



[This is an English version of the report originally transmitted in French to Montréal City Council on March 16, 2018]

Decision

Rescinding of two garbage collection and transportation contracts (calls for tenders S08/004 and 16-15252)

(s. 57.1.10 of the *Charter of Ville de Montréal, Metropolis of Québec*)

March 16, 2018

Office of Inspector General
1550 Metcalfe Street, Suite 1200
Montréal, QC H3A 1X6
Telephone: 514 280-2800
Facsimile: 514 280-2877

BIG@bigmtl.ca

www.bigmtl.ca

Montréal 

SUMMARY

The Office of Inspector General (OIG) initiated an investigation after receiving a denunciation that Services Environnementaux Richelieu Inc. ("S.E.R."), to which the Verdun borough had entrusted garbage collection and transportation, was carrying out private garbage collection contracts at establishments inside and outside the borough limits in violation of the tenders documents, and that the content of these were potentially being disposed of and charged to Ville de Montréal.

Call for tenders S08/004 was launched by the Verdun borough in 2008 for the collection and transportation of various waste material, including garbage from private residences and merchants in the borough. The ten (10)-year contract was awarded to the lowest bidder, i.e. S.E.R, for \$29,649,756.60. Over the years, addenda were issued to include garbage collection from new homes and merchants in the borough and the contract amount was thus increased to \$30,138,771.52.

In the course of its investigation, the OIG conducted surveillance of S.E.R.'s operations in the Verdun borough. The results of this surveillance prompted the OIG to also look into S.E.R.'s performance of the garbage collection and transportation contract in the neighbouring borough of Sud-Ouest. Resulting from call for tenders 16-15252, this forty-three (43) month contract was awarded to S.E.R. for \$4,250,374.

Both the specifications of calls for tenders S08/004 and 16-15252 contain numerous contract clauses setting out the rules for garbage collection. The successful bidder must therefore respect the garbage quotas allotted by the borough to its residents. It may conclude private contracts for additional garbage collection but cannot carry out these private contracts at the same time as it collects garbage for the boroughs. The successful bidder must also respect the rules concerning the sorting of waste material and selective collection, in particular not mixing recycling with garbage.

The investigation revealed that S.E.R. violated these provisions on numerous occasions. The surveillance conducted by the OIG investigating officers revealed garbage collection from private companies that largely exceeded the quantities allotted by the borough, one collection that mixed recycling with garbage, garbage collections outside the designated borough and even off-island from Brossard, Longueuil, Saint-Basile-le-Grand and Carignan. This garbage was mixed with the garbage of residents and merchants of the Verdun and Sud-Ouest boroughs and dumped, disposed of and billed to Montréal Agglomération's account.

The investigation also showed that the recurring breaches together with the repeated assignment by S.E.R. supervisors of routes that combined public and private collections constitute tactics that attest to S.E.R.'s willingness to shirk its financial obligations in regard to paying Ville de Montréal a rebate if it collected less garbage than the tonnage stipulated in the contract.

Section 57.1.10 of the Charter of Ville de Montréal, Metropolis of Québec states two (2) cumulative conditions giving the Inspector General the right to intervene. The Inspector General must find non-compliance with a requirement in the tender documents or contract, or that false information was given during the contracting process. He must also be of the opinion that the seriousness of the breach justifies rescinding of the contract.



In respect to the first criterion, based on the evidence gathered during the surveillance operations, which was corroborated by GPS data from the company's trucks and time sheets completed by S.E.R. drivers, the Inspector General found numerous breaches of the requirements in the contracts resulting from the calls for tenders in question.

As regards seriousness of the breaches, it is the fact that these are recurring, contravene a wide range of obligations imposed on S.E.R. and clearly demonstrate the involvement of the company's supervisors. In that respect, the breaches observed concern the very essence of garbage collection and transportation activities and illustrate S.E.R.'s utter disregard for fulfilling several of its contractual obligations. Furthermore, S.E.R.'s actions leave a lingering doubt about the content of its past and future collections and, by the same token, about the company's integrity.

The company's systemic fraudulent activities actually suggest that had it not been for the Inspector General's investigation, they would have continued over time.

In short, believing that the conditions set out in section 57.1.10 of the Charter of Ville de Montréal, Metropolis of Québec have been established, the Inspector General rescinds the contract awarded to S.E.R. by the Verdun Borough Council on July 2, 2008 following call for tenders S08/004 and by the City Council on December 20, 2016 following call for tenders 16-15252.

While the initial denunciation received from the Verdun borough authorities was detailed and well-documented, and while this does not in any way diminish the nature or seriousness of S.E.R.'s breaches, the Inspector General's investigation nonetheless revealed shortcomings on the City's part in managing performance of the contracts resulting from calls for tenders S08/004 and 16-15252 that created a favourable climate for breaches to occur with impunity.

Among others, the public weigh scale in the Verdun borough that was to be used to weigh S.E.R.'s trucks was often broken. The Verdun and Sud-Ouest borough authorities did not regularly check that S.E.R.'s trucks were empty when they started the collection. The City's representatives rarely, if ever, consulted the trucks' GPS data. These are all control measures provided by the City that were not systematically exercised and that would have allowed the City to detect S.E.R.'s actions sooner.

In general, the facts revealed during the investigation showed that the division of roles and responsibilities between the boroughs and the Environment Department (Service de l'environnement) has led to a segmentation of information and surveillance efforts, leaving the way open for fraudulent activities. The City must break down the silos that characterize management of these files and rethink its method of proceeding. The collection, transportation and disposal of garbage are recurring services that require the stakeholders involved to be able to see the big picture. They also require greater cooperation between the representatives involved to effectively monitor the City's co-contractors.

Table of contents

SUMMARY.....	1
1. Scope of work.....	1
1.1 Warning.....	1
1.2 Applicable standard of proof	1
1.3 Notice to interested parties	1
2. Contracts covered by the OIG's investigation	2
2.1 Denunciation received.....	2
2.2 Background of Services Environnementaux Richelieu Inc.....	2
2.3 Call for tenders S08/004	3
2.4 Call for tenders 16-15252.....	3
2.5 Clarification	4
3. Performance of contracts resulting from the calls for tenders	4
3.1 General comments.....	4
3.1.1 Responsibility sharing between Montréal's municipal authorities	4
3.1.2 Garbage collection process.....	5
3.1.3 Billing reconciliation.....	7
3.1.4 Geolocation tracking	7
3.2 Contractual obligations in the specifications of call for tenders S08/004.....	8
3.2.1 Comply with the borough's garbage collection quotas.....	8
3.2.2 Conduct additional collections outside regular hours.....	8
3.2.3 No private contracts shall be performed at the same time as the contract resulting from call for tenders S08/004	8
3.2.4 Comply with the borough's garbage collection various parameters.....	8
3.2.5 Pay any rebate due based on the thresholds established in call for tenders S08/004.....	9
3.2.6 Categorize and collect items separately	10
3.3 Specific contractual obligations in specifications of call for tenders 16-15252..	10



3.3.1	<i>No private contracts shall be performed at the same time as the contract resulting from call for tenders 16-15252.....</i>	<i>10</i>
3.3.2	<i>Comply with the borough's garbage collection various parameters.....</i>	<i>11</i>
3.4	Breaches in performance of the contract resulting from call for tenders S08/004	11
3.4.1	<i>Collections exceeding the allotted quotas.....</i>	<i>12</i>
3.4.2	<i>Mixing recyclable materials with garbage</i>	<i>13</i>
3.4.3	<i>Collections outside the borough.....</i>	<i>13</i>
3.4.4	<i>Collections outside the Island of Montréal</i>	<i>13</i>
3.5	Breaches in performance of the contract resulting from call for tenders 16-15252	18
3.5.1	<i>Collections outside the Island of Montréal</i>	<i>19</i>
3.5.2	<i>Collections outside the borough.....</i>	<i>24</i>
3.6	Recap of breaches	25
4.	Analysis	26
4.1	Impact of the rebate clause in the contract resulting from call for tenders S08/004	27
4.2	Nature of the breaches observed	27
4.3	Repeated breaches.....	27
4.4	Involvement of S.E.R. supervisors	28
5.	Responses to the Notices to Interested Parties.....	29
5.1	Breaches denied	29
5.2	Breaches omitted or not addressed	30
5.3	Breaches for which the facts were recognized.....	31
5.3.1	<i>Recent acquisition of the company</i>	<i>31</i>
5.3.2	<i>Implementation of certain corrective measures</i>	<i>31</i>
5.3.3	<i>Losses too low compared to the value of the contracts</i>	<i>32</i>
6.	Findings concerning the City.....	33
6.1	Weighing on the public weigh scale in the Verdun borough.....	33
6.2	Management of dump authorization tickets.....	34



6.3	Use of GPS data by the City	34
6.4	Division of roles and responsibilities within the City	35
6.5	Meeting with City representatives	36
7.	Conclusion.....	36

1. Scope of work

1.1 Warning

Under section 57.1.8 of the *Charter of Ville de Montréal, Metropolis of Québec* (CQLR c C-11.4, “the Charter”), the Inspector General has the mandate to oversee contracting processes and the carrying out of contracts by the City or by a related legal person.

The Inspector General does not conduct any criminal investigations. It conducts investigations of an administrative nature. In this report, wherever the term “investigation” is used, it means an investigation of an administrative nature and under no circumstances shall it be interpreted as referring to a criminal investigation.

1.2 Applicable standard of proof

The Inspector General places upon himself the obligation to deliver quality reports that are timely, objective, accurate and presented in a manner to ensure that the individuals and organizations under his jurisdiction are able to act on the information provided.

Consequently, in support of his opinions, reports and decisions, the Inspector General imposes upon himself the burden of proof of the civil standard of the balance of probabilities.¹

1.3 Notice to interested parties

In accordance with his duty of procedural fairness, before releasing the findings of his investigation and exercising his powers under section 57.1.10 of the Charter, the Inspector General sends the parties concerned a Notice to an Interested Party indicating the facts gathered during the investigation (the “Notice”).

On receipt of the Notice, the persons concerned may submit written comments, representations or observations they consider relevant or that could influence the Inspector General’s decision.

Two (2) such Notices were sent on December 5, 2017 and January 3, 2018 to the successful bidder of calls for tenders S08/004 and 16-15252, *Services Environnementaux Richelieu Inc.* (“S.E.R.”), the parent company of S.E.R, Waste Connections of Canada Inc. (“W.C.C.”), and various representatives of *Ville de Montréal*, i.e. the Environment Department (*Service de l’environnement*) and the Public Works Departments of the Verdun and Sud-Ouest boroughs.

The facts and arguments submitted by these two (2) companies and by the City’s representatives were considered by the Inspector General and addressed in this decision.

¹ Evidence is sufficient if it renders the existence of a fact more probable than its non-existence (see article 2804 of the *Civil Code of Québec*).



2. Contracts covered by the OIG's investigation

2.1 Denunciation received

The OIG received a denunciation about various breaches of contractual obligations by the successful bidder of a garbage collection contract in the Verdun borough (call for tenders S08/004).

In February 2017, representatives of the Verdun borough's Public Works Department noticed garbage collection from borough merchants outside the hours and days prescribed by the specifications of call for tenders S08/004. They initiated increased surveillance of S.E.R.'s performance of the contract resulting from the call for tenders and observed numerous breaches by the company.

Among others, they noticed that S.E.R. was carrying out private garbage collection contracts from establishments inside and outside the borough limits. Since they suspected that the contents of these collections were being dumped, disposed of and billed to Montréal Agglomération's account, they filed a denunciation with the OIG.

In the course of its investigation, the OIG conducted surveillance of S.E.R.'s operations in the Verdun borough. The results of this surveillance prompted the OIG to also look into S.E.R.'s performance of the garbage collection and transportation contract in the neighbouring Sud-Ouest borough (call for tenders 16-15252).

2.2 Background of Services Environnementaux Richelieu Inc.

Before describing calls for tenders S08/004 and 16-15252, a brief summary of S.E.R.'s corporate history is necessary to facilitate the reader's understanding of this matter.

