

AUDITOR GENERAL

Halifax Regional Municipality

Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board or Commission©

May 2013



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which are Governed by an Agency, Board or Commission©**

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Table of Contents

Preamble	3
Objectives.....	3
Scope	4
Methodology	5
Executive Summary.....	6
Summary of Recommendations.....	11
1.0 Overall Administrative Functions Staffing Levels within HRM's ABCs	17
1.1 Expenditures Related to the Provision of Administrative Functions	19
1.2 Salary Ranges and Job Requirements among Entities	20
1.3 Organizational Structures and Management Layers	25
1.4 Delivery Models within HRM's ABCs.....	28
1.5 Segregation of Duties and Controls	30
1.6 Mechanism for Accountability	31
2.0 Cultural and Recreation Facilities	32
3.0 Halifax Public Libraries	37
4.0 Halifax Regional Police and Fire and Emergency Services	43
5.0 Halifax Regional Water Commission	46
Management Response.....	49

Preamble

The 2012/13 work plan of the Office of the Auditor General (OAG) included a review of the administrative functions within HRM's entities which are governed by an agency, board or commission (ABC), to consider increased efficiencies and economies.

The enquiry and analysis for this project focused on whether current organizational structures appear to be implemented with due regard to maximizing efficiency and in the most economical manner possible.

HRM has elected to deliver a number of its services through separate and independent agencies, boards and commissions (ABCs), each having their own, often unique relationship with Regional Council and HRM Administration. HRM's ABCs range in size and scope from the Halifax Regional Water Commission which is a large organization with significant authority over its own operations including substantial and autonomous administrative functions, to small community-based boards which rely on community involvement and volunteers to deliver programs and have no dedicated administrative functions, such as the Eastern Shore Recreation Commission.

In considering the entities to be included in the scope of this project, the OAG selected only those ABCs which are consolidated into HRM's financial statements, as these entities are effectively owned or controlled by HRM and/or are accountable to HRM for the administration of their financial affairs and resources. In reviewing the variety of entities consolidated into HRM's financial statements, it appears a number of these entities have their own structures for Finance, Human Resources (HR), Payroll, Information Technology (IT), Procurement and Corporate Communications functions.

Objectives

The objectives of this project were to review the resources supporting certain administrative functional areas within each of the consolidated entities which are governed by an agency, board or commission (ABC) to determine:

- the resources supporting these functions and if they

appear reasonable given the line(s) of business, the size of the entity and their relationship with HRM

- if there is consistency among the entities in terms of skill sets utilized for similar functions
- if the compensation models across the various organizations are consistent, i.e. are compensation models similar for same/similar levels of responsibility, experience and skill sets
- if efficiencies and economies could be achieved by consolidating some or all of the functions with HRM and/or other organizations, or if responsibilities could be re-organized to allow for greater utilization of skill sets in individual ABCs to benefit HRM overall as the consolidated entity.

Scope

This project reviewed the following functional areas:

- Finance
- Human Resources
- Payroll
- Information Technology
- Procurement
- Corporate Communications

and specifically excluded 'Administrative Support' positions.

This project reviewed the resources assigned to the provision of administrative functional areas in each entity, the organizational structures related to the administrative functional areas, as well as the skills required for each function/position among entities. It also involved comparing compensation levels for similar positions among the entities. The methodologies for determining position requirements and overall compensation for a select group of entities were also reviewed. The OAG recognizes the number of positions in any organization is not static. For purposes of this report, the OAG has reviewed the positions in place at a point in time and recognizes changes could have taken place.

The project includes the following entities consolidated into HRM's financial statements for the year ended March 31, 2012:

Recreation and Cultural Facilities

- Alderney Landing Association
- Canada Games Centre
- Community Builders Inc. (Cole Harbour Place)
- Dartmouth Sportsplex Community Association
- Eastern Shore Recreation Commission
- Halifax Forum Community Association
- Halifax Metro Centre
- Halifax Regional Municipality Centennial Arena Commission
- St. Margaret's Community Centre Association

Business Improvement District Associations & Commissions

- Downtown Dartmouth Business Commission
- Downtown Halifax Business Commission
- Main Street Dartmouth and Area Business Improvement Association
- North End Business Association
- Quinpool Road Mainstreet District Association Limited
- Sackville Business Association
- Spring Garden Area Business Commission
- Spryfield & District Business Commission

Other

- Halifax Regional Police (Board of Police Commissioners)
- Fire & Emergency Services¹
- Halifax Public Libraries
- Halifax Regional Water Commission
- MetroPark Parkade Facility.

Methodology

The OAG reviewed:

- financial information
- organizational charts
- job descriptions

¹ Although they are not an ABC, Fire & Emergency Services were included in this project due to anecdotal evidence regarding the level and nature of administrative functions positions included within the business unit.

- pay classifications
- experience requirements
- governance structures
- applicable legislation

The process also included reviewing and comparing relevant data provided by the various organizations with respect to the above categories.

The OAG also held meetings and had telephone conversations with various stakeholders.

Many of the calculations contained in this report are based on draft financial statements for the fiscal year 2012/13. The OAG understands the implications of using draft information; however, the OAG felt it would be appropriate to use these numbers as they would most closely align with the FTE², salaries and other cost information discussed in the report. Further, it is not expected the final financial information would be materially different from that obtained initially.

Executive Summary

When identifying projects to be undertaken, the OAG considered 'concerned comments' received with regards to administrative costs associated with a number of HRM's ABCs.

Approach to Review – Commentary on Performance

When identifying projects to be undertaken, the OAG considered 'concerned comments' received with regards to administrative costs associated with a number of HRM's ABCs. As a result, a review around performance - specifically efficiencies and economies seemed in order.

One of the questions the OAG first needed to consider was whether to review each of the ABCs individually, whether similar organizations should be reviewed as a group or if HRM and its entire group of ABCs should be reviewed globally. On the assumption ultimate governance of the entire group rests with Regional Council, the OAG concluded performance must be looked at globally. The entities reviewed are all part of HRM and receive some level of

² FTE is defined as the equivalent of one position, continuously filled, full-time for the entire fiscal year and may be comprised of any combination of part-time and full-time positions.
(http://abs.colorado.edu/ABS_WEB/policies/FTE.pdf)

It is the view of the OAG, by bringing various inconsistencies or concerns to the attention of Management, performance can be improved.

In previous work, the OAG discussed the concepts of measuring efficiencies and economies with specific attention to appropriate measurement criteria.

In the preliminary assessment performed for this project, the OAG was not satisfied appropriate criteria were in place to allow for a results-based approach.

One of the starting points of a controls-based approach to assessing efficiency of operations is to identify indicators of potential inefficiency.

support from HRM. Therefore, it is value for money overall which must be the focus.

The goal of the OAG in conducting this review is for HRM Administration and ultimately Regional Council to create a performance framework to guide future decisions and funding levels. It is the view of the OAG, by bringing various inconsistencies or concerns to the attention of Management, performance can be improved.

In previous work, the OAG discussed the concepts of measuring efficiencies and economies with specific attention to appropriate measurement criteria. Generally, there are two possible approaches which can be used in conducting these types of projects:

- results-based, and
- systems/controls-based.

A results-based approach is focused on using performance measures (benchmarking and other techniques) to compare actual efficiency results to stated expectations. In the preliminary assessment performed for this project, the OAG was not satisfied appropriate criteria were in place to allow for a results-based approach; therefore, a systems or controls-based approach was adopted which focuses on Management's internal controls over achieving efficiency.

One of the starting points of a controls-based approach to assessing efficiency of operations is to identify indicators of potential inefficiency. A number of these indicators appear to apply in varying degrees in this project, such as:

- costs of activities are not known (HRM does not consistently track all administrative functions services it provides to its ABCs)
- design does not promote efficiency (ABCs operate in a decentralized model for the provision of administrative functions)
- policy/lack of policy (HRM does not have a strategy to guide the provision of administrative functions for its ABCs)
- corporate culture does not stress the need for efficiency (in discussions with some of the various ABCs regarding the

Overall, based on the information reviewed, the OAG believes there are significant inconsistencies among HRM's ABCs in terms of management approaches to providing administrative functions.

In addition, the OAG questions what analysis has been done by HRM as to the optimal structure for administrative functions of its ABCs, particularly given there are business units within HRM which provide similar administrative functions.

During procedures conducted for this project, the OAG saw no evidence of a comprehensive policy or strategic approach to utilizing HRM's resources in support of the ABCs. This lack of a strategic focus or consistent delivery model is concerning to the OAG.

basis for their operating models, efficiency was not always a top criteria)

- lack of collaboration/silos (while some ABCs utilize the services of HRM, there seems to be little or no communication among the ABCs or between the ABCs and HRM with regards to leading practices, possible shared services or opportunities for efficiencies with regards to the provision of administrative functions).

The existence of these indicators caused the OAG concern regarding the efficiency of the current structures. Overall, based on the information reviewed, the OAG believes there are significant inconsistencies among HRM's ABCs in terms of management approaches to providing administrative functions.

In addition, the OAG questions what analysis has been done by HRM as to the optimal structure for administrative functions of its ABCs, particularly given there are business units within HRM which provide similar administrative functions.

During procedures conducted, the OAG saw no evidence of a comprehensive policy or strategic approach to utilizing HRM's resources in support of the ABCs. This lack of a strategic focus or consistent delivery model is concerning to the OAG.

Given the level of resources dedicated to providing administrative functions in many of the ABCs, the resulting parallel structures potentially result in additional salary, benefits, and related costs; such as training, computer equipment, office space, support services, etc.. These costs cause the OAG to further question if the current structures are the most efficient use of resources.

Focus on Innovation

With a focus on efficiency as discussed above, also comes a focus on innovation, as innovation can help drive efficiency. It is important to understand innovation in the context of efficiency is not simply doing something better. Instead it is also focuses on doing things differently to achieve a better, more efficient result (most outputs for inputs used), and generally is not predicated on utilizing new or additional resources.

The OAG suggests HRM and its entities need to be very focused on innovation in order to achieve efficiencies as a means to move forward in times of restricted budgets and increasing pressures to deliver services.

