



**Office of the Auditor General**

**Follow-up to the 2017 Audit of the Management  
of the Lansdowne Contract**

**Tabled at Audit Committee  
September 30, 2020**

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## Executive summary

The Follow-up to the 2017 Audit of the Management of the Lansdowne Contract was included in the Auditor General's 2019 Audit Work Plan.

In October 2012, the City entered into a limited partnership agreement with the Ottawa Sports Entertainment Group (OSEG) and others related to the redevelopment and operation of components of Lansdowne Park. The project included redevelopment of Frank Clair Stadium<sup>1</sup> and the Civic Centre<sup>2</sup>, as well as the construction of retail, office and residential areas at the site. A public, open space known as the Urban Park was created, which includes the Horticulture Building and the Aberdeen Pavilion. The City is responsible for the Urban Park area.

OSEG operates the stadium, arena and parking garage and is responsible for the public areas throughout the retail and residential parts of Lansdowne Park. It is also the property manager for the maintenance and repair of the Urban Park.

The original audit focused on corporate governance and oversight, and provision of services under the contract agreement.

The key findings associated with each of these areas were:

1. **Corporate Governance and Oversight:** The City's Recreation, Cultural and Facility Services (RCFS)<sup>3</sup> department had overall responsibility for Lansdowne park. However, RCFS was able to draw on other City departments to provide support for management of the Lansdowne agreements, as required.
  - a. The City did not have a comprehensive approach, document or tool to effectively monitor compliance to all provisions of the Lansdowne Partnership Plan agreements. Clear responsibility and accountability for monitoring of compliance by City staff was not established. No evidence was found that some of the contract provisions were being monitored at all, and in some cases, there was confusion as to who was responsible to monitor them.

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<sup>1</sup> Frank Clair Stadium is now named TD Place.

<sup>2</sup> The Civic Centre is now named TD Place Arena.

<sup>3</sup> A listing of all abbreviations used in the Follow-up Report is provided in Appendix A.

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- b. Overall, monitoring of the insurance provisions for the Lansdowne agreements was not in place. There was a lack of clear understanding and accountability for the monitoring and review of insurance provisions in contracts and agreements with third parties who provide services for, or on behalf of, the City.
- c. Both City staff and OSEG lacked awareness of certain reporting requirements in the Lansdowne agreements. In some cases, City staff and OSEG were not aware that reports were required to be issued.
- d. Trust accounts for Stadium and Parking Garage reserve funds were not set up as required under the Stadium Lease and Parking Structure Reciprocal Agreement.<sup>4</sup> Rather, money for reserves had been deposited into OSEG's general bank account and interest had not been allocated to the reserve funds.
- e. OSEG had not established a Transportation Demand Management (TDM) office and OSEG did not have a dedicated TDM Coordinator, as required within the Site Plan Agreement.
- f. The City had not established a risk management plan for Lansdowne Park operations to ensure that all risks are managed effectively throughout the life of the Lansdowne project.
- g. The responsibility for utilities at the Lansdowne site was not fully allocated to the proper owners and/or understood, and the City had paid for utilities for which it is not the end user. At the time of the audit, City management was aware of the issues and was in the process of rectifying the situation, including recovering excess funds paid for water.<sup>5</sup>
- h. As the Lansdowne site moved from construction to day-to-day operations, the City did not have a transition plan, as required under its Public-Private Partnership (P3) Policy.

**2. Provision of Services under the Contract Agreements**

- a. The City had established a good working relationship with its P3 partner based on a common focus, the co-location of services and the ability to easily contact

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<sup>4</sup> According to the Life Cycle plans for the stadium and the parking garage, OSEG was required to contribute \$1,427,250 annually into reserve funds for projected capital and repair expenditures that were to be maintained in segregated trust accounts.

<sup>5</sup> At the time of the audit, the City had recovered approximately \$185,000 for natural gas that it was not required to pay for.

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each other when necessary (e.g.: for discussion of financial, event planning, shared services and property management, etc.).

- b. Ottawa Farmers' Market (OFM) revenues and utility cost recoveries did not comply with the OFM License of Occupation. In addition, a separate agreement to the OFM license was signed by a City staff member that did not have sufficient authority to do so under the City's delegation of authority by-law.
- c. Within the separate agreement, it was stated that the City was prepared to absorb OFM heating costs for the 2014/2015 season only, with the intention to monitor to ensure that for the 2015/2016 season an actual cost recovery could be determined. However, there was no evidence that the City monitored the heating costs or that the City was recovering all direct operating costs for the OFM. The reduced rates in the separate agreement continued to be used for the 2016 and 2017 indoor market seasons.
- d. While OFM was required to reimburse utility costs for the outdoor markets, there was no evidence that utilities were recovered from OFM.
- e. The Lansdowne agreements did not include a process to deal with issues that are not specifically covered in the agreements.

To address the areas of improvement above, the original Audit of the Management of the Lansdowne Contract Program provided 17 recommendations for implementation by the City of Ottawa. The follow-up to the 2017 Audit of the Management of the Lansdowne Contract assessed the status of completion for each recommendation, results of which are summarized in the table below. Details on the assessment are included in the detailed report.

Table 1: Summary of status of completion of recommendations

<b>Recommendations</b>	<b>Total</b>	<b>Complete</b>	<b>Partially Complete</b>	<b>Not Started</b>	<b>Unable to Assess</b>
Number	17	6	9	1	1
Percentage	100%	35%	53%	6%	6%

## Conclusion

The Lansdowne Partnership Plan is one of the largest projects that the City has ever undertaken. It is based on a 30-year closed financial system, or waterfall, entered into with OSEG and other partners in 2012. The site transitioned from “construction” to operational” in Q3, 2014. The City’s Recreation, Cultural and Facility Services (RCFS) department has overall responsibility for Lansdowne Park.

This P3 is governed by approximately 30 complex legal agreements. The authority within the City that is responsible for the administration of the contract and for monitoring and evaluating contract performance during the operation phases of the project has a significant responsibility that is crucial to ensure that the City retains value for money during the whole life of the contract. P3 project risks related to asset operation and maintenance remain relevant and can be quite significant in cases where high-value long-term contracts have been entered into.

This is particularly important in the current environment:

- *“Based on the updated 30-year pro forma, over the life of the partnership and from Partnership cashflow distributions, OSEG is not expected to recoup a total of \$69 million of interest/funding and the City would not receive \$62 million of accrued interest on its deemed equity.”<sup>6</sup>*
- After less than 6 years of operation, based on OSEG’s current forecasts, there will not be sufficient cash flow for the City to receive its expected return on investment.

Operations phase risks can pertain to the clarity of project agreements or to the City’s capacity for monitoring long-term contracts. A common risk for P3s may arise from the departments putting in less effort in the monitoring of the operations phase of P3 projects and also have less expertise available than for previous project phases. As a result, there may be a lack of monitoring experience, which will adversely affect the oversight of projects.<sup>7</sup>

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<sup>6</sup> Pg. 21, FEDCO Report 9, 1. Lansdowne Partnership Plan Annual Report.

<sup>7</sup> *Auditing Public-Private Partnerships – A Discussion Paper* © 2015 CCAF-FCVI Inc. (now the Canadian Audit & Accountability Foundation)

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The Lansdowne public-private-partnership has been in its operational phase for six years now. Significant issues were identified three (3) years ago in the original audit related to adequate oversight over quality of service and management of risk for this important City asset. While it was found that management has completed six (6) recommendations, during the follow-up we found significant deficiencies related to a number of recommendations, including recommendations related to the responsibility and accountability for monitoring compliance, reporting requirements and the receipt of contract deliverables. While the City has developed some tools for managing agreement deliverables, there is significant room for improvement in how deliverables are monitored and tracked.

We found that while RCFS has developed a departmental Risk Management Framework and operational risk register for the Lansdowne agreements, the City is not effectively identifying, analyzing, mitigating and monitoring risks for the Lansdowne agreements.

We also found that the City did not provide evidence to demonstrate effective monitoring of lifecycle plans for the Lansdowne stadium and parking structures at the time of the audit cut-off date of October 31, 2019. Since then, the City has begun to draft process documentation (e.g. flow charts) and developed a spreadsheet to document the 5-year Lifecycle Plan for 2019-2024. This spreadsheet does not include detailed monitoring and tracking of the previous period (2014-2018). Deferred amounts from the previous period have been included, however the document does not include any documented information on actual performance and evidence of monitoring for the 2014-2018 and 2019-2024 periods. If the City does not implement a process to effectively monitor lifecycle plans for the stadium and parking structure, there is an increased risk that the required repairs may not be completed and/or not completed within required timeframes. This may result in additional repairs being required for the stadium and parking structure to remain useful throughout their expected life or result in a situation where the Lifecycle Fund may be insufficient to meet the lifecycle needs of the assets.

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It was recommended in the original audit that the City take action to ensure that trust accounts are set up as agreed in the Stadium Lease and the Parking Structure Reciprocal Agreement. We found that OSEG has set up Capital Replacement Fund (CRF) accounts for the stadium and parking structure which are not formal trust accounts. We reassert our recommendation that the City ensure that the accounts are converted to formal trust accounts or that appropriate assurances are to put into place in the Lansdowne agreement(s) in order to mitigate risks and effectively protect the funds from misuse and other creditors.

The City has also not yet obtained proof of insurance for the parking structure for the residential condominium.

Finally, while it was found that the City's P3 Guidelines were reviewed and include specific instructions for employees responsible for P3 projects, City staff would require a baseline of knowledge and experience in managing infrastructure and/or service contracts to successfully leverage the P3 Guidelines. Therefore, we suggest that the City consider developing a P3 Management Framework that includes a P3 Centre of Expertise.

It was also found that the existing definition of a P3 within the P3 Policy is unclear as evidenced by our evaluation against an existing infrastructure project. We also advise that the City review and revise the P3 Policy to provide clear criteria for the classification of P3s and that the P3 Policy include a requirement for the City to formally evaluate and document agreements similar in nature to P3s against this criteria. This would ensure that the City could support decisions relating to the classification of future opportunities (i.e. P3 vs. non-P3) and provide clear direction with respect to the management/oversight and applicable accounting requirements relating to each initiative.

## **Recommendations and responses**

### **Recommendation:**

It is recommended that the City ensure that the accounts are converted to formal trust accounts or that appropriate assurances are to put into place in the Lansdowne agreement(s) in order to mitigate risks and effectively protect the funds from misuse and other creditors.