First, in July 2008, 9060-5460 Québec Inc. (also known at the time as *Services Environnementaux Richelieu*), the company to which the Verdun borough awarded the contract following call for tenders S08/004, sold a portion of its assets to 9197-4220 Québec Inc. The latter also acquired the rights to the contract resulting from call for tenders S08/004 as well as the right to keep the name of the selling company. It should be noted that any reference to S.E.R. in this decision pertains only to 9197-4220 Québec Inc.

On February 3, 2009, the Verdun Borough Council adopted resolution CA09 210012 accepting the transfer of the contract resulting from call for tenders S08/004 from 9060-5460 Québec Inc. to S.E.R.

In 2012, S.E.R. was sold to BFI Canada Inc. ("BFI") and became one of its subsidiaries.

In 2014-2015, BFI split its Canadian operations from its U.S. operations. In Canada, the company took the name Progressive Waste Solutions, while in Québec, it chose the name Vision Enviro Progressive.

In June 2016, Progressive Waste Solutions was purchased by a U.S. company, Waste Connections (USA) and became Waste Connections of Canada ("W.C.C."), of which S.E.R. is still a subsidiary.

2.3 Call for tenders S08/004

On May 9, 2008, the Verdun borough launched call for tenders S08/004 for [Translation] *“the collection and transportation of compostable, recyclable secondary waste, garbage, bulky items as well as for the supply, delivery and maintenance of wheeled bins.”*

Call for tenders S08/004 divided the collection of these items into three (3) separate “alternatives” and allowed bidders to offer their services for one or more of the three (3) alternatives, i.e.:

1. the collection of compostable waste, garbage and recyclable secondary waste. Bidders who chose this alternative also had to indicate their prices for the supply, distribution and maintenance of the wheeled bins required for the collection of such waste,
2. the collection of oversized cardboard,
3. the collection of bulky items.

This decision concerns only the contract awarded for the first alternative. With regards to alternatives No. 2 and No. 3, the bids received were all rejected for their “prohibitive costs” and the Borough Council decided to launch another call for tenders at a later date.²

The bids were opened on June 5, 2008. Of the nine (9) firms that expressed an interest, three (3) submitted bids. After analysis, one was declared non-compliant and rejected.

On July 2, 2008, the Verdun Borough Council adopted resolution CA08 210242 awarding the contract following call for tenders S08/004 to the lowest compliant bidder for alternative No. 1, 9060-5460 Québec Inc. The contract was awarded for ten (10) years, from October 18, 2008 to October 17, 2018, for a total of \$29,649,756.60, taxes included.

There were nine (9) addenda for call for tenders S08/004, including one (1) during the bid period and eight (8) after the contract was awarded. Addenda 6, 7 and 8 were intended to give the contractor additional collections, thus increasing the contract from \$29,649,756.60 to \$30,138,771.52, taxes included. Addendum 2 clarified the application of sections 9 and 10 of the specifications of call for tenders S08/004 dealing with the rebate that the successful bidder was to give the borough depending on the volume of garbage collected annually. These elements are discussed further below.

2.4 Call for tenders 16-15252

On August 9, 2016, the Environment Department launched call for tenders 16-15252 with a view to awarding contracts in five (5) boroughs for [Translation] *“the collection and transportation of household garbage, residential construction, renovation and demolition (CRD) debris, bulky items (reclaimable), and compostable waste, as well as for the collection of recyclable materials.”*

Two (2) of these contracts concerned services required by the Sud-Ouest borough, one (1) for the collection and transportation of household garbage, residential construction,

² Decision summary 1084438009.



CRD debris, bulky items (reclaimable) and compostable waste, and one (1) other for the collection of recyclable materials.

The bids were opened on August 29, 2016. Of the seventeen (17) firms that expressed interest for the entire call for tenders 16-15252, four (4) submitted a bid for garbage collection and transportation in the Sud-Ouest borough.

On December 20, 2016, the City Council adopted resolution CM16 1447 awarding the contract resulting from call for tenders 16-15252 for garbage collection and transportation in the Sud-Ouest borough to the lowest compliant bidder, S.E.R. Commencing on April 1, 2017, the forty-three (43) month contract was for \$4,250,374, taxes included.

There was one (1) addendum for call for tenders 16-15252, which did not amend any of the clauses in the tender documents.

2.5 Clarification

To recap, S.E.R. was awarded a contract for the collection and transportation of compostable waste, garbage and recyclable secondary waste in the Verdun borough as well as for the collection and transportation of household garbage, residential, renovation CRD debris and bulky items (reclaimable) and compostable waste in the Sud-Ouest borough. It should be noted that the Inspector General's investigation only concerns S.E.R.'s garbage collection and transportation under the contracts resulting from these two (2) calls for tenders.

While the specifications of call for tenders 16-15252 uses the expression "household garbage," the term "garbage" in the specifications of call for tenders S08/004 will be used to facilitate reading of this decision.

3. Performance of contracts resulting from the calls for tenders

Before discussing the obligations in the specifications of calls for tenders S08/004 and 16-15252, a few general comments on the collection, transportation and disposal of garbage in Montréal are needed to facilitate the reader's understanding.

3.1 General comments

3.1.1 Responsibility sharing between Montréal's municipal authorities

First, it should be noted that responsibility for the collection, transportation and disposal of residual materials, including garbage, is shared between different municipal authorities.

With regards to garbage collection and transportation, a reorganization effective January 1, 2015 divided responsibility between the City and the boroughs. As such, the financial and administrative components of calls for tenders for garbage collection and transportation are the responsibility of City Council and the Environment Department,

while the boroughs are responsible for monitoring contract performance and related communications with citizens.

The *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (Q.L.R. ch. E-20.001) stipulates that Montréal Agglomeration is responsible for the reclamation and disposal of the garbage collected. To this end, following call for tenders 15-14213, the Agglomeration Council engaged the services of *Services Matrec Inc.* ("Matrec") to dispose of the garbage collected in the Verdun and Sud-Ouest boroughs. It should be noted that while the investigation highlights Matrec's performance of the contract resulting from call for tenders 15-14213, the company was not the subject of this investigation.

This division of tasks and responsibilities led the City's various stakeholders to operate in silos. This caused them to lose sight of the big picture in this file, which in turn greatly diminished effectiveness of the City's control measures and ultimately hampered its ability to monitor performance of the contracts resulting from calls for tenders S08/004 and 16-15252. This point is discussed in greater detail in subsection 6.4.

3.1.2 Garbage collection process

The garbage collection process in the boroughs covered by the investigation is divided into two (2) fairly simple steps: the collection of materials and their transportation to Matrec transfer station in Longueuil, in the Saint-Hubert borough. The co-contractor's trucks dump their contents and Matrec then handles disposal of the garbage. To facilitate accountability between these steps, a procedure was put in place to structure dumping of garbage at Matrec transfer station.

Thus, each of the co-contractor's drivers must obtain an authorization ticket to dump garbage collected in the Verdun and Sud-Ouest boroughs. These tickets are issued by the borough authorities in question and must include the following information:

- Unique sequential number
- Borough identification
- Contract number
- Authorized dump location
- Name of municipal official who issued the authorization
- Municipal official's telephone and employee number
- Statement attesting as to whether he checked the truck's dump box
- Date and time the authorization was issued
- Truck's registration number
- Municipal official's signature



Example of a “dump authorization” ticket³

Montréal		Collecte des ordures ménagères – Camion-tasseur Autorisation de déverser	
Arrondissement / Ville : _____		OM-T-00- 00251	
Pour déversement à : _____		N° du contrat _____	
Émis par Nom _____		Transporteur _____	
Matricule _____		Immatriculation _____	
Date d'émission _____		Déclaration	
Heure _____		Je certifie que le contenu du camion-tasseur est unique- ment composé de matières résiduelles qui proviennent du territoire de l'agglomération de Montréal visé par le contrat mentionné ci-dessus et qui ont été ramassées à la date d'émission inscrite sur le présent billet.	
J'ai vérifié la benne du camion : Oui ☐ Non ☐		Signature du chauffeur _____	
Signature _____		16.65.000-1 (05-2014)	
Distribution : Original (bleu) – Centre de déversement 1 ^{re} copie (rose) – Transporteur 2 ^e copie (orange) – Arrondissement / Ville			

According to the procedure, a borough representative makes sure that the truck's dump box is indeed empty at the start of each garbage collection operation, completes the authorization ticket and gives it to the co-contractor's driver. Each authorization ticket contains three (3) copies: one (1) for the borough, one (1) for the co-contractor and one (1) to be delivered to Matrec transfer station. The borough must keep a record of all authorization tickets issued.

Once they have obtained an authorization ticket, the drivers then collect garbage in the borough and, when the dump box is full, proceed to Matrec transfer station where they sign the “Declaration” portion of the authorization. In so doing, the driver certifies that the content of the dump box consists only of residual waste from the area of Montréal Agglomeration contemplated by the contract identified above.

The drivers must give a copy of the authorization ticket to a Matrec representative, have their truck weighed with the full dump box, empty its contents for transfer and disposal, and have the truck weighed again with the empty dump box. Matrec enters all the relevant data in its billing system, issues a copy of the truck's weigh bill to the drivers and proceeds to dispose of the dumped garbage.

³ Example of a dump authorization ticket taken from the documents of call for tenders 16-15252 (August 2016).

As part of its investigation, the OIG gathered and examined many dump authorization tickets issued in connection with the contracts resulting from calls for tenders S08/004 and 16-15252. The analysis revealed several irregularities in terms of the information provided which were not detected in a timely manner by the City's representatives.

3.1.3 *Billing reconciliation*

As mentioned earlier, responsibility for garbage collection, transportation and disposal are divided between several levels at *Ville de Montréal*. Although the Environment Department pays the City's various co-contractors, the boroughs and the Environment Department share responsibility for verifying and reconciling invoices issued by the co-contractors.

With regards to the co-contractor for garbage collection and transportation (in this case S.E.R.), the latter sends its invoice to the borough along with copies of the dump authorization tickets and the weigh bills issued at Matrec transfer station. The borough compiles this data, approves the invoices and sends them to the Environment Department for payment.

For its part, Matrec sends an invoice for garbage disposal to the Environment Department along with the weigh bills of S.E.R.'s trucks and the authorization tickets collected when the garbage was dumped. The Environment Department then reconciles the weigh bills with the information on Matrec's invoice (truck number, weight, time, etc.), approves it and issues payment.

Since the responsibility for garbage collection, transportation and disposal are divided, reconciliation is often done separately by the boroughs and the Environment Department. By acting in isolation, the City's representatives lose sight of the source of the garbage being disposed of, limit the effectiveness of their verification and reduce their ability to detect irregularities. This element is discussed in a later section.

As part of its investigation, the OIG gathered and conducted a cross analysis of the dump authorization tickets, the weigh bills and the garbage disposal invoices issued by Matrec.

3.1.4 *Geolocation tracking*

In the contracts recently awarded by *Ville de Montréal*, including the one resulting from call for tenders 16-15252, the co-contractor's trucks must be equipped with satellite geolocation devices (GPS) allowing geolocation tracking of garbage collection operations. While this is not a requirement set out in the specifications of call for tenders S08/004, the OIG was informed that the City subsequently asked that S.E.R. install such devices on the trucks used for the Verdun borough's contract.

It is thus possible to track the movements of trucks assigned to the contracts resulting from call for tenders S08/004 and 16-15252 and to note where they stopped along the way. This data is available for consultation both by S.E.R. and by *Ville de Montréal*.

As part of its investigation, the OIG gathered and examined GPS data of S.E.R. trucks assigned to the contracts resulting from calls for tenders S08/004 and 16-15252. In sections 4.4 and 6.3 of this decision, the Inspector General discusses the lax use of this



data by S.E.R. and by the City for the purpose of the contracts resulting from these calls for tenders.

3.2 Contractual obligations in the specifications of call for tenders S08/004

The specifications of call for tenders S08/004 impose several obligations on S.E.R. in connection with garbage collection and transportation. The following subsections focus on the obligations relevant to the OIG's investigation.

