



Corruption Prevention in Ontario Municipalities:

A review of the City of Toronto's Bellamy Inquiry to determine if government actions are sufficient to eventually eliminate corruption and preserve integrity within Ontario Municipalities.

MPA Research Report

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Report Title

Corruption Prevention in Ontario Municipalities

Question

‘Are government actions sufficient to reduce and eventually eliminate corruption and preserve integrity within Ontario Municipalities?’

Abstract

“Over the last decade, a vast amount of academic as well as policy-support research has been conducted on integrity, transparency and accountability – and conversely – corruption in the public sector... A consensus has developed world-wide over the importance of reforming public sector institutions to strengthen integrity, transparency and accountability and to prevent and combat corruption. Such reforms are crucial to protecting public resources, enhancing public sector performance, and strengthening the government’s role in orchestrating development and providing basic services.” (Ashour, 2004)

The main objective of this paper is to determine if the government, both provincial and municipal, are doing enough to prevent and eventually eliminate corruption and maintain integrity at the municipal level. The determination is particularly important as Canadian municipalities, should be ‘seen as neutral, non-partisan, effective and innovative institutions that serve the best interests of the government and the citizens...’ (Langford, 1987).

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INTRODUCTION

“Throughout history political and government figures have used their position to profit from bribes and kickbacks.” (Gerassi, 1980) “The use of political office for economic [and personal] gain is tempting...[and] powerful politicians have been implicated in corrupt practices...Individuals in important positions sell their power, influence and information...such as government employees taking kickbacks from contractors in return for awarding them contracts.” (McCormick, 2010). These statements certainly attest to Leslie Pal’s evaluation of the operations of government, when he stated that “there is already a pervasive mood of cynicism and distrust of government. Bad news concerning government operations is easily... seen as evidence of corruption, incompetence and malfeasance.” (Pal, 2003).

Doug Ford of the City of Toronto as he ran for election as councillor in the 2010 municipal election said, “The system at City Hall is broken. There is a culture of corruption down there and we’re going to put an end to it... If this was in the States, they’d be in front of a grand jury and they’d be in jail right now” (Jenkins, 2010) This was a very strong statement and was supported by the Mayoral Candidate at the time Rob Ford when he said, “I wish I could tell you the stuff that happens behind closed doors.” These statements sent an implicative message that corrupt activities continued at the City of Toronto.

“Over the last decade, a vast amount of academic as well as policy-support research has been conducted on integrity, transparency and accountability – and conversely – corruption in the public sector... A consensus has developed world-wide over the importance of reforming public sector institutions to strengthen integrity, transparency and accountability and to prevent and combat corruption. Such reforms are crucial to protecting public resources, enhancing public sector performance, and strengthening the government’s role in orchestrating development and providing basic services.” (Ashour, 2004)

With the amendment of the *Municipal Act, 2001* through the *Municipal Statute Law Amendment Act*, the Ontario government’s intention is primarily to promote transparency and accountability within municipal operations and its awareness among the public. The public is now able to participate in ensuring accountability and transparency and is directed by the Public Complaints guidelines. A pertinent question is, ‘How informed is the public about the public complaints guidelines?’

“Accountability is the degree to which local governments have to explain or justify what they have done or failed to do. It can be seen as the validation of participation, to which [the public] can hold a local government responsible for its actions...In theory, transparency in local governance should mean less scope for corruption, in that dishonest behaviour would become more easily detectable, punished and discouraged in future” (Decentralization Team, World Bank, 2008)

The team also revealed that there exists an association between transparency and corruption, wherein, an ‘increase in the level of transparency in local

governance was not necessarily accompanied by increased corruption'. It was further noted that the 'increase in the level of transparency did however lead to popular perceptions of greater public malfeasance, simply because citizens became more aware of what was going on, a pattern that continues to repeat itself in many other locales.' Ontario Canada is by no means excluded from this perception by the public, where the media plays an integral role in the increased awareness.

I have chosen to examine this issue of corruption prevention in Ontario municipalities in an attempt to determine if government is doing enough to prevent and eliminate corruption and maintain integrity within Ontario municipalities. Some would argue that the answer is very clear, but I believe taking another look at the issue is worth a try. I believe I am embarking on a very sensitive issue, but one that is real and exists. It is an issue where the municipal staff that are involved in the corrupt activity go unreported, ignored too often and is not easily talked about in public. The issue of corruption and prevention is usually associated with third world and developing countries, where measures are continuously reviewed to ensure that the problem is addressed on an ongoing basis. The province of Ontario along with the municipalities needs to be reminded that despite being located within a developed country, corrupt activities takes place right in our 'backyards'.

My interpretation or view of corruption and its prevention in Ontario municipalities is analogous to our annual road repairs during the spring and summer. This comparison is in direct reference to a recent sink hole that

developed in a major intersection in London Ontario, where the problem was confirmed to be caused by a leaking water main that was slowly eroding the earth below the road. The indicator that a serious problem was looming was a broken section of the road that had partially swallowed a motor vehicle. Corruption, is similar to that two-foot crack in the asphalt of a major intersection - (municipality) and over the years at spring time, the crack is filled or patched with new asphalt - (the corrective measures), without the workers - (legislators) really trying to identify the source – (corrupt activities) of the crack (corruption), rather than assuming that it is as a result of a long and cold winter (e.g. weak legislation). The patching continues until after a night of continuous rain, a massive sink hole - (crisis) appears, taking the place of the previous crack in the major intersection (municipality). My thoughts are very similar to how corruption prevention is handled in Ontario municipalities - Sort of muddling through, wherein the corrective and preventive measures appear to be arbitrarily created and implemented with the hopes that they will work or appear to work.

Government is a trust created for the benefit of the people. Elected officials acknowledge that “members of the public expect elected officials to be guided by the highest ethical standards of behavior in decision making and conduct.” (Council, 2011) To ensure that the ‘trustees’ of government act in the benefit of the people, legislation was and continues to be enacted and amended to direct and guide the administration of municipal management. The general objective is to enhance municipal performance, protect the public resources and strengthen the government’s ability in providing its services. However, despite the legislative

directives of the *Municipal Act, 2001*, giving municipalities the authority to appoint an integrity commissioner and to provide education, advice and a complaints investigation services, many Ontario municipalities to date have not adhered to all the requirements. Sourced from a research conducted by a cross departmental team from the Corporation of the City of Brampton, it was revealed that of the 445 Ontario municipalities, less than 10 have established Codes of Conduct and an Integrity Commissioner.” (Council, 2011) For the few municipalities that have adhered to some aspects of the legislation, some did so after encountering allegations of incidents of corruption, the most prominent municipalities being the City of Toronto and Mississauga. It must be emphasized that corruption is not unique to any level of government and is usually carried out by a very small percentage of both hired and elected staff. It is never a good position for government to be in at any point in time.

Corruption prevention in Ontario municipalities is the responsibility of the province, municipality, staff, law enforcers and the citizens. It is a collective responsibility to ensure that municipalities are operated in a manner that does not involve or support corrupt activities and where integrity and trust are highly regarded. Kathleen Sebelius states that, “The essence of good government is trust”. Louis D. Brandeis’ theory aptly endorses the statement by expressing that “Our government... teaches the whole people by its example. If the government becomes the lawbreaker, it breeds contempt for law; it invites every man to become a law unto himself; it invites anarchy”. Therefore, how government is set up and managed is critical in how integrity is seen by both the public and staff.

Therefore, ongoing improvement and reform in the way local government works, is so important in maintaining trust.

The next question to examine is, 'how does government address an issue and reform a system when there is little to no data to know where we are, where we are coming from so we can know where we want to be?' How can Ontario municipalities argue whether or not corruption is out of control? Surveys provide a proficient way of measuring the level of corruption within municipalities. A survey on municipal corruption would attempt to capture the amount and dates of occurrences, the types of occurrences, the position of the wrong doer, whether the wrongdoer was criminally charged or not, the identity of the municipality, whether the municipality has an appointed integrity commissioner and whether the municipality has corruption preventative measures in place. In my attempts to acquire reliable data, I requested the information via email from Statistics Canada. The email response from Statistics Canada informed me that data on the occurrences or incidents of corruption within municipalities were not collected by the organization. This lack of reliable or statistically significant data will have a negative impact on how justification will be ascertained regarding the number of incidents or allegation of incidents. If the facts are not available to facilitate comparisons, to conduct analysis and eventually make recommendations for improvement in the prevention of corruption; how will the province know for sure if the legislations enacted is being effective and if they are positively impacting the occurrences by reducing them? The non-availability of a reliable database of empirical data has also limited my ability to look at any possible trend of incidents

over the years; hence I will look at the City of Toronto Bellamy Report as a case study in an attempt to answer the questions.