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**Management response:**

Management agrees with this recommendation.

As described in the report Finance is looking for an alternative to a Trust Account structure that will also protect the funds. Finance staff have been working closely with the OSEG Chief Financial Officer and legal counsel and, with the City's legal counsel to identify possible solutions to this issue. This may require an amendment to the Lansdowne agreement or the researching of options for other available financial mechanisms. The time to research options and make the necessary changes is expected to be complete by Q1 2021.

**Recommendation:**

The City should develop a P3 Management Framework and establish a centralized Centre of Expertise to effectively manage P3s and ensure a consistent approach is used to identify, evaluate, execute and monitor P3 opportunities and arrangements. The framework should include P3 specific Governance Structure, Strategy and Objectives, Policy, Guidelines, Procedures, Centre of Expertise (including roles, responsibilities and knowledge requirements for resources), procurement processes, Contract/Project Management Framework, Risk Management Framework and Performance Monitoring and Measurement Framework. A formal P3 Management Framework would help to ensure that the City's P3 practices are aligned with industry leading P3 practices and the applicable accounting standards (i.e. Public Sector Accounting Board (PSAB)) and support an effective, consistent, transparent approach to the management and accounting for P3 arrangements.

**Management response:**

Management agrees with this recommendation.

Under the current governance structure, once the P3 project is operational, an Executive Sponsor is appointed. The Executive Sponsor (a member of the City's senior leadership team) is responsible for oversight of the P3 from implementation to conclusion. An accountability matrix is developed, which identifies the financial, legal, asset management, real estate, operational oversight, monitoring and reporting requirements. Corporate resources are housed within their respective areas of expertise. Management of the ongoing relationship and monitoring of service delivery resides in the operational department responsible for the service mandate. This has proven to be the most efficient and effective arrangement for real time management of

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P3 projects. Subject matter specific P3 expertise is provided by external consultants on an “as and when required” basis.

The City also has an Enterprise Risk Management Framework and Policy, which were designed to create a risk-aware corporate culture where the management of risks is integrated into the operations and administration of the City. This Policy applies to all work at strategic, corporate and operational levels including projects and work activities where risk is inherent.

Supply Services has responsibility for P3 policy and expertise in contract administration and recently implemented a number of improved contract administration tools to support departments, including the development of a Contract Administration Policy. Together the P3 Policy, P3 Procedures, P3 Guidelines, and Contract Administration Policy, provide the foundational framework for the consistent identification, evaluation, execution and management of P3 projects as and when such opportunities arise. In an effort to further support staff, the P3 Policy will be updated to provide clearer criteria to help determine what constitutes a P3 and, the requirement to formally evaluate new projects against this criterion.

Management will explore the implementation of technological tools and contract management software available to the City to enhance the usability and tracking of performance management of the obligations outlined in the project Matrix. This work is expected to be completed by Q2 2021.

Additionally, the General Manager of Recreation, Cultural and Facilities Services will consolidate the monitoring function for P3s and similar contracts under a dedicated resource within RCFS by Q2 2021.

### **Recommendation:**

In addition to the P3 Management Framework recommended in the previous section, the City should review and revise the P3 Policy to provide clear criteria for the classification of P3s and that the P3 Policy include a requirement for the City to formally evaluate and document agreements similar in nature to P3s against this criteria. The evaluation should occur during the Project Assessment Phase of the initiative to ensure that the appropriate procurement process(es), reporting requirements and agreement(s) are identified before formal planning begins.

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**Management response:**

Management agrees with this recommendation.

The Innovative Client Services Department will review and revise the P3 Policy to provide clear criteria for the classification of P3s by Q2 2021.

**Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded to the audit team by management.

## Detailed report – Assessment of implementation status

The following information outlines management's assessment of the implementation status of each recommendation as of October 31, 2019 with updates for Recommendations 2, 5 and 13 received February 2020.

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**Recommendation #1**

Table 2: Status

Management update	OAG assessment
Complete	Partially complete

**Audit recommendation:**

That the City create a comprehensive document in order to effectively track and monitor compliance to all Lansdowne Partnership Plan (LPP) agreements.

**Original management response:**

Management agrees with this recommendation.

Legal Services is creating a comprehensive document to effectively track and monitor compliance to all Lansdowne Partnership Plan agreements that are of ongoing relevance. The comprehensive document will outline the key details of all relevant LPP agreements and their interaction between those agreements in a matrix. The matrix will highlight the following:

- Important obligations and ongoing rights of all parties;
- Which party is responsible for fulfilling each obligation or enforcing each right; and
- Dates when each obligation must be fulfilled or when each right may be enforced.

Legal Services is also creating a supplementary document to inventory the number and high-level nature of all pertinent LPP agreements. The General Manager of Recreation, Cultural and Facility Services (RCFS), or their assigned designate, is responsible for ongoing monitoring and ensuring that the above described documents are kept up to date.

**Management update:**

Implementation of this recommendation is complete.

Legal Services has completed a comprehensive document to effectively track and monitor compliance to relevant Lansdowne Partnership Plan agreements; RCFS is centrally monitoring compliance.

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**OAG assessment:**

It was found that the City has developed a Lansdowne Master Matrix document (the Matrix) which documents obligations of the various Lansdowne agreements. The Matrix is a Microsoft Excel spreadsheet that was developed by the Legal Services department and is managed by RCFS.

The Matrix includes 362 obligations under 29 agreements. For each obligation, the Matrix should identify the City department and responsibility holder responsible for the agreement, as well as the contact individual within the department that is accountable for the obligation.

However, it was found that for 44 out of 362 obligations contact individuals were not identified. Specifically, it was found that:

- For 32 out of 44 obligations the City Department was not specified (i.e.: identified as Not Applicable or Obligated Department). The City stated that the items marked as “Not Applicable” do not list a City department because they do not require monitoring. Furthermore, the City stated that “Obligated Department” is used as a generic term to reflect that any department could become obligated, depending on the specific circumstances that trigger it.
- For the remaining 12 obligations, PIED was identified as the responsible City Department. PIED was also identified as being the Responsibility Holder for 10 of the 12 obligations, while the Responsibility Holder for the remaining two (2) obligations was identified as PIED BTSS or Business and Technical Support Services. Contact individuals were not identified for any of the 12 obligations.
- There is a contradiction between the individual identified in the Reference worksheet for the Transportation Services Department (TSD) and the individuals identified in the Matrix for TSD/Project Officer-TDM and TSD/OC Transpo Service Planning. While the City explained that this contradiction is intentional due to changes in responsibilities in the operational stage, this was not explicitly explained in either the Reference worksheet nor the Matrix. Should more than one (1) individual be assigned responsibility for a single obligation, the City should state which responsibilities the individual is responsible for to provide documented context.

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- While the audit cut off was October 31, 2019, it was found that the Matrix from December 2019 did not include any changes to the UPPMA as this agreement was month-to-month after it expired in June 2019 and no changes were required in the interim. However, it was also found that the Matrix from February 2020 had not been updated following the execution of the new Urban Park Property Management Agreement (UPPMA) in January 2020.

It was found that contact individuals were identified for all obligations for which RCFS was the responsible City department.

While the management update stated that the Matrix was developed to effectively track and monitor compliance to agreements, we found that while the Matrix identifies departments and individuals responsible for monitoring compliance to agreements, compliance to agreements is not tracked within the Matrix. Rather, it was found that Responsibility Holders have developed their own processes for monitoring compliance to LPP agreement obligations. It was also found that external files have been created to track department responsibilities outside of the Matrix. Furthermore, no evidence was provided to support that this tool is used after responsibility has been assigned.

During interviews it was stated that RCFS works with other City departments responsible for agreement obligations to monitor compliance to agreements. Specifically, an individual within RCFS sends emails to contact individuals from other departments to confirm whether agreement obligations have been addressed. These emails are then saved to a network drive<sup>8</sup>. However, the matrix does not include/monitor any qualitative assessments relating to whether the information received effectively satisfies the obligation.

We do not find this to be an effective or efficient process for monitoring compliance to agreements. The manual activities required to keep the Matrix populated with current and accurate information and the decentralization of responsibilities relating to the monitoring and assessing of compliance to the agreement obligations, increases the potential for misinformation, data inconsistencies and miscommunications. Overall, increasing the risk that the City is not effectively monitoring and tracking compliance to all LPP agreements.

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<sup>8</sup> During the follow-up we assessed whether the City is receiving contract deliverables. Please refer to Recommendation 13 within this report for details of this assessment.

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To effectively monitor compliance to agreements, the City should consider implementing a contract management solution, which would provide the City with a more effective and efficient way to manage large contracts, including contracts that include components for multiple City departments.

Benefits of contract management solutions include, but are not limited to:

- **Collection of Data from Dispersed Assets and Resources:** Contract management solutions would allow individuals from across City departments to confirm compliance with agreements directly in the contract management solution.
- **Mobile Access to Data:** Contract management solutions make data and reports securely available throughout the organization.
- **Enhanced Reporting Capabilities:** Contract management solutions include reporting capabilities, such as customizable dashboards that can be used to provide management with information on compliance with agreements.
- **Data Integrity:** Provides centralized document repository for information. Ensuring consistency in information, minimizing the risk of misinformation and managing version control of documents.
- **Operational Optimization:** Contract Management solutions provide a streamlined approach to tracking contract requirements. The enhanced contract monitoring features increase the effectiveness and efficiency of the monitoring process and help to minimize the impact of contract obligations not being met/satisfied.

### **Impact:**

Because the City has not established an effective solution for monitoring compliance with agreement requirements, the City lacks a clear understanding of whether its partners are complying with the obligations prescribed in the agreements, if the City is receiving the benefits expected to be obtained through agreements and/or if the City is being provided with the information required as per the agreements. This may have an impact on the City's abilities to effectively monitor the partnership's progress and risks for the City.



## Recommendation #2

Table 3: Status

Management update	OAG assessment
Partially complete	Partially complete

### Audit recommendation:

That the City verify that insurance policies as outlined in all Lansdowne Partnership agreements are in place.

### Original management response:

Management agrees with this recommendation.

Based on the comprehensive document created by Legal Services, a list of all insurance policies outlined in all relevant LPP agreements will be compiled.

The General Manager of RCFS, or designate, will verify and ensure that all required policies are in place by Q2 2018.

### Management update:

Implementation of this recommendation is partially complete.