3.2.1 Comply with the borough's garbage collection quotas

In 2017, each resident of the Verdun borough was entitled to have up to 120 litres of garbage collected once a week; merchants were entitled to have up to 720 litres collected, also once a week.

3.2.2 Conduct additional collections outside regular hours

If the volume of garbage produced by a resident or merchant exceeds the quota allotted by the above-mentioned borough, section 3.2. of the specifications allows the co-contractor to enter into special agreements with the property owners or occupants for additional pick-ups. However, these must be carried out outside the regular collection hours, by different vehicles than those used for the contract resulting from call for tenders S08/004.

3.2.3 No private contracts shall be performed at the same time as the contract resulting from call for tenders S08/004

Section 3.3 of the specifications prohibits the co-contractor from performing private contracts on its own account (inside or outside the Verdun borough) at the same time and with the same trucks used for the garbage collection set out in the specifications of call for tenders S08/004 without the prior authorization of the Urban Planning and Business Services Division (*Direction de l'aménagement urbain et des services aux entreprises*) of the Verdun Borough.

The co-contractor must provide the Verdun borough with a list of the municipalities or boroughs on the Island of Montréal and on the South Shore where it picks up items as those included in the specifications of call for tenders S08/004. This list must be updated at the borough's request. The co-contractor must also provide a list of addresses of individuals or business within the Verdun borough that it serves under private contracts.

3.2.4 Comply with the borough's garbage collection various parameters

Section 3.2 of the specifications states that the dump boxes of trucks arriving in or returning to the Verdun borough must be completely empty.

The Verdun borough also implemented an additional control measure in terms of weighing the garbage collected by the co-contractor. Thus, in addition to the weighing detailed earlier in subsection 3.1.2 of each truck before and after dumping at Matrec transfer station, sections 3.2 and 11 of the specifications and section 15 of the Notice to Bidders

of call for tenders S08/004 stipulate that trucks must be weighed at the public weigh scale when arriving, leaving and returning to the Verdun borough.

Lastly, section 3.8 of the specifications states that the co-contractor must start garbage collection at the specified time and complete it within the required time limits. Thus, garbage must be collected between 8:00 a.m. and 3:30 p.m.

3.2.5 *Pay any rebate due based on the thresholds established in call for tenders S08/004*

The specifications of call for tenders S08/004 contain a price adjustment clause. This adjustment applies in favour of the Verdun borough and is calculated based on the volume of garbage collected annually by the co-contractor.

Section 10 of the specifications requires the co-contractor to pay the Verdun borough a rebate if the volume of garbage collected in a given year falls by a certain percentage below the threshold of 22,700 metric tonnes stated in the specifications for the 2007 reference year. The rebate is a pre-set percentage of the contract's annual amount. The following table summarizes thresholds in the decreased volume of annual garbage collected, the equivalent metric tonne thresholds and the rebate to be paid by the co-contractor to the Verdun borough:

Decrease in volume of garbage collected annually	Volume of garbage collected annually (metric tonnes)	Rebate as a percentage of the annual value of the contract resulting from call for tenders S08/004
0% to 19.99%	22,700 to 18,161	0%
20% to 29.99%	18,160 to 15,891	5%
30% to 39.99%	15,890 to 13,621	10%
40% to 49.99%	13,620 to 11,351	15%
50% and more	Less than 11,350	20%

Source: Section 10 of the specifications of call for tenders S08/004

Thus, a decrease in the volume of garbage collected annually [of more than 20%] costs the co-contractor a certain amount and benefits the Verdun borough. The volume of garbage collected annually by the co-contractor is established based on the metric tonnes of garbage transported to Matrec transfer station.



The following table illustrates the metric tonnes of garbage collected per year in the Verdun borough:

Year	Volume of garbage collected (metric tonnes)
2007	22,700
2008	21,872
2009	16,709.25
2010	16,929.43
2011	16,517.07
2012	16,518.48
2013	16,268.39
2014	16,705.33
2015	17,041.23
2016	16,121.82

Source: Data obtained from the Environment Department on April 12, 2017

The data shows that the price adjustment clause applied as of the first full year of the contract resulting from call for tenders S08/004, i.e. 2009, since the volume of garbage collected by S.E.R. for each contract year was below 18,160 metric tonnes. S.E.R. therefore had to pay a rebate equal to 5% of the contract's annual value, or approximately \$100,000.

Moreover, if the volume of garbage collected by S.E.R. for a given year continued to decrease and fell below the threshold of 15,890 metric tonnes, the rebate would be equal to 10% of the contract's annual value, or about \$200,000.

3.2.6 Categorize and collect items separately

The term "garbage" is narrowly defined in section 3.10 of the specifications of call for tenders S08/004; it stipulates that the co-contractor cannot collect items that are excluded from this definition, particularly recyclable materials.

3.3 Specific contractual obligations in specifications of call for tenders 16-15252

3.3.1 No private contracts shall be performed at the same time as the contract resulting from call for tenders 16-15252

Sections 4.8, 6.1 and 9 of the technical specifications of call for tenders 16-15252 prohibit the co-contractor from collecting, while working, any items other than those stipulated in

the contract. The co-contractor is not allowed to make collections on its own account or [TRANSLATION] “elsewhere than in the locations where the City is required to do so or outside the limits of the territories designated in its contract.”

3.3.2 *Comply with the borough’s garbage collection various parameters*

Section 4.5 of the technical specifications of call for tenders 16-15252 also stipulates that the trucks’ dump boxes must be empty at the beginning of each collection period.

As well, section 5.1 of the above specifications stipulates that the truck driver must show the borough’s public works manager that the truck’s dump box is empty. This same section formally prohibits the co-contractor from using the dump authorization ticket issued by the borough for any collection not provided in the specifications.

Lastly, it should be noted that unlike the Verdun borough, the Sud-Ouest borough does not have a public weigh scale and that the specifications of call for tenders 16-15252 does not contain a price adjustment clause similar to the one in call for tenders S08/004.

3.4 *Breaches in performance of the contract resulting from call for tenders S08/004*

As mentioned previously, the OIG initially received a denunciation from Verdun borough authorities stating that their increased surveillance showed numerous breaches by S.E.R., including private garbage collection contracts from establishments inside and outside the borough limits. These observations are summarized in the following table:

OBSERVATIONS - DENUNCIATION	2017-02-07	2017-02-09	2017-02-14
BREACHES			
Collection schedule	X	X	X
Mandatory weighing (Verdun)	X	X	X
Dump box empty at start	X	X	X
Private garbage collection contracts	X	X	X
Collection outside borough limits		X	X
Excess volume	X	X	X
Collection outside Montréal			

Source: Data from the denunciation received by the OIG from Verdun borough authorities

To corroborate these facts, OIG investigating officers conducted surveillance operations of S.E.R’s garbage collection pursuant to the contract resulting from call for tenders S08/004. The surveillance was conducted for five (5) days in February and March 2017 (February 28 and March 6, 7, 22 and 23, 2017). The findings were as follows.

3.4.1 Collections exceeding the allotted quotas

During the surveillance operations of February 28 and March 7, 2017, OIG investigating officers witnessed S.E.R employees collect garbage from two (2) construction companies.

Although these companies are located in the Verdun borough, the first had four (4) containers of two (2) cubic yards each, or close to 6,100 litres of garbage, while the second had two (2) containers of two (2) cubic yards each, or nearly 3,050 litres of garbage. During the two (2)-day surveillance, OIG investigating officers observed that the containers in question were full. As mentioned above, the quota allotted by the Verdun borough to each business is 720 litres per week.

OIG investigating officers further observed that the garbage collected from these containers was not limited to household garbage as stipulated in the specifications of call for tenders S08/004. Rather, it included construction waste (concrete, wood, glass, etc.).



Photos taken during OIG's surveillance on February 28, 2017 of an S.E.R. truck collecting garbage from a construction company

It was collected at the same time as garbage collection in the Verdun borough; all the garbage was dumped at Matrec transfer station and charged to Montréal Agglomeration under the Verdun borough account.

3.4.2 Mixing recyclable materials with garbage

During surveillance on March 22, 2017, OIG investigating officers saw S.E.R. employees collect four (4) recycle bins at the back of a restaurant in Verdun. These recyclable materials were mixed with garbage previously collected in the Verdun borough under the contract resulting from call for tenders S08/004, and all these materials were dumped at Matrec transfer station and charged to Montréal Agglomeration under the Verdun borough account.

3.4.3 Collections outside the borough

During surveillance operations on February 28 and March 7, 2017, OIG investigating officers witnessed S.E.R employees collect garbage from the Atwater plant, located outside the Verdun borough. This garbage was collected at the same time as garbage collection in the Verdun borough; all the garbage was dumped at Matrec transfer station and charged to Montréal Agglomeration under the Verdun borough account.

3.4.4 Collections outside the Island of Montréal

3.4.4.1 Restaurant in Brossard

During surveillance on March 22, 2017, OIG investigating officers saw S.E.R. employees collect garbage from a restaurant in Brossard. This garbage was collected at the same time as garbage collection in the Verdun borough under the contract resulting from call for tenders S08/004; all this garbage was dumped at the Matrec transfer station and charged to Montréal Agglomeration under the Verdun borough account.



Image from a video taken by the OIG during surveillance of an S.E.R. truck on March 22, 2017 showing garbage being collected from a restaurant in Brossard

As part of its investigation and pursuant to the powers conferred by section 57.1.9 of the Charter, the Inspector General also obtained and analyzed some of the time sheets of S.E.R. drivers for February and March 2017.

It was found that on eight (8) occasions - February 6, 7, 9, 14, 27 and March 6, 7, and 23, the drivers had entered in the “Lost time” section a trip to collect garbage from said restaurant in Brossard, followed by a trip to dump the garbage at the transfer station, as well as a charge to Montréal Agglomération under the Verdun borough account.

For example, on the following time sheet, dated February 27, 2017, the driver entered in the left column titled “Loading time” a garbage collection in the Verdun borough between 1:12 p.m. and 3:00 p.m., followed by an entry for garbage collection from the South Shore restaurant between 3:00 p.m. and 3:55 p.m. (lower red box) and an entry for dumping all the garbage at Matrec transfer station at 4:02 p.m. (upper red box). The driver, helpers and S.E.R. supervisor all signed the time sheet.⁴

⁴ Identifying information was redacted in black by the OIG on each time sheet included in this decision. Similarly, the name of the restaurant in Brossard was replaced by blue labels on each time sheet where the name appeared as the restaurant is not under investigation. The red boxes were added by the OIG to facilitate the reader's understanding and do not appear in the time sheets' original version.

Feuille de route service résidentiel (CYCLE 1)				Aide-éboueur: Déclaration aptitude au travail		Heures		
				J'ai débuté et terminé mon travail aujourd'hui sans blessure		Début	Fin	
#Route: 1401202	Description: VERDUN/I.D.S. DECHETS (10020)			Nom: [Redacted]		7h40	15h00	
Date: LUNDI LE 27 FEVRIER 2017				Signature: [Redacted]				
#Camion: 403086	#Employé				Aide-éboueur: Déclaration aptitude au travail		Heures	
Chauffeur: [Redacted]					J'ai débuté et terminé mon travail aujourd'hui sans blessure		Début	Fin
				Nom: [Redacted]		7h40	12h30	
				Signature: [Redacted]				
Départ		Overture de la route		Retour		Total heures		
6h00		6h45		16h45		10h		
Départ		Heure de chargement		Heure dépotoir		Total heures		
Odomètre		Ville		Dépotoir		Total heures		
Fin		Nb Bacs		Odomètre		Total heures		
8h00		Verdun 9h10		380740 Matrec Verdun 9.27		9h35		
10h00		Verdun 12h30		385790 Matrec Verdun 10.57		12h45		
13h12		Verdun 4h00		380827 Matrec Verdun 4.32		16h02		
10020		15h30		240 10020				
Pause		Pertes de temps		Raison / Commentaires				
Début		Fin		Début		Fin		
15h00		15h55		07 etc portec helier +		Restaurant Brossard		
Total Pause		Total Pertes de temps						
Message de sécurité				Initiales chauffeur		Chaufeur: Déclaration aptitude au travail		
Chauffeurs: La période de dégel est arrivée faire attention au surcharge. Félicitation à tous pour les bons résultats et n'oubliez pas de toujours garder les boîtes méthodes en tête. Bonne semaine !!!				Initiales aide éboueur		J'ai débuté et terminé mon travail aujourd'hui sans blessure		
				Initiales aide éboueur		Signature du chauffeur: [Redacted]		
				Initiales aide éboueur		Signature du superviseur: [Redacted]		

Time sheet produced by the driver of S.E.R. truck No. 403086 for February 27, 2017 and obtained by the Inspector General on October 3, 2017 following a request for production of information to S.E.R.