The commentary and recommendations contained in this report are in no way intended to suggest those individuals who are currently in positions are not talented employees or worthy of their positions. Rather, the report is primarily focused on questioning efficiencies and economies associated with the structures.

It is not necessarily the intent of the OAG to eliminate from budgets any realized savings. It is entirely possible decisions will be made to leave budgets in their present state and apply the savings to greater service delivery.

The report provides commentary and insight around efficiencies (the most outputs from the inputs) and in some ways more importantly, economies (the right inputs at the best cost).

Through the review, the OAG found little focus on innovation with regards to the provision of administrative functions within HRM's entities which are managed by ABCs. In some situations, increased spending on administrative functions was justified in order to be able to 'innovate' in other areas of the organization. However, the OAG suggests in order to be truly innovative, an organization needs to consider the full organizational impact of any potential changes and to simply provide additional resources to support a change does not constitute innovation.

The OAG suggests HRM and its entities need to be very focused on innovation in order to achieve efficiencies as a means to move forward in times of restricted budgets and increasing pressures to deliver services.

Overarching Commentary

As has been outlined in the Preamble, the OAG undertook a review of the structures and costs for certain administrative functions in place at HRM's entities which are governed by ABCs. The commentary and recommendations contained in this report are in no way intended to suggest those individuals who are currently in positions are not talented employees or worthy of their positions. Rather, the report is primarily focused on questioning efficiencies and economies associated with the structures.

The OAG also wishes to point out two important facts. Firstly, when efficiency is discussed, it is not in the context of absolute savings of all costs associated with a position. It is understood some costs may be shifted if functions become more centralized or responsibilities are changed. Secondly, it is not necessarily the intent of the OAG to eliminate from budgets any realized savings. It is entirely possible decisions will be made to leave budgets in their present state and apply the savings to greater service delivery.

The report provides commentary and insight around efficiencies (the most outputs from the inputs) and in some ways more importantly, economies (the right inputs at the best cost). It is this last concept which leads to the following overarching recommendation for this report.

Overarching Recommendation

The OAG recommends HRM and its entities investigate re-aligning the reporting relationships for the administrative functions positions (particularly at senior levels) so they potentially report functionally through HRM and operationally through the specific entities. Such an alignment should produce a number of operational and economic advantages, including:

- Making the varied skills and talents resident in the ABCs available to HRM business units or other ABCs as needed
- Creating a far greater ability to leverage the full range of skills and abilities available within the HRM 'family' of entities. This should have the overall effect of more of the 'right' inputs (at the best cost) and 'best use economies' for the outputs (skills at highest use).

Also, the OAG wonders if this type of structure might contribute to succession planning development for senior individuals in the HRM 'family'. Through assisting their 'own' organization with high level matters, as well as being exposed and contributing to solutions for significant matters in other entities, individuals would gain a much broader experience in the entire HRM group and be better prepared to assume more senior leadership roles as HRM's needs arise.

Summary of Recommendations

The OAG recommends HRM and its entities investigate re-aligning the reporting relationships for the administrative functions positions (particularly at senior levels) so they potentially report functionally through HRM and operationally through the specific entities. Such an alignment should produce a number of operational and economic advantages, including:

- Making the varied skills and talents resident in the ABCs available to HRM business units or other ABCs as needed
- Creating a far greater ability to leverage the full range of skills and abilities available within the HRM 'family' of entities. This should have the overall effect of more of the 'right' inputs (at the best cost) and 'best use economies' for the outputs (skills at highest use).

Also, the OAG wonders if this type of structure might contribute to succession planning development for senior individuals in the HRM 'family'. Through assisting their 'own' organization with high level matters, as well as being exposed and contributing to solutions for significant matters in other entities, individuals would gain a much broader experience in the entire HRM group and be better prepared to assume more senior leadership roles as HRM's needs arise. (page 10)

1.2.1 The OAG recommends Regional Council (through HRM Administration) and its ABCs collaborate to create an overarching policy specifying one 'job evaluation' process to be used within all ABCs. Ideally, this process would be managed by HRM's Human Resources business unit. This would allow all positions to be evaluated (and hopefully compensated) on a consistent basis. (page 24)

1.2.2 The OAG recommends Regional Council (through HRM Administration) and its ABCs create an implementation plan and time line to review all existing administrative functions positions using the agreed job evaluation process resulting from Recommendation 1.2.1 and implement any suggested changes identified (on a go-forward basis) in job requirements and/or salary ranges. HRM's Human

Resources business unit should be tasked with monitoring all positions on an on-going basis to ensure the established 'job evaluation' processes are being followed. (page 24)

- 1.3.1 The OAG recommends Regional Council (through HRM Administration) request Halifax Public Libraries, Halifax Metro Centre and Halifax Regional Water Commission review the requirements which resulted in the layers of management found in each organization, with a view to streamlining organizational structures and reducing management layers, thus demonstrating greater efficiencies and economies within their administrative functions. The results of these reviews should be reported through HRM Administration to Regional Council when completed. (page 27)
- 1.4.1 The OAG recommends HRM develop a strategy and policy supporting the development of a consistent delivery model(s) to be used for the provision of administrative functions for all HRM's ABCs. The OAG envisions this would provide options based on the individual circumstances of the ABCs but would primarily look to increase consistency among entities. (page 28)
- 1.4.2 In conjunction with Recommendation 1.4.1 and the other recommendations indirectly, the OAG recommends a cost/benefit analysis be performed for all ABCs to evaluate costs associated with maintaining administrative functions staff directly within each entity, the number of staff required to successfully achieve completion of all required tasks and the potential savings to be realized if ABCs were to leverage services from HRM corporate business units. (page 29)
- 1.4.3 The OAG recommends the policy and strategy developed in Recommendation 1.4.1 and the results of the analysis outlined in Recommendation 1.4.2 be used to assess and modify (where appropriate) the administrative functions structures within HRM's ABCs. (page 29)

- 1.5.1 The OAG recommends HRM Administration meet with those entities identified in Table 1.0 who have advised they have only one position per function to discuss what level of controls and segregation of duties are in place and if some utilization of HRM resources could increase controls and segregation of duties. (page 30)
- 1.6.1 The OAG recommends Regional Council (through HRM Administration) work with its ABCs, and utilize external assistance if appropriate, to develop consistent and appropriate oversight models which will provide for protection against inappropriate political involvement while balancing the need for financial oversight and accountability. (page 31)
- 1.6.2 The OAG recommends once the oversight models referenced in Recommendation 1.6.1 are developed, Regional Council (through HRM Administration) implement changes which are within its control (i.e. Administrative Orders) and work with the Province of Nova Scotia to have any and all applicable legislation updated as required. (page 31)
- 2.0.1 The OAG recommends Regional Council suggest its ABCs within the cultural and recreation grouping work with HRM Administration to review and more fully understand the various models used to provide administrative functions in order to:
- a) develop a standard which provides greater consistency in terms of leveraging HRM services, and
 - b) determine if there are leading practices which could be shared and implemented to increase the efficiencies within the overall group. (page 35)
- 2.0.2 The OAG recommends Regional Council (through HRM Administration) engage in discussions with the Management of Canada Games Centre and Halifax Metro Centre to understand why there appears to be a high use of administrative functions staff in their facilities, and whether there are efficiencies which can be achieved. (page 35)

- 2.0.3 The OAG recommends HRM Administration engage in discussions with the Management of Halifax Metro Centre to discuss the basis for their job requirements and salary ranges, particularly for the management positions noted in Tables 1.1 a & b of Section 1.2, with a view to ensuring the positions are in line with HRM salary ranges for an organization the size and limited complexity of Halifax Metro Centre. (page 35)
- 2.0.4 The OAG recommends HRM Administration engage in discussions with the Management of Halifax Metro Centre to understand the layers of management currently in place and to determine if there are efficiencies which could be gained by utilizing resources within HRM. If some consolidation of services with HRM is not viable, the OAG recommends the organizational structure currently in place be reviewed and if a position has no staff reporting to it, the organization should consider revising the job description, title and salary range to a level more appropriate for a non-management position. (page 36)
- 3.0.1 The OAG recommends Regional Council (through HRM Administration) work with Halifax Public Libraries to review their administrative functions structure. Discussions should focus on possibilities for the use of HRM's resources and eliminating or re-deploying duplicate positions in place in Halifax Public Libraries in order to gain as much efficiency and economy as possible. (page 42)
- 4.0.1 The OAG recommends HRM Administration move to implement one consistent reporting structure for administrative functions positions for all business units in conjunction with the development of a policy defining if and when services can be hired directly by business units. (page 45)
- 4.0.2 The OAG recommends:
- a) restructuring the payroll-related positions currently housed within Fire and Emergency Services to report to the Payroll unit within HRM's FICT business unit (although they could continue to be housed within Fire and Emergency Services).

The OAG is pleased to note, during discussions with Fire and Emergency Services, they indicated this recommendation had been identified internally and is in the process of being implemented.

- b) HRM Administration engage in discussions with the Chief of Police and the Board of Police Commissioners with a view to enabling a similar change in reporting structure as suggested in Recommendation 4.0.2a above, related to the payroll positions for Halifax Regional Police. (page 45)

- 5.0.1 The OAG recommends Halifax Regional Water Commission and HRM Administration investigate the possibility of HRM providing administrative functions support for Halifax Regional Water Commission, potentially resulting in greater efficiencies. (page 48)
- 5.0.2 The OAG recommends Halifax Regional Water Commission review the basis for the administrative functions job requirements and salary ranges, particularly for the positions noted in Tables 1.1 a & b of Section 1.2 with a view to ensuring the positions are in line with HRM salary ranges, education and experience requirements are as might be expected for an organization the size and complexity of Halifax Regional Water Commission. (page 48)

Detailed Findings and Recommendations

1.0 Overall Administrative Functions Staffing Levels within HRM's ABCs

The key focus for all sections of this report is to understand if the current organizational structures and approaches to the provision of administrative functions appear to be organized with the most efficient operations possible as a critical component. With this in mind, the starting point for this project was a review of the organizational structure of the administrative functions³ for each entity included in the scope of the report.

