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MINISTRY OF TOURISM
Tourism Agencies Branch

Niagara Parks Commission
Procurement and Lease Audit

June, 2009

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EXECUTIVE SUMMARY

The Niagara Parks Commission (NPC) was established in 1885 to control the lands and buildings immediately surrounding the Canadian Horseshoe Falls. The NPC's core purpose is to preserve and enhance the natural beauty of Niagara Falls and the Niagara River corridor for the enjoyment of current and future visitors while maintaining financial independence.

Pursuant to the *Niagara Parks Act*, the NPC has a legislated duty to manage, control and develop the parks. It generates revenues through commercial activities – attractions, public transit, golf courses, retail and food services - to pay for its stewardship costs and visitor services. It also protects key natural and historical attractions. The Niagara Parks Commission is an Operational Enterprise of the Government of Ontario, incorporated by an act of the Provincial Legislature on April 23, 1887. NPC maintains economic self-sufficiency through the application of sound business practices and functions under the terms set out in the Niagara Parks Act, the Memorandum of Understanding between the Minister of Tourism and the Commission, applicable directives and policies, and some sections of the Corporations Act.

The Provincial Government has an important role to play in ensuring that Crown agencies operate with the benefit of sound agency governance practices. To help instil public confidence in the ability of the Board of the NPC to provide robust transparent oversight, it was recommended by the Integrity Commissioner in her report dated March 16, 2009 "Review of Government Response to the Disclosure of Wrongdoing filed in relation to the Niagara Parks Commission" that the Ministry undertake a number of actions to provide support and assistance to the NPC. This engagement covers two of the actions identified in the Integrity Commissioner's report that the Government has committed to undertake that specifically are best addressed by an independent review by the Ontario Internal Audit Division (OIAD). It was recommended that OIAD,

- 1) Conduct a thorough review of the procurement and lease processes to determine whether the NPC's policies and controls are appropriate and consistent with best practices.
- 2) Lead an audit of recent procurement practices and prepare a report for the Ministry of Tourism to articulate if there are instances where procurement was not consistent with policy and best practice. In particular, the engagement is to review Leases and Revenue Generating Opportunities which could include either solicited or unsolicited business proposals.

For the purposes of this audit, we consider Revenue Generating Opportunities (RGO) to be defined as direct actions by a third-party in the NPC's parks that help NPC achieve its mandate and generate a stream of revenues to the NPC. The opportunities may be solicited or unsolicited and may include leasing opportunities.

Highlights of Key Findings

OIAD reviewed procurement and lease/revenue generating opportunities processes to determine whether the NPC's policies and controls are appropriate and consistent with best practices. A summary of our key findings include:

- In general, NPC's procurement policies and controls are consistent with best practices. NPC's leasing practices are also generally consistent with best practices, however are not supported by documented policies.
- NPC should review the best practices identified in this engagement regarding leases and revenue generating opportunities to support the development of formal policies for these areas. These policies should include screening processes to differentiate land transactions, revenue generating opportunities and regular procurements. The leasing/revenue generating opportunity policies should be based on the principles of openness and transparency to the greatest extent possible within the context of the structure of NPC.
- NPC should also review the procurement best practices identified in this engagement for enhancement to their existing policies in order to ensure that their procurements are fully open, competitive, transparent and achieving value for money as expected of a provincial agency.
- NPC should continue conducting full Request for Proposal (RFP) competitive processes in accordance with their procurement policies and procedures to provide open competition for services.
- NPC should strengthen its documentation procedures to ensure that there is a complete and supportable record of procurement and leasing/revenue generating opportunities decisions.
- NPC should be making better use of available information resources to review market conditions when making procurement and leasing/revenue generating opportunities decisions.