The OIG confirmed these eight (8) garbage collections at the restaurant and subsequent dumping at Matrec transfer station using the trucks' GPS data obtained from S.E.R. The billing was confirmed by the invoices produced by Matrec for garbage disposal.

3.4.4.2 Restaurant in Longueuil

During surveillance on March 23, 2017, OIG investigating officers witnessed an S.E.R. employee collect garbage from another restaurant, this time in Longueuil. This garbage was collected at the same time as garbage collection in the Verdun borough under the contract resulting from call for tenders S08/004; all this garbage was dumped at Matrec transfer station and charged to Montréal Agglomération under the Verdun borough account.

3.4.4.3 City on the South Shore

During surveillance on March 6, 2017, OIG investigating officers witnessed S.E.R. employees collect garbage from four (4) residential and business addresses in the city of Saint-Basile-le-Grand, on Montréal's South Shore. The driver then went to S.E.R.



headquarters in Beloeil and parked the truck, without first dumping the contents of its dump box.



Image from a video taken by the OIG during surveillance of an S.E.R. truck on March 6, 2017 showing garbage being collected from a residential building on the South Shore

The following day, on March 7, 2017, OIG investigating officers saw the driver leave S.E.R. headquarters with the same truck and go directly to the Verdun borough to proceed with its usual garbage collection. All this garbage was dumped at Matrec transfer station and charged to Montréal Agglomération under the Verdun borough account.

On the time sheet dated March 6, 2017, reproduced below, the truck driver entered [TRANSLATION] “make a commercial pick-up in St-Basile.”

Feuille de route service résidentiel (CYCLE 1)																																																																									
#-Route.: 1401201																																																																									
Description.: Verdun Déchet 10020																																																																									
Date.: 6 Mars 2017																																																																									
#-Camion: 403083		#-Employé:																																																																							
Chauffeur: [Signature]																																																																									
<table border="1"> <tr> <th colspan="3">Ouverture de la route</th> <th colspan="3">Fermeture de la route</th> <th colspan="2">Total heures</th> </tr> <tr> <th>Départ</th> <th>Odomètre</th> <th>Fuel</th> <th>Retour</th> <th>Odomètre</th> <th>Fuel</th> <th colspan="2"></th> </tr> <tr> <td>6h45</td> <td>346271</td> <td></td> <td>16h00</td> <td>346415</td> <td>9.30</td> <td colspan="2">9h15</td> </tr> </table>										Ouverture de la route			Fermeture de la route			Total heures		Départ	Odomètre	Fuel	Retour	Odomètre	Fuel			6h45	346271		16h00	346415	9.30	9h15																																									
Ouverture de la route			Fermeture de la route			Total heures																																																																			
Départ	Odomètre	Fuel	Retour	Odomètre	Fuel																																																																				
6h45	346271		16h00	346415	9.30	9h15																																																																			
<table border="1"> <tr> <th colspan="10">Heure de chargement</th> <th colspan="2">Heure de dépôt</th> </tr> <tr> <th>Départ</th> <th>Odomètre</th> <th>Ville</th> <th>Fin</th> <th>Nb Bacs</th> <th>Odomètre</th> <th>#-Billet</th> <th>Dépotoir</th> <th>Ville</th> <th>Tonnage</th> <th>Arrivée</th> <th>Départ</th> <th>Odomètre</th> </tr> <tr> <td>8:00</td> <td>346311</td> <td>Verdun</td> <td>10:19</td> <td></td> <td>346323</td> <td>38138</td> <td>Matrec</td> <td>Verdun</td> <td>9,22</td> <td>10:44</td> <td>10:49</td> <td></td> </tr> <tr> <td>11:19</td> <td>346352</td> <td>Verdun</td> <td>13:40</td> <td></td> <td>346361</td> <td>381469</td> <td>Matrec</td> <td>Verdun</td> <td>9,79</td> <td>14:17</td> <td>14:22</td> <td></td> </tr> <tr> <td></td> <td></td> <td>10020</td> <td>14h45</td> <td></td> <td></td> <td></td> <td></td> <td>276 10020</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>										Heure de chargement										Heure de dépôt		Départ	Odomètre	Ville	Fin	Nb Bacs	Odomètre	#-Billet	Dépotoir	Ville	Tonnage	Arrivée	Départ	Odomètre	8:00	346311	Verdun	10:19		346323	38138	Matrec	Verdun	9,22	10:44	10:49		11:19	346352	Verdun	13:40		346361	381469	Matrec	Verdun	9,79	14:17	14:22				10020	14h45					276 10020				
Heure de chargement										Heure de dépôt																																																															
Départ	Odomètre	Ville	Fin	Nb Bacs	Odomètre	#-Billet	Dépotoir	Ville	Tonnage	Arrivée	Départ	Odomètre																																																													
8:00	346311	Verdun	10:19		346323	38138	Matrec	Verdun	9,22	10:44	10:49																																																														
11:19	346352	Verdun	13:40		346361	381469	Matrec	Verdun	9,79	14:17	14:22																																																														
		10020	14h45					276 10020																																																																	
<table border="1"> <tr> <th colspan="2">Pause</th> <th colspan="6">Pertes de temps</th> </tr> <tr> <th>Début</th> <th>Fin</th> <th>Début</th> <th>Odomètre</th> <th>Fin</th> <th>Odomètre</th> <th colspan="2">Raison / Commentaires</th> </tr> <tr> <td></td> <td>13h40</td> <td>13:55</td> <td>14h45</td> <td>14:05</td> <td>07</td> <td colspan="2">Faire le Restaurant Brossard</td> </tr> <tr> <td></td> <td></td> <td>14:45</td> <td></td> <td>15:10</td> <td></td> <td colspan="2">Faire le Commercial à St-Basile</td> </tr> <tr> <td></td> <td></td> <td>15:15</td> <td></td> <td>16:00</td> <td></td> <td colspan="2">Laver le Camion avec la Hôse à pression</td> </tr> <tr> <td>Total Pause</td> <td></td> <td colspan="6">Total Pertes de temps</td> </tr> </table>										Pause		Pertes de temps						Début	Fin	Début	Odomètre	Fin	Odomètre	Raison / Commentaires			13h40	13:55	14h45	14:05	07	Faire le Restaurant Brossard				14:45		15:10		Faire le Commercial à St-Basile				15:15		16:00		Laver le Camion avec la Hôse à pression		Total Pause		Total Pertes de temps																					
Pause		Pertes de temps																																																																							
Début	Fin	Début	Odomètre	Fin	Odomètre	Raison / Commentaires																																																																			
	13h40	13:55	14h45	14:05	07	Faire le Restaurant Brossard																																																																			
		14:45		15:10		Faire le Commercial à St-Basile																																																																			
		15:15		16:00		Laver le Camion avec la Hôse à pression																																																																			
Total Pause		Total Pertes de temps																																																																							

Time sheet produced by the driver of S.E.R. truck No. 403083 for March 6, 2017 and obtained by the Inspector General on October 3, 2017 following a request for production of information to S.E.R.

The time sheet dated March 7, 2017, reproduced below, shows no change in the odometer between the two (2) days, confirming OIG investigating officers' observations that the content of the truck's dump box was not emptied between the truck's return on March 6 and the start of the day on March 7. The time sheet also shows that the first dumping of garbage, which included the garbage collected the day before from Saint-Basile-le-Grand businesses and homes, took place at Matrec transfer station and was charged to Montréal Agglomération under the Verdun borough account.



Feuillé de route service résidentiel (CYCLE 1)												
#Route.: 2401201												
Description.: VERDUN/I.D.S DECHET (10020)												
Date.: MARDI LE 7 MARS 2017												
#Camion: 403083		#Employé										
Chauffeur: [REDACTED]												
Ouverture de la route		Fermeture de la route										
Départ	Odometre	Fuel	Retour	Odometre	Fuel	Total heures						
6h00	346415		18h25	346616	12.50	12h25						
Heure de chargement		Heure dépotoir										
Départ	Odometre	Ville	Fin	Nb Bacs	Odometre	#Billets	Dépotoir	Ville	Tonnage	Arrivée	Départ	Odometre
7:15	346458	Verdun	9:15		346469	381516	Matrec	Verdun	9.95	9:39	9:46	
10:09	346503	Verdun	11:51		346510	381578	Matrec	Verdun	9.23	12:16	12:34	
12:45	346515	Verdun	14:55			381573	Matrec	Verdun	9.95	15:30	15:35	
16:15	346598	Bebeil	17:55		346608	65007	SER	Bebeil	2.65	18:06	18:17	
		20122		18h05				310		20122		
Pause		Pertes de temps										
Début	Fin	Début	Odometre	Fin	Odometre	Raison / Commentaires						
12:15	12:30	7:15				Faire les Conteneurs à Verdun 7:15						
		15:10		15:20		Faire le Restaurant Brossard						
		15:35	17h55	16:00	18h05	Faire le Commercial St-Brudo						
Total Pause		Total Pertes de temps		18:15	18:25	Attente pour Dem per						

Time sheet produced by the driver of S.E.R. truck No. 403083 for March 7, 2017 and obtained by the Inspector General on October 3, 2017 following a request for production of information to S.E.R.

3.5 Breaches in performance of the contract resulting from call for tenders 16-15252

As mentioned earlier, the surveillance operations in connection with the contract resulting from call for tenders S08/004 led the OIG to note similar irregularities in the performance of the contract resulting from call for tenders 16-15252 in the Sud-Ouest borough.

To substantiate these observations, on May 2, 2017, OIG investigating officers conducted a surveillance operation of S.E.R.'s garbage collection in connection with the contract resulting from call for tenders 16-15252. OIG investigating officers also conducted a sample verification of the GPS routes and drivers' time sheets obtained from S.E.R. for the period of April to June 2017, as well as the related billing produced by Matrec for disposal of garbage from the Sud-Ouest borough. The findings were as follows.

3.5.1 Collections outside the Island of Montréal

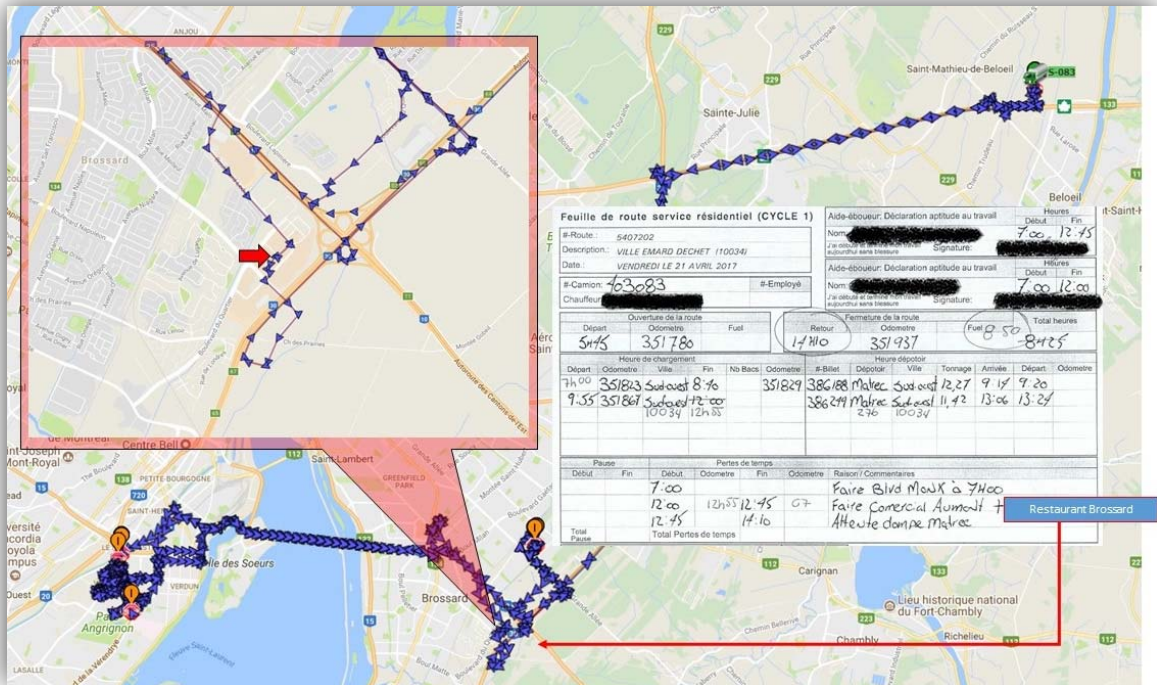
3.5.1.1 Restaurant in Brossard

First, during surveillance on May 2, 2017, OIG investigating officers witnessed S.E.R. employees collect garbage from the same Brossard restaurant mentioned earlier. This garbage was collected at the same time as garbage collection in the Sud-Ouest borough under the contract resulting from call for tenders 16-15252; all this garbage was dumped at Matrec transfer station and charged to Montréal Agglomération under the Sud-Ouest borough account.

