

Saskatoon Land Audit Implementation Progress Report

Rec No.	Internal Auditor Recommendation	Description of Implemented Procedure	Status/ Implementation Date
1	<i>"IA recommends that Saskatoon Land, following its responsibilities in Section 4.1 of C09-006 to "recommend changes to this policy, when required, to City Council through the Standing Policy Committee on Finance"; propose further definition to Section 3.4 to avoid the need for discretion to be exercised by formally contemplating such circumstances and the proper action(s) to be taken regarding interest when they arise. This would include the matter of when to begin charging interest and also the extension to 16 months."</i>	Amended Council Policy No. C09-006; payment terms and interest rates will be set at the time pricing reports for new lot releases are approved.	IMPLEMENTED Approved by City Council January 23, 2017
2	<i>"IA recommends that Saskatoon Land increase its diligence in ensuring that Council Policy C09-006 is adhered to regarding requirement to pay the minimum down-payment of 13% of the purchase price, together with all applicable taxes, at the time of purchase."</i>	Procedure updated to allow purchasers five business days to come to the Saskatoon Land office for payment of the deposit and execution of the Agreement for Sale. Failure to meet this requirement will mean the purchase will not proceed, the lot will be returned to inventory, and a \$500 restocking fee will be applied.	IMPLEMENTED March 1, 2017
3	<i>"IA recommends that the internal procedure be further refined to avoid the need for discretion in these instances going-forward, and also so that there be a clear and formal record of decisions that have been made in the past so that future application of the rule is consistent and there is not inconsistency from one lot draw to the next. In general, one of the challenges with having a highly regulated and defined process is that exceptions to the rule can arise, in which case discretion is required to be applied. In this case, although IA does not necessarily challenge the logic applied to include the builder which fell short by 1 lot, it is inconsistent with the procedure as written."</i>	The Administration's internal procedure was updated to ensure decisions are documented in the internal procedure manual as they occur and that the procedures are applied in a fair and equitable manner.	IMPLEMENTED March 1, 2017
4	<i>"IA recommends that the practice of allowing contractors to participate in lot draws based on telephone conversations and emails be discontinued, or alternatively that a more formal acknowledgement of the purchase be required from the contractor so that there is no room for dispute subsequent to the lot draw. Note that our review of other municipalities in Procedure 4 indicated that all other municipalities reviewed required purchasers to be physically present to register for and attend the lot draw, and some but not all allowed for an authorised representative to be physically present on the purchaser's behalf. Although the internal procedure at Saskatoon Land for lot draw appointments as currently written allows for builders to phone or email their selections, there is intended to be follow-up performed to confirm that the lot being processed is in fact their choice. In addition to the challenges posed by the instances noted above, it detracts from the lot draw process as a whole as lots are removed from availability that may have been purchased by another contractor. Obtaining signed sales agreements and deposits at the time of purchase, as required by policy, would rectify this issue, as well as address the other issue noted above regarding contractors not signing sales agreements. This echoes recommendations #1 and #2."</i>	A formal acknowledgement of the purchase will be required from contractors selecting lots by email or phone. The Administration will allow five business days in order for builders to come to the Saskatoon Land office for payment of the deposit and execution of the Agreement for Sale. Failure to meet this requirement will mean the purchase will not proceed, the lot will be returned to inventory, and the contractor will be charged a \$500 restocking fee.	IMPLEMENTED March 1, 2017

