



**Community Services Department  
Parkland Services Branch  
River Valley, Forestry & Environmental Services Section**

**Investigation – Water Contractor  
Executive Summary Report**

# Investigation – Water Contractor Executive Summary Report

## 1 Executive Summary

The purpose of this report is to apprise City Council and the City Manager of the results of the Office of the City Auditor's investigation into the questionable conduct of a water contractor responsible for watering and fertilizing the City's newly planted trees. The Community Services Department oversees the water-contracting program.

In May 2001, the Community Services Department received a citizen's complaint alleging that a water contractor was over-stating actual hours worked watering new plantings for the City. Community Services enlisted the help of Corporate Security to determine whether this allegation was true. Corporate Security observed that the water contractor significantly over-stated hours worked for a three-day period in October 2001. Community Services immediately brought the matter to the attention of the Office of the City Auditor (OCA).

Mobile Equipment Services Branch (Hired Equipment) was also advised of the results of Corporate Security's observations and met with the water contractor to discuss the disparity between stated and actual hours worked. Given the results of the investigation, admissions by the contractor, and advice received from the Law Branch, Mobile Equipment Services cancelled the water contractor's contract and payment of the final billing of \$3900. The water contractor was paid approximately \$47,800 during 2001. Of that amount, the water contractor agreed to pay \$15,000 as reimbursement for over-billings and signed a promissory note to that effect. However, as of the February 27, 2002, payment has not been received and the City is exploring means by which to collect the outstanding amount.

The OCA's initial objective was to determine if fraud had taken place on dates other than the three observed by Corporate Security, ascertain the value of the loss, and determine whether there was enough evidence to support criminal charges or civil action against the contractor. During the course of the investigation, the OCA did note discrepancies in the water contractor's work records that could have alerted management to the possibility of fraud but went unnoticed. However, the Law Branch advised the OCA that civil action and criminal charges against the contractor would prove difficult due to evidentiary difficulties in establishing over-billing outside of the surveillance dates. Consequently, the balance of the OCA's investigation centered on reviewing the water program's current system of internal controls and determining if these controls could be strengthened.

## 2 Introduction

The tree-watering program ensures that all new tree plantings are regularly watered and fertilized for at least the first three to five years of planting to promote their survival and growth. New plantings are the result of either the City's landscaping initiatives or new-housing developers' landscaping initiatives (for which the City becomes responsible at one year from initial planting). One supervisor manages the entire water-contracting program in addition to other duties.

The water contractors are selected based on a bid process that commences every spring. Mobile Equipment Services' (MES) Hired Equipment unit tenders the bid and shortlists the candidates based on bid level. Forestry reviews and approves the list of water contractors and notifies MES to initiate the contracts. Contracts are for the current season (spring, summer and fall) and

stipulate that the City of Edmonton is not required to use the contractors if there is sufficient rain and/or moisture to sustain the plantings.

The contractor with the lowest hourly-rate bid is offered work first on a daily basis. (The low-bid contractor is the subject of this investigation.) Once that contractor has sufficient work, the next lowest bidding contractor is offered any extra work, and so on. In 2001, Forestry had five water contractors, operating seven trucks, under its direction. The unit prices for the contractors in 2001 varied from a low of \$25.60 per hour to a high of \$30.50 per hour. The lowest bidder started work on April 18, with the full complement of water trucks brought on by April 23.

### **3 Investigation Results**

The City's investigation revealed the following:

- Surveillance confirmed that on three occasions the water contractor significantly over-stated the number of hours worked and trees watered per day. Although the water contractor reported working 32 hours over this three-day period, his actual hours worked were no greater than 5. Therefore, he worked only 15% of the time reported as worked.
- To determine if other water contractors were also over-billing, a second water contractor was placed under surveillance for one day. The water contractor appeared to work diligently throughout the day.
- On-site inspections are intended to provide Forestry assurance that plantings are being watered as reported. However, over the course of the season, supervision occurred too infrequently to be effective. Although the supervisor had daily telephone contact with the contractors, on-site inspections occurred no more than once every three weeks.
- Insufficient checks and balances are in place in the current system of administrative and management controls. Discrepancies were noted during the review of Forestry's records that could have led to a more timely detection of this water contractor's activities: deceptive water usage reports, an anonymous and unsubstantiated second driver, and 70-hour work-weeks despite ill-health.

### **4 Recommendations**

This review identified a number of opportunities for improvement that were presented to management, including the following:

1. Reengineering the current system of internal controls.
2. Providing sufficient internal resources to effectively supervise water contractor field activities.
3. Piloting the use of on-board vehicle technology for use by all contractors (Global Positioning Satellite system, wireless data communication, and web-based technology).
4. Exploring the viability of a performance-based contract structure

Management concurs with these major recommendations and is committed to implement them prior to the start of the 2002 tree-watering program. As management implements these changes, the OCA will continue to be involved on a proactive basis to provide control-related feedback.