Moreover, an analysis of the drivers' time sheets showed that on seven (7) other occasions - April 5, 21 and 28, May 12 and 26, and June 15 and 29, the drivers had entered in the "Lost time" section a trip to collect garbage from said restaurant in Brossard, followed by a trip to dump this garbage at Matrec transfer station, as well as a charge to Montréal Agglomération under the Sud-Ouest borough account.

The OIG confirmed these garbage collections at the restaurant and subsequent dumping at Matrec transfer station using the trucks' GPS data obtained from S.E.R. The billing was confirmed by the invoices produced by Matrec.

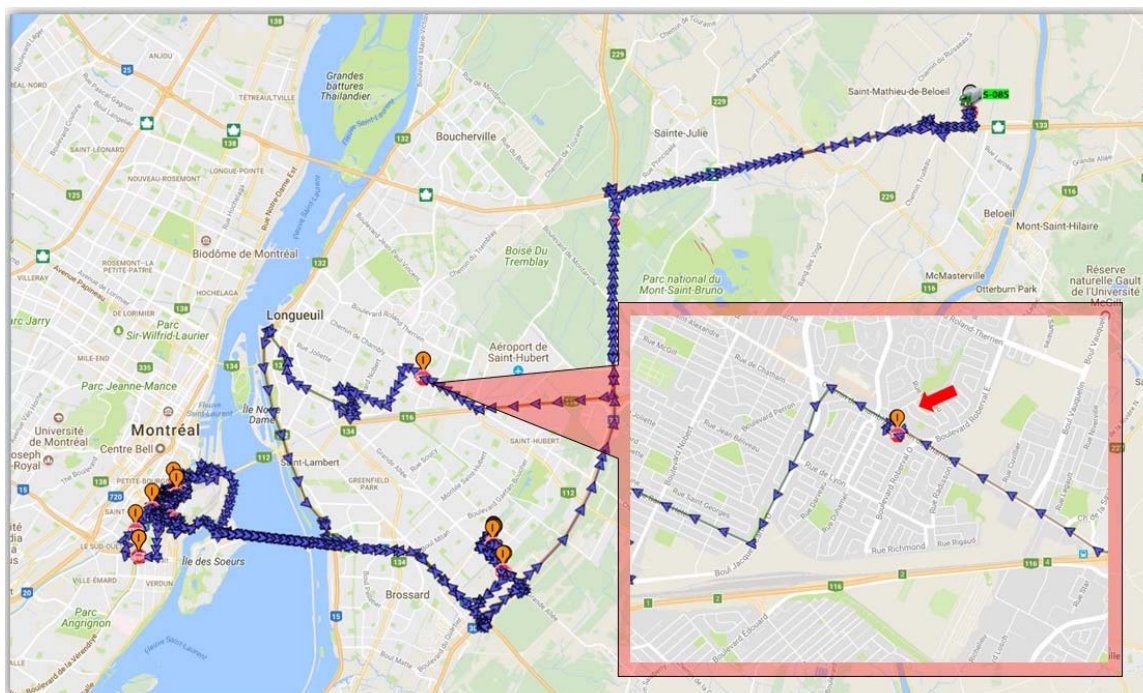
For example, the GPS reading from S.E.R. truck No. 403083 dated April 21, 2017 clearly shows a garbage collection in the Sud-Ouest borough in connection with the contract resulting from call for tenders 16-15252, followed by a detour to collect garbage from the restaurant in Brossard (identified by the Inspector General with a red arrow). The GPS data shows that a trip was then made to dump all the garbage at Matrec transfer station. These elements are also entered on the time sheet produced by the driver and superimposed on the GPS map below.



GPS reading of April 21, 2017 for S.E.R. truck No. 403083 and time sheet produced by its driver for April 21, 2017, obtained by the Inspector General on December 14, 2017 following a request for production of information to S.E.R.

3.5.1.2 Restaurant in Longueuil

OIG investigating officers then observed that S.E.R. drivers were also collecting garbage from the same Longueuil restaurant mentioned earlier. The GPS data of an S.E.R. truck, reproduced below, shows that it made a detour to collect garbage from said restaurant in Longueuil at 6:22 a.m. on April 25, 2017 (identified below by a red arrow) and then went to collect garbage in the Sud-Ouest borough, followed by a trip to Matrec transfer station.



GPS reading of April 25, 2017 for S.E.R. truck No. 403085 obtained by the Inspector General on December 14, 2017 following a request for production to S.E.R.

Although the driver's time sheet does not mention the garbage collection at the restaurant,⁵ the driver entered that this garbage was dumped at Matrec transfer station, as well as a charge Montréal Agglomération under the Sud-Ouest borough account. The billing was confirmed by invoices produced by Matrec for garbage disposal.

3.5.1.3 Aumont area in Brossard

When analyzing the time sheets, OIG investigating officers noted that S.E.R. drivers were collecting garbage from Aumont and Alfred Streets in Brossard.

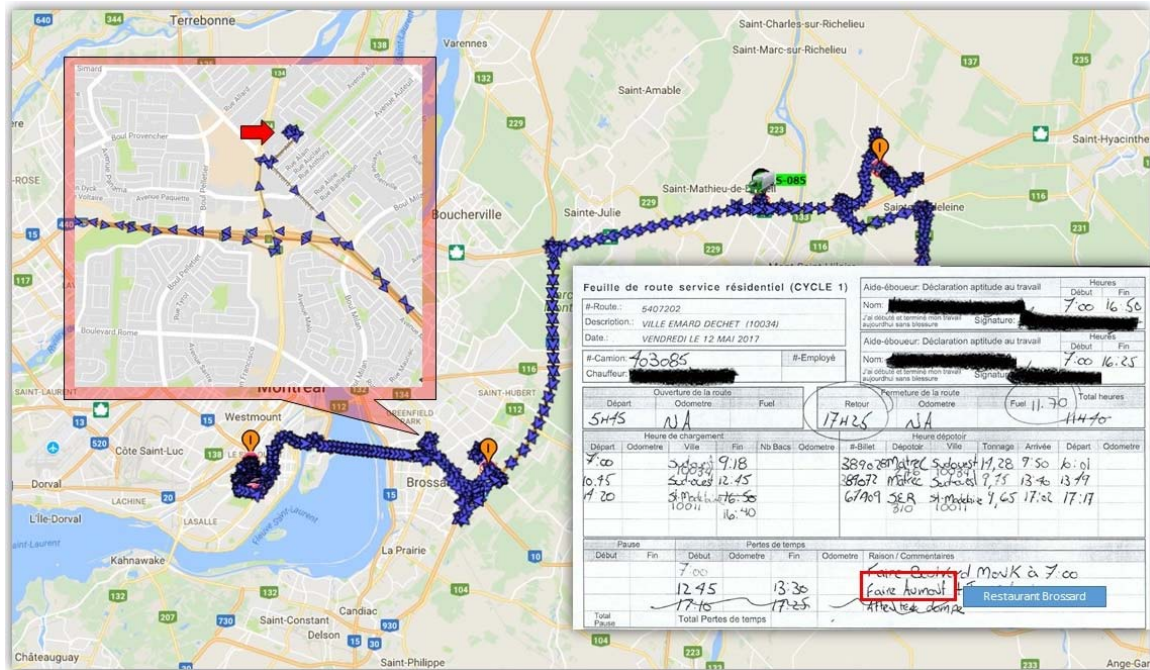
They observed that on four (4) occasions, on the time sheets of April 21 and 28, and May 12 and 26, 2017, the drivers had entered in the "Lost time" section a trip to collect garbage from this part of Brossard, followed by a trip to dump the garbage at Matrec transfer station, and as well as a charge Montréal Agglomération under the Sud-Ouest borough account.

The OIG confirmed these garbage collections in Brossard and the subsequent trips to dump the garbage at Matrec transfer station using the trucks' GPS data obtained from S.E.R. The billing was confirmed by the invoices produced by Matrec for garbage disposal.

For example, the GPS reading from S.E.R. truck No. 403085 dated May 12, 2017 clearly shows a garbage collection in the Sud-Ouest borough in connection with the contract resulting from call for tenders 16-15252, followed by a detour to collect garbage from the Aumont area in Brossard (identified by the Inspector General with a red arrow). The GPS

⁵ This omission by the driver on the time sheet is explained in subsection 4.4. of this decision.

data shows that a trip was then made to dump all the garbage at Matrec transfer station. These elements are also entered on the time sheet produced by the driver and superimposed on the GPS map below.



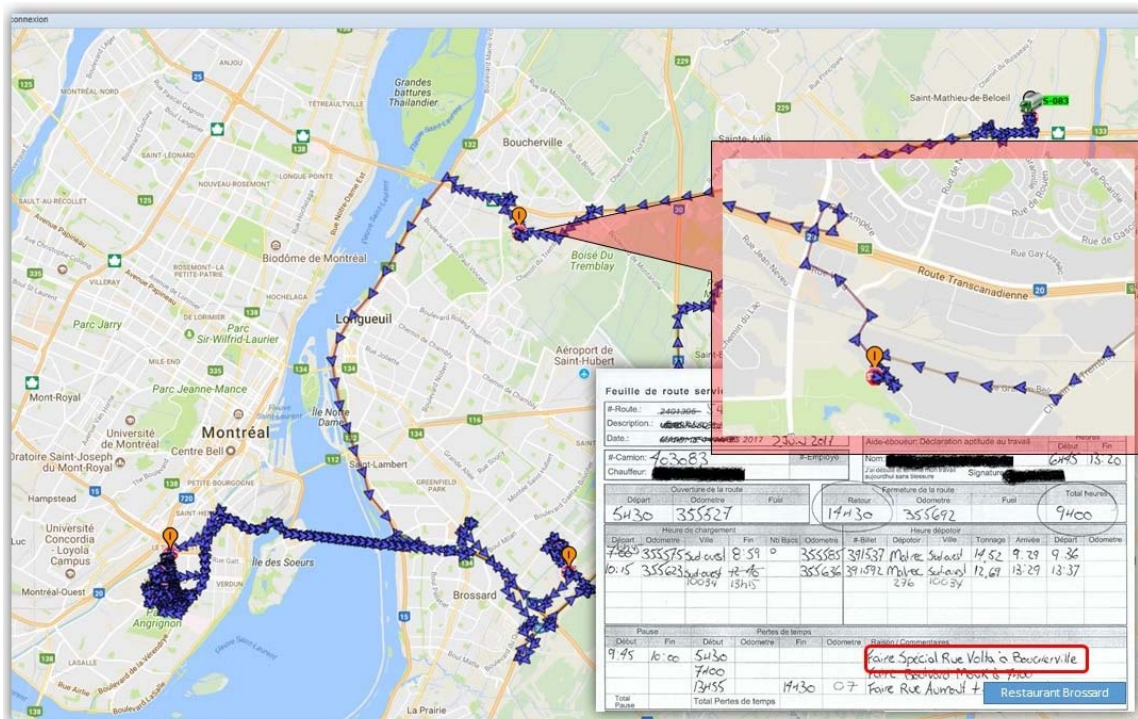
GPS reading of May 12, 2017 for S.E.R. truck No. 403085 and time sheet produced by its driver for May 12, 2017, obtained by the Inspector General on December 14, 2017 following a request for production of information to S.E.R.