With respect to the second deliverable, OIAD conducted an audit of recent procurement and leasing practices at NPC in order to examine whether procurement and leasing practices were consistent with policy and best practises. In particular,

- Although NPC is not required to conform to the Province's Procurement Policy and Directive, we found that NPC's procurement policies and controls are similar to those of the Province, with modification to recognize the entrepreneurial nature of NPC.
- There is an opportunity for NPC to strengthen its documentation in the procurement and lease files in order to ensure that a full record of all procurement and leasing decisions is evident.
- We noted that a written policy for leases/revenue generating opportunities does not exist. As such, these types of transactions were not always handled consistently and as noted above, NPC should develop policy to address these situations. We understand that in practice, NPC uses its procurement policy as a guide to their revenue generating opportunity transactions.
- We noted that there is opportunity for NPC to strengthen its process for contract renewals through the use of steps such as Requests for Information (RFI), market surveys and open competitions to ensure that they are receiving the best value for the agency.
- We found that NPC is presenting the Board members with adequate support for their procurement and lease recommendations.

Summary of Recommendations

We have made the following recommendations to enhance the transparency and accountability of the procurement and leasing processes at NPC:

1. Best Practices for Leasing/Revenue Generating Opportunities

NPC should build on its existing leasing practices to include:

- **establishing a formal policy, approved by the Board, for leasing arrangements and other revenue generating opportunities;**
- **policy should include screening process to differentiate between land transactions, revenue generating opportunities and regular procurements;**

- review of leasing/revenue generating terms to better co-ordinate with existing business cycles and ensure that length of terms are to the best advantage of NPC;
- conduct market surveys and RFIs prior to renewal of leases to ensure that NPC has appropriate and fulsome knowledge of the business environment in order to achieve the best value for NPC;
- establish criteria for the qualities NPC expects in attraction operators, which may include things like safety, financial returns, track record or business references;
- conduct full RFPs at consistent intervals where feasible to ensure an open, competitive and transparent selection process;
- ensure that the processes followed and options under consideration are documented and files maintained to support the lease/revenue generating opportunities decisions and demonstrate that due diligence was exercised in the achievement of value for money;
- establish approval thresholds, processes and minimum information requirements from interested parties for when unsolicited proposals are considered by NPC.

2. Policies and Procedures for Procurement and Leasing/Revenue Generating Opportunities

Procurement

- In order to achieve compliance with the policies and procedures, all relevant staff should be well informed and trained on the NPC policies and procedures and adequate oversight should be reinforced in order to ensure that procurement activities are conducted in accordance with the stated policy.
- NPC should develop guidelines within their existing procurement policies to address circumstances for handling situations, when they arise, where there is a limited number of suppliers under consideration.
- NPC should:
 - ensure that procurement files contain fully inclusive business cases to provide the accountability required as a provincial agency in support of procurement decisions;
 - ensure that files are accessible to applicable staff and maintained in hard copy or common usage electronic format (ie. Word, Excel, etc.);
 - ensure that files demonstrate NPC has provided as open and transparent a process as possible to afford an opportunity for qualified proponents to participate.

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- NPC should review its transfer of corporate knowledge to ensure that key information is available to newer staff and that NPC retains knowledge of key functions, processes and decisions.

Leasing/Revenue Generating Opportunities

- NPC should develop policy for revenue generating opportunities and leases.
- NPC should ensure that lease/revenue generating opportunities files contain fully inclusive business cases to provide the accountability required as a provincial agency in support of these decisions. In addition, NPC should maintain lease/revenue generating opportunity files centrally (or electronically) and ensure that files demonstrate NPC has provided as open and transparent a process as possible to afford an opportunity for qualified proponents to participate.

