

APPENDIX 1

**REVIEW OF COORDINATED STREET
FURNITURE CONTRACT**

**PUBLIC REALM SECTION,
TRANSPORTATION SERVICES DIVISION**

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Auditor General's Office

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EXECUTIVE SUMMARY

***Auditor General's
2011 Work Plan***

The Auditor General's 2011 Audit Work Plan included a review of the Coordinated Street Furniture Contract managed by Transportation Services Division.

***Audit Objectives
and Scope***

The objective of the audit was to assess the adequacy and effectiveness of controls and processes related to the management and administration of the Coordinated Street Furniture Program. The focus of our review was on revenue controls and compliance with contract terms and conditions.

Our review did not include an evaluation of the street furniture design or assess the state of good repair of street furniture managed by the program.

***Financial and
Operational
Background***

In June 2007, the City and Astral Media entered into a 20 year contract to provide and maintain City street furniture at no cost to the City. City street furniture includes transit shelters, litter and recycling receptacles, information pillars, public notice structures, benches, bicycle parking stands, multi-publication boxes and automated public washrooms.

According to the terms of the agreement, Astral Media sells advertising on bus shelters and information pillars and guarantees to pay the City \$428 million over the term of the agreement. Annual payments to the City are the greater of the minimum annual guaranteed amount or a predetermined percentage of gross revenue. In addition, the capital investment in the program by Astral Media is \$202 million and the on-going maintenance value is \$294 million.

***Key Areas for
Improvement***

While management controls have been effective in ensuring compliance with contract financial terms our review identified opportunities for improvement in the following areas:

Management Controls

- Provide periodic status reports on the implementation of the Street Furniture Program
- Consolidate and implement a Program Policy and Procedures Manual
- Develop a program performance measurement system

Monitoring Contract Compliance

- Strengthen street furniture maintenance monitoring and reporting system
- Ensure Astral Media provides adequate reporting on maintenance activities
- Ensure development of Astral Media information system for monitoring maintenance activities on street furniture
- Ensure compliance with the terms of environmental benefit provisions included in the contract

Street Furniture Information System Controls

- Complete the transfer and update of the street furniture information system
- Reconcile street furniture inventory records
- Continue efforts to identify and develop standard reports that will provide information on performance and results achieved

Maximize the City's Entitlement to Free National Advertising

Pursuant to the terms of the contract, Astral Media agreed to provide the City with free national television, radio and outdoor advertising services up to a total annual amount of \$2 million in year one with increases indexed by the Consumer Price Index for a total value of \$66 million over the contract term.

City utilization of the free advertising entitlement for 2009, 2010 and 2011 was approximately \$230,000, \$458,000 and \$1.2 million respectively.

Report includes 11 Recommendations

The report contains 11 recommendations. Implementing the recommendations will improve monitoring and oversight of the Astral Media street furniture contract.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Audit Work Plan

The Auditor General's 2011 Audit Work Plan included a review of the Transportation Services Division, Public Realm Unit's management of the Coordinated Street Furniture Contract.

Audit Objective

The objective of the audit was to assess the adequacy and effectiveness of controls and processes in the management and administration of the Coordinated Street Furniture Contract.

Audit Scope

The focus of our review was on revenue controls and compliance with significant contract terms and conditions.

The review covered the period from September 1, 2007 to August 31, 2011.

Our review did not include an evaluation of street furniture design or assess the state of repair of street furniture managed by the program.

Audit Methodology

Our audit methodology included the following:

- Review of the Coordinated Street Furniture contract
- Review of the audited financial statements provided by Astral Media
- Attendance at the office of Astral Media's external auditors to review audit working papers
- Review of City Council reports
- Interviews with staff
- Examination of reports, records and other documentation
- Evaluation of management controls and practices
- Other procedures deemed appropriate

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

What is the Coordinated Street Furniture Program

The Coordinated Street Furniture Program provides significant benefits through the harmonized design, form, scale, material and placement of street furniture to create a functional, safe and accessible public realm.

The City awarded Astral Media the Coordinated Street Furniture Contract in 2007

In July 2007, the City awarded a 20 year contract to Astral Media Outdoor LP to design, manufacture, install, maintain and repair City street furniture. In exchange, the City allows Astral Media to sell a limited amount of advertising space on a number of bus shelters and information pillars. The contract commenced on September 1, 2007.