While I am evaluating corruption and its prevention, I will also review the definition of corruption, what causes it, where it occurs, what it involves and its effects. This is important as I believe not being informed of the facts can also be pointed out as a starting point for corrupt activities within municipalities. That is, if a staff member is not aware that ordering stationery through the city purchasing department and taking it home for their personal business is a corrupt activity, then it will continue at the expense of the tax-paying public and could develop into something more destructive. I will also look at the various laws enacted to address the corruption issue through their directives and promotion of transparency, accountability and integrity within municipal operations, and attempt to determine their effectiveness in getting the job done.

Government, through the reporting of allegations of corruption incidents is aware that corruption exists and that it is not unique to any particular level. Legislation is being enacted over time in an attempt to address the issue and creating more legislation is not necessarily the most effective way of making the situation better. Rochefort and Cobb in their theoretical approach to problem solving, states it well, "Through the accumulation of information, a troubling social condition comes to light and is documented. Next it is the job of public officials to assess that problem and its causes and to respond as efficiently as possible through such means as new legislative enactments. Attention continues until the distressing concern is alleviated." (Pal, 2003) But, is this really the intention of

the upper levels of government in response to the apparent rise in allegations of corruption at the municipal level? The information required to be able to make intelligent decisions on the issue is not readily available because it is not necessarily collected in a dedicated database. The media reporting of corrupt incidents within municipalities provides a fair idea that corrupt incidents continue to occur. The Federal government in a reactive approach enacted the *Public Sector Disclosure Protection Act* (PSDPA) in 2007, and updated the requirement for municipalities to adopt policies in the *Municipal Act*, 2001 through the *Municipal Statute Law Amendment Act* to assist in addressing the issue. I will discuss in more detail later in the paper, how these Acts attempt to assist in the prevention of corruption. I will look at what has been done by the province since 2007 (the time of the enactment of the Acts), the City of Toronto and the public to see whether they are collectively 'continuing the prevention course and ensuring the distressing concern is eliminated'? (Pal, 2003)

The main objective of this paper is to determine if the governments, both provincial and municipal, are doing enough to prevent and eventually eliminate corruption and maintain integrity at the municipal level. The determination is particularly important as Canadian municipalities, should be 'seen as neutral, non-partisan, effective and innovative institutions that serve the best interests of the government and the citizens...' (Langford, 1987). Being accountable, transparent and maintaining integrity within municipalities are major steps towards achieving these attributes. The purpose of this evaluation is to provide an understanding of corruption prevention within municipalities and to

make known the reasons why preventative measures were put in place. It is hoped that this evaluation will be beneficial to all government staff and the general public, to increase their awareness and know how they can play an integral role in curbing corruption and maintaining integrity in municipal government.

Due to this rise in the media reported incidents and allegations of incidents of corrupt activities at the municipal level, my challenge is to evaluate the findings of the current preventative measures and arrive at a conclusion to be able to answer the question. This is to be achieved by examining the various legislations that promotes transparency and accountability and determine the effectiveness of the preventative measures that are in place to address the issue. I will use Rochefort and Cobb's theoretical approach to problem solving in analysing the incidents and allegations of corruption that were publicly disclosed relating to the City of Toronto scandal. While determining if enough is being done to eliminate corruption and maintain integrity, I will identify lessons to be learned, best practices and measures to prevent a recurrence of the incidents. I also will suggest recommendations that should be seriously considered for implementation to effectively address corruption and maintain integrity at the municipal level of government.

THE CITY OF TORONTO – BELLAMY INQUIRY

The City of Toronto is Canada's largest city, formed through the largest amalgamation in Canada's history in 1998 and now home to a population of about 2.6 million people. With a budget larger than that of any other city in Canada and bigger than those of most provinces, by any measure, Toronto is a major economic and cultural engine for Ontario and Canada. Toronto's municipal government is dedicated to delivering customer service excellence, creating a transparent and accountable government and reducing the size and cost of government. Their efforts have been acknowledged with awards for quality, innovation and efficiency in delivering public services. The City of Toronto continues to strengthen the City's accountability and transparency through their participation in performance measurement and reporting initiatives to identify where they are doing well and where they need to improve.' With that introduction adapted from the City's website, one would believe the province's dream of the ultimate municipality existed. On the contrary, the City of Toronto has been recovering from over a decade of scandal and allegations of corruption highlighted through the Bellamy Inquiry Report. The report can be viewed online at http://www.toronto.ca/inquiry/inquiry_site/report/index.html. The report highlights the 'worst practice' examples in municipal procurement and clearly demonstrated the need for transparency, accountability and neutrality in decision-making at the municipal level. The findings of Madam Justice Bellamy, the commissioner who conducted the two judicial inquiries: the Toronto Computer Leasing Inquiry and the Toronto External Contracts Inquiry, painted a

“searing picture of the city’s politicians, lobbyists and bureaucrats as wallowing in a swamp of greed...” (Toronto Star, 2009) The findings noted in the report provides lessons in what should not be done as municipal staff and officials carry out the daily administration of the municipality.

It may sound strange to say that the ‘scandal’ could not have happened to a better municipality, but looking at the positive side; it turned out to be a good learning experience for all Ontario municipalities. The opportunity to improve how city services are delivered, how the limited resources are allocated and essentially how the municipal operations are carried out on a daily basis, was given precedence all because it took place at the City of Toronto. Justice Bellamy commented that other municipalities and other levels of government could benefit or find useful the recommendations provided and identify where their own organization could do things better. She stated that the principles that emerged were applicable since government conducted essentially the same business throughout Ontario. (p. 23)

THE PROBLEM

“Through the accumulation of information, a troubling...condition comes to light and is documented...” (Pal, 2003)

Noticed by one of the Toronto’s Councillors in a staff report were the few words, ‘current technology lease provider’, it sparked his curiosity and he wanted answers. He wanted answers because he was always concerned that “buried in reports were one-line statements that would come back to lynch you...” (pp. 33-34). MFP Financial Services was identified as the ‘current technology lease provider, and when questions arose in the media about MFP leases with the City of Waterloo, the City of Toronto realized they too needed to conduct an investigation. The City then requested a KPMG investigation on the MFP leases. In June 2001, it was revealed through the investigation, that the 1999 council approved \$43 million lease with MFP had grown to more than \$80 million. This raised further red flags that brought to light the troubling conditions of influence, incompetence, ambition, greed, secrets and lies that had taken place at the City of Toronto. So what were these troubling conditions and why was the situation concluded as such?

Wanda Liczyk, who will now refer to as WL, was the Treasurer and a key decision-maker at the City of Toronto. Over a number of years, WL had developed an intimate relationship Michael Saunders, who we will refer to as MS, a representative of American Management Systems, a Virginia based company. WL at no time over the years disclosed that she had intimate relations with MS.

WL was one of the three decision-makers on MS first business proposal, where he won the contract through the tender process. In another business proposal MS along with another American IT consultant proposed a customized tax management and collection system called TMACS. WL being one of the decision-makers and not surprisingly the contract was awarded to MS again. What made the award of this contract more questionable was the fact that the contract was not tendered.

The actions of WL by not declaring her relationship with MS, being present as a decision maker at all awards and not tendering one of the contract, went against the North York Code of Conducts of that time. The code stated that an employee “never uses the position to secure an advantage or favours for self, family or friends” Justice Bellamy in her report stated that “WL clearly knew that boundaries existed, even if she did not quite get where the line should be drawn.. She walked into conflicts of interest with her eyes wide open.” Not only was WL in breach of that code she was blatantly and repeatedly engaging in what some would consider being corrupt activities. Corruption, as defined by the World Bank and Transparency International is “the misuse of public office for private gain.” (The World Bank, 1997) “This includes a public servant accepting, soliciting or extorting a bribe as well as instances where no bribery occurs but public office is still misused, such as through nepotism, patronage, theft of assets and diversion of state revenue.” (The World Bank, 2008) Added to this definition, is a precondition for corruption, known as Conflict of Interest. This occurs when a “public sector employee or official is being influenced by personal

considerations... [she/he then] make decisions for the wrong reasons that result in wrong consequences” (Ethics B.O. Transparency International, 2000). It is without a doubt that WL actions fittingly fell within the definitions.