3. Consistency in Tendering Processes

Procurement

- In order to increase its transparency and accountability, NPC should review its tendering and RFP/RFS processes to:
 - ensure that procurement activities fully comply with tendering policies and procedures.
 - consider advertising more widely (not only on their own website, but other available commercial sites and various news media) for maximum exposure of their procurement opportunities and work towards reducing more limited invitational tenders.
- NPC should review its contract renewal practices. Prior to renewing or renegotiating a contract, at minimum a market analysis of the changes to the operating environment should take place to help determine what is in the best interest of NPC. NPC should also review their practices concerning the length of contracts to ensure that they provide the best value for the agency.
- NPC should review vendor lists to ensure that they are updated regularly and include unsolicited opportunities.

Leasing/Revenue Generating Opportunities

- NPC should consider advertising more widely (not only on their own website, but other available commercial sites and various news

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media) for optimal exposure of their leasing and revenue generating opportunities.

- NPC should review its lease/revenue generating opportunities renewal practices. Prior to renewing or renegotiating a contract, at minimum a market analysis of the changes to the operating environment should take place to help determine what is in the best interest of NPC. NPC should also review their practices concerning the length of contracts to ensure that they provide the best value for the agency.

4. Conflict of Interest

- Continue on with the documented call for Conflict of Interest at Board Meetings and finalization of the Conflict of Interest provisions in its RFP process with potential suppliers.

5. Openness and Transparency

- NPC should enhance its logging and tracking system regarding queries and discussions about the Parks procurement decisions and any revenue generating opportunities to provide assurance that contact with members of the public are providing a supportable basis for decisions that can be referred to if necessary in the future.
- NPC should continue the process of disseminating information about their open house on the website and expanding how this is advertised utilizing different media channels in order to ensure that interested parties are aware of procurement and lease activities required by NPC. Additionally, NPC should review methods of contact with proponents to ensure there is a forum that is accessible to anyone seeking to do business with the Commission.

Original Signed by Charles Meehan

Audit Director

DETAILED ISSUES

1. Best Practices for Leasing/Revenue Generating Opportunities

We reviewed the NPC files concerning the modification of the lease agreement with Maid of the Mist (MoM). In February 2008, a package of information was presented to the Board to support the recommendation to approve the changes to the lease. The package included (but was not limited to) the following:

- The reasons for making changes to the lease
- The overall term of the lease and the provisions for renewal.
- The beneficial financial arrangements to NPC
- Legal opinion from NPC's external solicitors concerning termination of MoM lease.

We understand through discussion in our audit that NPC made inquiries with other 'boat ride' attractions in North America and determined that remuneration and the financial arrangements with MoM presented more favourable terms for NPC in comparison to these other attractions. Additionally, NPC considered the long term congenial business relationship the organization has enjoyed with MoM and their safety record in formulating the recommendation to the Board.

In order to clearly support the recommendation to the Board, NPC should have fully documented these other considerations in order to demonstrate that it has exercised appropriate due diligence in its mandate as a Provincial Agency to achieve value for money.

We understand that during the course of NPC's leasing negotiations, there was interest expressed by other parties in operating the boat service. However, NPC is of the opinion that these interested parties did not provide NPC with complete proposals for its consideration and, since NPC was in an advanced state of negotiation, as authorized by the Board, with MoM, these interests were not pursued by NPC at the time.

NPC performed due diligence in making their decision concerning the MoM lease, however, they should further document and formalize their process to ensure the transparency and accountability expected of a provincial agency. This additional rigour to their process could include:

- establish a formal policy for leasing arrangements;
- policy should include screening process to differentiate land transactions, revenue generating opportunities and regular procurements;
- review of the length of the leasing term to ensure that NPC is not providing a benefit to an operator without adequate benefit to NPC;

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- establishment of clear criteria to identify minimum or required expectations of attraction operators – safety, profitability, business references or track record, etc.;
- a Request for Information (RFI) prior to lease/revenue generating opportunities negotiations to determine if there are any other parties interested in providing services and whether there are other perspectives relating to the scope, approach and process that may benefit NPC;
- conduct a market survey of other similar attractions to see how their compensation fares in comparison to the existing arrangement;
- conduct a full RFP at specific intervals to provide opportunity for fair competitive process.

