

INVESTIGATION AT A GLANCE

WHY THIS INVESTIGATION MATTERS

The safety of City buildings including critical infrastructure buildings helps to ensure the safety of building occupants, consistent service delivery and compliance with the Ontario Fire Code. This report highlights the risks of not conducting proper due diligence when hiring life safety inspection vendors and reminds building owners of their responsibility to carry out inspections and retain documents consistent with the Ontario Fire Code. Lastly, this report opens the conversation to clarify expectations and roles across the industry in support of public safety.

BACKGROUND

The Ontario Fire Code governs fire safety standards to ensure public safety. Building owners are responsible to ensure their buildings are in compliance with the Code.

BY THE NUMBERS

- The City owns thousands of buildings; a fraction are managed by Facilities Management
- \$9.9 million spent on life safety contractors from 2010-2017
- Ontario Fire Code charges: up to \$50,000 for individuals; up to \$100,000 for companies
- 58 Ontario Fire Code charges laid against York Fire and affiliated persons and companies
- 6 fake identities - at least 6 different companies
- 1 out of 12 City buildings sampled was in compliance with the Fire Code
- 17 recommendations that when implemented, will help staff to understand their legal responsibilities under the Ontario Fire Code and develop more robust methods of performing due diligence before awarding contracts.

Raising the Alarm: Fraud Investigation of a Vendor Providing Life Safety Inspection Services to the City of Toronto

The Complaint

The Auditor General's Fraud and Waste Hotline received a complaint about a vendor hired to inspect life safety systems such as emergency lighting, fire alarms, sprinkler systems and fire extinguishers. The complainant alleged that the vendor routinely submitted inspection reports and invoices for work that was not done, forged signatures of their own staff, operated as multiple companies, and used false identities as signatories to contracts.

What We Found

Key findings from the Auditor General's investigation include:

1. Lack of audit trail and problems with invoices and contracts

- Not all Fire Code-mandated inspection reports could be found to verify that the work was done. Inspection reports were missing for many vendors, not just the one under investigation. It is the building owner's responsibility (the City in this case) to retain inspection reports.
- Vendor invoices showed potential overbilling, missing information, inconsistencies, and performance issues. The inspection reports could also have been manipulated, however due to the level of missing documentation, it was difficult to prove fraud.
- Supervisory staff previously raised performance and billing issues to management. Despite this, contracts were renewed and management did not follow up on the concerns raised.

2. The vendor was operating under false identities

- The vendor used up to 6 false names and false identities of executives. Some false identities signed contracts with the City.
- The vendor operated several similar companies under "trade names" or "operating names". Many of the companies had the same addresses and/or the same names listed as the owners. Better due diligence needs to be conducted when hiring life safety inspection vendors. The lowest cost is not necessarily the best value.
- There should be better tracking of vendor performance and a 'watch list' noting performance issues and any 'red flags'.

3. Wrongdoing not reported to the Auditor General

- Facilities Management did not report to the Auditor General when a potential fraud / wrongdoing was occurring with this vendor. Under the Toronto Public Service By-law, management notes the By-law objective is only to report when a public servant is committing wrongdoing.
- Employees may not be in a position to determine who is responsible for the wrongdoing prior to an investigation. It could be a vendor or mismanagement of a vendor by City staff. It is therefore important that the By-law be clarified to require all allegations of wrongdoing involving City resources, including potential wrongdoing against the City by third-party vendors, be reported to the Auditor General for further investigation.
- Under the By-law, wrongdoing is defined as "Serious actions that are contrary to the public interest including but not limited to: (1) Fraud; (2) Theft of City assets; (3) Waste: mismanagement of City resources or assets in a willful, intentional or negligent manner that contravenes a City policy or direction by Council; (4) Violations of the City's Conflict of Interest rules set out in Article IV; and (5) Breach of public trust".