The City will receive over 25,600 street furniture over 20 years

Astral Media will provide over 25,600 street furniture elements over the term of the agreement. New street furniture includes transit shelters, litter/recycling receptacles, information pillars, public notice structures, benches, bicycle parking stands, multi-publication boxes and automated public washrooms. At the end of the contract all street furniture will become the property of the City.

The City will receive guaranteed revenue of over \$428 million

The City will receive guaranteed revenues of over \$428 million over the 20 year term. An initial payment of \$36.5 million was received upon execution of the agreement.

Other benefits to the City

Over the 20 year term of the agreement Astral Media will provide a capital investment in street furniture of approximately \$202 million and on-going maintenance estimated at \$294 million.

***Public Realm
Section
established to
manage
Coordinated Street
Furniture
Program***

In May 2007, City Council authorized the establishment of a City Public Realm Section within the Transportation Services Division. The Public Realm Section has responsibility and accountability for the implementation of the street furniture program, pedestrian projects and the neighbourhood improvement program. The Section is funded by a portion of advertising revenues received from the Coordinated Street Furniture Program.

AUDIT RESULTS

A. PAYMENTS MADE IN ACCORDANCE WITH CONTRACT REQUIREMENTS

***Payments were
made to the City in
accordance with
the contract***

The City has entered into a 20 year agreement with Astral Media starting September 2007. The agreement year runs from September 1 to August 31. The City receives a revenue stream over the contract term in the form of an advance lump sum payment and recurring annual payments. Annual payments to the City are the greater of the guaranteed minimum annual revenue or a predetermined percentage of gross revenue.

The City received \$44.7 million from Astral Media under the first four years of the contract.

***Audit opinion on
revenues is
required***

In accordance with the agreement, Astral Media is required to provide an audit opinion from an external licensed public accountant on the fairness of a financial statement providing information regarding Gross Revenues and the Annual City Revenue Share of the Company.

We reviewed Astral Media audited financial statements from 2008 to 2011 wherein the external accountant indicated that the annual City revenue share was paid in accordance with the terms of the agreement. Specifically the external accountant concluded:

"In our opinion, the Statement(s) present fairly, in all material respects, the Gross Revenues and Annual City Revenue Share of the Company (for the respective year) in accordance with the provisions of paragraph 17.6 of the Street Furniture Agreement."

As part of our audit, we reviewed the working papers of the external accountants and are satisfied that the work conducted by the licensed public accountant was sufficient to support the opinion.

B. MANAGEMENT CONTROLS NEED IMPROVEMENT

B.1 Report to City Council on the Status of the Coordinated Street Furniture Program

Roll-out of street furniture delayed

Astral Media's roll-out of street furniture is determined by an implementation schedule contained in the agreement. The General Manager, Transportation Services can modify the schedule under certain conditions. Since the start of the program the implementation schedule has been modified twice. According to management, delays in rolling out street furniture were due to refinements in the design process and the delay in staffing the street furniture group which administers the agreement.

By 2011, Astral Media had installed approximately 60 per cent of street furniture scheduled for installation up to that point.

Report to Council on the status of the program

In May 2007, City Council adopted a report entitled “Coordinated Street Furniture Program – Results of Request for Proposal (RFP) 9103-06-7316” which required the General Manager, Transportation Services “report to Council, through the Executive Committee, on the implementation of the street furniture program on a six-month basis after a contract has been signed.” Reports have not yet been prepared and consequently, are past due and should be prepared as soon as possible.

Recommendation:

- 1. City Council request the General Manager, Transportation Services, report to Council through the Executive Committee on the implementation of the Street Furniture Program including revenue, completion rate, installation locations, public complaints and maintenance issues.**

B.2 Consolidate Coordinated Street Furniture Program Policy and Procedures Manual

Policy and procedures manual provides guidance

As part of the consultation and research process leading to the preparation of the RFP, the Transportation Services and City Planning Divisions developed a "Vibrant Streets Design and Policy" which provides guidelines for the design, placement, use and accessibility of street furniture.

In order to ensure that requirements set forth in both the Astral Media Agreement and the "Vibrant Streets Design and Policy" are fulfilled the division needs to consolidate the existing Transit Shelter Manual and the Program Policy and Procedure binders which describe relevant internal operating procedures. The existing Transit Shelter Manual was developed in 2006 and relates only to transit shelters. The manual does not include other street furniture elements.