As expected, the OAG initially noted a number of differences among entities with regards to structures and resource levels. One of the early findings was the absence of any dedicated administrative functions positions within the Business Improvement District Associations and Commissions, the Eastern Shore Recreation Commission and the MetroPark Parkade Facility (due to their size). As a result, the OAG determined these entities did not warrant further review within this project. The remaining entities included in the report are:

- Alderney Landing Association
- Canada Games Centre
- Community Builders Inc. (Cole Harbour Place)
- Dartmouth Sportsplex Community Association
- Fire and Emergency Services
- Halifax Forum Community Association
- Halifax Metro Centre
- Halifax Public Libraries
- Halifax Regional Police (Board of Police Commissioners)
- Halifax Regional Water Commission
- HRM Centennial Arena Commission
- St. Margaret's Community Centre Association

Table 1.0, which follows, summarizes the total draft expenditures for each entity for the 2012/13 fiscal year⁴ and staffing levels in

³ For purposes of this report, administrative functions refer to Finance, Human Resources (HR), Payroll, Information Technology (IT), Procurement and Corporate Communications.

⁴ Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

terms of full-time equivalent (FTE)⁵ positions for their administrative functions.

Table 1.0 Summary of Administrative Functions (FTEs) by Entity*

Entity	Draft Unaudited Expenditures (\$) 2012/13 **	Human Resources Information Technology Procurement Communications						Total FTEs for Administrative Functions
		Finance FTEs	Human Resources FTEs	Payroll FTEs	Information Technology FTEs	Procurement FTEs	Communications FTEs	
Alderney Landing Association	1,233,373	1	-	-	-	-	-	1
Canada Games Centre***	4,529,123	4	1	0.5	-	-	1	6.5
Community Builders Inc. (Cole Harbour Place)	3,344,230	1	-	-	-	-	-	1
Dartmouth Sportsplex Community Association	5,207,611	1	-	1	-	-	-	2
Fire & Emergency Services	55,418,905	2	1	3	-	-	-	6
Halifax Forum Community Association	4,450,720	uses HRM staff for administrative functions per Management Agreement						0
Halifax Metro Centre	6,982,845	3.5	0.35	0.35	0.5	0.5	1.6	6.8 ****
Halifax Public Libraries	22,980,937	4.8	3	2	9	-	4.5	23.3
Halifax Regional Police	77,271,642	2	6	6	5	2	3	24 *****
Halifax Regional Water Commission	109,267,000	9	4	4	7	2	1	27
HRM Centennial Arena Commission	550,442	uses HRM staff for administrative functions per Management Agreement						0
St. Margaret's Community Centre Association	1,462,955	1	-	-	-	-	-	1
	292,699,783	29.3	15.35	16.85	21.5	4.5	11.1	98.6
HRM*****	638,497,437	104	54	24.5	107	32	22	343.5
Total	\$ 931,197,220	133.3	69.35	41.35	128.5	36.5	33.1	442.1

* As reported by Entities at time of review.

** Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

***Payroll Services are contracted out to HRM for approximately \$20,000 per year. For purposes of this project, this has been considered as 0.5 FTEs.

**** 0.5 Finance FTE (Sr. Finance Clerk) was eliminated in January 2013. The FTE count for Halifax Metro Centre's administrative functions will reduce to 6.3 in 2013/14.

***** 2.0 FTEs (Procurement) were eliminated on April 1, 2013. The FTE count for Halifax Regional Police's administrative functions will reduce to 22 in 2013/14.

***** Excluding Fire & Emergency Services and Halifax Regional Police included above.

Based on the FTEs noted above, HRM's ABCs appear to collectively expend more than \$6 million annually on administrative functions.

Based on the FTEs noted above, HRM's ABCs appear to collectively expend more than \$6 million annually on administrative functions. This does not include benefits or ancillary costs such as training, equipment, etc. and is in addition to the amounts expended by HRM directly. These costs are broken down by function as follows:

Administrative Function	Estimated Annual Salaries for ABCs*
Finance	\$1,859,000
Human Resources	1,133,000
Payroll	762,000
Information Technology	1,359,000
Procurement	236,000
Communications	686,000
	\$6,035,000

* This does not include the cost of administrative functions within HRM.

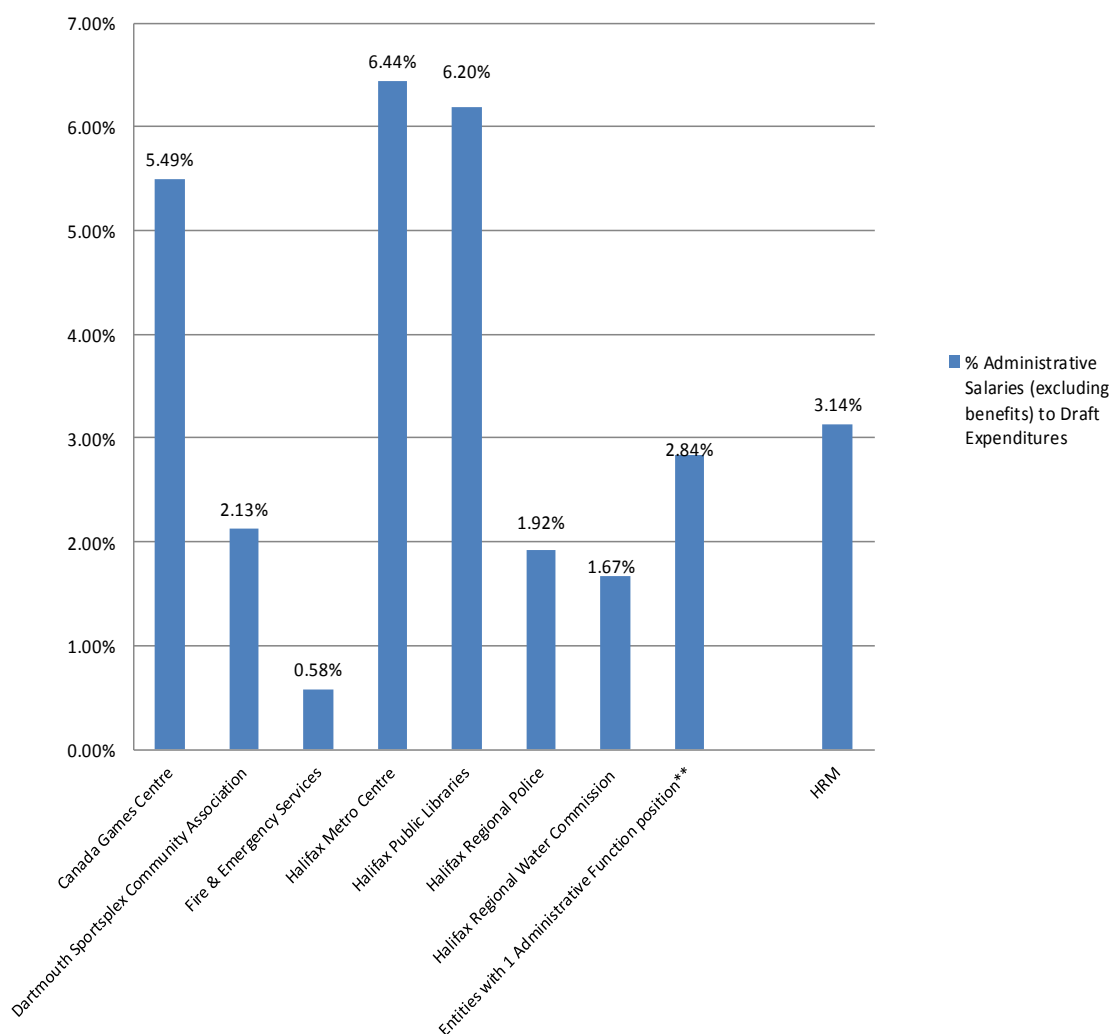
This report is organized with an initial analysis related to included entities overall (Sections 1.1 to 1.6), followed by sections specifically related to each entity or group of entities (Sections 2.0 to 5.0).

⁵ FTE is defined as the equivalent of one position, continuously filled, full-time for the entire fiscal year and may be comprised of any combination of part-time and full-time positions. (http://abs.colorado.edu/ABS_WEB/policies/FTE.pdf)

1.1 Expenditures Related to the Provision of Administrative Functions

In considering the efficiency of administrative functions within HRM's ABCs, the OAG identified the proportion of total expenditures committed to the provision of administrative functions (see Chart 1.0 below). The results of this analysis highlighted three entities with significant expenditures: Canada Games Centre, Halifax Metro Centre and Halifax Public Libraries.

Chart 1.0 – Percentage of Administrative Functions Salaries of Draft Expenditures* by Entity (2012/13)



* Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

** Entities with only 1 administrative functions FTE are Alderney Landing Association, Community Builders (Cole Harbour Place) and St. Margaret's Community Centre.

Note: Halifax Forum Community Association and HRM Centennial Arena Commission have been excluded from the above as they have no administrative functions staff.

1.2 Salary Ranges and Job Requirements among Entities

The OAG reviewed the job descriptions provided by the various entities for their administrative functions positions, specifically comparing experience and education requirements and the associated salary ranges. This analysis highlighted a number of inconsistencies (see Tables 1.1 a & b) relating to certain senior management positions at Halifax Metro Centre, Halifax Public Libraries and Halifax Regional Water Commission.

As a result of the inconsistencies, the OAG raises the following questions:

- Why does the CFO & Corporate Services position with Halifax Metro Centre and the Director, Finance & Customer Service for Halifax Regional Water Commission have essentially the same salary range as the Director, Finance & Information Technology position for HRM, given HRM is a significantly larger, more complex organization with direct responsibility for both Halifax Metro Centre and Halifax Regional Water Commission? The HRM position also has a much broader scope of responsibility both in terms of number of staff and areas of responsibility.
- Why does the Director, Finance & Customer Service for the Halifax Regional Water Commission only require five years' senior management experience and the Director, Corporate Services for Halifax Public Libraries only require three years' senior management experience? The salaries for these positions are significant when compared to the Director, Finance & Information Technology for HRM and the CFO & Corporate Services position with Halifax Metro Centre. Both of these positions require significantly more experience.
- As the position responsible for the Finance function, why does the Director, Corporate Services for the Halifax Public Libraries require a Masters in Library Studies, but not a professional accounting designation?
- Why do a number of the positions at the senior levels noted in Tables 1.1 a & b provide for equivalent experience in lieu of an accounting designation? What constitutes equivalent experience in positions in these salary ranges?