A list of insurance policies has been compiled and Legal Services is reviewing to ensure that appropriate insurance is in place.

### OAG assessment:

Within the Matrix, insurance requirements were identified for ten (10) Lansdowne agreements, including the Retail Lease, the Office Lease, the Stadium Lease, the Parking Structure Reciprocal Agreement, the Urban Park Property Management Agreement (UPPMA) and the License of Occupation for Ottawa Farmers' Market (OFM).

The Matrix references sections of agreements where specific insurance requirements were found (e.g. commercial general liability insurance, business disruption insurance, etc.). We reviewed a sample of three (3) agreements<sup>9</sup> for which insurance requirements

<sup>9</sup> The selected agreements were the Retail Lease, Stadium Lease and Office Lease agreements.

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were identified. We then reviewed the insurance certificates obtained by the City to verify that all insurance requirements were satisfied. It was found that:

1. **Retail Lease:** The City obtained evidence that all insurance policies required in the Retail Lease were in place, including all-risk property insurance, business interruption insurance, professional fees insurance, comprehensive equipment breakdown coverage and commercial general liability insurance.
2. **Stadium Lease:** The City obtained evidence that all insurance policies required in the Stadium Lease were in place, including all-risk property insurance, business interruption insurance, professional fees insurance, comprehensive boiler and machinery insurance and commercial general liability insurance.
3. **Office Lease:** The City obtained evidence that all insurance policies required in the Office Lease were in place, including all-risk property insurance, business interruption insurance, professional fees insurance, comprehensive equipment breakdown insurance and commercial general liability insurance.

In addition, we found that the City obtained proof of insurance for the UPPMA and License of Occupation for OFM. However, we did not assess whether specific insurance requirements of the agreements were in place.

While it was found that the City has obtained proof of insurance for the Retail Lease, Stadium Lease, Office Lease, UPPMA and the License of Occupation for the OFM, it was also found that the City has not obtained full proof of insurance for the Parking Structure Reciprocal Agreement.

Specifically, the City has not yet obtained proof of insurance from the Condominium Association for the parking structure. Legal Services stated that they are working directly with the property manager for the residential condominiums to obtain proof of insurance required in the Parking Structure Reciprocal Agreement.

### **Impact:**

Within the Lansdowne agreements, insurance requirements are included to protect the City and its partners from various incidents. These include but are not limited to commercial general damages related to operations, equipment malfunctions and business disruptions.

Without monitoring and review of insurance certificates by City staff, there is a risk that partners are not maintaining insurance coverage as required, which may have significant financial and liability consequences for the City if an incident were to occur.

**Recommendation #3**

Table 4: Status

<b>Management update</b>	<b>OAG assessment</b>
Complete	Partially complete

**Audit recommendation:**

That the City formally establish responsibility and accountability for monitoring insurance certificates on an on-going basis for the Lansdowne agreements.

**Original management response:**

Management agrees with this recommendation.

The General Manager of RCFS, or designate, will use the list of insurance policies to request the relevant insurance certificates from the appropriate party/department as required. RCFS will also centrally track and retain these certificates on an ongoing basis to ensure their validity.

**Management update:**

Implementation of this recommendation is complete.

The relevant insurance certificates are renewed and received on an ongoing basis. RCFS and PIED are working closely with OSEG to coordinate the on-going exchange, tracking and monitoring of certificates.

**OAG assessment:**

As previously stated, within the Matrix, insurance requirements were identified for ten (10) Lansdowne agreements. For these agreements, a total of 14 specific insurance requirements were identified<sup>10</sup>. As with other obligations within the Matrix, responsibility holders and contact individuals are to be identified for insurance requirements.

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<sup>10</sup> Five (5) insurance requirements were identified in the matrix for the Parking Structure Reciprocal Agreement. All other agreements for which insurance requirements were required had one (1) insurance requirement.

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It was found that responsibility holders were identified for 14 out of 14 insurance requirements. However, it was found that contact individuals were not identified within the responsible City Departments for one (1) out of 14 insurance requirements:

- **Master GP Inc. Shareholder Agreement:** A contact individual was not identified from within PIED for the requirement that insurance coverage be obtained for all assets and civil liability and directors' and officers' insurance coverage for the directors and officers.

Furthermore, while the matrix identifies PIED and RCFS as the responsible City Departments for 13 out of 14 insurance requirements, it was noted that Legal Services coordinated the gathering of insurance certificates for the City and conducted a review of these certificates to confirm compliance/receipt.

**Impact:**

If contact individuals are not identified for monitoring compliance to insurance requirements, there is an increased risk that the City will not verify whether insurance requirements are complied with.

**Recommendation #4**

Table 5: Status

Management update	OAG assessment
Complete	Partially complete

**Audit recommendation:**

That the City clearly establish responsibility and accountability including effective monitoring of compliance for reporting requirements for all contracts and agreements and confirm agreement with OSEG on relevant requirements.

**Original management response:**

Management agrees with this recommendation.

The Lansdowne partnership has been monitored through annual reports, operating dashboards and reporting checklists combined with scheduled quarterly meetings and regular check-ins. Additional meetings are held as required.

To supplement current monitoring, Legal Services is developing a comprehensive list of reporting requirements for all contracts and agreements related to the Lansdowne partnership that are of ongoing relevance. The General Manager of RCFS, or designate, will review the full list of reporting requirements with OSEG to confirm a common understanding and agreement on those requirements. RCFS will monitor and track the relevant components centrally in conjunction with OSEG and the appropriate City departments responsible for the areas in question. This process will be established by Q2 2018.

**Management update:**

Implementation of this recommendation is complete.

Legal Services developed a comprehensive list of reporting requirements for relevant contracts and agreements related to the Lansdowne partnership. Recognizing that the GM of RCFS has executive oversight for this partnership, RCFS facilitated a review of the reporting requirements with OSEG and other City departments to confirm agreement regarding responsibility for oversight of these deliverables.

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**OAG assessment:**

As described under Recommendation 1, the City has developed a matrix that documents responsibility and accountability for requirements within agreements, including reporting requirements from OSEG to the City.

Specifically, 26 reporting requirements were identified across seven (7) Lansdowne agreements<sup>11</sup>. The agreements for which reporting requirements were identified were:

1. **Retail Lease:** One (1) identified reporting requirement;
2. **Stadium Lease:** Three (3) identified reporting requirements;
3. **Office Lease:** One (1) identified reporting requirement;
4. **Parking Structure Reciprocal Agreement:** Six (6) identified reporting requirements;
5. **Master Site Agreement:** Three (3) identified reporting requirements;
6. **Urban Park Property Management Agreement (UPPMA):** 11 identified reporting requirements; and
7. **License of Occupation for OFM:** One (1) identified reporting requirement.

It was found that City departments and contact individuals responsible for monitoring compliance were identified for all reporting requirements.

However, it was found that Lifecycle annual reports were not received for 2015 or 2016, and that while Lifecycle annual reports were received for 2017 and 2018, that these reports were not effectively monitored.

Furthermore, the City confirmed the responsibilities and accountabilities identified in the Matrix assigned to OSEG with the Vice President, Guest Experience and Operations of OSEG via email on June 27<sup>th</sup>, 2019. However, it was found that 184 out of 336 obligations, that were deemed relevant to OSEG, did not have an OSEG contact identified.

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<sup>11</sup> The Master Limited Partnership Agreement states that the auditor shall furnish partners with audited financial statements for the partnership. As this is identified as the responsibility of the auditor, not OSEG, it was not included in this analysis. However, it was noted that responsibility holders and contact individuals were identified for this requirement.

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**Impact:**

For reporting requirements for which contact individuals have not been identified for OSEG, there is an increased risk that agreement requirements will not be complied with. This may result in the City not being made aware of issues related to partnership assets, including the stadium and parking structure, as well as the overall results of the partnership within the agreement's established timelines.

## Recommendation #5

Table 6: Status

Management update	OAG assessment
Partially complete	Not started

### Audit recommendation:

That the City monitor progress against the lifecycle plans for the stadium and the parking garage.

### Original management response:

Management agrees with this recommendation.

The General Manager of RCFS, or designate, will request and obtain the lifecycle plans for the stadium and the parking garage each year and the General Manager of Planning, Infrastructure & Economic Development (PIED), or designate, will monitor the progress. Moving forward, PIED will receive, review and compare the proposed annual itemized work plan against the lifecycle plans as received from the OSEG Shared Services Manager, for the upcoming year. In case of any discrepancy, PIED will raise their concerns at the annual Owners' Liaison Committee meeting prior to the budget being approved.

### Management update:

Implementation of this recommendation is partially complete.

The City has received the five-year Capital Repair and Replacement Plan and the 2017 and 2018 expense reports. The City will be working with OSEG to update the details provided on the annual itemized workplan to provide clear and transparent records of the proposed lifecycle plans. Further clarification and documentation of processes and responsibilities will be developed to ensure information is properly received, reviewed and distributed.



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**OAG assessment:**

It was found that in 2014 the City received a Lifecycle Plan for the Stadium and Parking Structure prepared for OSEG by an independent engineering firm<sup>12</sup>. Within the report, the engineer analyzed the architectural and structural condition of the stadium and parking structure, as well as the state of mechanical systems and electrical systems.

Within the report, the engineers provided:

- A component inventory and descriptions, including component conditions;
- A 5-Year Capital Plan, which identifies components anticipated to require repair and/or replacement within the next five (5) years; and
- A 40-Year Capital Plan, which identifies components anticipated to require repair and/or replacement within the next 40 years.

In addition to the Lifecycle Plan for the Stadium and Parking Structure, the City was provided with annual Capital Replacement Fund (CRF) Actual Expense Reports for 2017 and 2018, which identify work completed during the year and the cost to complete the work.

- The 2017 CRF Actual Expense Report identified total expenditures of \$618,456; and
- The 2018 CRF Actual Expense Report identified total expenditures of \$387,215.

However, we found that the City did not provide evidence to demonstrate effective monitoring of lifecycle plans for the Lansdowne stadium and parking structures at the time of the audit cut-off date of October 31, 2019. Since then, the City has begun to draft process documentation (e.g. flow charts) and developed a spreadsheet to document the 5-year Lifecycle Plan for 2019-2024. This spreadsheet does not include detailed monitoring and tracking of the previous period (2014-2018). Deferred amounts from the previous period have been included, however the document does not include any documented information on actual performance and evidence of monitoring for the 2014-2018 and 2019-2024 periods.

