall for fraud related to awarding of contracts

## Auditor Tracy McTaggart says if allegations are substantiated, matter will be turned over to police

BY KIM GUTTORMSON, CALGARY HERALD MAY 21, 2010 6:47 AM



City of Calgary Auditor Tracy McTaggart says if allegations of fraud at City Hall are substantiated, the matter will be turned over to city police for further investigation.

**Photograph by:** Archive, Calgary Herald

Allegations of fraud related to the awarding of city contracts are being investigated by the audit department after tips came in through the whistleblower program, the city auditor said Thursday.

While Tracy McTaggart couldn't say how many cases are being looked at, exactly what stage the investigations are at or give specifics about the allegations, she raised the issue during a wider discussion about problems discovered during an audit of the city's procurement policies.

"There are a number of items being looked at," McTaggart told the audit committee. "Staff colluding with certain vendors."

She said the allegations may not be substantiated, but if there is evidence of fraud it will be referred to police.

Unless charges are laid, details on the whistleblower tips won't be released until the next annual report in February.

Chief financial officer Eric Sawyer said he is aware of two cases in which allegations are being investigated.

McTaggart and the committee were on Thursday reviewing her audit, which found too many city contracts are awarded without competition and that too often change orders were used to drastically increase the price of contracts that had already been awarded.

As well, the city relied on requests for proposals instead of going to tender more often than it should have, which the audit says means factors other than just lowest price were used.

McTaggart said those practices can increase the instances of "fraud and abuse if they're not adequately mitigated."

Scott Hennig, Alberta director of the Canadian Taxpayers Federation, said the city should be reviewing every purchasing file in light of the audit's findings.

"There's a lot of taxpayer money at stake. People need to feel confident the money was spent wisely," he said. "They've got to be looking at the last four, five years, looking at every single one again."

In response to a question from Ald. Diane Colley-Urquhart, McTaggart said she couldn't say there was no impropriety, based on the selection of contracts they looked at.

Sawyer pointed out that shouldn't be interpreted as meaning there was any.

The audit looked at 100 individual purchasing decisions between January 2006 and April 2009, including the controversial Calatrava pedestrian bridge and the sole sourcing of its design.

"It was obvious today that it wasn't blown out of proportion, the concern some of us had about the audit," Colley-Urquhart said after the meeting. "Our corporation is vulnerable to impropriety."

The first phase of the procurement audit, released late last year, found the city lacked a comprehensive policy applied across the corporation, which issues about 46,000 purchasing orders every year worth more than \$1.35 billion.

The city brought in 15 new rules around procurement, work that started back in 2008 and is also a response to the first phase of the audit.

"What happens today is completely different than what happened in 2006-2008," said Sawyer, who came into the job a year ago.

As well, the staff has already acted on eight of the 13 recommendations in the second phase and is moving ahead on the other five.

Thursday, the audit committee asked for followup reports to ensure there is a check on how well the new policies are working.

"I don't think you can take their word everything is fine," Hennig said.

Ald. Ric McIver wanted to hear a more "aggressive tone" from city staff on the changes being made.

"The system hasn't been good enough until now," he said. "The system was devoid of standards and rules. . . . Clearly, something should have been improved before now."

The city's staff has moved quickly to address the concerns, Ald. Gord Lowe said, and the requested followup reports will make sure it is on the right track.

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