- Why does the Halifax Metro Centre require some level of the services of a:
 - CFO
 - Corporate Controller
 - Manager, Payroll & Benefits and
 - Manager, Accounting and Payroll?

What are the unique characteristics of Halifax Metro Centre operations which require this amount of senior financial support?

- Why does the Manager, Human Resources position at the Halifax Public Libraries only require 4 years' experience when the salary scale exceeds that of the HR Manager position for Halifax Metro Centre which requires 10 years' experience?

Table 1.1a – Selected Inconsistencies in Senior Management Positions within HRM's ABCs – Finance Director and Manager Levels

Entity	Draft Annual Expenditures 2012/13*	Job Title	Experience	Education	Annualized Salary Range*
Director Level Finance Positions					
HRM	771,187,984	Director, Finance & Information Technology	Substantial senior management experience with a multiple-site portfolio	Accounting designation or a suitable combination of education and experience	\$135,000 - \$165,000
Halifax Metro Centre	6,982,845	CFO & Corporate Services	15 years' financial management & executive level leadership experience in increasingly more senior roles	Accounting designation	\$131,780 - \$164,724 (\$65,890 - \$82,362 for a 0.5 FTE)
Halifax Public Libraries	22,980,937	Director, Corporate Services	10 years' broad public library & finance management level experience, including 3 years at the senior	Masters in Library Studies	\$95,239 - \$111,416
Halifax Regional Water Commission	109,267,000	Director Finance & Customer Service	5 years' senior financial management experience. Experience required in a utility or customer oriented operation	Post-secondary degree, accounting designation (or equivalent combination of education and experience)	\$127,160 - \$158,951
Manager Level Finance Positions					
HRM	771,187,984	Manager**	6 - 10 years' progressively responsible & broad management experience	Post-secondary degree, accounting designation	\$85,000 - \$120,000
Halifax Public Libraries	22,980,937	Manager, Finance & Facilities	7 years' progressively responsible & broad financial management experience, minimum 3 years at a senior management level	Post-secondary degree, accounting designation	\$86,674 - \$101,397
Halifax Metro Centre	6,982,845	Corporate Controller	7 years' financial management and leadership experience in increasingly senior roles	Accounting designation (or equivalent experience)	\$77,299 - \$96,624 (\$38,650 - \$48,312 for a 0.5 FTE)
Halifax Metro Centre	6,982,845	Manager, Accounting & Payroll	7 years' accounting experience and experience leading high performing teams	None stated	\$54,544 - \$68,180 (\$27,272 - \$34,090 for a 0.5 FTE)
Halifax Regional Water Commission	109,267,000	Controller	5 years' broad and progressively more senior experience in financial management and general office administration	Post-secondary degree, accounting designation (or equivalent combination of education and experience)	\$79,667 - \$99,583

* Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

** Due to the size and complexity of HRM, there is not one comparable position. The range of Manager positions encompasses similar responsibilities.

Table 1.1b – Selected Inconsistencies in Senior Management Positions within HRM's ABCs – Human Resources Director and Manager Levels

Entity	Draft Annual Expenditures 2012/13*	Job Title	Experience	Education	Annualized Salary Range*
Director Level Human Resource Positions					
HRM	771,187,984	Director, Human Resources	8-10 years' experience in human resource management, with at least 5 years at the senior management level	Masters in a related discipline or an equivalent combination of education and experience. CHRP or equivalent HR professional designation preferred	\$135,000 - \$165,000
Halifax Regional Water Commission	109,267,000	Director, Human Resources	5 years' broad and progressively more senior experience in human resource administration with 3 years' experience leading and supervising employees	Post-secondary degree in human resources, advanced degree or certification desired	\$84,987 - \$106,121
Halifax Public Libraries	22,980,937	Director, Human Resources	8 years' of human resources experience, 3 years in a senior management position	Post-secondary degree in human resources, Certified Human Resources Professional designation	\$95,239 - \$111,416
Manager Level Human Resource Positions					
HRM	771,187,984	Manager**	5-8 years' experience, 3 years supervisory	Related undergraduate degree, CHRP designation preferred	\$65,000 - \$120,000
Halifax Public Libraries	22,980,937	Manager, Human Resources	4 years' related experience including 1 year supervisory	2 years' post-secondary education, Certified Human Resource Professional Designation	\$61,924 - \$72,443
Halifax Metro Centre	6,982,845	HR Manager	10 years' human resources management and leadership experience in increasingly more senior roles	Post-secondary degree with an emphasis on human resource management or combination of education and experience, CHRP is considered an asset for a 0.35 FTE)	\$54,544 - \$68,180 (\$19,090 - \$23,863 for a 0.35 FTE)

* Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

** Due to the size and complexity of HRM, there is not one comparable position. The range of Manager positions encompasses similar responsibilities.

As a result of the noted inconsistencies, the OAG had further discussions with HRM, Halifax Regional Water Commission, Halifax Public Libraries and Halifax Metro Centre. These discussions focused on gaining a greater understanding of the processes and procedures used to determine experience and education requirements, as well as salary ranges for their respective positions. This process is generally referred to as 'job evaluation' within HRM. These conversations revealed four separate processes. Given other differences noted among the ABCs in how administrative functions are provided, it is reasonable to expect additional differences among the remaining ABCs as to the 'job evaluation' processes in place.

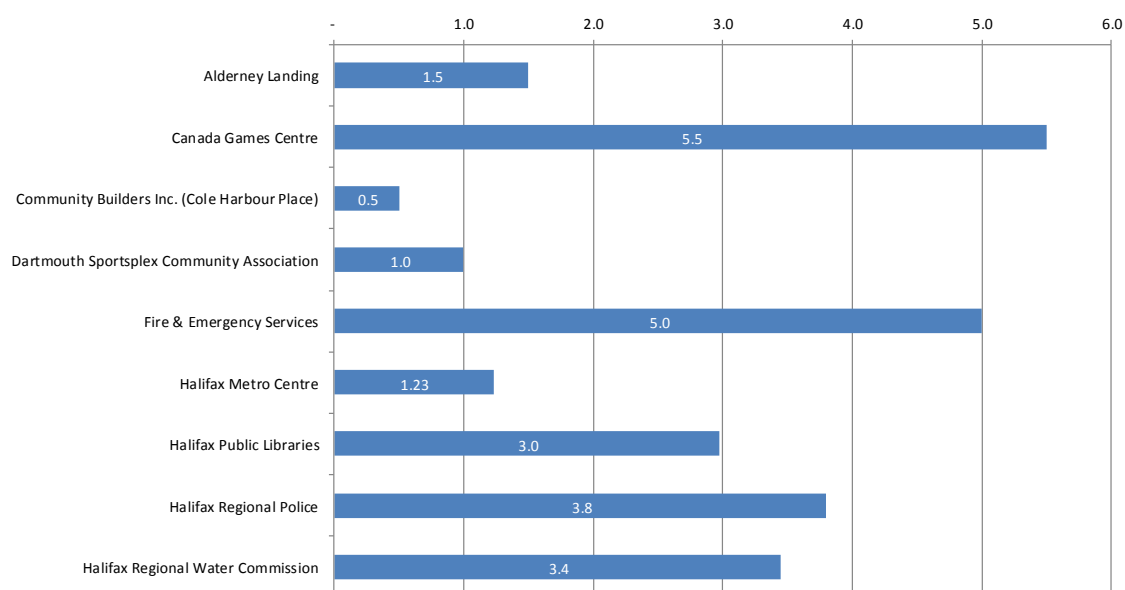
Recommendations:

- 1.2.1 The OAG recommends Regional Council (through HRM Administration) and its ABCs collaborate to create an overarching policy specifying one 'job evaluation' process to be used within all ABCs. Ideally, this process would be managed by HRM's Human Resources business unit. This would allow all positions to be evaluated (and hopefully compensated) on a consistent basis.
- 1.2.2 The OAG recommends Regional Council (through HRM Administration) and its ABCs create an implementation plan and time line to review all existing administrative functions positions using the agreed job evaluation process resulting from Recommendation 1.2.1 and implement any suggested changes identified (on a go-forward basis) in job requirements and/or salary ranges. HRM's Human Resources business unit should be tasked with monitoring all positions on an on-going basis to ensure the established 'job evaluation' processes are being followed.

1.3 Organizational Structures and Management Layers

When considering the efficiency of organizational structures among HRM's ABCs, the OAG also analyzed management to staff ratios. Chart 1.1 below shows the average number of FTEs reporting to each supervisor or manager in an administrative functions role.

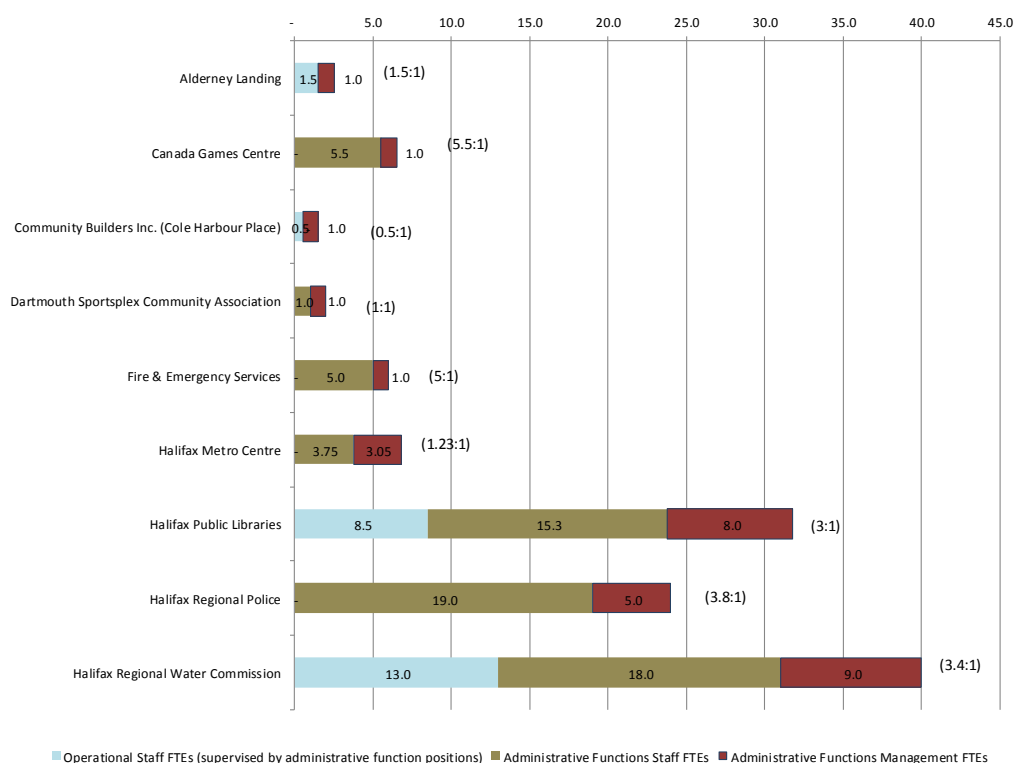
Chart 1.1 Average Number of FTEs Reporting Directly to Each Administrative Functions Supervisory/Managerial FTE



Note: Ratios are based on the supervisory relationships described in the job descriptions and organizational charts provided and excludes administrative functions provided by HRM (some variances may occur).