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<sup>12</sup> The Lifecycle Plan for the Stadium and Parking Structure was prepared by Morrison Hershfield.

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During the audit, we were advised of infrastructure issues with the parking structure, including water leakage, of which the City has been aware since at least 2017. This issue was deemed by the City to be a construction deficiency and thus, did not consider it a lifecycle related expenditure. However, as the City and OSEG are responsible for paying for the costs of repairs related to the parking structure, the parking garage repairs should have been classified as “maintenance and repairs” within the Lifecycle Plan. Moreover, it was found that the City, OSEG and the condo board have been engaged in ongoing discussions, assessments and repairs to resolve the water leakage issue. The roof leakage was identified as part of the 2019 Building Condition Assessment and other outstanding construction deficiencies will settle to the appropriate clauses within the agreements to be funded.”

We were also provided with a copy of a Building Condition Assessment for the Lansdowne Parking Garage that was conducted by an independent assessor in 2019<sup>13</sup>.

The Building Condition Assessment found that the parking structure’s podium deck waterproofing system required repairs in the short term and that evidence of leaks through the podium waterproofing was observed to be widespread in some large areas of the garage and along expansion joints.

It also stated that targeted replacement repairs to the expansion joints and areas with widespread leakage will need to be performed to reach the 30-year service life without significant ongoing leakage into the garage and corresponding deterioration of structural and other garage elements.

Within the Building Condition Assessment an updated 5-Year Capital Plan was provided for the period between 2020 and 2024, as well as an updated 35-Year Capital Plan for the period between 2020 and 2054.

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<sup>13</sup> The Building Condition Assessment for the Parking Garage was prepared by Morrison Hershfield.

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Although the final report was not available until 2019, it was clear that both the City and OSEG were aware of the issues relating to the parking structure, where the City, OSEG and the Condo board have been engaged in meetings and completed studies and assessments to support resolving the water leakages issues. However, neither the 2017 nor the 2018 CRF reports contained any mention (i.e. a forecast and/or contingency amount) of the impending impact on the Life Cycle Plan and/or requirements. This demonstrates a significant gap in response and lack of accountability on the City's part to effectively forecast the impact on the Lifecycle Plan.

We also found that the City did not provide evidence to demonstrate effective monitoring of lifecycle plans for the Lansdowne stadium and parking structures at the time of the audit cut-off date of October 31, 2019. Since then, the City has begun to draft process documentation (e.g. flow charts) and developed a spreadsheet to document the 5-year Lifecycle Plan for 2019-2024. This spreadsheet does not include detailed monitoring and tracking of the previous period (2014-2018). Deferred amounts from the previous period have been included, however the document does not include any documented information on actual performance and evidence of monitoring for the 2014-2018 and 2019-2024 periods. To ensure that the items identified in the 5-Year Capital Plan are performed, the City should implement processes to monitor the progress against the lifecycle plans for the stadium and the parking garage, including a reconciliation of work identified as performed in CRF Actual Expense reports with the 5-Year Capital Plan included in the Building Condition Assessment, as previously recommended.

### **Impact:**

If the City does not implement a process to effectively monitor lifecycle plans for the stadium and parking structure, there is an increased risk that the required repairs may not be completed and/or not completed within required timeframes. This may result in additional repairs being required for the stadium and parking structure to remain useful throughout their expected life.

Furthermore, there is a risk that the planned Lifecycle Fund may be insufficient to meet the lifecycle needs of the assets. Effective monitoring and analyses of the CRF Reports, Planned CRF Projects and the Capital Plans would provide the City with some foresight into whether the planned contributions to the Lifecycle Fund will be sufficient to meet the needs.

## Recommendation #6

Table 7: Status

Management update	OAG assessment
Complete	Complete

### Audit recommendation:

That the City monitor the funding of the lifecycle reserves to ensure that they are funded as agreed.

### Original management response:

Management agrees with this recommendation.

Corporate Finance reviews the audited financial statements prepared by OSEG each fiscal year. As part of this review, Corporate Finance confirms the amount that has been put aside for the lifecycle reserves. This is reported as a separate line item on the financial statements. Corporate Finance can confirm that the correct amount has been reported in each of the prior years. Although these funds were reported and tracked separately, a separate trust account had not been set up for these funds and Corporate Finance should have requested evidence of those trust accounts. This will be completed by Q4 2017, including an annual review of the transactions in these accounts.

### Management update:

Implementation of this recommendation is complete.

Finance received the bank statements for the two (2) fund accounts for the 15-month period ended March 31, 2019. The statements were reconciled to the lifecycle report and the audited financial statements received from OSEG. Finance Services continues to review the transactions in these accounts annually as part of the Audited Financial Statement review.

### OAG assessment:

It was found that the City is monitoring the funding of the lifecycle reserves to ensure that they are funded as agreed.

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As per the partnership agreements between the City and OSEG, OSEG is required to contribute \$1,427,250 to reserves for the lifecycle plans for the stadium and the parking structure<sup>14</sup>.

It was found that the City receives audited financial statements for the Lansdowne Master Limited Partnership, which are reviewed by Finance and reconciled to the agreement.

We reviewed the 2018-2019 Consolidated Financial Statements<sup>15</sup> and found that the Statement of Cash Flows identified an increase in restricted cash of \$1,415,474. Note 4 to the Consolidated Financial Statements stated that restricted cash represents funds which are segregated and to be used solely for the estimated future capital and repair expenditures for the stadium.

The amount of \$1,415,474 was calculated as \$1,784,062 in contributions for the 15-month period between January 1<sup>st</sup>, 2018 and March 31<sup>st</sup>, 2019 plus bank interest of \$67,230 less approved capital expenditures of \$435,818.

The City's reconciliation of contributions to the Capital Replacement Funds (CRF) accounts agreed with the 2018-2019 Consolidated Financial Statements.

In addition, we reviewed the City's reconciliation of fund balances and compared the expected balances to account statements to assess whether the accounts have the expected balance.

It was found that the account for the stadium lifecycle fund had a balance of \$3,389,155, which was \$44,871 higher than the amount expected by the City. When the City inquired about the discrepancy, it was informed that the discrepancy was due to the timing of the purchase of a storage tank for the City, which while expected to occur prior to March 31<sup>st</sup>, 2019, did not occur until after.

It was found that the account for the parking structure lifecycle fund had a balance of \$1,068,631, as expected by the City.

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<sup>14</sup> The total contribution of \$1,427,250 consists of \$ 1,182,179 for the stadium and \$245,071 for the parking structure.

<sup>15</sup> The Consolidated Financial Statements for 2018-2109 cover the 15-month period between January 1, 2018 and March 31, 2019 due to a change in the LMLP fiscal year end from December 31<sup>st</sup> to March 31<sup>st</sup>.

**Recommendation #7**

Table 8: Status

Management update	OAG assessment
Complete	Partially complete

**Audit recommendation:**

That the City take action to ensure that the trust accounts are set up, including appropriate interest allocation, as agreed in the Stadium Lease and the Parking Structure Reciprocal Agreement.

**Original management response:**

Management agrees with this recommendation.

Corporate Finance will ensure that there are two (2) separate trust accounts for the Stadium lifecycle reserve and for the Parking Structure lifecycle reserve by the end of Q4 2017. Corporate Finance will review the transactions in these accounts, including the inflows, outflows and interest earned. This review will be conducted annually as part of the Audited Financial Statement review.

**Management update:**

Implementation of this recommendation is complete.

The Finance Services Department has ensured that there are two (2) separate trust accounts set up for the Stadium lifecycle reserve and for the Parking Structure lifecycle reserve. Finance Services continues to review the transactions in these accounts annually as part of the Audited Financial Statement review.

**OAG assessment:**

It was found that OSEG has set up Capital Replacement Fund (CRF) accounts for the stadium and parking structure. Specifically, the CRF Parking Fund Account (Account# 5314324) and the CRF Stadium Fund (Account #5294471)).

The City has acknowledged that the accounts are not formal trust accounts per se, but feel that the current structure better reflects the true intent of the agreement (i.e. that the City is not required to approve every deposit and/or withdrawal from the account). The City recognizes that the current structure does not effectively mitigate the City's risk with

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respect to the protection of the funds contained in the reserve accounts and has proposed the following mitigation strategy:

*“We are looking at the possibility of putting other assurances in the Lansdowne agreement that would provide the same assurances as a depository agreement”*

At the time of the Follow-up the Lansdowne agreement had not been amended to include any such additional assurances.

The Audited Financial Statements note that these accounts were classified as Restricted Cash and were defined as follows:

*“Restricted cash represents funds which are segregated and to be used solely for the estimated future capital and repair expenditures, as required under the terms of the stadium lease agreement between the Limited Partnership and the City of Ottawa.”<sup>16</sup>*

While both the City and LMLP’s Auditors feel that the CRF accounts satisfy the requirements of the Stadium Lease Agreement, evidence was not provided to demonstrate that the account structures satisfy the terms of the agreement. Specifically, the references to “trust accounts” as defined in the following:

**Sections from the Lansdowne Stadium Lease Agreement:**

**Section 6.7 (b)** *The Stadium Reserve shall be maintained in a segregated trust account in the name of the Tenant (the "Stadium Trust Account"), identified at the bank concerned as a trust account, for its intended purpose.*

**Section 6.8 (b)** *The Parking Structure Reserve shall be maintained in a segregated trust account in the name of the Shared Facilities Manager (as defined in the Parking Reciprocal Agreement) (the "Parking Structure Trust Account"), identified at the bank concerned as a trust account, for its intended purpose and all such amounts, together with interest earned thereon, shall be used for the proportionate share of the Stadium Component Owner (as defined in the Parking Reciprocal Agreement) of the lifecycle requirements of the then current Parking Structure Lifecycle Plan (as distinct from obligations for payments with respect to maintenance, operations and other required repairs), in*

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<sup>16</sup> LMLP Audited Financial Statements for 15 months ended March 31, 2019 – Note 4

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*accordance with the definitions and determination of such matters as contained in the relevant Parking Structure Lifecycle Plan.*

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*A trust account is an account in which a bank or trust company, acting as an authorized custodian, holds funds for specific purposes (for example to pay property taxes or insurance premiums, or in this case for lifecycle repairs and replacements). Without this provision, the funds that are meant to be used for a specific purpose could be used for other purposes or not be available when needed*

Furthermore, both CRF accounts are held under the name Ottawa Sports Entertainment Group (OSEG). While this is aligned with the requirements of the Parking Structure Reserve account (i.e. OSEG is named as the Shared Facilities Manager), it does not comply with the requirements of the Stadium Reserve account structure, which requires that the account be in the name of the Tenant. Based on the Stadium Lease Agreement, the Tenant is identified as the Lansdowne Stadium Limited Partnership.