3.5.1.4 Cities on the South Shore

Besides recurring garbage collections from the restaurant and from Aumont and Alfred Streets in Brossard, OIG investigating officers also observed sporadic garbage collections in other cities on the South Shore.

Thus, an S.E.R. driver entered in the “Lost time” section of the time sheet dated June 2, 2017 [TRANSLATION] “special trip to Volta Street in Boucherville”, followed by garbage collection in the Sud-Ouest borough under the contract resulting from call for tenders 16-15252, and then dumped all the garbage, charging it to Montréal Agglomération under the Sud-Ouest borough account.

Using the truck’s GPS data obtained from S.E.R., reproduced below and clearly illustrating the detour, the OIG confirmed this garbage collection and subsequent trip to dump the garbage at Matrec transfer station. The billing was confirmed by the invoices produced by Matrec for garbage disposal.

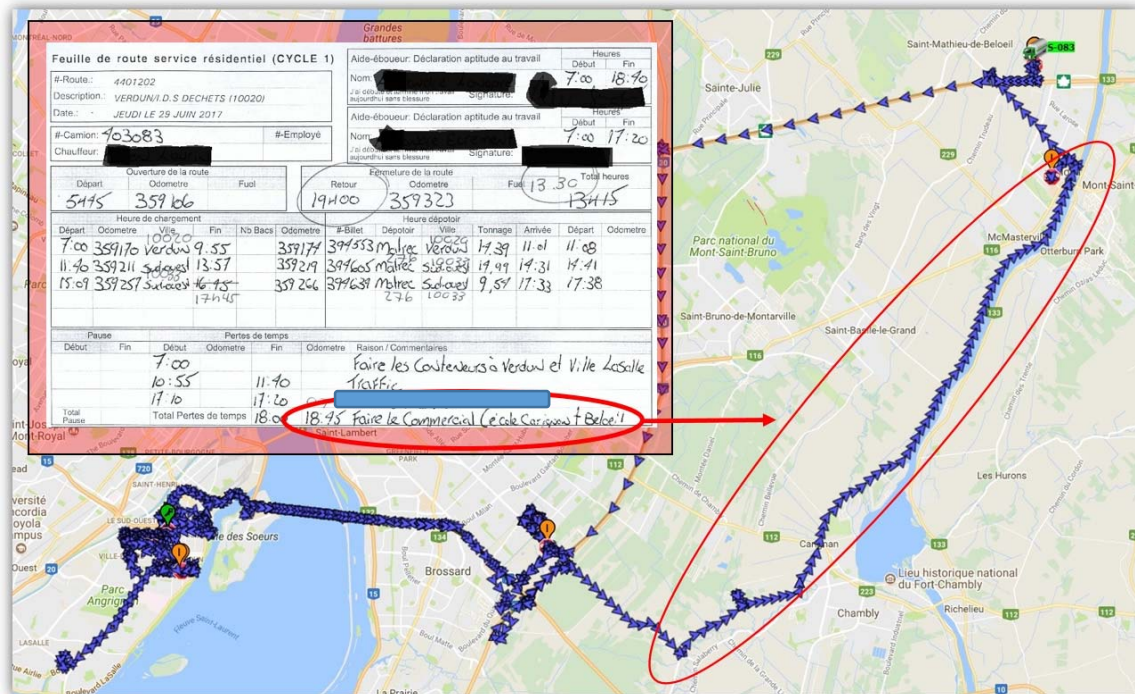


GPS reading of June 2, 2017 for S.E.R. truck No. 403083 and time sheet produced by its driver for June 2, 2017, obtained by the Inspector General on December 14, 2017 following a request for production of information to S.E.R.

Another S.E.R. driver entered in the “Lost time” category on the time sheet of June 29, 2017 [TRANSLATION] “a commercial pick-up (Carignan school + Beloeil).” According to this time sheet, the collections took place at the end of the day and nothing indicates that the truck’s dump box was emptied before the end of his shift.

The time sheet produced the following day shows that the same truck was used to collect garbage in the Sud-Ouest borough under the contract resulting from call for tenders 16-15252, and nothing indicates that the truck's dump box was emptied beforehand. According to this time sheet, the first trip to Matrec transfer station was only after garbage collection in the Sud-Ouest borough, and all the garbage was charged to Montréal Agglomération under the Sud-Ouest borough account.

Using the trucks' GPS data obtained from S.E.R., the OIG confirmed these garbage collections in the municipalities of Carignan, Saint-Basile-le-Grand, McMasterville and Beloeil on June 29, as well as collection the following day in the Sud-Ouest borough and dumping at Matrec transfer station. The GPS data and the time sheets of June 29, 2017 are reproduced below. The billing was confirmed by the invoices produced by Matrec for garbage disposal.



GPS reading of June 29, 2017 for S.E.R. truck No. 403083 and time sheet produced by its driver for June 29, 2017, obtained by the Inspector General on December 14, 2017 following a request for production of information to S.E.R.

3.5.2 Collections outside the borough

Lastly, OIG investigating officers found that S.E.R. drivers collected garbage in other *Ville de Montréal* boroughs outside the area covered by the contract resulting from call for tenders 16-15252.

During surveillance on May 2, 2017, OIG investigating officers witnessed S.E.R. employees collect garbage from Charles-J.-Des Bailleurs plant in the LaSalle borough. OIG investigating officers then saw the S.E.R. truck collect garbage in the Sud-Ouest borough followed by a trip to Matrec transfer station at 10:26 a.m. where it dumped all the garbage and charged it to Montréal Agglomération under the Sud-Ouest borough account.

Observations from this surveillance operation were confirmed by an analysis of the driver's time sheet, reproduced below, which shows in the "Lost time" category a garbage collection from a [TRANSLATION] "container in the City of LaSalle" between 7:30 a.m. and 8:00 a.m. and a subsequent trip to dump this garbage at Matrec transfer station around 10:30 a.m., all of which was charged to Montréal Agglomération under the Sud-Ouest borough account. The billing was confirmed by the invoices produced by Matrec for garbage disposal.

Feuille de route service résidentiel (CYCLE 1)									
#Route.: 2401207 2407003									
Description.: VERDUN/D.S. DECHET 100201 10032									
Date.: MARDI LE 2 MAI 2017									
#Camion: 403083 #Employé									
Chauffeur:									
Ouverture de la route					Fermeture de la route				
Départ	Odometre	Fuel	Retour		Odometre	Fuel	Total heures		
6h15			18h35				12.40		
Heure de chargement					Heure dépotoir				
Départ	Odometre	Ville	Fin	Nb Bacs	Odometre	#Billet	Dépotoir	Ville	Tonnage
7h30		Sud-Ouest	10:05			357720	Matrec	Hubert	10.150
11h15	10032		13:35			357761	276	10032	11.110
14h45	10032	11	17:05			357789	276	11	11.330
			17h20						17:45
Pause					Pertes de temps				
Début	Fin	Début	Odometre	Fin	Odometre	Reprises / Commentaires			
		7:30		8h00		CONTENEUR VILLE LA SALLE			
		18:00		18:35	07	Restaurant Brossard			
Total Pause		Total Pertes de temps							

Time sheet produced by the driver of truck No. 403083 for May 2, 2017 and obtained by the Inspector General on December 14, 2017 following a request for production to S.E.R.

As for the other collections made outside the borough and observed during surveillance on May 2, 2017, they were made in the Verdun borough but dumped and charged to the Sud-Ouest borough. OIG investigating officers then saw the S.E.R. truck collect garbage in the Sud-Ouest borough followed by a trip to Matrec transfer station at 10.26 a.m. where it dumped all the garbage and charged it to Montréal Agglomération under the Sud-Ouest borough account. The billing was confirmed by invoices produced by Matrec for garbage disposal.

3.6 Recap of breaches

The following table recaps the breaches found by OIG investigating officers on the part of S.E.R.'s performance of contracts resulting from calls for tenders S08/004 and 16-15252.

The breaches found during the surveillance operations appear in light blue while the other boxes illustrate the breaches revealed by a cross analysis of the drivers' time sheets, the trucks' GPS data and the invoices produced by Matrec.

Lastly, since several trucks were assigned by S.E.R. for each garbage collection day in the Verdun and Sud-Ouest boroughs, some of the marks "X" may refer to multiple breaches, which were grouped together in the interest of brevity.

BREACHES	Verdun										Sud-Ouest									
	2017-02-06	2017-02-07	2017-02-09	2017-02-14	2017-02-27	2017-02-28	2017-03-06	2017-03-07	2017-03-22	2017-03-23	2017-04-05	2017-04-21	2017-04-25	2017-04-28	2017-05-02	2017-05-12	2017-05-26	2017-06-02	2017-06-15	2017-06-29
Mandatory weighing (Verdun) ⁶						X		X			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dump box empty at start						X		X	X	X					X					
Private garbage collection						X	X	X	X	X					X					
Quantity exceeding the allotted quota						X		X												
Mixing of garbage with recycling									X											
Collection outside borough						X		X							X					
Collection outside Montréal	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X

When interviewed by OIG investigating officers, S.E.R. drivers confirmed these facts and observations and said they also [TRANSLATION] “made commercial pick-ups” while performing the contracts resulting from calls for tenders S08/004 and 16-15252, believing that this was requested by the City.

4. Analysis

The facts detailed above lead the Inspector General to make the following four (4) observations concerning S.E.R.’s performance of the contracts resulting from calls for tenders S0/004 and 16-15252.

⁶ Since the requirement for weighing on the public weigh scale is included only in the specifications of call for tenders S08/004, these fields are indicated as N/A in the columns concerning the Sud-Ouest borough.

4.1 *Impact of the rebate clause in the contract resulting from call for tenders S08/004*

As mentioned in subsection 3.2.5, the contract resulting from call for tenders S08/004 contains a clause stipulating payment of an annual rebate by S.E.R. to the City according to the tonnage of garbage collected by the company.

As of the contract's first year, a decrease in the volume of garbage collected triggered payment of a rebate as per the first threshold, equal to 5% of the contract's annual value, or about \$100,000. The tonnage of garbage collected then remained essentially the same for each subsequent year, just above the amount triggering a rebate as per the second threshold. A decrease below this second threshold would have increased the annual rebate payable by S.E.R. to the City from \$100,000 to about \$200,000.

It goes without saying that such a clause could have motivated S.E.R. to keep the tonnage collected as high as possible.

4.2 *Nature of the breaches observed*

It becomes apparent from the table above that the breaches cover a wide range of obligations imposed on S.E.R. by the contracts resulting from calls for tenders S08/004 and 16-15252.

Indeed, the OIG's investigation revealed collections that exceeded the quotas allotted by the boroughs, recycling materials that were mixed with garbage and private collection contracts carried out outside the boroughs and *Ville de Montréal's* limits. These breaches concern the very essence of the services to be delivered by S.E.R.; namely, the collection and transportation of garbage from residents and merchants in the Verdun and Sud-Ouest boroughs.

4.3 *Repeated breaches*

The third observation that emerges from the investigation is, without a doubt, the repeated breaches by S.E.R. Based on the breaches reported by the Verdun borough authorities, OIG investigating officers quickly came to the same conclusion as numerous breaches were observed during each day of surveillance conducted in the Verdun borough.

As well, surveillance in the Sud-Ouest borough showed that the breaches were not limited to performance of the contract resulting from call for tenders S08/004 in the Verdun borough.

This observation was further confirmed by a cross analysis of S.E.R. drivers' time sheets and trucks' GPS data and the invoices obtained from Matrec.