There is literature available concerning best practices for procurement, leasing and revenue generating opportunities that applies whether the organization is a business operation or government. The best practices we identified in our research supports a competitive process for leasing and revenue generating opportunities (whether solicited or unsolicited) that is fair, transparent, open and advertised widely. Proponents for business with NPC should be willing to participate in a competitive process as part of the regular business process with a provincial agency and this needs to be well communicated by NPC in instances when NPC receives unsolicited proposals or revenue generating ideas. One of the best practices we noted is for organizations to develop policy concerning unsolicited proposals. This type of policy clarifies that all potential proposals may proceed with a full and open competition, as appropriate, to explore the idea further.

Recommendation:**1. NPC should build on its existing leasing practices to include:**

- **establishing a formal policy, approved by the Board, for leasing arrangements and other revenue generating opportunities;**
- **policy should include screening process to differentiate between land transactions, revenue generating opportunities and regular procurements;**
- **review of leasing/revenue generating opportunities terms to better coordinate with existing business cycles and ensure that length of terms are to the best advantage of NPC;**
- **conduct market surveys and RFIs prior to renewal of leases to ensure that NPC has appropriate and fulsome knowledge of the business environment in order to achieve the best value for NPC;**

- establish criteria for the qualities NPC expects in attraction operators, which may include things like safety, financial returns, track record or business references.
- conduct full RFPs at consistent intervals where feasible to ensure an open, competitive and transparent selection process.
- ensure that the processes followed and options under consideration are documented and files maintained to support the leasing/revenue generating opportunities decisions and demonstrate that due diligence was exercised in the achievement of value for money.
- establish approval thresholds, processes and minimum information requirements from interested parties for when unsolicited proposals are considered by NPC.

2. Policies and Procedures for Procurement and Leasing/Revenue Generating Opportunities

Procurement

NPC has policies and procedures that are publicly available on the NPC website and that are consistent with the policy directives and guidelines of the OPS with respect to procurement.

We selected files for examination to determine the compliance with NPC's policies and procedures.

The documentation provided was not consistent across all of the files we examined. Items that were not always contained in the files included:

- the request for proposal/service;
- criteria for evaluation;
- evaluations of proposals;
- recommendations.

NPC was able to verbally provide explanations and where necessary the rationale for its decisions; however, this reliance on individuals rather than fully supported and articulated files may leave NPC inadequately able to justify business decisions.

NPC has an 'Exception' section in their procurement policy for situations when there is one or a very limited number of vendors available to provide a good or service. However, the section is limited and should be expanded to require documentation by NPC around the rationale for the exception, how this selection will achieve value for

money, the contract start and end dates, absence of bids when there is no response to tendering, etc.

NPC has activities and attractions for which they have entered into contracts where there is one or a limited pool of vendors from which to make a selection. We found that the reasons supporting their choice were included in the Board minutes, documenting the presentation to the Commission and then the Commissioners decision.

We noted that additional information was provided to us in the course of our audit concerning decisions that was not present in the procurement files. This information included comparative data to similar attractions and activities to those at NPC. This due diligence should have been included in the decision making file to support NPC's procurement decisions since we understand that this data was used in the decision making process.

NPC should maintain complete documentation in their files including evaluation criteria and scoring to support the decisions made concerning the selection for lease or procurement whether done through a competitive process or by invitation. Specifically, the file should have compelling reason(s) which may include legal opinions, expertise, safety issues, expediency or unique opportunity, and comparison with other similar operations.

Essentially, NPC should be preparing a business case to support significant decisions and provide the necessary accountability and transparency expected of an agency of the Province. A business case should present clear and articulate reasons for the procurement, the expected outcomes, potential proponents under consideration, comparison of options with applicable criteria developed and scoring mechanisms and rationale for the decisions made.