It was also found that the City performs an annual reconciliation of amounts in the stadium and parking structure CRF accounts, including a reconciliation of amounts contributed by OSEG, interest amounts and expenditures.

Based on the City's reconciliation, OSEG has contributed to the CRF accounts as required by the agreements, and that accrued interest and expenses<sup>17</sup> are properly accounted for.

**Impact:**

If the reserve funds are not kept in a formal trust account structure, the funds are not effectively protected from other creditors and could be used for purposes not prescribed for under the agreements.

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<sup>17</sup> Expenditures were identified for the stadium but not for the parking structure.



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**Recommendation:**

It is recommended that the City ensure that the accounts are converted to formal trust accounts or that appropriate assurances are to put into place in the Lansdowne agreement(s) in order to mitigate risks and effectively protect the funds from misuse and other creditors.

**Management response:**

Management agrees with this recommendation.

As described in the report Finance is looking for an alternative to a Trust Account structure that will also protect the funds. Finance staff have been working closely with the OSEG Chief Financial Officer and legal counsel and, with the City's legal counsel to identify possible solutions to this issue. This may require an amendment to the Lansdowne agreement or the researching of options for other available financial mechanisms. The time to research options and make the necessary changes is expected to be complete by Q1 2021.

**Recommendation #8**

Table 9: Status

Management update	OAG assessment
Complete	Partially complete

**Audit recommendation:**

That the City ensure that the contractual obligation is fulfilled with respect to having a dedicated Transportation Demand Management (TDM) Coordinator and TDM Office accessible to the public.

**Original management response:**

Management agrees with this recommendation.

The box office at Lansdowne has been designated and used by the Ottawa Sports and Entertainment Group (OSEG) as the TDM Office. This office is accessible to the public and is a one-stop-shop for residents and visitors to address their Lansdowne transportation-related inquiries or issues.

OSEG continues to provide TDM support to the City for events, reports, inquiries, etc. with a part-time TDM Coordinator. The shift to a part-time TDM Coordinator was discussed and agreed upon at a meeting held in the spring of 2017 between OSEG and some City departments, including Transportation Services (TSD), PIED and Legal Services and was confirmed under the existing delegated authority of the General Manager PIED.

The TDM Coordinator will continue to assist in preparing the annual report and will participate in defining any adjustments to the TDM program that might be determined through the annual reporting. These reports will be submitted to TSD, who in consultation with RCFS, will review and sign-off.

Ongoing monitoring will occur and, if at any time it is felt that the operational needs and expectations are not being met as set out in the TDM program, RCFS in consultation with TSD, PIED and Legal Services, will meet with OSEG to ensure that a full-time TDM coordinator is re-instated.

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**Management update:**

Implementation of this recommendation is complete.

The part-time TDM Coordinator continues to provide TDM support for events, reports, inquiries, etc. and the TDM office, centrally located in the box office at Lansdowne, is accessible to the public. City staff continue to ensure that the part-time TDM Coordinator successfully meets operational needs and expectations as set out in the TDM program.

**OAG assessment:**

Within the Lansdowne Redevelopment Project Agreement, it states that OSEG is required to retain a TDM Coordinator for the Lansdowne site to promote the use of sustainable modes of transportation and reducing the use of automobiles for access to the site for both day-to-day operations and for special events. It also states that OSEG is required to set up a TDM office that is accessible to the public.

During the audit, it was found that an Annual TDM Report was completed by an independent engineering firm for the City and OSEG. The report, which was dated August 22, 2019 provides a summary of transportation services arranged to accommodate special events held over the course of 2018.

However, it was confirmed by the City's TDM Project Officer that the TDM Coordinator position at OSEG had not been staffed since at least November 2019, and that it remained unstaffed as of February 2020.

While the management update states that a TDM office is centrally located in the box office at Lansdowne, during a walkaround of the Lansdowne site performed in February 2020 no signage was observed to indicate that the box office was also a TDM office. In addition, OSEG staff within the Lansdowne box office were unaware that the box office was identified as a TDM office.

As such, it was found that there is not a TDM office accessible to members of the public, as required.

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**Impact:**

While the City receives the Annual TDM Report, the lack of a TDM Coordinator may inhibit the ability of OSEG and the City to identify and remediate transportation issues that may arise due to special events and/or day-to-day operations.

In addition, the lack of a publicly accessible TDM office may make it difficult for residents to bring forward transportation issues for events at the Lansdowne site.

## Recommendation #9

Table 10: Status

Management update	OAG assessment
Complete	Partially complete

### Audit recommendation:

That RCFS establish an operational risk management plan for the Lansdowne Park Partnership and review it, at a minimum, every three (3) years.

### Original management response:

Management agrees with this recommendation.

RCFS staff mitigate risk on an ongoing basis and work with OSEG regularly in this regard. RCFS will determine the scope required for a formalized Risk Management Plan for the Lansdowne Park Partnership by Q1 2018. This plan will be developed within the parameters of the City's Enhanced Risk Management Module, including establishing a timeline for the plan to be reviewed.

### Management update:

Implementation of this recommendation is complete.

RCFS has developed a risk management plan. RCFS has identified a list of operational risks and will work closely with partners to mitigate and monitor them, subject to the completion of ongoing strategic negotiations.

### OAG assessment:

It was found that RCFS has developed a departmental Risk Management Framework<sup>18</sup> (the framework). The purpose of the framework is to provide the department with a consistent, systematic approach for the identification, prioritization, mitigation and reporting on risks.

<sup>18</sup> The RCFS Risk Management Framework was approved by the RCFS Departmental Leadership Team meeting on September 23, 2019.

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The framework states that the Extended Departmental Leadership Team (EDLT) is responsible for identifying risks, managing and monitoring identified risks and developing mitigation plans as necessary. Specifically, the framework states that risks and their mitigation plans will be monitored through ongoing discussions at the EDLT level. Business Support Services (BSS) is responsible for coordinating departmental risk register updates and coordinating the risk management function of RCFS.

In accordance with the RCFS Risk Framework, it was also found that RCFS has developed an operational risk register for the Lansdowne Partnership<sup>19</sup>. The risk register was developed through an interdepartmental brainstorming session held on February 13<sup>th</sup>, 2018 attended by representatives of both RCFS and PIED.

The risk register identifies 13 risks within six (6) risk categories. For each risk the likelihood and impact of the risk are assessed on a scale of 1 to 5; the likelihood and risk scores are then multiplied to determine the overall risk score. Based on the overall risk score, risks are classified as high, medium or low risk. Activities to mitigate the risks, as well as the risk owner are identified within the risk register.

Risk categories include:

- Financial Risks: Two (2) risks identified;
- Infrastructure Maintenance Risks: Three (3) risks identified;
- Partnership Risks: One (1) risk identified;
- Contract Management and Compliance Risks: Three (3) risks identified;
- Public Safety Risks: Three (3) risks identified; and
- Human Resources Risks: One (1) risk identified.

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<sup>19</sup> The Lansdowne Risk Register was originally populated on March 2<sup>nd</sup>, 2018 and was revised during October 2019.

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While the risk categories were appropriate, we found that the risk register did not include significant risks related to the long-term objectives of the agreements that continue to be at risk during the operational phase. Specifically, financial risks<sup>20</sup> within the risk register did not include risks related to the achievement of long-term financial objectives of the Lansdowne agreements. These risks were found to be considered strategic risks and are managed separately from the risk register through discussion meetings at the partner level where the GM, FCFS, City Manager's Office and the CEO OSEG are in attendance.

The RCFS Risk Management Framework requires mitigation activities to be developed for all high and medium risks. We found that while mitigation activities were identified for all high and medium risks within the risk register, that the mitigation activities were not effective. For risks assessed as high risk, we found that:

1. **Lifecycle Plan Monitoring:** Although it states that the City will work closely with OSEG to update the details provided on the annual itemized workplan to provide clear records of the proposed lifecycle plans, we found that the City is not monitoring lifecycle plans for the stadium and parking structure.
2. **Transportation Coordination for Special Events:** Although it states that the City will continue to monitor TDM support, we found that the TDM Coordinator position is unstaffed.

Risk-owners are identified for each identified risk. However, the risk-owner is at the departmental level (e.g.: RCFS, PIED, etc.), which may result in a lack of accountability for risk management and mitigation activities within departments. It was also found that up to four (4) risk-owners were identified for a single risk<sup>21</sup>.

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<sup>20</sup> Financial risks within the risk register are potential loss of revenue at the site should retail leases not occurring/performing as expected and potential loss of rental revenue during extreme heat due to a lack of air conditioning in the Horticulture Building space.

<sup>21</sup> RCFS, Transportation Services, PIED and Legal were identified as the risk-owners for the Transportation Coordinator for Special Events risk.

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We did not find evidence that risk-owners are effectively monitoring risks on an ongoing basis. Furthermore, the City stated that the EDLT is required to review the departmental risk register annually, including the Lansdowne related risks. While we did not find evidence that the EDLT reviewed the Lansdowne risk register specifically, the City confirmed that risks related to the Lansdowne Project would not be mentioned separately at the EDLT meeting as it is considered part of their overall review.

### **Impact:**

To ensure that the City obtains expected benefits from the Lansdowne partnership agreements, risks associated with the agreements must be identified, analyzed and mitigated.

In particular, financial risks and infrastructure maintenance risks must be managed to ensure that the City obtains expected revenues and/or avoids unexpected costs related to agreement assets such as the parking structure, which have significant impacts for the City.



**Recommendation #10**

Table 11: Status

Management update	OAG assessment
Complete	Complete

**Audit recommendation:**

That the City continue to work with OSEG to ensure that responsibility for utilities at the site is resolved in 2017.

**Original management response:**

Management agrees with this recommendation.

Both natural gas and electricity usage for the site have been reconciled. The isolation of water for metering purposes, has proved to be challenging as it has a direct impact on day-to-day site operations.

Due to the major events planned on site as part of Ottawa 2017, the isolation of water and metering of water supply can only be completed by Q2 2018.

**Management update:**

Implementation of this recommendation is complete.