Recommendation:

- 2. City Council request the General Manager, Transportation Services consolidate and implement a Program Policy and Procedures Manual to ensure consistent and on-going management of the Street Furniture Program. At a minimum, the manual should include:**
 - a. Street furniture approval, construction and inspection requirements**
 - b. Criteria for prioritizing shelter installation**
 - c. Complaint protocol.**

B.3. Develop Program Performance Measurement System

Develop performance measurement system to monitor service delivery

The Transportation Services Division is currently in the process of updating and implementing the Street Furniture Information System. At the time of our review, information in the database was not complete. As a result, performance measures and standards for the Coordinated Street Furniture Program have not been established.

Performance measures provide management with information that assists in monitoring service delivery and making proactive service adjustments.

Recommendation:

- 3. City Council request the General Manager, Transportation Services develop and implement performance measurement system and standards for the Coordinated Street Furniture Program that provides information related to cost, productivity and performance trends.**

C. CONTRACT COMPLIANCE MONITORING NEEDS IMPROVEMENT

Under the terms of the agreement Astral Media is required to provide a comprehensive maintenance program that includes proactive weekly maintenance and timely response to public complaints. In order to ensure the highest standard of maintenance is provided, Astral Media is responsible for cleaning, repairing or replacing street furniture within 24 hours under the weekly maintenance program or within 48 hours of receiving a public complaint.

C.1. Astral Media to Provide Quarterly Maintenance Reports

Maintenance and repair of street furniture is the responsibility of Astral Media

Astral Media is responsible for the maintenance and repair of all street furniture. The City's contract with Astral Media provides for a maintenance program that ensures street furniture is safe, in good working order and maintained in a clean and appealing manner.

Weekly Street Furniture preventive maintenance

Preventive maintenance includes weekly cleaning and inspection of each furniture element for damaged or broken components. Contract provisions require repair or replacement of damaged or broken components to be completed within 24 hours of notification.

Satisfactory quarterly maintenance reports were not submitted to the City

Astral Media is required to submit quarterly maintenance reports in accordance with the contract outlining anticipated cleaning and maintenance activities. The initial reports submitted by Astral Media did not provide the level of detail required by the City. As a result City staff requested Astral Media to suspend the submission of the reports pending the development of their new tracking system. As such it was not possible to determine if street furniture is well maintained and if Astral Media complies with the terms of the maintenance program.

Recommendation:

- 4. City Council request the General Manager, Transportation Services request Astral Media to submit quarterly maintenance reports satisfactory to the City. At a minimum, reports should include the following information:**
 - a. Location of street furniture**
 - b. Weekly maintenance activity**
 - c. Date and time completed**
 - d. Summary of work completed.**

C.2. Astral Media to Provide Monthly Complaints Report

Tracking and monitoring of complaints

Complaints related to street furniture elements are investigated by Transportation Services Division by-law officers. Each complaint is entered on the newly developed Street Furniture Information system and followed by a site inspection. For valid complaints a work order is created on the system and forwarded to Astral Media for action.

According to the agreement, complaints regarding cleaning or maintenance at a specific site should be addressed by Astral Media within 48 hours of notification. In addition, Astral Media is required to provide monthly reports to the City containing a summary of complaints received during the previous month and the action taken.

Monthly complaint reports not submitted since May 2011

Astral Media has not provided monthly complaint reports since May 2011. The reports received prior to that time did not contain the required level of detail regarding complaint resolution times. Consequently, we were unable to determine if complaints were addressed within the required time frame.

Recommendation:

- 5. City Council request the General Manager, Transportation Services ensure monthly complaint reports are prepared and submitted to the City by Astral Media. At a minimum, reports should include:**
 - a. Location of the site**
 - b. Complaint description**
 - c. Date received and completed**
 - d. Summary of work completed.**

C.3. Astral Media to Develop Management Information System

Astral Media's Management Information System needs work

The Astral Media proposal included the development of a management information system to monitor the design, installation, approval, permitting, and repair and maintenance of street furniture. The original management information system did not meet City or Astral Media requirements.

According to management, Astral Media invested a significant amount into developing the required system. However, the system was not user friendly and was difficult to operate. Consequently, the project was abandoned and Astral Media is now in the process of developing a new system.

Recommendation:

- 6. City Council request the General Manager, Transportation Services ensure Astral Media develop and maintain an adequate management information system that effectively reports on the status of all street furniture including but not limited to:**
 - a. Tracking of permit and approval process**
 - b. Tracking of roll-out and installation process**
 - c. Tracking of day-to-day maintenance program.**

C.4. Astral Media Should Provide Timely Reporting on Environmental Benefits

Astral Media to report annually on fulfillment of environmental benefits

Under the agreement Astral Media is required to provide measures addressing energy efficiency, use of recycled material and use of environmentally appropriate finishes, coatings and cleaning products.