During the course of our fieldwork, documentation for information requested occasionally was in more than one location. We noted instances of staff departures from NPC where procurement files were no longer accessible to existing staff indicating that the exclusive corporate knowledge had not been adequately transferred. NPC was able to provide explanations for decisions made, however, the Commission is at risk that they will not be able to fully support the rationale behind their business decisions.

Leasing/Revenue Generating Opportunities

The files selected for review included sponsorships, goods for resale, franchises, licensing and leases. Both solicited and unsolicited examples were under consideration for review. In general, NPC is following their procurement policies and procedures, however, we noted that there are some information gaps that should be addressed to

ensure the decision making documentation and process is accountable and transparent. Again, it should be noted that NPC should maintain complete documentation in support of their decisions with files that include evaluation criteria and scoring to support the decisions made concerning the selection for leasing whether done through a competitive process or by invitation.

A specific policy for leasing/revenue generating opportunities does not exist at NPC. As such, for lease and revenue generating opportunities, NPC follows a general practice which is not documented or formally approved as a policy by the NPC Board. We understand that in practice, NPC uses its procurement policy as a guide to their revenue generating opportunity transactions.

Specifically, the file should have compelling reason(s) which may include legal opinions, expertise, safety issues, expediency or unique opportunity, and comparison with other similar operations. NPC should be preparing a business case to support the decision and provide the necessary accountability and transparency expected of an agency of the Province.

During the course of our fieldwork, documentation for information requested occasionally was in more than one location. NPC was able to provide explanations for decisions made, however, the Commission is at risk that they may not be able to fully support the rationale behind their business decisions

Recommendation:

Procurement

- 1. In order to achieve compliance with the policies and procedures, all relevant staff should be well informed and trained on the NPC policies and procedures and adequate oversight should be reinforced in order to ensure that procurement activities are conducted in accordance with the stated policy.**
- 2. NPC should develop guidelines within their existing procurement policies to address circumstances for handling situations, when they arise, where there is a limited number of suppliers under consideration.**
- 3. NPC should:**
 - ensure that procurement files contain fully inclusive business cases to provide the accountability required as a provincial agency in support of procurement decisions;**

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- ensure that files are accessible to applicable staff and maintained in hard copy or common usage electronic format (ie. Word, Excel, etc.);
 - ensure that files demonstrate NPC has provided as open and transparent a process as possible to afford an opportunity for qualified proponents to participate.
4. NPC should review its transfer of corporate knowledge to ensure that key information is available to newer staff and that NPC retains knowledge of key functions, processes and decisions.

Leasing/Revenue Generating Opportunities

5. NPC should develop policy for revenue generating opportunities and leases.
6. NPC should ensure that lease/revenue generating opportunities files contain fully inclusive business cases to provide the accountability required as a provincial agency in support of these decisions. In addition, NPC should maintain lease/revenue generating opportunity files centrally (or electronically) and ensure that files demonstrate NPC has provided as open and transparent a process as possible to afford an opportunity for qualified proponents to participate.

3. Consistency in Tendering Processes

Procurement

For many of the goods and services available throughout NPC's facilities, the organization follows a tendering process. Their process allows for competition to provide NPC with the best value. However, this process is not typically full RFP (Request for Proposal)/RFS (Request for Service). Additionally, from discussion with NPC, the process is customized depending upon such factors as the nature of the tender or the proponents who have expressed interest, resulting in inconsistent applications of the process.

NPC searches for potential suppliers for goods and services, and provides them with tender information. Without publishing request for proposals in print or online media, NPC may be limiting its opportunities to improve services at better returns. NPC may also be perceived as not being open to competitive bidding – which should be a regular part of their business as an agency of the Province. In one instance of an ad placed, the

wording was extremely vague, and ultimately the proposals received did not meet NPC expectations.