The City and OSEG have identified and resolved outstanding issues with the site water supply and metering. The water distribution system was investigated, and shortcomings in supply and proper metering were identified and resolved to ensure that proper pressure was being delivered and that consumption was being accurately tracked.

**OAG assessment:**

**Hydro**

Within the audit report, it was found that when the City first received hydro bills for the Lansdowne site, that numerous errors were found.

During the audit, we met with both City staff, with responsibilities for utilities at the Lansdowne site, as well as OSEG staff that are responsible for utilities at the Lansdowne site.

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The OSEG staff members stated that they receive three (3) bills from Hydro Ottawa for the Lansdowne site. The City is then provided submeter readings that identify the meter number, and hydro usage for the billing period.<sup>22</sup> Submeter readings are performed by a third-party service provider.

In addition to submeter bills received from OSEG, the City has five (5) meters at the Lansdowne site for which it is billed directly by Hydro Ottawa<sup>23</sup>.

City staff responsible for hydro at the Lansdowne site stated that processes for these expenses are working well, including processes involving OSEG.

### **Natural Gas**

Within the audit report, it was found that there had been a delay in the transfer of responsibility for natural gas at the Lansdowne site from the City to OSEG in 2014. The report stated that the City was reimbursed approximately \$185,000 for the natural gas that should have been charged to OSEG.

We have confirmed that there are no outstanding issues related to natural gas consumption at the Lansdowne site. Specifically, we found that the City receives two (2) natural gas bills related to the Lansdowne site, which are summarized below.

- **Aberdeen Pavilion:** The City is responsible for natural gas consumption for the Aberdeen Pavilion, for which they are directly billed by Enbridge. For 2019, natural gas expense for the Aberdeen Pavilion were approximately \$62,000.
- **Horticulture Building:** The City is responsible for natural gas consumption for the Horticulture Building, for which they are directly billed by Enbridge. For 2019, natural gas expense for the Horticulture Building were approximately \$17,000.

### **Water**

Within the audit report, it states that in early 2017, the City identified a significant increase in water usage at the City meter. After confirming that the water meter was functioning properly, the City and OSEG began working together to identify why the water consumption was so high, and the potential reimbursement of the City for water consumed by OSEG.

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<sup>22</sup> Billing usage is presented in kWh.

<sup>23</sup> Hydro meters at the Lansdowne site for which the City is billed directly by Hydro Ottawa are for the Aberdeen Pavilion, Horticulture Building, Great Lawn, Artscape and the Ice Bunker.

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A Review and Analysis of Water Consumption at Lansdowne Park was completed by an independent reviewer<sup>24</sup> in 2018 to assess the volume of water supplied to Lansdowne Park over a five-year period starting in 2013.

The review found that water entered the Lansdowne distribution loop through an open valve connected to Sylvia Holden Park over a period starting October 2013 and ending January 17, 2018.

The review recommended that OSEG reimburse the City for the water supplied through the open valve between the period of October 2014 and January 2018 minus any use attributed to the City. However, the review did not specify the amount to be recovered.<sup>25</sup>

Based on the information provided in the report and the City and OSEG's analysis, the General Manager, RCFS accepted a recommendation from the Facility Operations Manager that OSEG reimburse the City \$75,000 for water used. The City received reimbursement from OSEG in this amount on August 24<sup>th</sup>, 2018.

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<sup>24</sup> The review was completed by CDM Energy Solutions Inc.

<sup>25</sup> On August 17, 2018 the Facility Operations Manager sent an email to the General Manager, RCFS stating that the independent reviewer had requested more time and budget to dig deeper, but that the City and OSEG agreed that they had enough information to make a decision.

**Recommendation #11**

Table 12: Status

Management update	OAG assessment
Complete	Partially complete

**Audit recommendation:**

That the City review the P3 Policy, Procedures, and Guidelines to ensure inconsistencies are addressed and that they provide sufficient guidance to employees responsible for similar projects.

**Original management response:**

Management agrees with this recommendation.

The P3 Policy, Procedures and Guidelines will be updated by Q2 2018 to ensure inconsistencies are addressed and that they provide sufficient guidance to employees responsible for P3 projects.

**Management update:**

Implementation of this recommendation is complete.

The Innovative Client Services Department updated the Public Private Partnership Policy, Procedures and Guidelines in December 2018. The revisions addressed inconsistencies and ensured that sufficient guidance was provided to employees.

**OAG assessment:**

The City reviewed and updated its P3 Policy and associated P3 Procedures and P3 Guidelines during December 2018.

Within the P3 Guidelines, a P3 is defined as an infrastructure or services project where the City and a private-sector partner share the risk of financing, design and build/implementation, operations and maintenance, and lifecycle renewal such that the City realizes a net benefit.

The P3 Policy, P3 Procedures and P3 Guidelines all describe a five (5) phased approach to the management of P3 agreements. The phases are:

- 1. P3 Project Assessment:** During the P3 project assessment phase, the City is required to assess the feasibility of using a P3 approach using a three-step decision making process (i.e. initial screening, strategic assessment and business case analysis).
- 2. Project Initiation:** The Project Director assembles a team of Subject Matter Experts to plan the procurement strategy, the design and construction implementation, transition to operational state and contract management stages.
- 3. Procurement:** Procurement processes for P3 projects should be open, fair and transparent, and comply with the City's delegation of authority by-law.
- 4. Implementation:** The City and P3 partner are required to participate in a design-review process; a change approval process is required to ensure that the design and construction phase of the project complies with contract specifications. During the construction phase, the budget and build milestones are to be monitored, and significant deviations reported to Council, as required.
- 5. Contract Management and Ongoing Maintenance:** P3 agreements are required to define the roles, responsibilities and accountabilities of the City and its P3 partner for the term of the contract. Annual reports are required to update Council on the P3 partner's financial and service level performance.

It was found that the P3 Policy, P3 Procedures and P3 Guidelines were generally aligned throughout each of these phases.

While it was found that the City's P3 Guidelines include specific instructions for employees responsible for P3 projects, City staff would require a baseline of knowledge and experience in managing infrastructure and/or service contracts to successfully leverage the P3 Guidelines. There is a risk that without formal training and/or specific P3 experience, departments responsible for P3 agreements may not have resources with the baseline of knowledge and experience required to effectively manage P3 arrangements for the City.

A P3 Management Framework that includes a centralized P3 Centre of Expertise, would provide the City with a consistent approach to the identification, evaluation, execution and monitoring of P3 opportunities/arrangements. The framework should include P3 specific Governance Structure, Strategy and Objectives, Policy, Guidelines, Procedures, Centre of Expertise (Including roles, responsibilities and knowledge requirements for resources), procurement processes, Contract/Project Management

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Framework, Risk Management Framework and Performance Monitoring and Measurement Framework.

The creation of a P3 Management Framework would align with Committee Recommendations from a Report to the Corporate Services and Economic Development Committee<sup>26</sup> on June 7<sup>th</sup>, 2002, where the Committee recommended the following:

*That Council:*

- 1. Endorse the concept of more fully utilizing Public-Private Partnerships (P3) as a tool which the City can use where appropriate to identify, analyze and implement innovative opportunities for capital project development;*
- 2. Endorse the formation of a Special Delivery Unit within the City Manager's Office to co-ordinate the City's P3 efforts which will complement current centres of expertise and will work with external resources to investigate possible P3 initiatives; and*
- 3. Endorse the framework for dealing with unsolicited P3 proposals the City receives as outlined in this report.*

As the City of Ottawa continues to use P3 agreements for significant infrastructure projects<sup>27</sup>, including light rail transit, it may benefit from establishing a centre of expertise for P3 management to be staffed with employees whose primary responsibility is the management of P3 agreements.

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<sup>26</sup> *Report to Corporate Services and Economic Development Committee (June 7<sup>th</sup>, 2002)*  
(<https://app06.ottawa.ca/calendar/ottawa/citycouncil/occ/2002/06-26/csedc/ACS2002-CMR-OCM-0003>)

<sup>27</sup> The City of Ottawa website states that the City has completed nine (9) P3 projects (i.e.: Superdome East, Bell Sensplex West, Ben Franklin Park Superdome, Richcraft Sensplex East, West Carleton Community Complex, Shenkman Arts Centre, Ottawa Paramedics HQ, Garry J. Armstrong Long-Term Care Centre and Lansdowne Park) and has one (1) ongoing P3 Project (i.e.: (Ottawa Light Rail)).

**Recommendation:**

The City should develop a P3 Management Framework and establish a centralized Centre of Expertise to effectively manage P3s and ensure a consistent approach is used to identify, evaluate, execute and monitor P3 opportunities and arrangements. The framework should include P3 specific Governance Structure, Strategy and Objectives, Policy, Guidelines, Procedures, Centre of Expertise (including roles, responsibilities and knowledge requirements for resources), procurement processes, Contract/Project Management Framework, Risk Management Framework and Performance Monitoring and Measurement Framework. A formal P3 Management Framework would help to ensure that the City's P3 practices are aligned with industry leading P3 practices and the applicable accounting standards (i.e. Public Sector Accounting Board (PSAB)) and support an effective, consistent, transparent approach to the management and accounting for P3 arrangements.

**Management response:**

Management agrees with this recommendation.

Under the current governance structure, once the P3 project is operational, an Executive Sponsor is appointed. The Executive Sponsor (a member of the City's senior leadership team) is responsible for oversight of the P3 from implementation to conclusion. An accountability matrix is developed, which identifies the financial, legal, asset management, real estate, operational oversight, monitoring and reporting requirements. Corporate resources are housed within their respective areas of expertise. Management of the ongoing relationship and monitoring of service delivery resides in the operational department responsible for the service mandate. This has proven to be the most efficient and effective arrangement for real time management of P3 projects. Subject matter specific P3 expertise is provided by external consultants on an "as and when required" basis.

The City also has an Enterprise Risk Management Framework and Policy, which were designed to create a risk-aware corporate culture where the management of risks is integrated into the operations and administration of the City. This Policy applies to all work at strategic, corporate and operational levels including projects and work activities where risk is inherent.

## Follow-up to the 2017 Audit of the Management of the Lansdowne Contract

Supply Services has responsibility for P3 policy and expertise in contract administration and recently implemented a number of improved contract administration tools to support departments, including the development of a Contract Administration Policy. Together the P3 Policy, P3 Procedures, P3 Guidelines, and Contract Administration Policy, provide the foundational framework for the consistent identification, evaluation, execution and management of P3 projects as and when such opportunities arise. In an effort to further support staff, the P3 Policy will be updated to provide clearer criteria to help determine what constitutes a P3 and, the requirement to formally evaluate new projects against this criterion.