Note: Only includes those ABCs which have more than one administrative function position or have only one administrative function position with non-administrative function positions reporting to it. It also excludes administrative functions provided by HRM.

In order to present an accurate picture of all supervisory responsibilities, the chart includes both administrative functions positions as well as operational staff positions which report to each supervisor or manager. The split between operational, administrative functions and supervisory/managerial positions in each entity is shown below in Chart 1.2.

Chart 1.2 Ratio of Management (supervisory) FTEs to Staff (non-supervisory) FTEs by ABC

Note: Only includes those ABCs which have more than one administrative function position or have only one administrative function position with non-administrative function positions reporting to it. It also excludes administrative functions provided by HRM.

Overall, this analysis shows few staff (3 on average) reporting to each supervisor. While this is understandable in some circumstances given the small size of some of these organizations (such as the Dartmouth Sportsplex), the results for three of the organizations (Halifax Metro Centre, Halifax Public Libraries and Halifax Regional Water Commission) raised questions for the OAG and warranted further review. Table 1.2 (below) shows additional information regarding these three organizations and supervisory positions as they relate to their administrative functions.

Table 1.2 Supervisory Positions and Number of Direct Reports for Key Administrative Functions in Select Entities

Halifax Public Libraries	# of Direct Reports	Halifax Metro Centre	# of Direct Reports	Halifax Regional Water Commission	# of Direct Reports
Finance Positions		Finance Positions		Finance Positions	
Director, Corporate Services	4.5	CFO & Corporate Services	4	Director Finance & Customer Service	4
Manager, Finance & Facilities	3.8	Corporate Controller	1	Controller	4
		Manager, Accounting and Payroll	5		
		Payroll and Benefits Manager	0	Chief Accountant	3
				Supervisor, Budget & Financial Analysis	2
Human Resources Positions		Human Resources Positions		Human Resources Positions	
Director, Human Resources	1	HR Manager	0	Director, Human Resources	1
Manager, Human Resources	3			Human Resources Co-ordinator	6
Information Technology Positions		Information Technology Positions		Information Technology Positions	
Director, Information Technology & Collection Management	5	IT Manager	0	Director, Engineering and Information Services	10
Manager, Information Technology	1			Information Services Manager	6
IT Supervisor	6				
Communications and Marketing Positions		Communications and Marketing Positions		Communications and Marketing Positions	
Manager, Communications and Marketing	3.5	Director, Marketing & Communications	4		

Given the relatively low number of staff reporting to certain management layers, particularly in the Finance and HR functions, the OAG questions if these are the most cost effective and economical structures.

Based on the information reviewed, these three entities have several layers of management in place. Given the relatively low number of staff reporting to certain management layers, particularly in the Finance and HR functions, the OAG questions if these are the most cost effective and economical structures.

Recommendation:

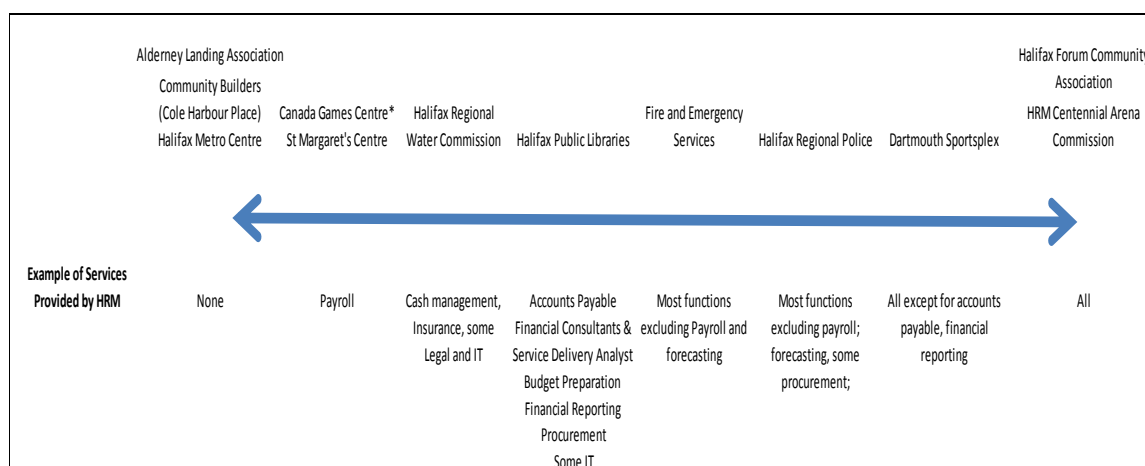
- 1.3.1 The OAG recommends Regional Council (through HRM Administration) request Halifax Public Libraries, Halifax Metro Centre and Halifax Regional Water Commission review the requirements which resulted in the layers of management found in each organization, with a view to streamlining organizational structures and reducing management layers, thus demonstrating greater efficiencies and economies within their administrative functions. The results of these reviews should be reported through HRM Administration to Regional Council when completed.

1.4 Delivery Models within HRM's ABCs

In addition, there appear to be costing inconsistencies among the entities utilizing HRM's services, as one ABC pays HRM for services but the others do not.

As noted earlier, through the course of the project, it became apparent to the OAG the delivery models for administrative functions of HRM's ABCs are inconsistent. For example, HRM's level of involvement spans the spectrum from Cole Harbour Place on one end which does not utilize any HRM resources, to the Halifax Forum on the other end which has no direct administrative functions and receives all these services directly from HRM. In between are other entities which rely on HRM to varying degrees (see Chart 1.3 below). In addition, there appear to be costing inconsistencies among the entities utilizing HRM's services, as one ABC pays HRM for services but the others do not.

Chart 1.3 – Administrative Functions Support Provided by HRM



* services provided for a fee

In the information provided to the OAG, there was no evidence of a formal cost/benefit analysis being completed relative to the delivery models chosen for the various administrative functions models utilized in HRM's ABCs.

Recommendations:

- 1.4.1 The OAG recommends HRM develop a strategy and policy supporting the development of a consistent delivery model(s) to be used for the provision of administrative functions for all HRM's ABCs. The OAG envisions this would provide options based on the individual circumstances of the ABCs but would primarily look to increase consistency among entities.

- 1.4.2 In conjunction with Recommendation 1.4.1 and the other recommendations indirectly, the OAG recommends a cost/benefit analysis be performed for all ABCs to evaluate costs associated with maintaining administrative functions staff directly within each entity, the number of staff required to successfully achieve completion of all required tasks and the potential savings to be realized if ABCs were to leverage services from HRM corporate business units.
- 1.4.3 The OAG recommends the policy and strategy developed in Recommendation 1.4.1 and the results of the analysis outlined in Recommendation 1.4.2 be used to assess and modify (where appropriate) the administrative functions structures within HRM's ABCs.

1.5 Segregation of Duties and Controls

In reviewing the number of positions dedicated to the provision of administrative functions, the OAG questions the level and effectiveness of internal controls which may or may not exist in entities with only one administrative function FTE, or with one FTE in any given functional area. While having one FTE performing multiple functions can provide some level of efficiency, the OAG is concerned having only one employee in each functional area might compromise the necessary controls and segregation of duties.

Recommendation:

- 1.5.1 The OAG recommends HRM Administration meet with those entities identified in Table 1.0 who have advised they have only one position per function to discuss what level of controls and segregation of duties are in place and if some utilization of HRM resources could increase controls and segregation of duties.

1.6 Mechanism for Accountability

However, one (likely unintended) consequence of some of these arrangements is a lack of effective accountability mechanisms to HRM for the stewardship of funds.

The OAG, however, would argue establishing situations where there is little accountability to HRM for effective financial management and stewardship is not the best solution from an economic perspective (in other words, it does not appear to be the best course of action from those available).

Through the work done on this project, the OAG noted a number of instances where HRM's ABCs, for a variety of reasons, function independently from HRM. However, one (likely unintended) consequence of some of these arrangements is a lack of effective accountability mechanisms to HRM for the stewardship of funds. This is very concerning to the OAG, particularly in light of some situations noted in this report regarding significant administrative functions structures which exist in a number of the ABCs.

Through discussions with the involved entities, the OAG understands there are specific rationales for some of these structures, such as, to protect an organization against potential political influence (Halifax Public Libraries) or to ensure the independence of the function from political, functional or operational influence (HRP). The OAG, however, would argue establishing situations where there is little accountability to HRM around effective financial management and stewardship is not the best solution from an economic perspective (in other words, it does not appear to be the best course of action from those available).

Recommendations:

- 1.6.1 The OAG recommends Regional Council (through HRM Administration) work with its ABCs, and utilize external assistance if appropriate, to develop consistent and appropriate oversight models which will provide for protection against inappropriate political involvement while balancing the need for financial oversight and accountability.
- 1.6.2 The OAG recommends once the oversight models referenced in Recommendation 1.6.1 are developed, Regional Council (through HRM Administration) implement changes which are within its control (i.e. Administrative Orders) and work with the Province of Nova Scotia to have any and all applicable legislation updated as required.