NPC maintains established relationships when the business relationship is favourable. The reasons for continuing these relationships may include:

- There was no other interest expressed at the time of the original tender, therefore NPC implicitly assumes there will not be another interested party at the current time of renewal;
- They have an existing, well established and functional business relationship;
- An unsuccessful search by NPC for other proponents of the same good or service required;
- The assumption that the existing relationship will provide the least expensive proposal again at the time of renewal.

While these may be valid reasons, it may give the appearance of NPC being closed to alternatives when additional options are not explored.

During our review, we noted that the length of contracts entered into varies without full explanation of the reasoning behind these decisions. NPC should be reviewing their practices concerning contracts to ensure that they are getting the best possible value for the agency which may include issuing a Request for Information (RFI) or performing other market analysis.

We understand from discussions in our audit work that NPC occasionally feels that they are not achieving the level of interest expected with potential proponents wanting to conduct business with them. As previously noted, NPC should establish a wider base through wider advertising of opportunities and establishment of a recognized list of qualified proponents.

In their procurement policy, NPC states that there should be a register of vendors to be maintained by the Purchasing Office. NPC should ensure that such a list includes information relating to unsolicited proposals received by the organization. This database would provide NPC staff with the ability to collect information about proponents for consideration in future business opportunities.

Leasing/Revenue Generating Opportunities

As previously noted, NPC does not have policies for revenues generating opportunities, specifically those relating to leasing.

In our review of files, NPC has not typically published requests for proposals in print or online media and as such may be limiting its opportunities to improve services at better returns. NPC may also be perceived as not being open to competitive bidding – which should be a regular part of their business as an agency of the Province.

NPC maintains established, favourable business relationships. The reasons for continuing these relationships may include:

- there was no other interest expressed at the time the decision was made to proceed;
- NPC has a well established functional relationship with the existing operator;
- proven track record of the existing operator with respect to financial viability and safety;
- concern with respect to legal repercussions if the business relationship is terminated.

While these may be valid reasons, it may give the appearance of NPC being closed to alternatives when additional options are not explored.

During our review, we noted that the length of contracts entered into varies without full explanation of the reasoning behind these decisions. We also noted that one long term lease contract was opened and modified over the life of the original lease. This can be an indication that the original terms are too long for normal operating cycles, and should be shortened. NPC should be reviewing their practices concerning contracts to ensure that they are getting the best possible value for the agency which may include issuing a Request for Information (RFI) or performing other market analysis.

Recommendation:

Procurement

- 1. In order to increase its transparency and accountability, NPC should review its tendering and RFP/RFS processes to:**
 - ensure that procurement activities fully comply with tendering policies and procedures.
 - consider advertising more widely (not only on their own website, but other available commercial sites and various news media) for maximum exposure of their procurement opportunities and work towards reducing invitational tenders.
- 2. NPC should review its contract renewal practices. Prior to renewing or renegotiating a contract, at minimum a market analysis of the changes**

to the operating environment should take place to help determine what is in the best interest of NPC. NPC should also review their practices concerning the length of contracts to ensure that they provide the best value for the agency.

3. NPC should review vendor lists to ensure that they are updated regularly and include unsolicited opportunities.

Leasing/Revenue Generating Opportunities

4. NPC should consider advertising more widely (not only on their own website, but other available commercial sites and various news media) for optimal exposure of their leasing and revenue generating opportunities.
5. NPC should review its lease/revenue generating opportunities renewal practices. Prior to renewing or renegotiating a contract, at minimum a market analysis of the changes to the operating environment should take place to help determine what is in the best interest of NPC. NPC should also review their practices concerning the length of contracts to ensure that they provide the best value for the agency.

4. Conflict of Interest

There is a conflict of interest policy embedded in the purchasing policies, and there is a Conflict of interest policy for all staff. The Board Commissioners are governed by the By-Laws which include a 'Conflict of Interest Disclosure Statement'. From our review of the Board minutes, there is a call for conflict of interest at each meeting that appears to be working satisfactorily. NPC is working on conflict of interest provisions for RFP's with potential suppliers, but it has not been finalized.