Management will explore the implementation of technological tools and contract management software available to the City to enhance the usability and tracking of performance management of the obligations outlined in the project Matrix. This work is expected to be completed by Q2 2021.

Additionally, the General Manager of Recreation, Cultural and Facilities Services will consolidate the monitoring function for P3s and similar contracts under a dedicated resource within RCFS by Q2 2021.



**Recommendation #12**

Table 13: Status

Management update	OAG assessment
Complete	Unable to assess

**Audit recommendation:**

That the City ensure that future P3 projects adhere to the City’s project management and P3 policies, and include a transition plan.

**Original management response:**

Management agrees with this recommendation.

The City’s management accountability framework identifies that General Managers, or their assigned designates, are responsible for ensuring adherence to the project management and P3 policies. The requirement to be compliant with these policies is ongoing, as is the responsibility to be aware of and adhere to, any revisions made to them as they arise.

**Management update:**

Implementation of this recommendation is complete.

The Innovative Client Services Department communicated to City staff reminding them of their responsibilities regarding adherence to P3 policies and procedures. It is the ongoing responsibility of General Managers to ensure the adherence to the City’s project management and P3 policies.

**OAG assessment:**

During the audit, we reviewed the City’s P3 Policy and the associated P3 Procedures and P3 Guidelines. As described, each of these documents identifies a five-phase approach to the management of P3 agreements, including an implementation phase. Each of the P3 Policy, P3 Procedures and P3 Guidelines require transition plans to be developed during the implementation phase to monitor and report on activities required to bring the project to its operational state.

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During the planning of the follow-up, we stated that we would assess a new P3 project from November 30<sup>th</sup>, 2017 (i.e.: the date that the Audit of the Management of the Lansdowne Contract was tabled at Audit Committee). However, we were unable to perform this assessment because of a lack of P3 agreements to assess.

While we were unable to perform this assessment, that the City aligned with City policies, procedures, guidelines and recommendations brought forward to the City from the original Lansdowne audit in the modelling of oversight activities relating to the Arts Court Project.

The Arts Court project was for the modification and expansion of existing Arts Court facilities and the construction of new residential condominium units, a four-star boutique style hotel and parking facilities located at 2 Daly St. and 60-70 Waller St.

During audit interviews, it was stated that the City reviewed the P3 Policy, P3 Procedures and P3 Guidelines to assess whether the agreement met the City's definition of a P3. Based upon review of these documents, they had concluded that Arts Court did not constitute a P3.

It was also noted that Arts Court was not identified on the City's website as a P3<sup>28</sup>.

To confirm our understanding, we reviewed the Ottawa Art Gallery and Arts Court Redevelopment Project Agreement between the City, EBC Inc. and EGDM (Ottawa) Inc. (the Project Agreement) and the Arts Court Tower Reciprocal Agreement (the Reciprocal Agreement) between the City, the Gallery L.P. and LGO L.P. to assess whether Arts Court met the City's definition of a P3 agreement.

Although Article 23.6 of the Ottawa Art Gallery and Arts Court Redevelopment Project Agreement states the following:

*“The City and Proponent expressly disclaim any intention to create a partnership or joint venture or to constitute the other Party as its agent. Nothing in this Agreement shall constitute the City and Proponent, partners or joint venturers, nor constitute one of the City or Proponent, the agent of the other (except for section 23.5). The Parties acknowledge and agree that Proponent is an independent contractor of the City.”*

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<sup>28</sup> <https://ottawa.ca/en/business/doing-business-city/public-private-partnerships-p3s>

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It was found that:

- **The agreements were for an infrastructure project:** The Project Agreement was entered into for the modification and expansion of existing Arts Court facilities and the construction of new residential or hotel and parking facilities located at 2 Daly St. and 60-70 Waller St.
- **The agreement is between the City and a private-sector partner:** The City entered into a Project Agreement and a Reciprocal Agreement with multiple private-sector partners<sup>29</sup>.
- **The City and its partner share the risk of financing:** Within the Project Agreement, both the City and its private-sector partners assume risks for financing.<sup>30</sup>
- **The City and its partner share the risk of design and build:** Within the Project Agreement, both the City and its private-sector partners assume risk for the design and build of public-sector components and private-sector components of the facility. Public-sector components include the new Ottawa Art Gallery, the Black-Box Theatre, new loading docks and elevators, and other components; private-sector components include the underground parking structure in the new building, residential and hotel components of the new building.
- **The City and its partner share the risk of operations and maintenance:** Within the Reciprocal Agreement, an Owners Liaison Committee is established that the City and its private-sector partners are members of<sup>31</sup>. The purpose of this committee is to discuss major decisions considering the Shared Infrastructure Budget and other matters related to shared infrastructure, as well as to resolve disputes related to shared infrastructure.

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<sup>29</sup> The Partnership Agreement was between the City and EBC Inc. and EGDM (Ottawa) S.E.C.; the Reciprocal Agreement was between the City with the Gallery L.P. and LGO.

<sup>30</sup> The Maximum City Cost stated in the Project Agreement was \$33,192,000.

<sup>31</sup> The City holds six (6) out of 12 votes for matters that come to the Owners' Liaison Committee; the hotel representatives hold four (4) out of 12 votes and the condominium owners' representatives hold two (2) out of 12 votes.

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- **The City and its partner share the risk of lifecycle renewal:** The Owner's Liaison Committee is responsible for approving lifecycle plans for shared infrastructure and assets, such as boilers and equipment. The Owners Liaison Committee oversees the procurement of an independent engineer to complete the lifecycle plan.

Based on the above, we found that the Arts Court project includes several elements that are similar to a P3 according to the City's P3 definition.

As the City did not manage the Arts Court agreement as a P3, we did not consider it appropriate to assess whether it adhered to the City's P3 Policy, Procedures and Guidelines.

**Recommendation:**

In addition to the P3 Management Framework recommended in the previous section, the City should review and revise the P3 Policy to provide clear criteria for the classification of P3s and that the P3 Policy include a requirement for the City to formally evaluate and document agreements similar in nature to P3s against this criteria. The evaluation should occur during the Project Assessment Phase of the initiative to ensure that the appropriate procurement process(es), reporting requirements and agreement(s) are identified before formal planning begins.

**Management response:**

Management agrees with this recommendation.

The Innovative Client Services Department will review and revise the P3 Policy to provide clear criteria for the classification of P3s by Q2 2021.

**Recommendation #13**

Table 14: Status

Management update	OAG assessment
Partially complete	Partially complete

**Audit recommendation:**

That the City obtain all contract deliverables in accordance with the agreements.

**Original management response:**

Management agrees with this recommendation.

The General Manager of RCFS, or designate, will review the list of contract deliverables for all contracts and agreements related to the Lansdowne partnership. RCFS will monitor and track the relevant components centrally in conjunction with OSEG and the appropriate City departments responsible for the areas in question.

This process will be established by Q2 2018.

**Management update:**

Implementation of this recommendation is partially complete.

A matrix of responsibilities has been developed and the oversight of contract deliverables has been assigned to OSEG and the appropriate City departments. Respective departments are monitoring deliverables on an ongoing basis to ensure compliance.

**OAG assessment:**

As described under Recommendation 1 and Recommendation 4, the City has developed a matrix that documents deliverables within agreements.

Within the Matrix, City Departments, Responsibility Holders and Contact Individuals are identified for agreement obligations. It was stated that RCFS works with other City departments responsible for agreement obligations to monitor compliance to agreements.

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It was also found that the Matrix includes seven (7) items from the Site Plan Agreement, which Legal Services had identified as, “of ongoing relevance”, as on October 31, 2019. These include the requirements for the TDM Coordinator and TDM Office. However, it was confirmed after the cut-off date from Legal Services that one (1) item (Item #180 in the matrix) is no longer required to be tracked.

Moreover, while the audit cut off was October 31, 2019, it was found that the Matrix from December 2019 did not include any changes to the UPPMA as this agreement was month-to-month after it expired in June 2019 and no changes were required in the interim. However, it was also found that the Matrix from February 2020 had not been updated following the execution of the new Urban Park Property Management Agreement (UPPMA) in January 2020.

To assess whether the City is obtaining contract deliverables, we spoke to three (3) individuals responsible for agreement obligations. The individuals we spoke to were:

- Program Manager, Community Recreation & Cultural Programs Services (responsible for 16 agreement obligations);
- Portfolio Manager, Facility Operations Services (responsible for 39 agreement obligations); and
- Project Officer, TDM (responsible for three (3) agreement obligations).

Each of the individuals we spoke with identified that they have developed processes for monitoring whether contract deliverables were received. In each case, the individuals identified that they work collaboratively with OSEG staff to verify contract deliverables.

However, variances were noted between the effectiveness of the relationships between City staff and OSEG staff. In particular, it was stated that the City has had difficulty obtaining information from OSEG staff related to the UPPMA<sup>32</sup>.

It was also stated that City staff work collaboratively with each other when deliverables are closely related.

In addition to the interviews, we tested a sample of ten (10) agreement deliverables to assess whether the deliverables had been received. It was found that:

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<sup>32</sup> It was noted that the OSEG staff member responsible for providing the City with information on the UPPMA was recently replaced. However, because the replacement occurred recently, it is unclear if the difficulties will be resolved.

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- Six (6) out of ten (10) deliverables were received by the City;
- One (1) out of ten (10) deliverables tested were received in part by the City<sup>33</sup>;
- Two (2) out of ten (10) deliverables tested were not received by the City; and
- For one (1) out of ten (10) deliverables tested, we were unable to assess whether the deliverable was received by the City<sup>34</sup>.

Table 15: Summary of Agreement deliverables not received by the City

Agreement	City department	Deliverable
Office Lease	PIED	Provide City with copies of all Subleases.
UPPMA	RCFS	Provide comprehensive report to Owner identifying the complete site by site equipment inventory etc. and indicate deficiencies, corrections, etc. undertaken throughout the year.

As described under Recommendation 1 of this report, an individual within RCFS sends emails to contact individuals to verify whether deliverables have been received. Emails are then saved to a network drive. However, there is no readily available summary of whether agreement deliverables have been received<sup>35</sup>.