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5	<p><i>"IA recommends that Saskatoon Land, in accordance with 4.1(b) of C09-006, recommend changes to the policy to implement any needed changes to 3.7 with respect to cancellations. Saskatoon Land's responsibility under C09-006 is to "administer the sale of City-owned residential lots in accordance with the terms and conditions set out in the policy". The instances of the allowances made above to initiate cancellations and negotiate fees and penalties, particularly given the magnitude of the amount waived and the status of the contractors as Category 1, are not addressed in policy and requires significant discretion. A formal policy should be in place either disallowing these types of negotiations entirely or providing clear guidelines and approval limits if Saskatoon Land and the SPCF wish to continue allowing exceptions to C09-006 3.7."</i></p>	<p>The Administration is recommending that the policy be amended to allow for Administration-initiated cancellation of Agreements for Sale. Policy to include factors for consideration in negotiations with purchases, and final approval by the CFO/General Manager, Asset and Financial Management Department.</p>	<p>PENDING APPROVAL Being presented to Standing Policy Committee on Finance for consideration at its August 7, 2018 meeting.</p>
6	<p><i>"IA recommends that the rationale for non-performance of a site inspection be clearly documented by the appropriate Saskatoon Land representative. We believe that the exercise of discretion in this area is appropriate and that the decision-making process and criteria need to be clearly reflected in the respective files."</i></p>	<p>A checklist was created by the Administration which includes a "Notes" line to highlight why an inspection is not required on a recently returned lot.</p>	<p>IMPLEMENTED March 1, 2017</p>
7	<p><i>"IA recommends that, prior to accepting any new hold or sale transactions on returned lots, Saskatoon Land staff ensures that the lot in question has been fully updated and posted on the website, at which point it is officially available for purchase by eligible contractors."</i></p>	<p>Further to the Administration's implementation of Recommendation 6, the checklist form will indicate that all processes of the lot return procedure have been completed and the lot can now be placed on Saskatoon Land's website for sale.</p> <p>Further changes to the Saskatoon Land website that link lot inventory to a live web-based mapping application will further aid to ensure only lots that have gone through the complete lot return process are showing as available for sale on the website.</p>	<p>IMPLEMENTED March 1, 2017</p>
8	<p><i>"With the new non-manual system in place to track outstanding accounts, given current policy as written, IA recommends that Saskatoon Land adhere strictly to the requirements with respect to outstanding accounts and be diligent in suspending contractors from further purchases once the 16-month limit is reached, regardless of extenuating circumstances. Under current policy as written, our recommendations would be that no additional purchases be made without actual settlement of the outstanding account, as the commitment to settle an outstanding account is not equivalent to actual settlement of the account. If there is a level of discretion that the SPCF is comfortable having Saskatoon Land exercise with respect to allowing additional purchases to contractors with outstanding accounts at the time of the proposed purchase, IA recommends that this be incorporated into existing policy or, if full discretion is desired, that this requirement be removed from policy altogether."</i></p>	<p>The Administration has been diligent in suspending contractors with overdue accounts and is recommending an amendment to Council Policy No. C09-001 to give the Administration the ability to sell to Eligible Contractors with overdue accounts when specific conditions are met.</p>	<p>PENDING APPROVAL Being presented to Standing Policy Committee on Finance for consideration at its August 7, 2018 meeting.</p>

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9	<p><i>"IA recommends that an examination of the outstanding account procedure and the enforcement thereof be undertaken, as much for the sake of finances/operations as adherence to policy. Each month there is an average of 15 contractors on the AR suspension listing, and there are several contractors, including Category 1 contractors, in frequent violation. The exertion of more rigour with respect to enforcement the extensions as opposed to a rebuttal presumption that each contractor will take the full 16 months to pay will assist in this regard, as will more consistent application of the policy to suspend after 12 months as opposed to 16 months if the criteria for the 16-month extension is not met, including receipt of additional payments."</i></p>	<p>The Administration reviewed and updated its outstanding account procedure, putting in place specific steps to follow in the collection of accounts and at what point to request assistance from the Office of the City Solicitor.</p>	<p>IMPLEMENTED June 22, 2017</p>