2.0 Cultural and Recreation Facilities

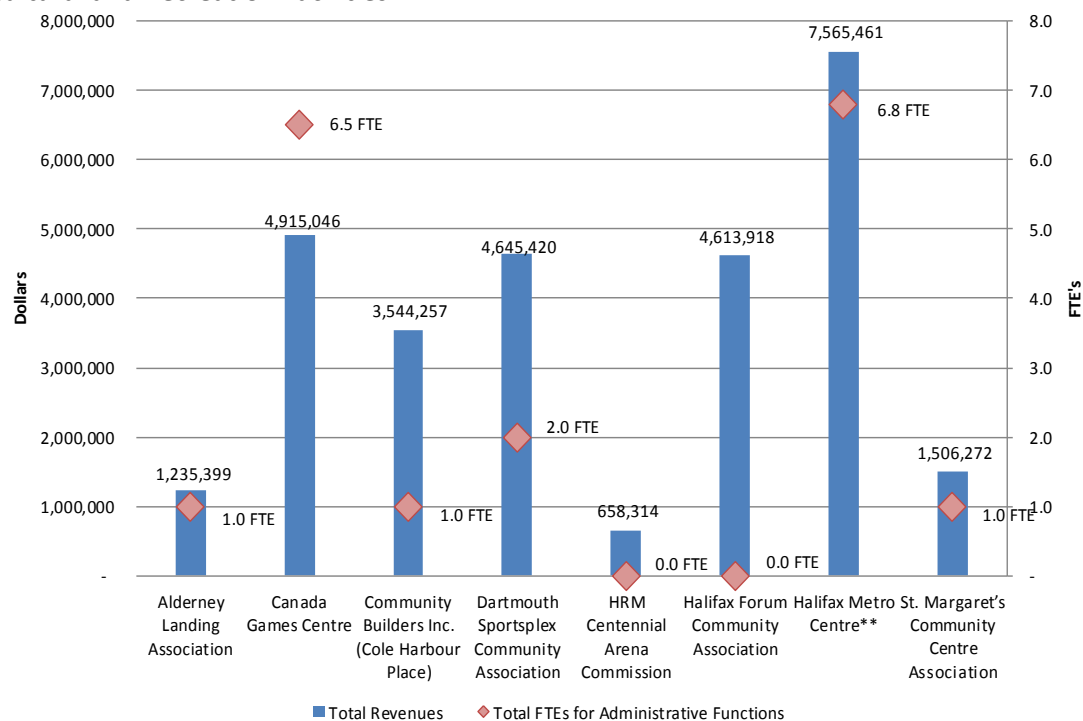
For purposes of this report, eight of the included ABCs were categorized as 'cultural and recreation facilities'. These entities include:

- Alderney Landing Association
- Canada Games Centre
- Community Builders Inc. (Cole Harbour Place)
- Dartmouth Sportsplex Community Association
- Halifax Forum Community Association
- Halifax Metro Centre
- HRM Centennial Arena Commission
- St. Margaret's Community Centre Association.

The analysis of this group of entities identified a number of significant matters. Two of the eight facilities (Halifax Forum and HRM Centennial Arena) have no dedicated staff providing administrative functions. They instead receive these services from HRM under the terms of a Management Agreement. One entity (Halifax Metro Centre) shares staff with Trade Centre Limited (TCL), with TCL being the entity engaging the staff and determining the appropriate staff and compensation levels). Of the remaining five entities reviewed, there are varying mixes of staff, external service providers and HRM resources used to fulfill roles.

Chart 2.0 below shows the draft 2012/13 revenues by entity and the number of full-time equivalent staff each facility has for administrative functions.

Chart 2.0 Reported Draft 2012/13 Revenues* and Number of Administrative Functions FTEs at Cultural and Recreation Facilities



* Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

**Halifax Metro Centre's FTE count for its administrative functions will reduce to 6.3 in 2013/14 due to the elimination of a 0.5 FTE position in January 2013.

The OAG recognizes each entity has unique characteristics and therefore expected some organizational differences. However, there are a few situations which stand out in the above chart which warrant comment or question:

1. Why do some Cultural and Recreation entities leverage HRM business units for their administrative functions while others do not?
2. What are the unique characteristics of the operations of the Canada Games Centre which requires significantly more administrative functions staff when compared with other similar facilities with similar reported annual revenues? We note the Dartmouth Sportsplex, the Halifax Forum and Community builders (Cole Harbour Place) all have similar reported annual revenues. However, the Canada Games Centre employs 3.25 times the number of administrative functions staff as compared with the Dartmouth Sportsplex

(which has the next highest staffing levels of the comparative entities). In addition, the Canada Games Centre has almost as many administrative functions FTEs as the Halifax Metro Centre, a facility with 1.5 times its revenue.

3. Why does the Halifax Metro Centre require 6.8 administrative functions FTEs? These positions incur an estimated \$449,470 annually in salaries for administrative functions positions, before benefits and ancillary costs. Of the estimated \$449,470 in annual salary expenditures, \$240,381 relates to management or supervisory positions.

In comparison, the Canada Games Centre, an entity with 6.5 administrative functions FTEs incurs annual salary costs in the area of \$248,750 before benefits for their administrative functions positions. This is more than half the annual cost of the administrative functions positions at Halifax Metro Centre.

When the positions related to Halifax Metro Centre were reviewed in more detail, additional questions were raised as to why Halifax Metro Centre requires the following distinct positions:

- 0.5 of a CFO
- 0.5 of a Corporate Controller
- 0.5 of a Manager, Accounting and Payroll as well as
- 0.35 of a Payroll and Benefits Manager?

This equates to a total of 1.85 management FTEs in the Finance and Payrolls section with only 2 staff FTEs. The OAG also notes 61% of all supervisory administrative functions positions in Halifax Metro Centre relate to Finance and Payroll. This causes the OAG to question why it appears a disproportionate amount of supervision is required for these functions and if there are efficiencies which could be achieved in this area.

The OAG also noted three of the management positions for Halifax Metro Centre (HR Manager, IT Manager, and Payroll and Benefits Manager) (1.2 FTEs) have no staff reporting to them.

The OAG also noted three of the management positions for Halifax Metro Centre (HR Manager, IT Manager, and Payroll and Benefits Manager) (1.2 FTEs) have no staff reporting to them.

The OAG has to again question 1) why this amount of supervision and senior management oversight is required, and 2) if the salary ranges and hence charges (costs) to HRM are appropriate given the scope of operations and job responsibilities.

In discussions with Halifax Metro Centre Management regarding the number of FTEs in the Finance function, it was indicated the operation required significant finance and accounting oversight due to the nature of event settlement operations for events at the facility.

The OAG recognizes Halifax Metro Centre's structure is currently being reviewed by an independent consultant hired by HRM. However, comments are included here as the underlying issues have not yet been addressed.

Recommendations:

- 2.0.1 The OAG recommends Regional Council suggest its ABCs within the cultural and recreation grouping work with HRM Administration to review and more fully understand the various models used to provide administrative functions in order to:
- a) develop a standard which provides greater consistency in terms of leveraging HRM services, and
 - b) determine if there are leading practices which could be shared and implemented to increase the efficiencies within the overall group.
- 2.0.2 The OAG recommends Regional Council (through HRM Administration) engage in discussions with the Management of Canada Games Centre and Halifax Metro Centre to understand why there appears to be a high use of administrative functions staff in their facilities, and whether there are efficiencies which can be achieved.
- 2.0.3 The OAG recommends HRM Administration engage in discussions with the Management of Halifax Metro Centre to discuss the basis for their job requirements and salary ranges, particularly for the management positions noted in Tables 1.1 a & b of Section 1.2, with a view to ensuring the

positions are in line with HRM salary ranges for an organization the size and limited complexity of Halifax Metro Centre.

- 2.0.4 The OAG recommends HRM Administration engage in discussions with the Management of Halifax Metro Centre to understand the layers of management currently in place and to determine if there are efficiencies which could be gained by utilizing resources within HRM. If some consolidation of services with HRM is not viable, the OAG recommends the organizational structure currently in place be reviewed and if a position has no staff reporting to it, the organization should consider revising the job description, title and salary range to a level more appropriate for a non-management position.

3.0 Halifax Public Libraries

During this project, the OAG observed a significant administrative functions structure within the Halifax Public Libraries relative to what might be expected for the size and type of overall operations. As previously noted, Halifax Public Libraries has 23.3 dedicated administrative functions FTEs. The related salary costs associated with these positions amount to approximately \$1.4 million a year (before benefits) or 6.2% of draft 2012/13⁶ annual expenditures.

It is interesting to note, in addition to having its own administrative functions structure, the Halifax Public Libraries also utilizes many HRM services or reports in the same manner as HRM business units. For example, the Halifax Public Libraries:

- does not process its own accounts payable (in SAP), instead they are processed by HRM's Finance business unit
- does not hold its own bank accounts, instead their accounts payable and payroll are paid from HRM's bank accounts
- is part of HRM's monthly financial reporting process and has its results reported along with HRM's business units
- is part of the annual budget and business planning process which HRM uses for its business units
- has its capital projects funding provided through HRM using the same processes as HRM's business units
- has assigned staff in the Finance department (i.e. Service Delivery Analyst, Senior Financial Consultant) as is done for HRM business units
- requires Regional Council approval for any unbudgeted withdrawals from reserves
- uses HRM's e-mail system for its administrative staff
- utilizes HRM's SAP system
- was recently required to report to HRM's Audit and Finance Committee (which no other ABC is required to do).

In addition, Halifax Public Libraries does not pay HRM for the various functions utilized.

In addition, Halifax Public Libraries does not pay HRM for the various functions utilized.

⁶ Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

Funding for the Halifax Public Libraries

HRM (through its general tax rate) is the primary source of funding for Halifax Public Libraries. In 2012/13, approximately 76.6% of Halifax Public Libraries' funding was provided directly by HRM. This suggests of its total \$22,980,937 in draft expenditures⁷, approximately \$17.6 million was provided by HRM (not including the cost of the services provided by HRM). The funding method is highlighted as it is more closely aligns with how HRM's business units are funded compared with other ABCs.