**Impact:**

If the City is not obtaining contract deliverables, there is a risk that the City is not realizing the expected benefits of the partnership agreements and/or being exposed to undue risks.

<sup>33</sup> The UPPMA requires the manager (i.e.: OSEG) to prepare and submit to the Owner (i.e. The City a proposed operating budget for base services by September 1<sup>st</sup> annually). While the City received the base budget for the year tested, it was not received until October 24<sup>th</sup>.

<sup>34</sup> The Stadium Lease allows the City to use the Stadium at no fee once per year. The City has never exercised its right to use the Stadium.

<sup>35</sup> Refer to information on cloud-based contract management solutions provided under Recommendation 1.

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As identified, the City was not receiving budget information for the UPPMA by the required date. This impacts the City's ability to review and provide input on the budget in a timely fashion.

It was also found that the City had not received copies of subleases for office facilities, which may reduce the City's awareness of the scope of activities being conducted at the Lansdowne site, including any risks associated with the activities.

It was also noted that the City has not exercised its right to use the stadium at Lansdowne at no fee once per year. By exercising this clause, the City may be able to deliver services and/or a large-scale event to residents without incurring costs for a facility.



**Recommendation #14**

Table 16: Status

<b>Management update</b>	<b>OAG assessment</b>
Complete	Complete

**Audit recommendation:**

That the City implement a reasonable process to reconcile the number of OFM stalls per day to verify the revenue received under the agreement.

**Original management response:**

Management agrees with this recommendation.

RCFS has put a process in place to reconcile the number of OFM stalls per day. As part of this process, staff were made aware of the size of a standard stall (3m by 6m) for the outdoor market and how to record the number of stalls. On every market day, a reconciliation is done by City staff with a representative from the OFM, prior to invoicing. If any discrepancies are identified, they are discussed and resolved with the Ottawa Farmers' Market Manager.

**Management update:**

Implementation of this recommendation is complete.

RCFS has implemented a process to reconcile the number of OFM stalls to verify the revenue received under the agreement.

**OAG assessment:**

The City has designed and implemented a process to reconcile the number of OFM stalls per day to verify the revenue received.

The key document in the process to reconcile the number of OFM stalls and revenue is the OFM Outdoor Stall Occupancy form, which documents the number of 10x10 and 10x20 stalls occupied on days that the OFM operates. A 10x10 stall is considered a half-stall.

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The Outdoor Stall Occupancy form is completed each month, with a line for each day that the OFM operated during the month. Each line is validated by witnesses from both OFM and the City.

Once the month has concluded, RCFS completes an Invoice Request Form for the City's Financial Services Unit to request the monthly OFM invoice. The Invoice Request Form includes a description of goods and services that the invoice is created for (e.g.: rental of space at \$10 per stall).

We observed one invoice and found that the number of stalls for which the City invoiced OFM for reconciled with the number of stalls identified on the Outdoor Stall Occupancy form for the month. However, while OFM operated on four (4) days during the month, they were only invoiced for three (3) days of outdoor utility costs. As such, the invoice was understated by \$20.

## Recommendation #15

Table 17: Status

Management update	OAG assessment
Complete	Complete

### Audit recommendation:

That the City ensure that any amendments to the OFM License of Occupation are authorized by staff with the appropriate level of authority under the delegation of authority by-law.

### Original management response:

Management agrees with this recommendation.

The Program Manager, Community Recreation Core Programs, RCFS, has reviewed the levels of delegated authority with staff on-site. Going forward, staff will be reminded of these levels whenever an agreement is up for negotiation or a new agreement is being drafted. All new full-time staff members joining the Lansdowne team will be required to review the delegation of authority by-law.

### Management update:

Implementation of this recommendation is complete.

RCFS has reviewed the levels of delegated authority with staff on-site. Any amendments made to the OFM License of Occupation are authorized by staff with the appropriate level of authority, as set out in the delegation of authority by-law.

### OAG assessment:

Under the City's delegation of authority by-law, the General Manager, RCFS is authorized to approve amendments to the OFM License of Occupation, which was approved on July 5th, 2016.

It was found that there have been two (2) amendments to the OFM License of Occupation since it was approved by the City:

1. An amendment for the OFM for Outdoor Market Utilities was authorized by the General Manager, RCFS on May 7, 2018.

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2. An amendment for Winter Market Utility/Service Fees for OFM was authorized by the General Manager, RCFS on March 13, 2018.

As such, all amendments to the OFM License of Occupation were approved by staff with delegated authority to do so.

**Recommendation #16**

Table 18: Status

Management update	OAG assessment
Complete	Complete

**Audit recommendation:**

That the City establish a process to determine the amounts to invoice for recovery of utility costs from the Ottawa Farmers Market (OFM).

**Original management response:**

Management agrees with this recommendation.

The exact recovery of utility costs for the Ottawa Farmers’ Market is not possible given the final as-built conditions of the site, and non-exclusive use of the space by the Ottawa Farmers’ Market. Taking these factors into consideration, the City will discuss with OFM a flat fee charge to cover the costs for the outdoor market. This will be implemented by Q1 2018.

For the indoor market, the Ottawa Farmers’ Market have been paying \$1,400 per day of use for occupancy-related expenses of the Aberdeen Pavilion. The City will reassess this fee based on utility usage this winter and review annually for increase in unit costs.

**Management update:**

Implementation of this recommendation is complete.

RCFS has researched, established and implemented a flat fee to charge the OFM for the recovery of utility costs for the outdoor market. A signed agreement, with proper delegated authority, is kept on file.

RCFS has also reassessed the utility/service fee charged to the OFM for the indoor market and a signed agreement is kept on file; RCFS will continue to review this fee, as required, to ensure that costs are recovered.

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**OAG assessment:**

The City determined amounts to be invoiced for recovery of utility costs from the OFM for both indoor and outdoor markets.

For the recovery of utility costs for the indoor market, the City assessed heating costs for the Aberdeen Pavilion<sup>36</sup> and allocated costs based on shared usage of the facility.

Based on this assessment, an amendment to the OFM License of Occupation was approved by the City on March 13, 2018 through which OFM agreed to pay the City \$1,400 per day plus HST for the usage of the Aberdeen Pavilion; this amount considers the heating costs for the Aberdeen Pavilion

It was stated that this cost was based on a non-exclusive and shared use of the facility and recovers all direct operating costs, including heating.

For outdoor markets, an amendment to the OFM License of Occupation was approved by the City on May 7, 2018 through which the OFM agreed to pay the City \$20 per day plus HST for the usage of outdoor electricity and water.

It was stated by the Program Manager, Facility Operations Services that the actual cost of utilities used by OFM is negligible and that it is recovered by the flat fee of \$20 per day.

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<sup>36</sup> The Aberdeen Pavilion is heated by natural gas, which is measured by a dedicated meter.

## Recommendation #17

Table 19: Status

Management update	OAG assessment
Complete	Complete

### Audit recommendation:

That the City determine a process to deal with situations that arise at Lansdowne Park that are not specific to the Lansdowne agreements, and which could have a financial impact on the City.

### Original management response:

Management agrees with this recommendation.

The General Manager of RCFS, or designate, will develop a process to identify each partner's role as it relates to items that are not addressed within an agreement. If the item has financial implications affecting the multiple partners, the relevant parties shall attempt to resolve the issue through negotiation.

This process will be completed by Q2 2018.

### Management update:

Implementation of this recommendation is complete.

A process has been developed to identify each partner's role as it relates to items that are not addressed within an agreement; this process has been approved by both the City and OSEG.

### OAG assessment:

It was found that the City has developed a process flow when issues not specifically covered under one of the agreements arise.

The process flow includes six (6) steps, including the identification of the issue through to resolution. The process includes:

1. Identification of the issue.
2. The party that identified the issue performs and documents an assessment of the issue.

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3. The party that identified and assessed the issue notifies all other stakeholders of the issue and provides the stakeholders with the preliminary assessment.
4. Stakeholders collaborate to clarify roles and responsibilities, including financial responsibilities, establish risk management plan and develop next steps towards resolving the issue.
5. Stakeholders must agree and approve a plan to resolve the issue within 90 days. If stakeholders cannot agree on a plan to resolve the issue within 90 days, a formal dispute resolution process is to be undertaken.
6. Stakeholders execute the work plan to resolve the issue(s).

We find this to be an effectively designed process, as while it promotes a collaborative approach between stakeholders, it also includes an option for formal dispute resolution processes if stakeholders cannot resolve the issue in a timely manner. However, we did note that the process does not fully describe the formal dispute resolution process (e.g.: how the third-party arbitrator will be selected).

To support the process, the City has documented guiding principles for the resolution of issues not covered under the agreement.

Guiding principles for resolution of issues not covered in agreements include, but are not limited to:

- All parties act in good faith;
- That the health of the long-term partnership is an important factor while negotiating any specific issue(s); and
- Assessment of the risk of doing nothing.

It was found that these principles will provide stakeholders with overarching guidance on how to approach issues which may impact the partnership between the City and its partners that emphasize the long-term health of the partnership.

While we were able to confirm that the City has developed a process for resolving issues that are not specifically covered by the Lansdowne agreements, it was stated by the General Manager, RCFS that the process had not been utilized because the City has not encountered any situations that are not covered by the agreements that could have a financial impact on the City.

As such, we were unable to assess whether the City has implemented the process effectively.



Table 20: Status legend

<b>Status</b>	<b>Definition</b>
<b>Not started</b>	No significant progress has been made. Generating informal plans is regarded as insignificant progress.
<b>Partially complete</b>	The City has begun implementation; however, it is not yet complete.
<b>Complete</b>	Action is complete, and/or structures and processes are operating as intended and implemented fully in all intended areas of the City.
<b>No longer applicable</b>	The recommendation is obsolete due to time lapses, new policies, etc.
<b>Unable to Assess</b>	Action is not currently taking place; however, remains applicable

## Appendix A: Acronyms

**EDLT:** Extended Departmental Leadership Team

**CRF:** Capital Replacement Fund

**LPP:** Lansdowne Partnership Plan

**OFM:** Ottawa Farmers Market

**OP3:** Office of Public-Private Partnerships

**OSEG:** Ottawa Sports and Entertainment Group

**RCFS:** Recreation, Cultural and Facility Services

**P3:** Public-Private Partnership

**PIED:** Planning, Infrastructure and Economic Development

**TDM:** Transportation Demand Management

**TSD:** Transportation Services Department

**UPPMA:** Urban Park Property Management Agreement