10	<p><i>"IA recommends that Saskatoon Land, in accordance with 4.1 (b) of C09-006, recommend changes to the policy to implement any needed changes 3.9 with respect to the Time Frame to Build Requirement. Saskatoon Land's responsibility under C09-006 is to "Administer the sale of City-owned residential lots in accordance with the terms and conditions set out in this policy". The discretion required to be exercised regarding inspection dates indicates that further clarification is needed within policy to ensure fairness and consistency in application of the Time Frame to Build Requirement (i.e., to clearly define when a building is considered complete by Saskatoon Land, including any types of outstanding deficiencies that are acceptable for purposes of enforcing this requirement). IA also recommends that either additional coordination occur between Saskatoon Land and Building Inspections to ensure that there is proper application of policy with respect to "a clear Final Building Inspection" or that the responsibility for enforcing this requirement be removed from Saskatoon Land altogether and become the responsibility of the Building Inspection department."</i></p>	<p>The Administration amended Council Policy No. C09-006 to remove the term "fully completed residence by obtaining a clear Final Building Inspection," in order to remove the discretion on which permit deficiencies are acceptable. The amended policy clarifies that a "substantially completed dwelling as determined by Saskatoon Land" is required to meet the purpose of the Time Frame to Build Requirement.</p>	<p>IMPLEMENTED Approved by City Council September 25, 2017</p>
11	<p><i>"IA recommends that Saskatoon Land work with the software provider(s) and/or the City of Saskatoon Information Technology department on an automated solution to replace the manual approach to monitoring and enforcing the Time Frame to Build Requirement. Based on the items noted above, it would be reasonable to conclude that the Time Frame to Build Requirement has not been adequately enforced during the period inspected due to the manual process implemented and the significant challenges that Saskatoon Land has faced in its attempts to prepare the report via manual methods."</i></p>	<p>A new procedure was implemented using the diary function in the Reflex program, which handles all lot sales and inventory functions. The diary reminds staff to check the build requirement at select intervals and allows the Administration to deal with violations in a more timely manner.</p>	<p>IMPLEMENTED September 1, 2016</p>
12	<p><i>"IA recommends that Saskatoon Land, in accordance with 4.1(b) of C09-006, recommend changes to the policy to implement any needed changes to 3.9 with respect to allowing for the possession date to be used as the commencement date in place of the date of the Agreement for Sale."</i></p>	<p>Council Policy No. C09-006 was updated to clearly identify possession date as the commencement date of the Time Frame to Build Requirement.</p>	<p>IMPLEMENTED Approved by City Council September 25, 2017</p>

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13	<p><i>"IA recommends that a formal Employee Conflict of Interest policy specific to Saskatoon Land be developed. This policy would use the City of Saskatoon's Administrative Policy A004-006 as a template, but within each of the 6 sections of the policy could give more specific instances of applicable circumstances which could arise at Saskatoon Land. The existence of the policy would provide more certainty for Saskatoon Land employees of what precisely constitutes a conflict of interest and would work to eliminate any lack of clarity in this area that currently might exist. Saskatoon Land could refer to the code of conduct and conflict of interest policy in place at Calgary Municipal Land Corporation or Surrey City Development Corporation for examples (refer to procedure 6 for further comments on these municipal land corporations)."</i></p>	<p>The Administration updated Administrative Policy No. A04-006, Employee Conflict of Interest, and the Employee Code of Conduct manual, which is to be adhered to by all civic employees.</p>	<p>IMPLEMENTED June 1, 2018</p>
14	<p><i>"IA recommends that subsequent to the Saskatoon Land conflict of interest policy being finalized, that it be presented formally to all Saskatoon Land staff. This should be supplemented by a formal annual declaration from each employee that they understand the policy and are conflict-free. Finally at the bi-weekly team meetings that take place at Saskatoon Land, conflict of interest should be a standing item on the meeting agenda so that there is an open forum for management and staff to discuss potential conflicts of interest. In particular, this would provide an opportunity to discuss any work being done personally for Saskatoon Land Management and staff by contractors and trades (both before and during) and also to discuss any business meetings taking place."</i></p>	<p>The Administration has added a standing item to its agenda dealing with conflict of interest. Improved awareness and opportunities to declare conflict of interest are now in place.</p>	<p>IMPLEMENTED May 30, 2017</p>