This conflict of interest continued and was identified through the ‘targeted marketing’ strategies of MFP towards the influential individuals at the City of Toronto. Irene Payne, the senior Vice President of Sales and Marketing of MFP labelled Dash Domi as a ‘hunter’ and recruited him as the new sales representative for MFP. IP’s objective was for DD to target WL and her staff by providing incentives to keep the decisions in favour of MFP. Although not experienced in the leasing business, and a former hairdresser, DD displayed the qualities that IP desired and also used his brother’s fame as influence. He managed to use his influence by offering ‘goods’ to WL in an attempt to gain her favour as a key decision maker. DD broke through to WL by inviting her along with Jim Andrew, WL’s staff, to a dinner dance to ‘rub shoulders’ with other sport celebrities. Over time WL accepted meals, hockey tickets and golf passes and a trip by air on a chartered jet to Ottawa to watch a hockey game. Once again WL had fallen in to a similar trap that she had fallen in with MS. Gifts were also offered to JA and included trips to the Masters Golf tournament in Georgia, meeting in England, lunches, dinners and so on. The Bellamy report stated that ‘JA accepting all his gifts was an obvious and troubling sign that he as a public servant was for sale.’ What made the situation more troubling was that JA tried to justify the acceptance of the gifts as an “opportunity to learn about the supplier’s product”.

The general theory is that ‘corrupt staff lack self control and follow their impulses without considering the consequences.’ (Siegel, 2010) There are also some staffs who possess a high degree of self control but due to the aggressive need to satisfy their ego, they get involved with corrupt activities. In between the staffs with low and high self control, there are some staff who get involved in corrupt activities because the opportunity presents itself at a time of need. It is clear that some hired staff and elected officials including WL and JA, who engage in corrupt practices “convince themselves that their actions are not criminal because the acts do not resemble street crimes” (Siegel, 2010).

It is also evident that the position that staff members holds, can also cause them to disregard policies, regulations and legislations. WL using her position as the city treasurer to award a contract without it being tendered was a blatant disregard of City policies regarding tenders. One would question why some individuals in a position of trust, despite rules and regulations, still involve themselves in corrupt activities. Is it a matter of greed, need or corporate culture? A PricewaterhouseCoopers 2003 survey (Fraud and corruption in Local Government, 2008) (See Appendix 1) revealed that the primary motivation for staff to get involved in corrupt activities is Greed. Greed that takes the form of; some staff feeling there is a need to improve their jobs, satisfy their ego or to reduce their emotional and financial insecurity.

WL and JA were two staff members, described by Justice Bellamy as “individuals who lacked professionalism, ignored obvious conflicts of interest, showed prodigious appetite for corporate freebies, and were incompetent and

persistent liars. They were almost pathetically vulnerable to sales tactics in the guise of entertainment and favours.” WL and JA, in their position as decision makers, had walked head first into corrupt activities and based on their actions must have reasoned that what they were doing was not criminal. So powerful was WL, (a passionate advocate for TMACS or was it MS?) that she was able to overturn the evaluator’s decisions to approve the new tax system as TXM 2000. WL would continue to do whatever it took to extend the favours to TMACS. It did not end there - ‘WL extended MS work proposals and placed him in charge of implementing the proposed tax system TXM, likely to ensure its failure; she split the contracts in two to give the impression that she was keeping within her budget; she exceeded her signing limits for one of MS contracts and was a key player in the TMACS victory’. “Bob Ripley’s memo to Giuliana Carbone said that TXM was ‘a poor second choice’ compared with TMACS. When he wrote those words, he didn’t believe them. He had surrendered. The events of the past year had made it plain to him that WL would not be denied what she wanted, and she clearly wanted TMACS”. (p. 80) Added to WL wrongdoing, she also bribed another senior manager by dangling the promise of a promotion in return for his loyalty to TMACS. It was obvious that WL had taken her position, influence and authority to another level. She was now involved in bribery, ‘which is the offering of money, good or services in order to gain an unfair advantage.’ Her action was used in an attempt to sway the senior manager’s opinion, action or decision. She also abused or took advantage of her power, wherein she as the City Treasurer used her authority to benefit dishonestly; That is, she extended favour towards

MS in all the contracts including the TMACS tax system. With the continued abuse of WL powers, she could also be said to be implicated in the act of Patronage. This occurs ‘with the granting of favours, contracts or appointments by a municipal staff in return for some form of support.’ Some politicians and executives at the local level, by virtue of their position, are able to exercise their influence and authority to control the key decision making process. “Dell bided on a huge computer acquisition tendered by the City of Toronto but was knocked out of the running. However, the company came back—seemingly from nowhere—and won a big contract. Dell went on to provide the City of Toronto millions of dollars’ worth of top-quality computers and excellent service, at a great price. There was only one problem. Companies eliminated from competitive tender processes are supposed to stay eliminated, not win contracts. When the seemingly impossible happens, there may be invisible hands at work somewhere... How was it transformed from out-of-the-running bidder to major supplier?” (p. 117) The invisible hands appeared to have taken the form of JA advising Dell to hire Jeff Lyons as their lobbyist, (who was also the lobbyist for MFP) after which their favour with the city was noticeably improved. (p. 126). This makes it clearer to determine that the ability to control decision making is closely tied into ‘power’.

It is evident that from the associations that existed between WL, MS, JA, JL and DD, that ‘corrupt activities occurs within human interactions for various reasons and is not necessarily controlled by rules, regulations or policies.’ This attests to Weber’s theory that “bureaucrats will develop interests of their own and

start to shape policy, increasing the attendant danger that the rule of law will be undermined...” (Raadschelders, 2008)

In the three months that DD had been placed on the City’s account, he had submitted nearly \$20,000.00 in entertainment expense receipts to MFP related to City staff. DD receipts were questionable, because there were times when there was no name or another MFP staff would have arbitrarily wrote a name in, nonetheless his expenses were never questioned by his superiors. This manner of business strategy was encouraged by DD’s superiors to ensure that MFP continued to be in good standing with the City of Toronto. Was the fact that MFP always received the favour of the decision makers another unrecognized sign of a weak system? There was an obvious breakdown in communication between IT, purchasing and Council, regarding the sale and lease back sale program. This involved the City purchasing computers from Dell and then sold the computers to MFP and leased them back from MFP. It was agreed that if each party knew what was being done, the arrangements would have been handled in a more accountable and transparent manner. That is, purchasing would have approached the transaction differently through the required competitive process if they knew exactly what the bid was for and it would have required Council approval. (pp. 219-220) How could this lack of accountability and transparency go unnoticed? The occurrence of these acts may have been possible, as some elected officials and hired staff tends to get involved in corrupt activities because a particular system that was put in place is not working as planned. A weak system in place is more likely to present opportunities for

municipal employees to get involved in corrupt activities, especially if they believe there is little to no chance that they will be caught. In other words, corrupt activities are to be expected where there is 'lack of accountability and transparency' and 'weak enforcement'.

It was alleged that Tom Jakobek, the Budget Chair and a veteran City Councillor, accepted an all expense trip from DD to watch hockey in Philadelphia and for what reasons? Would the acceptance of this gift have an effect on his judgment in any future decisions relating to MFP? TJ and Jeff Lyons, the lobbyist for both MFP and Dell Financial Services had known each other for over twenty years. TJ showed interest in the tender process that involved both MFP and Dell by requesting to see the draft RFQ. This revealed the fact that he had interest in knowing where MFP stood in the tender process. JA later viewed forwarding the information to TJ as an error of judgment. It was also alleged that JL announced to DFS staff that "Tom, says it's (the contract success) worth one hundred and fifty grand". Apparently JL wanted a 'success fee'. He was taking advantage of Dell's precarious position to enrich himself, which suggested that another troubling situation was in progress. Another allegation of corrupt activity was said to have occurred between DD & TJ. It is alleged that DD withdrew funds, made phone calls to and later met TJ in the parking garage of City Hall in a matter of hours. Over the next two days large questionable deposits were made to accounts of TJ and family. It is unclear what exactly took place between the two, but due to what had been occurring at the City, there was much speculation. (pp. 349-350) But why would DD and TJ be involved in such an alleged

transaction? “Councillor Jakobek’s motion at the Policy and Finance Committee gave MFP great flexibility to enhance its deal with the City” (p. 374) and that was DD’s job as the hunter to constantly ‘target his prey’. Justice Bellamy stated that “Dash Domi and Tom Jakobek were given every opportunity to refute the theory that a sales representative had made an improper payment to a City Councillor. Their stories were inconsistent and implausible and they both seemed to forget many critical details when it best suited their strategic purposes. The only thing that was consistent was their lies”. (p. 375) Justice Bellamy also agreed that there was enough credible evidence to reach a conclusion that there was a payoff and no available proof to disprove the allegation. (p. 376)