Recommendation:

1. Continue with the documented call for Conflict of Interest at Board Meetings and finalization of Conflict of Interest provisions in its RFP process with potential suppliers.

5. Openness and Transparency

The first point of contact for proponents can be any member of the NPC staff, executive or board, but not necessarily the Purchasing Unit at NPC. Proponents are also provided the opportunity to meet NPC representatives at an 'open-house' held twice a year. The open-house is an opportunity for them to demonstrate and present information about their goods or services they would like to sell to NPC. The open house procedures provide a neat and orderly record of all contact with a proponent, including correspondence with that proponent.

NPC regularly receives unsolicited proposals for business opportunities. Some of these relate to existing activities and attractions within the Park, and others are new ideas. Most of these are directed to the 'open-house' process and are documented through that system. However, other contact is often verbal and there is not a similar procedure as in the 'open-house' to create a record of NPC's interaction with interested proponents. In one of the files we reviewed, there was a letter requesting information about how to be considered in the future. There was no indication that a response had been made or any further contact.

NPC is inconsistent in terms of how they are communicating needs to existing and potential proponents. As previously noted, goods and services are acquired through an open request for proposal/service, others via targeted tendering process, while others have contracts renewed with little consideration of possible changes in the marketplace. NPC currently holds two 'open-houses' for proponents annually. They are informed of the event if they call or e-mail. NPC is re-developing their website to include this open-house information to raise greater awareness of the event with interested parties.

NPC provides relevant procurement and leasing details and information when asked, however they do not appear to be consistent in communicating their needs, and it appears that they seek out interested parties rather than providing a forum to disseminate their needs and wants to the general public. NPC should investigate other communication and advertising venues to disseminate their business needs as widely as possible. As an agency, NPC needs to be open, transparent and consistent about their communications.

Recommendation:

1. **NPC should enhance its logging and tracking system regarding queries and discussions about the Parks procurement decisions to provide assurance that contact with members of the public are meeting service standards as well as providing a supportable basis that can be referred to if necessary in the future.**

2. NPC should continue the process of disseminating information about their open house on the website and expanding how this is advertised utilizing different media channels in order to ensure that interested parties are aware of procurement and lease activities required by NPC. Additionally, NPC should review methods of contact with proponents to ensure there is a forum that is accessible to anyone seeking to do business with the Commission.

6. Approvals Process through the Commission Board

The policies and guidelines indicate what procurement approvals are to be performed at the Board level. As noted in the previous section, there is no specific policy concerning leases/revenue generating opportunities. This policy should be formalized for review and acceptance by the Board.

In our review of the Board minutes we noted that the information presented to make decisions includes the candidates for selection (if there is more than one), the pricing options, a brief description of the project and the rationale for making a recommendation. There is sufficient information presented at the meetings for the Board to make informed decisions. We also noted that the Board has occasionally requested further information and decisions are delayed to future meetings. We noted that the queries were resolved and decisions were made in subsequent meetings once the outstanding or additional information was presented.

In our review of the minutes, we also noted that the Board requested that NPC management pursue opportunities further or negotiate and report back results to the Board for final approval. Management prepares a monthly package for the Board members with a set of standard items as well as supporting information for those procurement items requiring Board decisions.

APPENDIX A – ACKNOWLEDGEMENTS

We would like to take this opportunity to thank the management and staff of the Niagara Parks Commission and the Ministry of Tourism.

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APPENDIX B – BACKGROUND

The Niagara Parks Commission (NPC) was established in 1885 to control the lands and buildings immediately surrounding the Canadian Horseshoe Falls. The NPC's core purpose is to preserve and enhance the natural beauty of Niagara Falls and the Niagara River corridor for the enjoyment of current and future visitors while maintaining financial independence.