15	<p><i>"IA recommends that Saskatoon Land consider increases to the types (i.e., application fees, qualifying deposits, design/development/architectural deposits and performance fees) and amounts of deposits and related fees required in order to facilitate entry into the lot draw and/or the sales agreements itself."</i></p>	<p>The Administration reviewed the types of fees and consulted with its stakeholders. It was decided that no new fees would be considered at this time.</p>	<p>COMPLETED April 30, 2018</p>
16	<p><i>"IA recommends that Saskatoon Land consider reducing the timeline to pay and/or the interest rates and/or the consequences of non-payment. Other instances were noted of much stricter timelines to pay in certain municipalities (i.e., 2, 3 or 4 months), much higher interest (i.e., 18%) and much stricter consequences of non-payment (i.e. forfeit of deposit and cancellation of sales agreement). IA notes that any tightening of the financial restrictions would have to be carefully considered as they might restrict the number of contractors able to purchase lots from the City of Saskatoon if too restrictive (although this policy could be used to strike a desirable balance in that regard). Additionally, current market conditions and payment terms being offered by major competitors could also factor into this policy choice. IA notes that this recommendation should be read in conjunction with Recommendations #8 and #9 on page 14 regarding outstanding accounts."</i></p>	<p>Amended Council Policy No. C09-006; payment terms and interest rates will be set at the time pricing reports for new lot releases are approved.</p>	<p>IMPLEMENTED Approved by City Council January 23, 2017</p>

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17	<i>"IA recommends that Saskatoon Land consider implementing changes to the lot return calculations, for example with reference to those utilised by the City of Red Deer."</i>	Upon review of the City of Red Deer's lot return calculation and the Administration's consultation with stakeholders, it is recommended that no changes be made to the lot return calculation at this time.	PENDING APPROVAL Being presented to Standing Policy Committee on Finance for consideration at its August 7, 2018 meeting.
18	<i>"IA recommends that, in light of existing PSAS guidance regarding segmented reporting and segmented reporting practices in place at comparable municipalities with land development activities, the City of Saskatoon examine their existing policy on segmented reporting to consider the inclusion of Saskatoon Land as a unique operating segment."</i>	Discussion has occurred between Saskatoon Land and the Finance Division and it is agreed that segmented reporting is preferred for the City's Land development operation. However, at this time, it has been decided that this recommendation will be better addressed upon implementation of the City's new Enterprise Resource Planning (ERP) system.	IN PROGRESS
19	<i>"IA recommends that, in light of existing transparency of land development budgeting in place at the City of Edmonton, the City of Saskatoon examine their existing budgeting to include further details on its land development activities."</i>	Discussion has occurred between Saskatoon Land and the Finance Division. At this time, it has been decided that this recommendation will be better addressed upon implementation of the City's new ERP system and implementation of multi-year budgeting.	IN PROGRESS
20	<i>"IA recommends that, in light of existing supplementary financial information produced by Land and Business Support in Medicine Hat and the Office of Land Servicing & Housing in Calgary, Saskatoon Land examine additional financial reporting that could be incorporated into their annual report to increase transparency and meaningfulness of the information being communicated to community stakeholders."</i>	A template of Saskatoon Land's financial report was presented to the Standing Policy Committee on Finance Committee at its January 8, 2018 meeting. This was followed up by the complete Saskatoon Land 2017 Annual Report at the June 5, 2018 Standing Policy Committee on Finance meeting.	IMPLEMENTED January 8, 2018
21	<i>"IA recommends that Saskatoon Land consider publishing the Eligible Builder's List on an annual basis, in a fashion that is publicly available, or more limited to the eligible builders group themselves. The recommendation is for an annual publication as opposed to a monthly publication as the list itself does not change during the course of year, but rather is impacted by those builders who are suspended from the list by virtue of outstanding accounts or build times in violation of policy. These updates throughout the year could also be made available in a transparent fashion."</i>	Saskatoon Land's new website includes a "Find a Builder" link, which lists its Eligible Contractor list in alphabetical order. The list also gives builders the option to include contact information and links to their email and website.	IMPLEMENTED September 10, 2017