Some hired staff and elected officials get involved in corrupt activities because their municipalities operations may appear to promote corrupt activities, known as ‘systemic corruption’. This corrupt activity takes the form of passing on the culture to the new employees, who over time adopt the corrupt activity. It is passed on at the executive level or by seasoned staff (directly or indirectly) informing the newer staff that certain behaviours are acceptable and reinforcing that, ‘that is how it is done here.’ Could this be the reason why MFP was usually successful in winning their contracts with WL as one of the decision makers? How could WL not notice the inaccuracies, such as photocopiers being included with computers and referred to as peripherals in the submitted council reports and including that fact that one awarded contract was not tendered? Is it likely that it occurred because the other senior staff member who signed the report was new and not yet familiar with the City process? (pp. 38-39, 218). “Kathryn Bulko

followed the lead set by her superiors. She accepted invitations to corporate boxes and vendor lunches. She played golf on corporate tabs and enjoyed corporate hospitality suites. Echoing JA's excuse, she said she saw this as part of her job: 'building relationships and networking'... she wasn't aware there was a code of conduct that governed her behavior" (p. 163)

When Councillor Balkissoon and the rest of council questions relating to the multimillion dollar leases was made know to the public by John Barber in the Globe and Mail, JL along with DD attacked Councillor B accusing him of seeking media attention. But was he really seeking media attention or was he doing his job; seeking the best interest of the taxpayers and how their tax dollars is been spent? Why would a lobbyist and a sales representative of MFP believe that it was their duty to 'attack' a councillor as he carried out his duty? Is it likely that they were made to believe that maintaining a 'marketing relationship' with certain senior staff was acceptable and should not have been questioned by anyone including councillors? It is further believed that some municipalities "contain a 'subculture' that resists legislation and regulation, and socializes new employees in the skills and attitudes necessary to violate the law..." (Siegel, 2010). Is this likely what was taking 'flight' within the City of Toronto procurement process? On the contrary, Hirschi and Gottfredson argue that 'corrupt activities by executives and staff are not a product of corporate culture and that if it was so, there would be more corruption and the offenders would not be offended when found out.' (Hirschi & Gottfredson, 1987) This view remain arguable and will be revisited when I attempt to determine if the 'distressing

concerns' have been lessened. Hirschi and Gottfredson further believe that 'the motives for corrupt activities are similar to the motives that lead to persons committing other street crimes. That is, 'the desire for quick and certain self benefits with little effort...'

In short, the causes of the incidents and allegations of corruption that occurred at the City of Toronto over time were largely as a result of bad governance, lack of political goodwill, weak laws, lack of professional integrity and lack of transparency and accountability. All the individuals involved (the municipal staff, elected officials and the suppliers), their thoughts and the weak system became corrupted and all these activities occurred within a process. That is, the low values, wrong decisions, evil desires and wicked schemes, all led to poor procedures, weak systems, bad conduct and inadequate regulations.

"Corruption also misdirects resources, an economic cost... It destroys the confidence of people in their government and undermines the very legitimacy of the political institution, the political costs." (Sampford & Preston, 2006). "Corruption is a direct impediment to development as it hurts the many and benefits the few. It inhibits the government's ability to respond to citizens needs and to utilize the scarce resources in the most efficient and effective manner." (Ongwenyi, 2008) This could be said of the activities of the elected officials and senior staff of the City of Toronto who did not protect the interest of the City and its citizens, when they failed to be trustees in ensuring that the tax dollars were spent as efficiently as it could. They were in fact benefiting the few, themselves, and hurting the many, the citizens of Toronto.

THE MEASURES

“...Next it is the job of the public officials to assess the problem and its causes and to respond as efficiently as possible through such means as new legislative enactments...” (Pal, 2003)

Subsection 100 (2) of the *Municipal Act* “gives municipalities the authority to establish a judicial inquiry to investigate ‘any matter connected with the good government of the municipality or the conduct of any part of its public business’ and any related alleged misconduct.” This is a remarkable legislative tool in terms of its objective in helping to address the incidents of corrupt activities, but how many other municipalities take advantage of this tool when faced with allegations? The City of Toronto took advantage of the authority given and established an inquiry which was called the Toronto Computer leasing Inquiry or ‘TCLI’. However, the City Council eventually voted to broaden the coverage of the inquiry to investigate and report on other contracts entered into by the City. This second inquiry became known as the Toronto External Contracts Inquiry or ‘TECI’.

Along with the provision of section 100(2) of the *Municipal Act*, municipalities also have the power to ‘demand’ the services of a judge of the Superior Court and so Justice Bellamy was appointed to carry out a public inquiry into the allegations. (p. 21) One may question why a public inquiry? As explain by Justice Bellamy, “public inquiries (carried out in the eyes of the public) are often convened in the wake of public shock, horror, disillusionment, or suspicion. They are expected to uncover ‘the truth’. Inquiries are investigations, and in that

sense they are informative and educational. They are also preventive, in that they seek to ensure that any mistakes uncovered will not be repeated. Inquiries also serve a purpose that is less obvious, but just as important they are restorative.” (p. 20) This was another way to indicate to the tax paying public that government was accountable and wanted to be transparent in how the issue was handled, but most of all to show that they wanted to correct the problem and prevent it from recurring.

As a part of the inquiry, Toronto City Council requested a comprehensive review of the purchasing process within the city, one of the likely municipal departments in which corrupt activities can occur. The objective was to assess the procurement function to determine if the many procedures and policies that were already in place were impartial, transparent and cost-effective. It was hoped that through the review, which included consulting with staff, conducting surveys and reviewing documents and records, that the key successful factors relating to the procurement process along with the problems and would be highlighted and opportunities to improve them be identified. It took more than three years to examine in minute detail the occurrences that had taken place at City Hall. There were hearings from 156 witnesses which included members of the media, Ontario MPP's academics, private sector procurement experts, lobbyist, federal ethics counsellor and citizen's advocacy groups, all in an attempt to assess the problem and its causes to facilitate an effective solution. (p. 90 & 93)

It was clear that the City of Toronto wanted to do whatever it took to evaluate the source of the problem, so before the public inquiry was established, the services of a professional audit firm was retained to conduct an investigation. The audit firm also concluded that a public inquiry was necessary and willing assisted the inquiry by providing documents and notes where necessary. Through the inquiry investigators were also hired to locate witnesses and documents by conducting preliminary interviews. Also playing an important role in the inquiry was experts who provided their professional knowledge and opinion to facilitate a better understanding of what was taking place, why it was happening and to suggest recommendations to prevent a recurrence.

The review and inquiry team established that there was a lack of clarity with respect to roles and responsibilities within the procurement process. This contributed to the unnecessary delays in the procurement of goods and services and frustration among staff. Also highlighted was the fact that staff within the department needed additional training. Training that would address the existing questionable conditions such as ensuring integrity and compliance with policies within the evaluation and decision making process. It was brought to light that some senior staff and councillors were unaware that codes were in place to guide their behaviours and exposed the fact that the codes of conduct were not effectively communicated. The team also identified that the purchasing and financial control bylaws and guidelines were not focused on operational decisions in providing useful materials and guidance to staff and the appropriate controls were not in place to minimize the risks and detect non-compliance within the

process. A review of the City policy with regards to external consultants also revealed that there were no provisions to disallow them from participating in the internal preparations of request documents. (pp. 965-969) The investigation along with the evidence provided, highlighted the problem policy areas as conflicts and ethics, lobbying, procurement and municipal governance. In respect to governance, Justice Bellamy gave her opinion that “Toronto City Council meetings often resemble barely controlled chaos. An uncharitable observer might even say they border on the chronically dysfunctional. [She] observed that the root causes [were] interrelated and could not be ranked in any definitive order of importance. (pp. 14-15)

During the hearings, Justice Bellamy encouraged the City to continue with the necessary changes and to not simply await her recommendations. She was pleased to see that the City did indeed begin implementing improvements, and for her it meant that they had made an important headway. (p. 409) The City had attempted to clarify the roles, responsibilities, authorities and accountability of the PMM Division and the procurement process; they implemented new training programs; improved management controls; improved guidelines for communication with vendors and developed a checklist for the tender process.” (p. 412) One of the corrective measures recommended before the inquiry was conducted, was from the Audit Committee. It requested that the Auditor General submit an annual report on the status of fraud and any related matter that occurred within the City of Toronto. This was to be accomplished through the information gathered from the Fraud and Waste hotline which was initiated in

2002 and its operation became the responsibility of the Auditor General office. The hotline facilitated whistle blowing another tool used to address corruption, and its importance was highlighted through training of staff.

It was a matter of necessity that the inquiry be completed, because likely resulting from the continued acts of corruption are ineffective controls, unnecessary delays in processing, complicated procedures, and lack of transparency and accountability. These corrupt activities at the City of Toronto, if left unattended, were likely to lead to blatant disregard for standards and integrity, inadequate audit and rampant oversights, some of which were already unfolding as highlighted in Volume 1 – Facts and Findings of the Bellamy Report. Having highlighted the problems and their causes, the next step is identifying the preventative measures that were recommended and implemented in response to the troubling condition or problem and their impact?