Pursuant to the *Niagara Parks Act*, the NPC has a legislated duty to manage, control and develop the parks. It generates revenues through commercial activities – attractions, public transit, golf courses, retail and food services - to pay for its stewardship costs and visitor services. It also protects key natural and historical attractions.

The Niagara Parks Commission is an Operational Enterprise of the Government of Ontario, incorporated by an act of the Provincial Legislature on April 23, 1887. NPC maintains economic self-sufficiency through the application of sound business practices and functions under the terms set out in the *Niagara Parks Act*, the Memorandum of Understanding between the Minister of Tourism and the Commission, applicable directives and policies, and some sections of the *Corporations Act*.

In 2008, as NPC was preparing to renew the Maid of the Mist lease, certain allegations were made concerning the process of awarding the contract, and a Disclosure of Wrongdoing was made to the Office of the Integrity Commissioner of Ontario. Based on the investigation completed to address the allegations, the Integrity Commissioner accepted the Government's conclusion that no wrongdoing occurred but made recommendations to instil more public confidence in the Board.

The Government has an important role to play in ensuring that Crown agencies are operating with the benefit of sound agency governance practices. To help instil public confidence in the ability of the Board of the NPC to provide robust transparent oversight, it was recommended by the Integrity Commissioner that the Ministry undertake a number of actions to provide support and assistance to the NPC.

This engagement covers two of the actions identified by the Government as being best addressed by an external independent review by the Ontario Internal Audit Division (OIAD). It was recommended that OIAD conduct a thorough review of the procurement and lease processes to determine whether the NPC's policies and controls are appropriate and consistent with best practices. The Division was also asked to lead an audit of recent procurement practices and prepare a report for the Ministry of Tourism to articulate if there are instances where procurement was not consistent with policy and best practice. In



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particular, the engagement was to review Revenue Generating Opportunities/Leases which could include either solicited or unsolicited business proposals.

APPENDIX C – ENGAGEMENT OBJECTIVES AND SCOPE

Objectives

In its report to the Government, the Integrity Commissioner concluded the NPC would benefit from improvements with respect to its governance practices. The Ministry of Tourism has committed, through OIAD, to:

1. Evaluate the overall effectiveness and efficiency of procurement and lease processes to determine whether the NPC's policies and controls are appropriate and consistent with best practices.
2. Review the administrative and financial management practices associated with recent procurement and leasing practices and to determine if there were instances where procurement and/or leasing practices were not consistent with policy and best practice.
3. Identify any policy gaps, control and / or reporting weaknesses in the procurement and lease processes and make recommendations for improvements.
4. Based on findings during the audit, make recommendations that can be used to develop policy guidelines with respect to revenue generating opportunities.

Scope

1. OIAD will examine files, records and documents associated with recent procurements and leases at the NPC for consistency with policy and best practices.
2. Discussions will be held with appropriate staff and management at the NPC.
3. OIAD will review the procurement and lease processes to determine whether the NPC's policies and controls are appropriate and consistent with best practices. This will include research of available information concerning best practices for Revenue Generating Opportunities/Leases, practices within other similar organizations and comparison to the NPC.

The engagement will be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as well as Ontario Internal Audit Division and Culture and Innovation Audit Service Team (CIASST) Standards.

APPENDIX D – DISTRIBUTION LIST

This Report has been distributed to the following individuals:

Drew Fagan, Deputy Minister, Ministry of Tourism

Shirley Phillips, Assistant Deputy Minister, Tourism Planning and Operations Division,
Ministry of Tourism

Deborah Brown, Director, Agencies Branch, Tourism Planning and Operations Division,
Ministry of Tourism

Richard Kennedy, Chief Internal Auditor and Assistant Deputy Minister, Ontario Internal
Audit Division, Treasury Board Office, Ministry of Finance.

Robert Montgomery, CAO and Assistant Deputy Minister, Regional and Corporate Services
Division, Ministry of Tourism

Ministry of Tourism Audit Committee