In other words, the Inspector General cannot conclude that these were isolated breaches since the facts point to a systematic practice of the company.



4.4 *Involvement of S.E.R. supervisors*

OIG investigating officers sought in particular to determine whether just a few S.E.R. drivers or helpers were responsible for the breaches. However, the facts rapidly ruled out such a possibility.

The routes of S.E.R. drivers are assigned by the company's supervisors, who then sign the drivers' time sheets. As the time sheets reproduced in this report show, private garbage collection contracts inside as well as outside the boroughs and *Ville de Montréal* are recorded in the "Lost time" section. A quick analysis of collection and dumping times shows that the content of these collections was dumped and charged to Montréal Agglomération.

Moreover, as mentioned previously, S.E.R. drivers interviewed by OIG investigating officers all acknowledged [TRANSLATION] "making commercial collections" while performing the contracts resulting from calls for tenders S08/004 and 16-15252. While their belief that such commercial collections were requested by the City was misguided, it is understandable that the drivers would come to such a conclusion given their repeated assignments that combined both private and public collection contracts.

In addition, GPS data of trucks assigned to the contracts resulting from calls for tenders S08/004 and 16-15252 is accessible to S.E.R.'s supervisors at all times. S.E.R. therefore has the means to identify such private garbage collection contracts. Consequently, it is impossible that these collections made outside the boroughs concerned were made solely on the personal initiatives of ill-intentioned drivers. If this were the case, the drivers would not record such collections on their time sheets.

In fact, the OIG's investigation revealed just one (1) case of a collection resulting from a driver's own initiative, that is the one at the restaurant in Longueuil. After observing a collection at this location during one of their surveillance operations in the Verdun borough, OIG investigating officers went to S.E.R.'s offices on October 3, 2017 and requested to see the GPS data of the truck in question. It was only following the OIG's intervention that S.E.R. realized that the driver was making this collection on his own initiative. The driver was dismissed soon after.

In short, this case illustrates failures in the company's internal control mechanisms and an inability to detect breaches on its own without the OIG's intervention. The role of S.E.R.'s supervisors in assigning routes to drivers, some of which often include public and private collection contracts, and in approving time sheets leads the Inspector General to conclude that this is a systemic issue within the company.

In light of the above, the investigation shows that S.E.R. was unable to perform with integrity the contracts resulting from calls for tenders S08/004 and 16-15252.

5. Responses to the Notices to Interested Parties

In accordance with his duty of procedural fairness, the Inspector General summarized the facts detailed above in Notices sent to S.E.R. and its parent company, W.C.C. on December 5, 2017 (call for tenders S08/004) and January 3, 2018 (call for tenders 16-15252). W.C.C. submitted a response to both Notices. Although its response to the first Notice alludes to positions S.E.R. could take, no formal response to the Notices was received from S.E.R. The Inspector General retains the following facts concerning the responses received.

5.1 Breaches denied

First, W.C.C. made a general statement to the effect that the breaches, if proven, were committed by S.E.R. or its employees and cannot in any way be attributed to the company.

Then, W.C.C. denied some of the breaches found in connection with the contract resulting from call for tenders S08/004, specifically, the collections made in the city of Saint-Basile-le-Grand on March 6, 2017 and the collection of recyclable materials from the restaurant in Verdun. However, apart from a brief denial of the events, W.C.C. did not submit any documentation or other evidence to support its version of the facts and contradict the findings of OIG investigating officers during their surveillance operations.

Thus, with respect to the denial of this first breach, the explanation given by W.C.C. is limited to the fact that S.E.R.'s usual procedure provides the trucks always empty the contents of their dump box at the transfer station set up in S.E.R.'s yard in Beloeil for collections made on the South Shore. Although S.E.R. and W.C.C. did not submit any proof of the existence or application of such a procedure (e.g. weigh ticket or bill), OIG investigating officers nevertheless rechecked the drivers' time sheets in their possession and noted that some of them indicate that the truck contents were dumped at S.E.R.'s premises at the end of the day, as for example, the time sheet of March 7, 2017 reproduced below.



Feuillé de route service résidentiel (CYCLE 1)									
#Route.: 2401201									
Description.: VERDUN/I.D.S DECHET (10020)									
Date.: MARDI LE 7 MARS 2017									
#Camion: 403083		#Employé							
Chauffeur:									
Ouverture de la route		Retour		Fermeture de la route		Total heures			
Départ	Odomètre	Fuel	Odomètre	Fuel	Odomètre	Fuel			
6400	346415		18425		346616	12.50	12425		
Heure de chargement									
Départ	Odomètre	Ville	Fin	Nb Bacs	Odomètre	#-Billet	Dépotoir	Ville	Tonnage
7:15	346458	Verdun	9:15		346469	381516	Matrec	Verdun	9.95
10:09	346503	Verdun	11:51		346510	381548	Matrec	Verdun	9.23
12:45	346515	Verdun	14:55		346573	381573	Matrec	Verdun	9.95
16:15	346598	Bebeil	17:55		346608	65007	SER.	Bebeil	2.65
Heure dépotoir									
Départ	Odomètre	Ville	Fin	Nb Bacs	Odomètre	#-Billet	Dépotoir	Ville	Tonnage
9:39	346469	Verdun	9:46		346469	381516	Matrec	Verdun	9.95
12:16	346510	Verdun	12:24		346510	381548	Matrec	Verdun	9.23
15:30	346573	Verdun	15:35		346573	381573	Matrec	Verdun	9.95
18:06	346608	Bebeil	18:17		346608	65007	SER.	Bebeil	2.65
Pertes de temps									
Début	Fin	Odomètre	Fin	Odomètre	Raison / Commentaires				
12:15	12:30	7:15			Faire les Conteneurs à Verdun 7:15				
	15:10		15:20		Faire le Restaurant Brossard				
	15:35	17h55	16:00	18h05	Faire le Commercial St-Brudo				
Total Pause		Total Pertes de temps	18:15	18:25	Attente pour Dem per				

Time sheet produced by the driver of S.E.R. truck No. 403083 for March 7, 2017 and obtained by the Inspector General on December 14, 2017 following a request for production to S.E.R.

However, it should be recalled that the March 6, 2017 time sheet, reproduced in subsection 3.4.4.3, contains no such entry, that OIG investigating officers saw a driver park the truck at the end of the day and take it out the next morning without emptying the dump box, and that the odometer remained unchanged between the two (2) days.

As for mixing recyclable materials and garbage collected from the restaurant in Verdun, the companies replied that it was the City authorities who verbally asked them to collect garbage from the restaurant in question. They said they were trying to obtain a written confirmation of this request and that they would stop collecting garbage from this restaurant if they did not get it.

In providing such an explanation, W.C.C. is mistaken regarding the breach found by OIG investigating officers, which pertains to the fact that S.E.R. mixed recyclable materials with garbage in violation of the specifications of call for tenders S08/004.

5.2 Breaches omitted or not addressed

W.C.C.'s responses to the Notices either failed to address some of the other breaches or addressed them without specifically denying or admitting them. This is the case regarding the collections made from two (2) construction companies in Verdun and from the Des Bailleys plant in LaSalle as well as the collection at the Atwater plant. The former are not addressed in the companies' responses while the latter is explained as made inadvertently

by S.E.R.'s employees due to the Atwater plant's proximity to the limits of the Verdun borough.

5.3 Breaches for which the facts were recognized

W.C.C. acknowledged that the collections made from the restaurants in Brossard and Longueuil, on Aumont and Alfred Streets in Brossard, and in Boucherville, Carignan, Saint-Basile-le-Grand, McMasterville and Beloeil, were the result of commercial contracts that it (or S.E.R.) concluded and that the S.E.R. drivers should not have mixed these collections with those of the public contract. However, it uses the following three (3) arguments to put the impact of these breaches in perspective.

5.3.1 Recent acquisition of the company

First, W.C.C. points out its recent acquisition of S.E.R. and argues that all of these breaches are attributable to the company's previous administration. Such a position is not supported by the facts.

While the acquisition of S.E.R. by W.C.C. took place on June 1, 2016, the breaches observed by OIG investigating officers occurred more than eight (8) months later, between February and June 2017.

5.3.2 Implementation of certain corrective measures

Second, W.C.C. states that it implemented various measures to comply with the specifications of calls for tenders S08/004 and 16-15252. In this regard, the responses to the Notices cite the hiring of a new manager at S.E.R. headquarters in Beloeil on July 27, 2017 and detail his actions since that date.

For example, he met with company employees and supervisors to discuss the five (5) values of S.E.R.'s mission statement and to remind them that the content of private and public garbage collection contracts must not be mixed. He also reportedly set up an internal whistleblower line in September 2017. Lastly, in October 2017, he fired the driver who made collections at the Longueuil restaurant because he had discovered that the driver was making these collections on his own initiative and that the company did not have a contract with the restaurant and was not receiving the payments collected by the driver from the restaurant.

While he takes note of the corrective measures described by W.C.C., the Inspector General must look at all the facts put forth by the company. Their responses indeed fail to mention that on July 6, 2017, OIG investigating officers sent requests for the production of documents to S.E.R. officers and met with several witnesses, including the predecessor of the manager in question. The dismissal of the latter and the hiring of the new manager took place only three (3) weeks after the meetings initiated by OIG investigating officers.

Moreover, as mentioned in subsection 4.4 of this decision, it was OIG investigating officers rather than the new manager who discovered the collections made at the Longueuil restaurant during their surveillance operations. Again, it is only in response to the OIG's



intervention, in this case requests for GPS data for these collections, that S.E.R. and W.C.C. took corrective action.

Given the recurrence of the breaches identified previously and the involvement of S.E.R.'s supervisors in assigning collections for public and private contracts, the Inspector General cannot help but question the adequacy of the measures implemented by the companies, as well as their ability to detect breaches on their own, without the OIG's intervention. In fact, it emerges from the observations, analyses of the documents obtained in the course of the investigation and meetings with S.E.R.'s drivers that this way of working was integrated into the company's culture.

5.3.3 Losses too low compared to the value of the contracts

Third and last, W.C.C. argues that the breaches do not constitute a material violation of the contracts since, based on its estimates, the losses incurred by the City, if any, would be too low in relation to the total value of S.E.R.'s contracts.

By calculating the breaches' value on an annual basis, W.C.C. estimates that the losses incurred by the City would represent less than 0.35% of the annual value of the contract resulting from call for tenders S08/004, or \$8,350 per year on a contract whose annual value is \$2,700,000. With regards to the losses incurred by the City in connection with the contract resulting from call for tenders 16-15252, W.C.C. estimates them to be \$1,650 per year, or less than 0.20% of the annual contract value of approximately \$1,000,000.

Considering that rescinding of the contracts would be patently unreasonable, would constitute an inappropriate use of discretionary power and could cause irreparable harm to the company, W.C.C. therefore offered to compensate the City for the losses incurred following the alleged breaches in order to settle the matter and prevent the contracts in question from being rescinded.

First, under the provisions of the Charter, the Inspector General's mandate is to oversee the carrying out of contracts by the City's co-contractors and to recommend to the Council any measure aimed at preventing a breach of integrity and fostering compliance with the applicable legal provisions and with the City's requirements regarding the carrying out of contracts. He does not have the authority to negotiate or accept settlements on behalf of the City.

More importantly, and with respect, the Inspector General cannot accept W.C.C.'s reasoning. The seriousness of a contractual breach cannot be reduced to a simple mathematical equation. Doing so would be tantamount to diminishing or disregarding the concept of a contracting party's integrity when carrying out a contract resulting from a call for tenders when this notion, as mentioned earlier, is at the core of the mandate entrusted by the legislator to the Inspector General.

The facts in this case show S.E.R.'s complete indifference towards many of its contractual obligations, such that there is lingering doubt as to the content of its past and future collections.

In this respect, one cannot ignore the repeated and diverse nature of the breaches noted, as well as S.E.R.'s inability to remedy them without the OIG's intervention. This is a question of integrity, especially considering the involvement of the company's supervisors in assigning and supervising routes that combined public and private garbage collection contracts.