It is said that, “Law and court decisions affect all aspects of the...management process...Managers [and all staff members] must comply with governmental regulations to promote an environment free from litigation.” (Stewart, Belcourt, Bohlander, & Snell, HRM, 2011) This applies to all organizations within society, with no exception for municipal management. Justice Bellamy knew that there had to be effective measures to motivate municipal staff and elected officials to conform to the rules in place and so provided some 241 recommendations which were mostly directed towards the procurement and tendering process and to Toronto City Council. This is not surprising when we look back at the cause of the alleged corrupt activities and

the persons involved. In the remaining part of this paper I will try to capture the recommendations that best assist in answering the question of whether enough is being done to eliminate corruption and maintain integrity within Ontario municipalities.

The City of Toronto had been in the negative light of the public and media for too long and their integrity was on the line. They needed to ‘step up’ their corrective measures and prepare themselves to consider and implement the recommendations. In her recommendations, Justice Bellamy encouraged the City and provincial officials to work together on any enabling legislation that would be necessary to implement any of the recommendations” to address and keep the danger of corrupt activities in check. (p. 139) In keeping with the recommendations, one of the key amendments in the *Municipal Act, 2001* was the addition of Part V.1 – Accountability and Transparency, which is intended to provide municipalities with greater accountability powers. Municipalities are given authority to create codes of conduct for hired staff and elected officials and to put in place other measures such as the employment of an Integrity Commissioner to ensure that corrupt activities are discouraged and integrity maintained. This integrity commissioner would be a ‘watchdog’, overseeing the performance of the elected officials and hired staff and “responsible for providing advice, complaint resolution and education to members of City Council and members of the local boards on the application of the City’s Code of Conduct and other by-laws, policies and legislation governing ethical behavior.” (The City of Toronto, 2009) The City needed to empower leadership that could outline and

implement 'visionary' policy while continuing to be accountable. Part V.1 also lists the unregulated authorities relating to the appointment of accountability officers. These officers include: An Integrity Commissioner, Ombudsman, Auditor General and a Lobbyist Registrar. It should be noted that only The *New City of Toronto Act* mandates the appointment of all four offices with the City of Toronto. All other municipalities can make their own decision about the establishment of such. Is it prudent to suggest that this mandate to appoint all four offices be reconsidered and expected of all Ontario municipalities?

Already in place was the *Criminal Code* and the *Conflicts of Interest Act*. Sections 122 & 331-336 of the *Criminal Code* [R.S., c.C-34, S.1.] address corrupt activities that can take place in municipal government operations. Section 122 specifically targets every public official who, in connection with the duties of his or her office, commits fraud or a breach of trust. It speaks to staff actions that lead to corruption such as theft, extortion, breach of trust, forgery and fraud. The *Municipal Conflicts of Interest Act* R.S.O., 1990 c. M.50, presents rules regarding conflicts of interest and enforces the rule via the Courts. The Act main purpose is to prevent "public officials from benefiting financially from a decision in which they are decision-makers. If a public official has a possible conflict of interest, they must declare it, refrain from debating, voting on or in any way influencing the decision and, if the meeting is closed to the public, they must leave the meeting until the matter is no longer under consideration."

To be able to fully determine if these laws are being effective or not, we need to justify the purpose of government enacting legislation. There is justification in

government enacting legislation, as “Government is a trust and the officers of the government are trustees. Both the trust and the trustees are created for the benefit of the people.” (Henry Clay). Laws were enacted with a special purpose in mind, which is to promote transparency and accountability, to discourage corruption and at the same time maintain integrity within government. Legislation in general provides direction for staff and elected officials, to encourage them to avoid in engaging in corrupt activities, such as giving or receiving of a bribe, and falsifying a claim; to appreciate and reward hard work, honesty and trustworthiness; to report cases of corruption to the relevant authorities; to identify and eliminate situations that promote corruption and to suggest ways of sealing loopholes that promote corruption and allows it to remain unreported or unnoticed. In addition to providing directives for staff, it also encourages the public to respect and protect public property and to name and shame corrupt people.

Therefore, with these laws already in place, how could the activities have played out at the City of Toronto without anyone recognizing they were engaging in activities that were against the law? Richard and Susan Tindal in their 2007 article, ‘Keys to good governance’, stated that “if individuals within an organization lacks the basic standards of moral and ethical behaviour, they will devote their energies to finding ways around whatever new rules are put in place.” (Tindal, 2007) This statement certainly poses a challenge to legislation along with other preventative measures. However, this is where Justice Bellamy’s recommendation that the City appoints a full-time integrity or ethics

commissioner could make the difference. The integrity commissioner would have investigative powers by requiring staff and councillors to co-operate with the office of the integrity commissioner (rec. #43, 45), have an educational role with respect to ethics and also an advisory role for councillors and staff (rec. #36 to 40, 49, 50)

The Ontario government having enacted legislation to direct municipal operations in an attempt to reduce the allegations and occurrences of corruption is realizing that something remains unresolved, as the reporting of incidents both in the media and in the annual Auditor General's report continue. Is it that the laws are not effectively implemented? Is it that the prosecution for the crimes committed is not persuasive enough? Or is there too much leniency within the law through the judges and prosecutors for hired municipal staff and elected officials when there is an allegation of their involvement in corruption? So what else is needed and listed as a recommendation to curb or address the incidents and allegations of corruption within local government and at the same time maintain integrity?

With respects to codes of conduct, some of the recommendations by Justice Bellamy suggested that the current codes of conduct be expanded for councillors and conflicts of interest policy for staff to include ethical considerations (rec. #1), and should reflect the difference in roles between councillors and staff without setting different ethical standards (rec. #4). Codes of conduct were also suggested for lobbyists (in an attempt to control or monitor lobbying) where the City of Toronto was advised to set mandatory minimum

standards for them as they conduct business with the City (rec. #98 to 104). Justice Bellamy made it clear ‘that lobbying in itself was not inappropriate, but served to provide public officials with useful information on goods and services’ (p. 411) In response to some of the activities that took place at the City of Toronto, Greg Levine states that “offering a bribe is not lobbying, it is well beyond it, it is corruption” (Levine, 2006) These recommendations were therefore necessary to be used in addition to laws, as developing and implementing codes of conduct and ethical standards was an additional step needed to assist with the issue of corruption. Codes of conduct are crucial in protecting the employees and the reputation of local government and are so designed to foresee and avert unacceptable and corrupt behavior within municipal operations. Codes often capture a ‘vision of excellence’ and a guides employee along the preferred path to achieve professionalism and the organization’s desired goals or objectives. Codes are considered to be the “ultimate term of reference and the framework upon which professions are built.” (Manyasi, 2008) It is hoped that these codes will keep staff and officials focused on doing what is right and for the right reasons, and in so doing increase the likelihood that they will behave in an acceptable manner on a consistent basis.

During the inquiry Justice Bellamy noted that the 2003 municipal elections had passed and all of the major mayoral candidates in that election talked about ethics, integrity, and restoring public trust. She went on to say that, ‘In 2003, questions of ethics and integrity were given the prominence they needed, if the residents of the City of Toronto are to have an accountable, transparent

municipal government with integrity, one they deserve.’(p. 409) Ken Otieno Obura in a report to the USAID on anti-corruption and ethics, asserted that, “promoting ethics and integrity in the fight to curb corruption is important as it is the key to maintaining trust and determines the core values of a community”. (Obura, 2008) Because ethics guidelines are extrinsic and integrity guidelines are intrinsic, the success of the two in curbing corruption depends on the personal commitment from individuals that make up the municipal staff. Ethical behaviours by municipal staff are displayed through the respect, fairness, trustworthiness, accountability, self restraint and responsibility that are conveyed during the administration of public resources. Integrity on the other hand, is an ‘internal system of principle’ which guides our behavior. That is, it is a choice rather than an obligation, it cannot be forced by outside sources and it conveys a sense of wholeness. Integrity involves the ability to discern right from wrong and the commitment to do what is right all the time. Personal integrity also lays the foundation for professional and institutional integrity. That is, staff will remain committed to the goals and standards of their professions no matter the circumstances.