Beginning September 2010, Astral Media is required to provide an annual report prepared by a qualified environmental engineer outlining measures taken to fulfill the environmental requirements under the contract. Related actions were to be investigated and taken in the following year.

Environmental report submitted a year later

According to management the environmental assessment of the design, installation and maintenance of street furniture by Astral Media was delayed by a year at the request of City staff due to the delayed roll out of street furniture elements. The first environmental report was submitted in December 2011. The report summarized Astral Media environmental accomplishments and steps taken to comply with respect to providing environmental benefits specified in the agreement. In future, reports should be prepared on an annual basis.

Recommendation:

- 7. City Council request the General Manager, Transportation Services take appropriate steps to ensure Astral Media provide an annual report on the implementation status of environmental benefits on a timely basis. Further, the General Manager, Transportation Services should review the results of the independent assessment and ensure requirements of the agreement are fulfilled.**

D. CONTROLS OVER THE STREET FURNITURE INFORMATION SYSTEM NEED STRENGTHENING

D.1. Ensure Completeness and Accuracy of the Street Furniture System Information

Street Furniture Information System was upgraded to assist in managing the new contract

The original version of the Street Furniture Information System required additional development to meet the needs of the street furniture program. The system was subsequently upgraded to allow for the creation of new records for planned street furniture and archiving asset records for furniture which has been replaced.

The upgraded inventory system consists of three modules, a service request module, a work order module and an asset module.

Street Furniture Inventory records are not up to date

The transfer of 2011 complaint information to the service request and work order modules has been completed. Our review found instances of duplicate records on the system which affect the accuracy of information and reports generated by the system.

The transfer of street furniture planning, processing and installation information to the asset module has not been completed.

Recommendations:

- 8. City Council request the General Manager, Transportation Services complete the transfer of data to update the system with the current information for planning and installation of street furniture.**
- 9. City Council request the General Manager, Transportation Services take steps to ensure the accuracy of the street furniture information system. Reconciliation of City records to Astral Media inventory records should take place periodically.**

D.2. Utilize Information System Reporting Capabilities

Street Furniture Information System has significant reporting capabilities

Reporting is a major component of the Street Furniture Information System. The system can analyze data and provide management with information and support for effective decision making. The system has significant capabilities that are only beginning to be utilized as needs are identified. Detailed analyses of system information will enable managers to compare results to established goals and identify problem areas and opportunities for improvement.

Reports are still in development

While reports have been developed, some are in draft form and require further validation during the system development to ensure data is complete and accurate.

Recommendation:

- 10. City Council request the General Manager, Transportation Services complete efforts to identify and develop standard management reports supporting day to day and long term information requirements.**

E. MAXIMIZE THE CITY'S ENTITLEMENT TO FREE NATIONAL ADVERTISING

City entitled to free advertising

Pursuant to the terms of the City contract with Astral Media, the City is entitled to free national television, radio and outdoor advertising services up to a total annual amount of \$2 million in year one with increases indexed by the Consumer Price Index for a total value of \$66 million over the contract term. The agreement does not provide for carryover of the unused portion of the annual advertising entitlement to subsequent year entitlements.

City not utilizing the available annual entitlement

The Strategic Communication Division is responsible for coordinating the City's free outdoor advertising. The City has not fully utilized available free advertising to the extent possible as shown in the table below.

City Use of Astral Media Free Advertising

Contract Year	Calendar Year	Amount of Allocation Used	Percent of Advertising Allocation used
1	2008-2009	\$237,805	11.8
2	2009-2010	458,016	22.9
3	2010-2011	1,214,816	60.7

The use of free outdoor advertising has been increasing each year, however the City should be more aggressive in maximizing the use of this benefit.

Recommendation:

- 11. City Council request the Director, Strategic Communications ensure free advertising available through the Astral Media contract is utilized to the fullest extent.**

CONCLUSION

This report presents the results of our review of the Coordinated Street Furniture Program contract. The objective of the review was to assess whether the Transportation Services Division has adequate and effective controls over the management of the contract.

Addressing the recommendations in this report will strengthen controls, improve accountability and enhance the overall effectiveness of contract management.