In fact, had the new version of the City's *Contract Management Policy (Politique de gestion contractuelle de la Ville de Montréal)*, adopted in August 2016, been in effect when calls for tenders S08/004 and 16-15252 were launched, the Inspector General would have concluded that S.E.R.'s actions in this case constitute fraudulent tactics within the meaning of the Policy and would have recommended that S.E.R. be added to the *Register of Persons Excluded Pursuant to the Contract Management Policy* for five (5) years.

6. Findings concerning the City

In addition, the Inspector General wishes to make the following comments regarding the City. First and foremost, the OIG would like to acknowledge that this investigation was made possible by the Verdun borough authorities' initial denunciation. As the table in section 3.4 shows, the observations supporting the denunciation were detailed and well documented.

While this file is the result of breaches by S.E.R., the Inspector General observed during the investigation several failings on the part of the City in managing the contracts resulting from calls for tenders S08/004 and 16-15252.

Although this in no way diminishes the nature or seriousness of S.E.R.'s breaches revealed by the investigation, the Inspector General is of the opinion that the failure to exercise certain means of control, the lack of coordination between the various representatives and the inadequate resources granted to the boroughs for the supervision of operations on the ground created an environment conducive to such breaches. These elements are discussed in greater detail in the following subsections.

6.1 *Weighing on the public weigh scale in the Verdun borough*

As previously mentioned, the specifications of call for tenders S08/004 stipulates that the co-contractor's trucks must go to the public weigh scale in the Verdun borough for weighing on their arrival, departure and return to the borough. A magnetic card system was introduced to allow electronic recording of data collected during the weighing. Proceeding in this way allows the Verdun borough authorities to know the exact amount of garbage collected by S.E.R. in the borough.

Yet, the OIG's investigation revealed that the public weigh scale is often broken. Moreover, the borough does not rigorously fulfill its obligation to weigh trucks with empty and full dump boxes: it does so randomly rather than systematically.

As well, when available, the weighting information was not used by the Verdun borough when reconciling the invoices received from S.E.R. To track the metric tonnage of garbage



collected, the Verdun borough relies instead on the data on the weigh tickets S.E.R. obtains at Matrec transfer station.

It should be noted that the Sud-Ouest borough does not have a public weigh scale and therefore also relies on the data on the weigh tickets S.E.R. obtains at Matrec transfer station.

6.2 Management of dump authorization tickets

As explained in subsection 3.1.2, each S.E.R. truck must first obtain a dump authorization ticket from the borough authorities before dumping garbage at Matrec transfer station and charging it to Montréal Agglomération. Two (2) main issues were identified with the content of these tickets.

First, neither Verdun nor Sud-Ouest borough authorities systematically check that S.E.R. trucks' dump boxes are empty at the beginning of their shift, despite a box to this effect on the tickets. Such a verification would have allowed the borough authorities to detect the private collection contracts conducted by S.E.R. before carrying out collections in the borough.

Second, batches of blank tickets were issued to S.E.R., making it impossible for the boroughs to track them. Thus, some resurface at later dates for garbage dumped by S.E.R. at Matrec transfer centre without it being possible to ascertain whether the load is from the appropriate boroughs.

In the same vein, tickets obtained by the OIG show major irregularities such as a missing truck number, a driver name that does not match the signature or a handwritten change to the dump date authorized by the borough. These tickets are meant to serve as proof of the origin of the garbage collected; however, the boroughs do not check the information on them when reconciling invoices from S.E.R., thus opening the door to the use of fraudulent tactics against the City, with impunity.

6.3 Use of GPS data by the City

All the trucks used by S.E.R. to carry out the contracts resulting from calls for tenders S08/004 and 16-15252 are equipped with GPS tracking devices. This was a requirement in the specifications of call for tenders 16-152152, but since call for tenders S08/004 was launched in 2008, its specifications do not contain such a requirement. These devices were therefore installed at a later date at the City's request.

The borough authorities and the Environment Department were given electronic access codes to these GPS devices. However, they were rarely used.

Only the Verdun borough authorities said they used them on a few occasions - a request was made to the company's supervisor - to make sure that the garbage collection on segments of the route had indeed been made by S.E.R. For its part, the Environment Department never used the access codes because it is not responsible for supervising waste collection and transportation in the boroughs.

Once again, the Inspector General considers that effective monitoring of the performance of the contracts was severely undermined by the fact that this available data was either rarely or never used.

6.4 *Division of roles and responsibilities within the City*

The division of roles and responsibilities within the City for garbage collection, transportation and disposal was discussed earlier in section 3.1.1. It will be recalled that the boroughs supervise garbage collection and transportation, while the Environment Department handles the financial and administrative aspects of these services, as well as garbage disposal.

In the Inspector General's opinion, the issues found in this case are due to the segmentation of a file that should be handled as a whole. By separating garbage collection and transportation from its disposal without harmonizing the control measures, two (2) silos were created, neither of which thought to look at the origin of the disposed garbage.

While the boroughs seek to ensure that all the garbage of its residents and businesses is collected, the Environment Department makes sure that Matrec only bills the City for the garbage collected and dumped by S.E.R. at its transfer station. However, by proceeding in this manner, no one considers the source of the garbage collected and dumped by S.E.R. or its logical consequence, i.e. that the City is paying for the disposal of third parties' garbage.

The issue is not with the control mechanisms that the City can exercise: these are well detailed and provided for in the specifications of the calls for tenders. They can also be very effective if put to good use. In fact, OIG investigating officers relied in large part on some of these mechanisms (cross analysis of the billing and GPS data) in this file.

The question is who will exercise them. At present, the reorganization orchestrated in 2015 entrusts the overall management of residual waste to the Environment Department. This department also issues payments for waste collection, transportation and disposal and receives any rebate owed by S.E.R. to the City under the contract resulting from call for tenders S08/004. In short, the Environment Department is the one with the greatest interest in controlling the origin of the disposed garbage.

However, a certain incongruity remains in the sense that the task of monitoring garbage collection and transportation is the sole responsibility of the boroughs. What's more, they deplore the fact that they are not given additional budgets or personnel for this responsibility.

For example, in its response to the Notice, the Verdun borough's Public Works Department states that its budget allowed it to hire only one (1) municipal inspector to monitor all residual waste management - not just garbage - and cleanliness on its territory. It was only in November 2016 that an additional inspector was hired, and the denunciation at the source of this file made barely three (3) months later is likely related to the increase in inspection staff.



In other words, the facts revealed during this investigation clearly show that the segmentation of information and of the resulting efforts can leave the field open for many fraudulent tactics. The City must break down the silos that characterize management of these files and rethink its method of proceeding. The collection, transportation and disposal of garbage are recurring services that require the stakeholders involved to be able to see the big picture. They also require greater cooperation between the representatives involved to effectively monitor the City's co-contractors.

6.5 Meeting with City representatives

Lastly, it goes without saying that garbage collection and transportation services are essential for maintaining cleanliness and public health.

Therefore, before issuing his decision, the Inspector General chose, on an exceptional basis, to meet with the borough authorities and the Environment Department to inquire about the impact a potential rescinding of the contracts could have on service continuity.

The Inspector General was assured that if the contracts were rescinded, the necessary precautions would be diligently and promptly taken to avoid a service interruption for citizens.

7. Conclusion

First, the OIG's investigation shows that the rebate clause in the contract resulting from call for tenders S08/004 could have motivated S.E.R. to keep the tonnage of garbage collected as high as possible.

Then, the facts disclosed by the investigation reveal multiple breaches. In fact, the Inspector General found that the breaches committed by S.E.R. concern virtually every aspect of garbage collection and transportation. The quotas allotted by the boroughs were exceeded. Recyclable materials were mixed with garbage. Private collection contracts were carried out outside the designated boroughs and even outside *Ville de Montréal's* limits.

Moreover, the breaches were not the result of a single mistake, a moment of distraction or an unexpected error by a company driver or employee. They were recurring: the surveillance operations and the evidence gathered during the Inspector General's investigation revealed more than thirty (30) collections for S.E.R.'s private contracts over a short period of time.

The seriousness of the breaches is exacerbated by the fact that S.E.R. had the means to detect these private collection contracts itself. Besides the drivers' entries on their time sheets, the company also had access to the GPS coordinates of the trucks assigned to the contracts resulting from calls for tenders S08/004 and 16-15252. However, there is no indication that S.E.R. used these tools.

W.C.C. and S.E.R. point out in their responses to the Notices that they hired a new manager for the offices in Beloeil and fired the driver who made collections at the restaurant in Longueuil. However, as mentioned earlier, these personnel changes only occurred following the meetings with and concerns raised by OIG investigating officers. It will be recalled that the breaches observed during the investigation show that garbage outside the boroughs was not only collected repeatedly, it was picked up by different drivers.

Since S.E.R. and W.C.C. did not submit additional elements concerning the revision of their internal control mechanisms, the Inspector General can only wonder about the company's ability to detect and remedy any shortcomings in its operations without the OIG having to intervene.

In fact, the evidence shows that certain private collections, including those at the Brossard restaurant and construction companies in Verdun, were included in the routes for public collection contracts assigned to S.E.R. drivers by the company's supervisors. They could then check whether these private collections had actually been made using the trucks' GPS data and the daily time sheets the drivers submitted to them for approval.

The repeated nature of the breaches paired with S.E.R. supervisors' assignment of routes combining public and private collection contracts and the fact that S.E.R. is profiting from private contracts at the City's expense makes it clear that these are systemic breaches which, had it not been for the intervention of the Inspector General, would probably have continued. The systemic and recurrent nature of the breaches also suggest that they did not begin during the OIG's investigation, but have been going on for quite some time.

In short, the breaches observed concern the very essence of garbage collection and transportation activities. S.E.R.'s actions revealed by this investigation thus undermine the confidence of the City and its citizens in the quality and integrity of the services rendered in connection with the contracts resulting from calls for tenders S08/004 and 16-15252.

The private garbage collection contracts made by S.E.R. and dumped at Matrec transfer station have implications that go beyond this file. The City relies on the volume of garbage disposed of by Matrec on behalf of the boroughs to develop and evaluate the effectiveness of its waste management policies. However, this data has been distorted by S.E.R.'s actions.

Section 57.1.10 of the Charter sets out two (2) cumulative criteria allowing the Inspector General to intervene to rescind a contract awarded by the City:

- 1° The Inspector General must find non-compliance with a requirement in the tender documents or contract, or that false information was given during the contracting process;
- 2° He must be of the opinion that the seriousness of the breach observed justifies the cancellation, rescinding or suspension.

In this case, as amply described above, the investigation leads the Inspector General to conclude that S.E.R. failed to respect several requirements of calls for tenders S08/004



and 16-15252 for garbage collection and transportation and that the seriousness of the breaches justifies rescinding the two (2) contracts.

FOR THESE REASONS,

The Inspector General

RESCINDS the contract for the collection and transportation of compostable, recyclable secondary waste, garbage and bulky items, as well as for the supply, delivery and maintenance of wheeled bins resulting from call for tenders S08/004 and awarded to *Services Environnementaux Richelieu Inc.* by the Verdun borough council on July 2, 2008 pursuant to resolution CA08 210242.

RESCINDS the contract for the collection and transportation of household garbage, residential construction, renovation and demolition (CRD) debris, reclaimable bulky items and compostable waste resulting from call for tenders 16-15252 and awarded to *Services Environnementaux Richelieu Inc.* by *Ville Montréal* City Council on December 20, 2016 pursuant to resolution CM16 1447.

SENDS, in accordance with section 57.1.10 of The Charter, a copy of this decision to the mayor of the City as well as to the City clerk, who shall in turn send it to the City councils concerned.

DISCLOSES, in accordance with section 57.1.18 of The Charter, the findings to the Anti-Corruption Commissioner.

SENDS, in accordance with section 57.1.18 of The Charter, a copy of this decision to the *Autorité des marchés financiers* in light of its mandate under Chapter V.2 of the *Act respecting contracting by public bodies*.

Inspector General

Denis Gallant, Ad. E.

ORIGINAL SIGNED