The HRM functions which is “getting the most from employees for [the] organizational success and providing a work environment that meets the employee’...needs” (Stewart, Belcourt, Bohlander, & Snell, 2011) show that it was designed to improve organizations performance and in so doing, is likely to impede corruption. That is, it is in place to recruit the most competent staff already with proper work ethics, promote positive relations between staff, provide

the resources that are required for staff to work efficiently and effectively including a positive and safe environment, ensure that practices and procedures for municipal operation are in place to create a sense of accountability and transparency, identify areas of weakness within the municipal operations and design and impart knowledge through training programs to the elected officials and line managers so that it can be passed on to staff. The focus of HRM is to then emphasize the values that should be regarded, as staff carry out the daily administration of the municipality. Since HRM is designed to effectively develop its employees, it is equally important that it be incorporated within the municipal corporate strategy to ensure the municipal goals are met through its staff. (ASHOUR, 2004)

It is now more understandable why Justice Bellamy made recommendations that involved having the HRM function assist in addressing the problem. Some of these recommendations were: that appropriate ethical questions be designed for use in interviews to assist in the hiring of the applicants (rec. # 6) and that those new employees would receive immediate training on ethics (rec. # 7). For all city staff and councillors, she suggested mandatory training on codes of conduct (rec. # 8) and all should be required to sign an annual declaration that they are aware of the codes of conduct, are versed in them and will uphold them (rec. # 10). In addition, Justice Bellamy recommended that all the city codes of conduct be monitored to ensure that they continue to provide appropriate guidance, and that the awareness of the codes be promoted on an ongoing basis (rec. # 13, 14). Other recommendations that

could be effectively implemented and carried out through the HRM function are 'Relations between Councillors and staff' (rec. # 15 to 19), 'Conflicts of Interest and Apparent conflicts of interest' (rec. # 20 to 29), 'Education and outreach' (rec. # 49, 50) and general training of staff (rec. # 136 to 145). It was noted that the City of Toronto amended its existing conflicts of interest policy that required staff to report and document all situations and in addition they were required to sign a declaration indicating that they have read and understood the conflict of interest policy.

Social accountability is a process that builds accountability and relies on civic engagement, in which citizens and organizations can participate directly or indirectly in raising and maintaining accountability. Social accountability includes "citizen participation in public policy making, participatory budgeting, public expenditure tracking, citizen monitoring of public service delivery, citizen advisory boards, and lobbying and advocacy campaigns." (World Bank Group, 2011) Justice Bellamy mentioned that an option to getting community councils involved with the decision making is engaging them to act purely as a consultative body on strategy and policy matters and also as final decision makers on issues of a local nature, such as traffic issues. This is certainly engaging citizens but is it at the level wherein they can assist in the prevention of corrupt activities? Justice Bellamy supports her suggestion by stating that if community councils had the powers to give directions to the administration it would create an untenable situation for the Mayor and the Administration. (p. 22) With that in mind she was sure to include as a recommendation that the public be allowed to make

anonymous complaints to the integrity commissioner (rec. # 41) To further support social accountability, Justice Bellamy recommended that the City through the Mayor should report to the public on an annual basis (rec. # 96) One of these annual report is the Auditors General's report on the Fraud and Waste hotline. It is hoped that through the provision of information such as this, the City is being transparent and accountable and the public in response can choose to question and initiate change where they see appropriate. Hazel McCallion, who is currently facing allegations of corruption and is the longest serving mayor of the City of Mississauga, one of Ontario largest municipality, states that "the sky is the limit with the involvement of the people. Any decisions that politicians make, can be controlled. Believe or not." (McCallion, 2010)

In light of the troubling condition that was occurring over a number of years at the City of Toronto, which started before the amalgamation, the City ordered an investigation to assess the problem and its causes. The necessary corrective actions were put in place, such as amending policies and after the recommendations were provided, changes were implemented. It is unclear as to the level of success that was achieved by the City in implementing the recommendations, but a look at what happened during and after the inquiry should give us a good idea of whether enough is being done to eliminate corruption and maintain integrity within the municipality.

THE OUTCOME

“...Attention continues until the distressing concern is alleviated.” (Pal, 2003)

The City of Toronto staff and officials had a good idea of the causes of the problems and had started the remedial process. Justice Bellamy was pleased that this was happening before she had completed the inquiry and presented her recommendations. However, as the inquiry drew to a close, a disturbing situation unfolded. Justice Bellamy gained knowledge of an invitation that offered drinks, dinner and entry to a professional sporting event in an executive suite at the Air Canada Centre that was sent to Toronto councillors all at the expense of an industry association. (pg. 410) Receiving the invitation was not the only issue, but the fact that some councillors defended the association for sending the invitation and saw nothing wrong in attending the event raised questions as to whether anything had really changed. Councillors were not seeing that they would be continuing the problems of: compromising their independence in the eyes of the public; sending a message to other organization that municipal officials and staff are still open to be influenced; using their public office to obtain private benefits and setting a bad example for all other municipal staff, when they should have been an ‘ethical compass’ in providing strong work ethics. (pp. 410-411) The inquiry was not complete and already there were strong indications that maybe the measures to address and eventually eliminate corrupt activities from municipal operations were either not enough or just not

getting through to officials and staff. After the inquiry, Justice Bellamy reported that her task was now completed, and the City's task of growth and renewal should continue, as the task is never done. Her recommendations were made to facilitate the City and its residents to re-examine the City's governance and work on continued improvements. (pp. 412-413) In November of 2009, the 'Integrity Commissioner of the City of Toronto organized a half-day conference with all the other Ontario municipalities to discuss and exchange ideas on how to improve the function of the integrity commissioner with the aim of providing more effective services to Council and the Community.' (Basse, 2010) This was another indicator that government was working towards curbing corruption and maintaining integrity within municipalities. But how can we justifiably determine if continued attention was given to address the issue with the objective to alleviate the problem? This is where a credible database such as the Auditor General annual report would be of value.

To help assess the effectiveness of the implemented preventative measures, I will examine statistical data over the period 2002 through to 2010 that was compiled by the City of Toronto's Auditor General. (See Appendix 2) Alongside the provision of the *Municipal Conflicts of Interest Act*, the *Municipal Act* and the appointment of the four accountability officers, the City implemented a Fraud and waste hotline in 2002. In the 2010 annual Auditor General Report, a best practice carried out by the City of Toronto, indicated that "the anonymous reporting through the hotline is an effective means of detecting irregularities, as the tips or complaints received remains the most common means of detecting

fraud.” The Association of Certified Fraud Examiners (ACFE) a global professional organization also confirmed that “the hotline remains an effective fraud detection tool and encourages tips from employees who might otherwise not report misconduct.” (Griffiths, Jeff, 2010) Over the years the data compiled illustrated that the complaints steadily increased with slight decreases in the two election years 2006 and 2010. The steady increase could be as a result of more people feeling comfortable in making reports and / or the level of incidents were actually increasing. The Auditor General expressed that it was unclear and difficult to determine why the number of complaints fell by 15% in 2010 and that the reasons could be as a result of varied factors. Could the decrease be as a result of the effectiveness of the preventative measures that were implemented? It must be noted that the complaints and allegations reported did not embody the whole picture of corrupt activities at the City, but provided a good idea of what was going on in order to determine what needed to be done and most importantly that there were effective tools in place to help address alleged corrupt activities.

Measuring the negative effects of corruption is important as it causes the municipality to see how much loss has been incurred and where it has occurred, making way for the creation and implementation of effective recovery and preventative measures. The far reaching effect of corruption can be seen in the increased management costs where management is reallocated to conduct investigations, reduced morale of staff leading to reduced productivity and a flawed reputation of the municipality such as was the case with the City of Toronto. Measuring the costs can be difficult and not credible because the full

details of every corrupt activity will not necessarily be revealed. The City of Toronto's Auditor General Office has managed to capture data on Loss and Recovery in 2010 (See Appendix 3). The data showed that of the complaints received and were substantiated; quantifiable actual losses to the City were \$85,790.00, which is likely to increase as the 2010 complaints are concluded in 2011. The recovered amounts totaled \$2,267 and are also expected to increase as the complaints are concluded. Most importantly is the 'At Risk' amount of \$21,228.00. This represented potential loss to the City, had the incident of wrongdoing continued without being detected. Having knowledge of the amounts that were at risk, is substantial proof that the preventative measure is being effective and is further enabling corrective actions to be taken. Despite the fact that these numbers appear insignificant, the truth of the matter is that the preventative measures implemented are working. This kind of information is what is needed to help substantiate the ongoing need for an effective anti-corruption program and also provides evidence as to why compiling data on corruption activities can be of great benefit to the prevention of corruption within municipalities. Based on the data provided by the Auditor General's office on alleged Fraud at the City of Toronto, it is evident that the distressing concern is not completely alleviated, because the reporting continues. Justice Bellamy noted that "Eruptions of scandal involving public money show that our democratic system is not perfect, but much can be done to mitigate the imperfections and restore public trust" (p. 8)

Despite the various laws, regulations and codes, corrupt activities and allegations of corrupt activities continue to be highlighted through the media and reported through the fraud hotline. The question resurfaces, 'Is government doing enough through the preventative measures to meet the objective in curbing corruption and promoting integrity within local government?' The answer is unfolding to an unquestionable 'NO'. It is simple not enough - It is not enough because as long as there are human interactions, humans will find ways to get around the measures.

