

Date: 2022-04-25

Subject: **Realty Services – Gap Analysis**

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Report Number: CAO's Office-2022-454

Recommendations:

1. That the report titled: **Realty Services – Gap Analysis** to the Audit Committee Meeting of May 17, 2022, be received.

Overview:

- Internal Audit (IA) performed a gap analysis with management agreement, which focused on evaluating current policies, processes, and procedures to mitigate and manage risk;
- IA's review indicates that immediate action is required by management to address process gaps and to fill staff vacancies;
- IA will continue to review management's action plans through the quarterly Management Action Plan (MAP) reporting process to Audit Committee; and,
- IA will perform an audit in 2024 to ensure that the gaps have been closed and that the departmental processes are functioning effectively.

Background:

The Realty services division is responsible for the management of the City's real estate asset portfolio, including acquisitions, disposals, and leasing of City-owned properties. The City holds a significant number of properties, has various leases, and requires strategic considerations for acquisitions and dispositions.

Realty Services management and Internal Audit discussed ongoing challenges dealing with staff shortages and the pandemic, and IA agreed to perform a gap analysis. The

objective of the gap analysis was to evaluate current processes and procedures to mitigate and manage risk.

The analysis included assessing the effectiveness and efficiency of the existing policies and procedures at the design level as well as ensuring compliance with corporate policies, procedures, and legislation.

Current Situation:

This section presents the overall management approach to strengthening controls in Realty Services in response to the gap analysis. It then summarizes the strengths, root causes and priority actions to be taken by management.

Management Approach

Management is committed to addressing the gaps identified in the operations of the Realty Services division. Management has immediate plans to commence a best practice benchmarking assessment of Realty Services operations, including assessing available technologies that will allow for greater automation, data collection and protection, and overall efficiency of the division's operations. In addition, given the legislative and legal aspects of the work performed by the Realty Services division, efforts will be made to further enhance the support to Realty Services by the Legal Services division both operationally and in addressing the gaps identified in this report.

Strengths

Some of the key strengths observed during our review were as follows:

- Continuation of critical real estate activities despite staffing issues and COVID-19;
- Compliance with council ratification and approval process for transactions executed;
- Agreements of purchase and sale (APS) and occupancy are properly approved;
- Adherence to review by the legal team before executing real estate agreements;
- Agreements are tracked and retained digitally in the lease tracking database software;
- Real Estate Coordinate Team (RECT) is well-coordinated and consulted on real estate transactions;
- Payment method(s) accepted from tenants has been streamlined to only checks (post-dated) and electronic funds transfers (EFT); and,
- Documents to support Cash in Lieu (CIL) calculations are well organized, transparent, and approved by staff and manager;

Root Causes

Twelve findings are set out in Appendix 1, "Realty Services – Gap Analysis." The root causes of these findings can be summarized as follows:

- Staffing shortage resulting in a backlog of work;
- Changing priorities during the COVID-19 pandemic;
- Staff working remotely with limited access to physical files; and,
- Dated policies and procedures that lead to inconsistent processes and practices.

Priority Actions

Some of the priority actions include:

- Maintaining a complete and up-to-date inventory of all city-owned assets in collaboration with the City's Asset Management function;
- Regular reporting to the Council on real estate transactions and the status of transitional buildings in collaboration with the Facilities team;
- Strengthening controls around and maintaining up-to-date proof of Insurance;
- Updating the appraisal process to include defined thresholds for requiring external and second appraisals; and,
- Ensuring the completeness and accuracy of lease information in the lease tracking database.

Corporate Implications:

Financial Implications:

None

Other Implications:

None

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit function, which promotes corporate accountability, values, and governance best practices.

Conclusion:

Internal Audit's review indicates that immediate action is required by management to address process gaps and ensure Realty Services risks are managed. Management is committed to addressing the gaps identified in the operations of the Realty Services division. Based on priority findings, Internal Audit will schedule an audit for late 2024.

We thank the Realty Services division staff for their support and assistance during this engagement.

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Attachments:

Appendix 1: Realty Services – Gap Analysis