Administrative Functions Support for Halifax Public Libraries

Given HRM has business units dedicated to the provision of administrative functions and the significant funding Halifax Public Libraries receives from HRM, the OAG compared the level of in-house administrative functions staff in Halifax Public Libraries with those in HRM's operational business units.⁸

Table 3.0 below shows the 2012/13 expected expenditures for HRM's operational business units and the number of dedicated administrative functions positions (and relative costs) for each business unit, as compared with those of Halifax Public Libraries.

⁷ Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

⁸ Operational business units exclude HRM's administrative functions such as Finance, Human Resources, Payroll, IT, Procurement, and Corporate Communications.

Table 3.0 Comparison of Dedicated In-house Administrative Functions Positions for HRM Business Units (Compared with Halifax Public Libraries)

Entity	Draft 2012/13 Expenditures*	Total FTEs for Administrative Functions	Total Estimated Annual Administrative Functions Salaries (before benefits)	% Administrative Functions Salaries to Total Expenditures (before benefits)
Halifax Public Libraries	\$ 22,980,937	23.3	\$ 1,424,366	6.20%
Halifax Regional Police	77,271,642	24.0	1,481,068	1.92%
Fire & Emergency Services	55,418,905	6.0	321,821	0.58%
Planning & Infrastructure	6,934,636	2.0	133,114	1.92%
Community & Recreation Services	41,627,175	-	-	0.00%
Metro Transit	96,652,399	-	-	0.00%
Transportation & Public Works	137,119,903	-	-	0.00%

* Draft expenditures for the 2012/13 fiscal year were used in order to include the most up-to-date information available. (See commentary in Methodology section).

Note: The number of administrative functions positions are as reported by the various business units and have not been independently verified by the OAG.

Note: All salary and FTE figures exclude administrative functions provided by HRM.

Note: The figures include base salaries only and do not include any benefit costs.

As a result of this comparison, the OAG questions why Halifax Public Libraries require specific dedicated support beyond what is available within HRM, particularly given HRM's operational business units are able to fulfill their mandates primarily using the shared resources of HRM.

As a result of this comparison, the OAG questions why Halifax Public Libraries require specific dedicated support beyond what is available within HRM, particularly given HRM's operational business units are able to fulfill their mandates primarily using the shared resources of HRM. These questions become more concerning when reviewed in the context of the types of dedicated positions which exist.

Specifically, the OAG questions 1) the number of positions at the senior management and supervisory level, and 2) the salary ranges given the size of the organization and salary ranges for comparative positions in HRM.

Management Layers

As noted in Chart 1.2, 8 (34%) of the 23.3 administrative functions positions in Halifax Public Libraries are supervisory or management positions. The OAG also reviewed the proportion of management positions and salary against total positions and salary for the administrative functions positions among the ABCs (shown in Table 3.1 below).

Table 3.1 –Management to Staff FTEs and Salaries

Entity	FTEs which are Supervisor, Manager, or Director	Average Salary for Management Positions	Management Salaries	Total Annual Admin Salaries	% of Positions which are Management	% of Salaries which are Management
Halifax Public Libraries	8.0	88,975	\$711,802	\$1,424,366	34%	50%
Halifax Metro Centre	3.05	78,814	240,381	449,470	45%	53%
Halifax Regional Water Commission	9.0	91,061	819,546	1,827,190	33%	45%
Halifax Regional Police	5.0	85,069	425,344	1,481,068	21%	29%
Entities with 1 Management FTE*	6.0	64,976	389,857	852,960	50%	46%

* Entities with only 1 supervisory or managerial administrative functions FTE are Alderney Landing Association, Community Builders (Cole Harbour Place) Fire and Emergency Services, Dartmouth Sportsplex Community Association, Canada Games Centre and St. Margaret's Community Centre.

Note: the figures include base salaries only and do not include any benefit costs.

This analysis shows 34% of the administrative functions positions within Halifax Public Libraries (50% of the administrative functions salaries) relate to supervisory or management positions. The OAG again has to question why this level of supervision and senior management oversight is required particularly considering the resources available and provided by HRM.

Duplicate Administrative Functions Positions between HRM and Halifax Public Libraries

The OAG recognizes Halifax Public Libraries has specific legislation which enables its existence as a body corporate (Libraries Act and Regulations, Chapter 254 of the Revised Statutes) and which prescribes the current Board of Directors governance structure. In addition, the OAG appreciates the likely basis for this legislation is to provide independence for Halifax Public Libraries. This hopefully avoids potential political interference (to protect against censorship and to ensure open access to independent learning).

However, based on the information reviewed during this project, the extent of the administrative functions organizational structure at Halifax Public Libraries is concerning, particularly as it appears many of the positions within this structure are duplicates of positions existing within HRM, primarily at the senior management levels (see Table 3.2 below).

Table 3.2 Duplicate Administrative Function Positions between HRM and the Halifax Public Libraries

Organization	Position	Salary Range
Halifax Public Libraries	Director, Corporate Services	\$95,239 - \$111,416
HRM	Director, Finance & Information Technology	\$135,000 - \$165,000
Halifax Public Libraries	Manager, Finance & Facilities	\$86,674 - \$101,397
HRM	Manager *	\$85,000 - \$120,000
Halifax Public Libraries	Director, Human Resources	\$95,239 - \$111,416
HRM	Director, Human Resources	\$135,000 - \$165,000
Halifax Public Libraries	Manager, Human Resources	\$61,924 - \$72,443
HRM	Manager*	\$65,000 - \$120,000
Halifax Public Libraries	Director, Information Technology & Collection Management**	\$86,675 - \$101,397
HRM	Chief Information Officer	\$120,000 - \$145,000
Halifax Public Libraries	Manager, Information Technology	\$74,300 - \$86,921
HRM	Manager, ICT Delivery; Manager, ICT Operations	\$81,500 - \$125,500
Halifax Public Libraries	Manager, Communications & Marketing	\$74,300 - \$86,921
HRM	Managing Director, Corporate Communications	\$85,000 - \$120,000

* Due to the size and complexity of HRM, there is no one comparable position. The range of Manager positions encompasses similar responsibilities.

** The OAG accepts there could be collections management responsibilities within this position which are specific to library functions.

While the OAG can understand the frustrations of working with a service provider who, in the mind of the service receiver, is not meeting desired service standards, a solution which creates a duplicate administrative structure cannot be supported from an efficiency or accountability perspective.

Based on this comparison, it appears Halifax Public Libraries expends in the order of \$574,000 to \$671,000 annually (before benefits) duplicating seven senior management positions which currently exist within HRM and whose services and those of their business units could likely be made available to Halifax Public Libraries. As a result, the OAG has to question why this level of senior management administration is required for the Halifax Public Libraries, particularly given the level of support received from HRM in relation to the finance function.

The OAG was advised one of the specific reasons for the duplication of administrative functions was previously failed attempts to utilize HRM's administrative functions. The reason given for the previous lack of success was the level of service and support received were not acceptable (in the opinion of the CEO of Halifax Public Libraries).

While the OAG can understand the frustrations of working with a service provider who, in the mind of the service receiver, is not meeting desired service standards, a solution which creates a duplicate administrative structure cannot be supported from an efficiency or accountability perspective. Instead, the OAG suggests

a more appropriate solution is to work with HRM to ensure the appropriate level of support is provided, with the receiving organization understanding they are part of the larger HRM and are not a stand-alone entity in need of dedicated resources.

The OAG would prefer both organizations involved work together to achieve a solution which provides a reasonable level of service in the most efficient manner possible rather than simply incurring significant annual expenditures which may prove to be unnecessary or could be reduced on an overall basis by leveraging senior management talents in other parts of HRM taken as a whole.

This level and extent of organizational structure becomes even more concerning when compared to the organizational approach used within Halifax Regional Police which is governed by Board of Police Commissioners. This is an interesting comparison as the Halifax Regional Police also has specific legislation providing controls against potential political, functional or operational interference.

The Halifax Regional Police has, however, not established a duplicate, independent (and costly) administrative functions structure for their operations. Instead, they have chosen to utilize available HRM resources, supplementing them to the extent needed to accommodate unique requirements for their operations. As such, they have not built a significant organizational structure with several layers of management and duplicate senior management positions as is observed in Halifax Public Libraries.

Recommendation:

- 3.0.1 The OAG recommends Regional Council (through HRM Administration) work with Halifax Public Libraries to review their administrative functions structure. Discussions should focus on possibilities for the use of HRM's resources and eliminating or re-deploying duplicate positions in place in Halifax Public Libraries in order to gain as much efficiency and economy as possible.

4.0 Halifax Regional Police and Fire and Emergency Services

During the review of the administrative functions existing within Fire & Emergency Services and Halifax Regional Police, the OAG noted there were minimal resources dedicated to these functions.

However, of the positions which do exist, there are a number of payroll positions which seem to be either equivalent or similar positions to those within the Payroll section of the FICT business unit of HRM. The OAG makes this specific comparison as Fire and Emergency Services and Halifax Regional Police both effectively operate as business units of HRM, not as independent ABCs. As shown in Table 4.0 below, there appear to be three positions in Fire and Emergency Services and six positions (including one supervisor) in Halifax Regional Police providing payroll functions. In comparison, HRM's Finance, Information, Communication and Technology (FICT) business unit contains a Payroll section with 23.6 FTEs (16.6 of which are comparable positions) which manage the payroll function for the rest of HRM's business units (as well as for a number of ABCs).

In reviewing these positions, they all appear to be providing similar functions but with different reporting structures (staff supporting Fire and Emergency Services and Halifax Regional Police). The positions supporting Fire and Emergency Services and Halifax Regional Police report directly to their respective business unit, while the remaining staff report directly to the Finance business unit. With this difference as the focus, the OAG looked to understand why the reporting structure is different and whether it is appropriate.