CONCLUSION

It is believed that upon being hired or elected to serve within a municipality, all staff would rank integrity highly and uphold the virtues of honesty, fairness, truthfulness and reliability as they serve. Unfortunately, for varied reasons, and despite the intent and efforts of legislations, over time, there are staff members who fail to comply and get drawn into corrupt activities. That is to say, some politicians and executives at the local level, by virtue of their position, are able to exercise their influence and authority to control the key decision making process. This makes it clear that the ability to control decision making is closely tied into 'power'. It may be argued that elected officials do have political power, but when that power is used in the wrong way, that is when we have a problem. Therefore, it is because of this 'power' that they possess, why municipalities must put in place policies and procedures that guides the decision making process, and to ensure that these principles are adhered to on a consistent basis, in the interest of accountability and transparency. I maintain that the preventative measures currently in place are not enough to complete the job of preventing and eliminating corruption and maintaining integrity within municipalities. Because the human component plays a large role in municipal operations and because of the inadequate preventative measures, we continue to read and hear about allegations and incidents of corruption within municipalities through the various media.

Municipal staff, the general public, the police and the private sector can make a difference in the level of corruption within municipalities. What is needed is a clear understanding of the nature of corruption that takes place within government and together they can work to curb its continuation. It must also be understood that the corruption prevention issue cannot be left to the municipal leaders alone. Pressure and collaboration from the staff, public, police and the business community can and will keep the commitment of corruption prevention alive. To be able to achieve this, citizens must be educated and informed about the role they can play in fighting corruption within municipalities. They need to understand that on-going corruption lowers their standard of living and that they need to take a more active role in disclosing or reporting corrupt activities, by monitoring or reviewing municipal government performance.

Legislators, municipal staff and residents alike are aware that, although they are not directly involved in the corrupt activities that take place within municipalities, they know that it will somehow have a negative effect on them. If these incidents within municipal operations are allowed to continue, the integrity status of the municipality and the competence of its staff is likely to be questioned. The onlookers may not necessarily say that one or two municipal staff members are being corrupt; they will say all city staffs and officials are corrupt. This would reflect negatively on the HRM functions, the hired staff and elected officials therein, which could lead to distrust between municipal staff which could further lead to reduced performance and efficiency in service delivery. If the situation progresses to such a level, we can anticipate that the

associated financial and economic problems will follow closely behind. It is the government's responsibility to address the issue of corruption by empowering both the public and staff (by getting them more involved in the decision making) to see how best corrupt activities within municipalities can be discouraged. So what should be government's additional approach to addressing corruption within municipalities?

Mr. Pino Arlacchi at a global program against corruption conference pointed out in his presentation that there are four positions in which actions can be taken against corruption. (Arlacchi, 1999) I will only introduce two of the positions as it relates to corruption prevention in Ontario.

"Firstly, government needs to put in place a solid set of preventative tools, such as codes of conduct and strong independent bodies that can help ensure that the standards of behaviours are respected."

For codes of conduct and ethics to be at its best or most effective, it must be developed in an organization that accepts and embraces its presence. The relevant authorities should bear in mind that these codes must be created, taking into consideration the culture of the municipality. Communicating the details of the code creation is also important so that staff are aware of why the codes are being developed; understand the code itself, that is, what is expected and what is not acceptable and the consequences if the codes are breached. This should result in a more positive response from staff and for the codes to be more effective in what it is trying to achieve. While it is arguable that codes do not

necessarily work because they are unrealistic in their goals and give the impression of being controlling, they can be most effective when created for the administration and delivery of public services and when they are accompanied or supported by legislation.

“Secondly, the public and staff alike need to be educated on the advantages of good governance and participate in promoting it. The public must share the responsibility in demanding honesty and integrity from their local government and know that integrity is good and corruption is bad.”

Professor Ashour of Alexandria University, Egypt, in his report on Integrity, Transparency and Accountability in Public Sector Human Resources Management, stated that once the HRM functions are effectively implemented it will be easier to reinforce ethical and integrity principles (value-based) by influencing or reshaping the corporate culture. The value based system coupled with legislation (rule-based) would work to promote professionalism, efficiency, integrity and fairness within local government, which in turn will overtime reduce and discouraged wrongdoing, conflicts of interest and corruption. Integrity and ethical behavior has to be established within municipal staff at the time of hire because the municipality's success will depend on the integrity of the municipal staff. ‘It must be consistent in all municipal staff, it has to be a personal commitment by all staff, it has to be fully endorsed by management, there has to be a zero tolerance policy to assist in reducing the temptation to get involved in corrupt activities and admonition, where all staff found guilty of being involved in corrupt activity is appropriately dealt with as the legislation or regulations direct.’

(Obura, 2008) It is then evident that HRM can play an integral role in the prevention and reduction of wrongdoing, conflicts of interest and corruption allegations and at the same time uphold integrity within municipalities.

Social accountability from municipalities (the supply side) is achieved through the processes and procedures, regulations & codes of conduct in place, annual financial audits and through the directives of the upper levels of government. Social accountability is achieved through the involvement of the public (the demand side) when local government encourages their participation in budget making, include them in evaluating service delivery, providing education on their legal rights and about the services they are entitled to and facilitate the involvement of the citizens advisory board or community councils. "Municipalities are increasingly understood to be not just service providers but democratic governments. This reconceptualization highlights the imperative of operating in a democratic, accountable and transparent manner and brings with it expectations that governments engage citizens and communities in meaningful ways in the policy process." (Good, 2009)

RECOMMENDATIONS

We are aware that rule based preventative measures such as laws, codes of conduct and policies are in place to address corruption and maintain integrity within Ontario municipalities. It is also recognized that they alone are not enough to achieve the task. Best practices that are successful used by municipalities such as the Fraud hotline used by the City of Toronto should be shared and its use encouraged by other municipalities. But what else can be acted upon by government to address and eventually eliminate corruption and maintain integrity within Ontario municipalities?

An “Anti-corruption strategy must be articulated by leaders in the political, economic and civil society; it must engage all sectors...” (Ongwenyi, 2008) This strategic program objective is to empower staff and public alike through knowledge which will in turn compel government to be more accountable and transparent in the delivering of services and administering the daily municipal operations. This program facilitates the building of awareness of both the municipal staffs and the public, the prevention of the corrupt activities by staff, the prosecution of the corrupt municipal staff and rewarding the loyal public servant. Empowerment of the public and staff through the program along with the rule of law together makes a great preventative tool in curbing corruption at the municipal level.

It is without question that local government and government in general needs to be reformed as it relates to HRM role. It is confirmed that not only can HRM

play a direct and effective role, but it should play an integral role in the prevention and reduction of wrongdoing, conflicts of interest and corruption allegations and at the same time uphold integrity within municipalities. Since it is evident that the amount of these incidents are more likely to occur once the human factor is involved, the more reasons why HRM should be incorporated to reinforce integrity, transparency and accountability, with the intention to eventually eliminate corrupt activities. It must be recognized that if the integrity of the individual is not solidified, once the opportunity presents itself through a weak system or receiving of authority or influence, the individual is more likely to get involved. If the individual knows what is expected of him/her, they will more than likely do the right thing.

Rick Brick established that Human Resource Management is more than “hiring” and “firing.” He believes organizations should find a way to integrate all aspects of HR within their operational plans and one that is has the full support of its executive, leaders, staff members and unions. In short, Brick asserts that HRM is a key strategic component of any organization including the public sector and can bring high value through innovative programs by working closely with the organization leadership to advance its goals. (Brick, 2011) In this case, the goal is to eventually eliminate corrupt activities and maintain integrity within municipalities.

Prof. Ahmed Ashour proposed a framework for strengthening integrity, transparency and accountability through HRM. (ASHOUR, 2004) He suggested ‘To prevent corruption, is to ensure that ethical practices are carried out by HR

specialist and line managers, to be able to achieve a high level of integrity in the decision making process. He also suggested that support be provided to the municipality ethics reform, through policies and practices that aim at influencing human performance and conduct in local government.’ He goes on to say that, ‘morale, commitment, loyalty, motivation and competence are dimensions that impacts ethics and integrity, which are the results of HR policies and practices.

The Municipal Performance Measurement Program (MPMP) with its reliable and credible measurement and reporting system that provides high-level information should use its position and resources to create a database of all incidents of corruption within Ontario municipalities. The information from all the municipalities should include dates, type of incident or allegations, identify whether the individual involved is an employee or elected official, how the incident was made public, identifying the weakness in the system that encouraged its occurrence and how the incident or allegation was resolved. The data collected on municipal corruption should include measurements wherein the perceived increase could be validated and used in a creative and constructive way to increase awareness on the issue and highlight best practices to discourage and prevent future corruption: All in an attempt to facilitate accountability, transparency and integrity to further enhance the performance of Ontario municipalities.

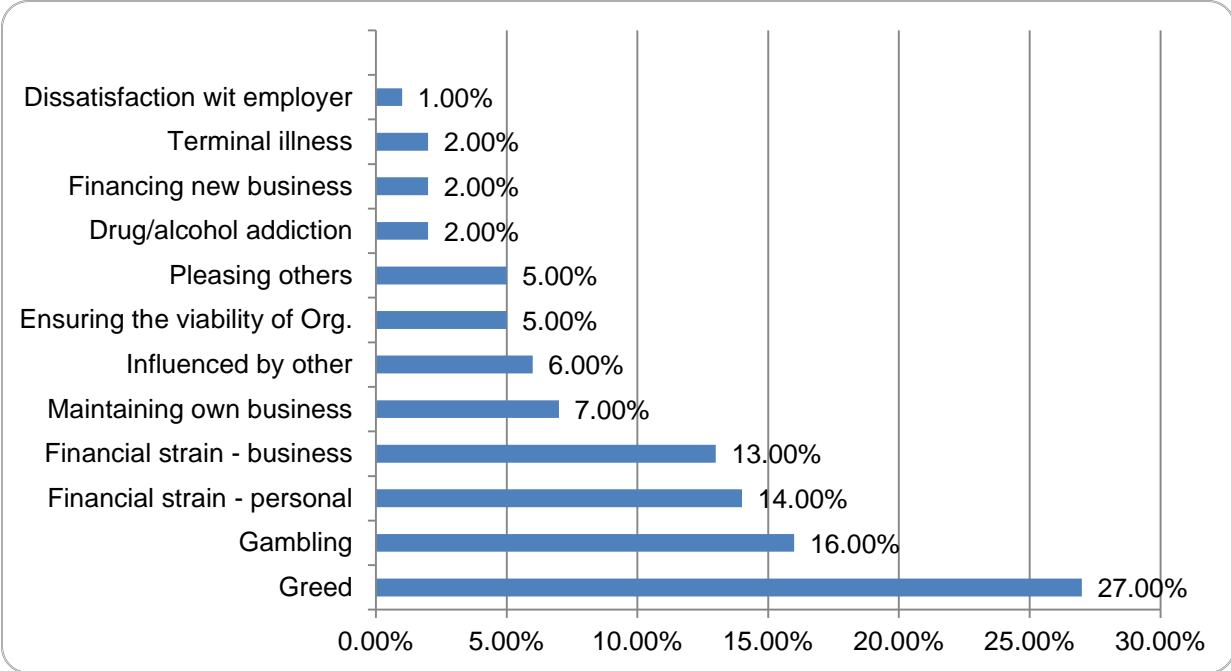
In closing, Justice Bellamy stated that “If those lessons are learned by people in government, and by people dealing with government, we can hope to see scandals (corrupt activities) arising from spending public money far less

frequently.” (p. 24) Therefore, let municipalities learn the lessons and adopt the best practices so that it can be confidently said that government is doing enough to address and eliminate corruption and preserve integrity within Ontario municipalities.

APPENDIX

Figure # 1

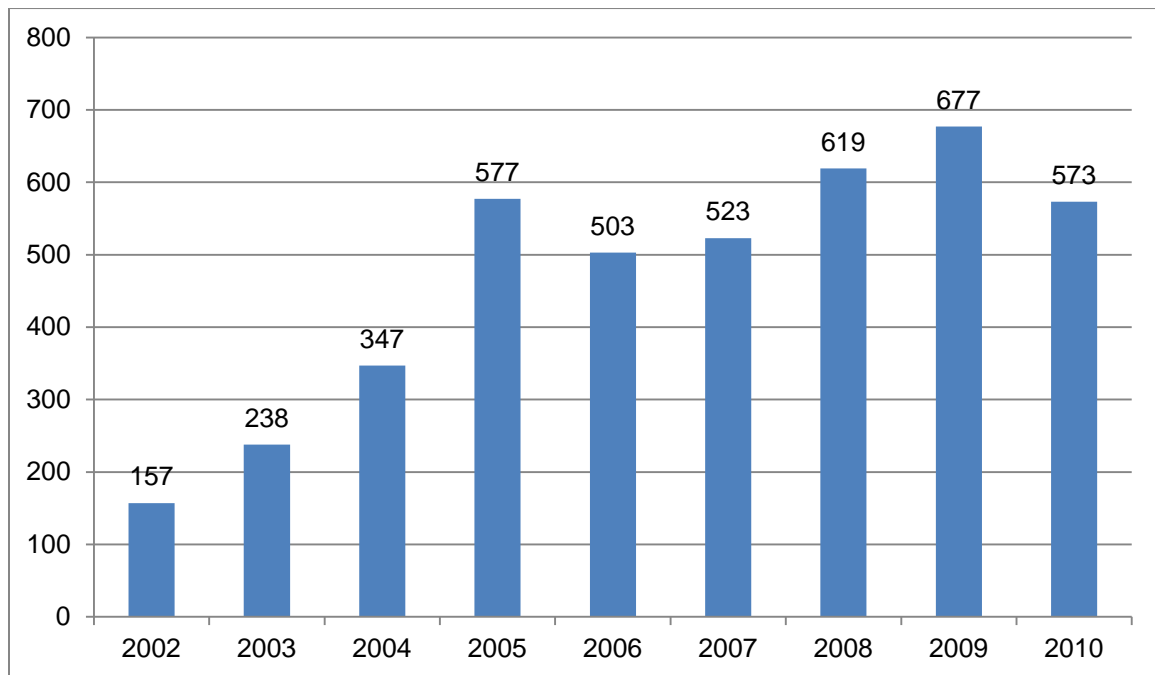
Primary Motivation of Serious Fraud Offenders



Source: AIC / PricewaterhouseCoopers (2003)

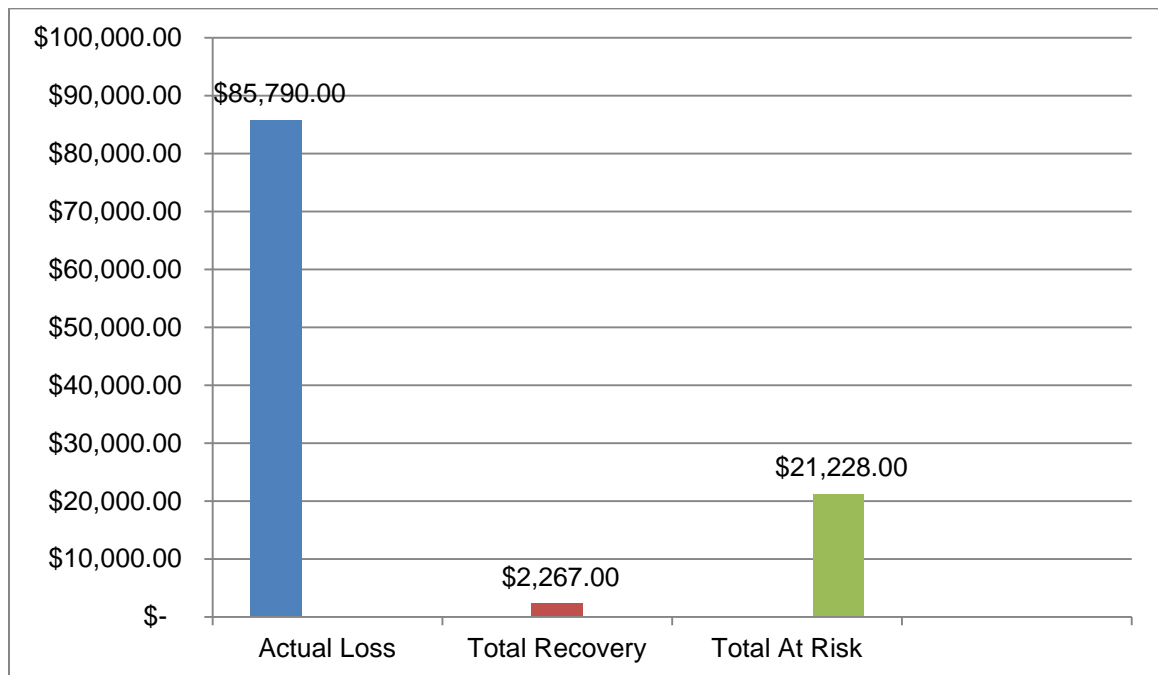
Figure # 2

Complaints reported at the City of Toronto 2002 to 2010



Source: City of Toronto's 2010 Annual Report – Fraud and Waste Hotline

Figure # 3
Loss and Recovery in 2010 – The City of Toronto



Source: City of Toronto's 2010 Annual Report – Fraud and Waste Hotline

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