Table 4.0 – Comparison of Payroll Positions within HRM Business Units

Entity	Positions	Job Title	Pay Category	Selected Key Duties
Fire & Emergency Services	3	Payroll Administrative Coordinator	NSUPE 13, Group 5	-Prepares, processes, controls and records payroll -Administers collective agreements -Audits and corrects data necessary for T4s
Halifax Regional Police	5	Payroll/Costing Coordinators	NSUPE 13, Group 5	-Ensures payroll data is received, verified, and entered -Administers collective agreements -Audits and corrects data necessary for T4s
Finance, Information, Communications and Technology	13.6	Payroll/Costing Coordinators	NSUPE 13, Group 5	-Ensures payroll data is received and is properly authorized -Verifies payroll data is calculated in accordance with the collective agreements -Audits and corrects data necessary for T4s -Ensures employees are charged to the correct cost centres
Finance, Information, Communications and Technology	3	Payroll Administrator	NSUPE 13, Group 7	- Completes bi-weekly processing of payroll -Monitors to ensure compliance with collective agreements -Audits and analyses data necessary for T4s - Produces T4s and T4As
Halifax Regional Police	1	Accountant Administrator	NSUPE 13, Group 8	- Assigns work and provides direction for 7 staff -Verifies and approves Post Payroll Audit Report for HRP - Ensures collective agreements are followed -Prepares billings for services provided to outside parties (excluding Extra Duty) - Monitors A/P for accurate posting by cost center

In reviewing the above noted administrative functions positions within Fire & Emergency Services and Halifax Regional Police, several questions came to mind, including:

- Do these positions have similar responsibilities to positions reporting to the FICT business unit? Answer - Yes
- Do these positions have the same classification as similar positions within HRM's FICT business unit? Answer – Yes
- Do these positions require similar levels of experience and education as FICT business unit staff? Answer – Yes
- What is the rationale for hosting these positions internally? Answer – Complexity and uniqueness of staffing, leading to complexity in payroll
- Do other business units have dedicated payroll staff within the business unit? Answer – In other business units, the payroll staff are embedded within the business unit they support, but report to and are part of the FICT business unit.

Based on the information provided, the OAG questions the reporting structure for the nine positions noted within Fire and Emergency Services and Halifax Regional Police.

The OAG also questions the historical reasons for these two business units establishing their own positions which appear to be similar to positions provided corporately for other business units,

particularly as they seem to utilize the services provided by HRM for other administrative functions. This situation causes the OAG to ask the following questions:

- Does HRM have formal corporate guidelines available for operational business units regarding the hiring of staff to perform services offered by administrative functions business units (i.e. Finance, Human Resources, etc.)?
- Why are there two different reporting structures in place within HRM for payroll staff? Would it not be more efficient to have all business units following one consistent reporting structure for similar administrative functions positions?

Recommendations:

4.0.1 The OAG recommends HRM Administration move to implement one consistent reporting structure for administrative functions positions for all business units in conjunction with the development of a policy defining if and when services can be hired directly by business units.

4.0.2 The OAG recommends:

- a) restructuring the payroll-related positions currently housed within Fire and Emergency Services to report to the Payroll unit within HRM's FICT business unit (although they could continue to be housed within Fire and Emergency Services).

The OAG is pleased to note, during discussions with Fire and Emergency Services, they indicated this recommendation had been identified internally and is in the process of being implemented.

- b) HRM Administration engage in discussions with the Chief of Police and the Board of Police Commissioners with a view to enabling a similar change in reporting structure as suggested in Recommendation 4.0.2a above, related to the payroll positions for Halifax Regional Police.

5.0 Halifax Regional Water Commission

During the course of the project, the OAG noted several areas where questions arose regarding the organizational structure, positional requirements and salary ranges related to the administrative functions at Halifax Regional Water Commission.

As noted previously in Table 1.0, Halifax Regional Water Commission has a total of 27 administrative functions FTEs. The salaries related to these positions total more than \$1.8 million annually before benefit costs.

Management Layers

Nine of these 27 positions are supervisory or managerial in nature, resulting in 33% of the administrative functions positions being supervisory. The OAG also noted the supervisory positions within Halifax Regional Water Commission have a relatively low number of FTEs reporting to each position (3.4 on average).

Number of Supervisory Positions within the Finance Section

Based on the information provided by Halifax Regional Water Commission, the OAG identified a total of three management layers and five separate supervisory or managerial level positions within the Finance section at Halifax Regional Water Commission (see Table 5.0 below).

Table 5.0 Layers of Management – Halifax Regional Water Commission

Finance Positions	# of Direct Reports*
Director, Finance & Customer Service	4
Controller	4
Chief Accountant	3
Procurement Supervisor	2
Supervisor, Budget & Financial Analysis	2
Human Resources Positions	
Director, Human Resources	1
Human Resources Co-ordinator	6
Information Technology Positions	
Director, Engineering and Information Services	10
Information Services Manager	7

* Includes both Administrative Function positions as well operational staff positions which report to each manager or supervisor.

Based on the information provided, there appear to be twice as many supervisory and managerial FTEs within the Finance unit as compared with the other identified administrative functions departments at Halifax Regional Water Commission. The OAG understands from discussions with senior management, Halifax Regional Water Commission is responsible for increased reporting requirements due to its relationship with the Utility and Review Board and has additional responsibility as a result of self-managing its pension. The OAG was advised these responsibilities take up a significant amount of time for the two most senior Finance positions. The OAG questions if this is a structure established with due regard for efficiency. If so, does the current structure still meet the goal and if not, might this be a good time to review the structure with a view to increasing efficiency?

Salary Ranges and Job Requirements

Based on the information in Tables 1.1 a & b, a number of clarification questions could arise with respect to salary ranges or job requirements. The OAG wonders, for example, why the level of experience required for the Director, Finance & Customer Service is not higher, particularly given the salary range for the position and the experience requirements for the Controller.

Duplicate Positions between HRM and Halifax Regional Water Commission

It is again interesting to note there appears to be duplicate managerial administrative functions positions between Halifax Regional Water Commission and HRM. Given the size of Halifax Regional Water Commission and its relationship with the Utility and Review Board, the OAG understands the need for specific skills and positions. However, the OAG wonders if there is an opportunity to work with HRM to better utilize the collective resources both organizations have available in order to improve the overall economy of the delivery of the administrative functions. In other words, the OAG wonders if the current structure allows HRM to ensure all staff are employed at their highest and best use for HRM overall, not just for one specific entity.

Recommendations:

- 5.0.1 The OAG recommends Halifax Regional Water Commission and HRM Administration investigate the possibility of HRM providing administrative functions support for Halifax Regional Water Commission, potentially resulting in greater efficiencies.
- 5.0.2 The OAG recommends Halifax Regional Water Commission review the basis for the administrative functions job requirements and salary ranges, particularly for the positions noted in Tables 1.1 a & b of Section 1.2 with a view to ensuring the positions are in line with HRM salary ranges, education and experience requirements and are as might be expected for an organization with the size and level of complexity of Halifax Regional Water Commission.



June 12, 2013

Mr. Larry E. Munroe
Auditor General
Halifax Regional Municipality
Belmont House, Suite 620
33 Alderney Drive
Dartmouth, Nova Scotia B3J 3A5

RE: Review of the Administrative Functions within HRM's Entities

Dear Mr. Munroe:

I have read the report, *Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board, or Commission (ABC)*, submitted to me on June 3, 2013 by your office. I am in general agreement with its content and the overall direction proposed. As with all past reports released by your office, HRM Administration will take the recommendations under consideration and develop a comprehensive work plan to address the issues identified in the report.

The report emphasizes the need to assess and potentially re-align administrative support to ABCs in order to improve efficiency. I agree that moving toward a shared services model where applicable can promote better alignment, allow for more effective internal controls, and improve human resource management. Due to the dynamics of overseeing organizations with a variety of governance models, effectively addressing the issues raised in this report is a complex process that may involve long term effort. As the attached document indicates, we are already actively working with many of the organizations you referenced to improve efficiency and foresee engaging in these efforts on an ongoing basis.

HRM Administration will continue to ensure that the recommendations made by your office are addressed in a coordinated manner, while maintaining a high level of transparency and accountability in monitoring and reporting results.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard Butts", written over a horizontal line.

Richard Butts
Chief Administrative Officer

C. Greg Keefe, Director of Finance and ICT

Chief Administrative Office
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HRM Management Responses to Individual Recommendations from the Auditor General's Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board, or Commission (ABC)

Recommendation Number	Management Response
Overarching Recommendation	HRM Administration agrees with the direction and desired outcomes but will consider other models as well, such as staff having both functional and operational reporting centrally, but remaining embedded within a specific ABC.
1.2.1 and 1.2.2	Agree, but allowances may have to be made for differences across different collective bargaining units.
1.3.1	Agree with the direction of the recommendation, but approaches other than the requested reviews may be employed. For example, recommendations related to the Metro Centre are being dealt with in response to the AG report on Ticket Atlantic, staff are reviewing the governance model for Halifax Water in response to direction from Council, and a review of Halifax Regional Libraries is being initiated in 2013/14.
1.4.1 through 1.4.3	These three recommendations will be incorporated into, or are already a part of, the approaches noted in the response to 1.3.1 above, as well as Phase II of an ongoing review of multi-district recreational facilities.
1.5.1	As these entities all fall into the recreation category, they will be addressed in Phase II of the multi-district facility review noted in the response to 1.4.1 through 1.4.3.
1.6.1 and 1.6.2	Agree. While many of the recommendations in this report can be implemented without changing governance models – i.e. HRM already provides administrative support for HRP, HRL, HRWC, and some recreational facilities – a governance review is useful. As noted above, HRM is conducting a governance review for HRWC, and governance is part of the HRL review and Phase II review for multi-district recreational facilities.
2.0.1	This recommendations will be incorporated into, or is already a part of, Phase II of the review of recreational facilities
2.0.2	This recommendation is being dealt with as a result of the audit report for Ticket Atlantic in the case of Metro Centre, and as part of Phase II of the review of multi-district recreational facilities in the case of the Canada Games Centre.
2.0.3 and 2.0.4	These two recommendations are being addressed as part of HRM's response to the AG's previous report on Ticket Atlantic.
3.0.1	Agree – this will be addressed as part of the review of HRL.
4.0.1 and 4.0.2	Agree – Fire Services is already implementing their portion of this recommendation as a result of a previous structural review.
5.0.1 and 5.02	Agree – these recommendations will be addressed as part of the HRWC governance review.