

AUDIT COMMITTEE

A G E N D A MEETING NO. 1

Date of Meeting:	Monday, March 1, 1999	Enquiry:	Frances M. Pritchard
Time:	9:30 a.m.		Interim Contact
Location:	Committee Room B		392-7033
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DECLARATIONS OF INTEREST PURSUANT TO THE MUNICIPAL CONFLICT OF INTEREST ACT.

CONFIRMATION OF MINUTES - September 11, 1998, November 3, 1998 and December 1, 1998 (Previously forwarded to Committee Members by e-mail)

COMMUNICATIONS/REPORTS.

1. 1999 AUDIT WORKPLAN

City Auditor
(February 8, 1999)

Recommending that the audit work plan set out in the report (February 8, 1999) from the City Auditor be approved.

2. REVIEW OF STAFF, COUNCILLORS' AND MAYOR'S OFFICE EXPENSES

City Auditor
(January 15, 1999)

Recommending that:

- (1) To increase awareness of and ensure compliance with the expense claim policy, the Chief Administrative Officer:

- (a) ensure all staff and Councillors are aware of the new City's expense claim and related policies;
 - (b) in consultation with the Chief Financial Officer and Treasurer and the City Auditor, formalize policies and procedures governing expenditures in the Office of the Mayor, specifically the administrative and approval requirements with respect to the purchase of goods and services, business meetings, travel, etc., as well as appropriate expenditure control procedures;
 - (c) advise all staff, Members of Council and the Mayor's Office that business meeting expense claims must be supported by original restaurant receipts, with the names of the attendees and the purpose of the meeting documented, and that payment will be withheld if the required supporting documentation is not provided;
 - (d) advise all staff that business lunch and dinner meetings involving City staff should be kept to a minimum and should only occur when time schedules do not permit such a meeting during normal working hours;
 - (e) reiterate to department heads that all staff travel outside of Canada requires the Chief Administrative Officer's written pre-approval;
 - (f) advise all staff, Councillors and the Mayor's Office that it is their responsibility to abide by all parking and traffic regulations, even when on City business, and that fines and penalties relating to violations of such regulations will not be reimbursed; and
 - (g) advise staff that meal allowances should not be claimed when visiting another Civic Centre, and request the Executive Director of Human Resources to formulate a mileage reimbursement policy for staff who have been re-located to a new location. Costs related to travel to and from permanent work places is considered a taxable benefit by Revenue Canada;
- (2) To ensure that costs are encumbered against Councillors' global budgets and that management reports are accurate, complete and provide a proper audit trail:
- (a) the City Clerk advise Councillors that all their expenses, including any requests for services (ie. printing, postage, distribution) be processed directly through Council Services, Clerks Division, and all payments be made directly to suppliers;
 - (b) Finance Department ensure that all Councillors' expenses, which have been processed through their former municipalities, are allocated to the proper accounts on a timely basis. In order to improve controls, Councillors' expenses should not be processed through their former municipalities;

- (c) Clerks Division staff review with Finance Department staff, system deficiencies with respect to the timely reporting of Councillors' staff salary costs, for appropriate corrective action; and
 - (d) Finance staff advise all departments/divisions that all business meeting expenses, cellular phone charges and kilometres reimbursements be charged to specific accounts, established for these types of expenses;
- (3) With respect to the "Office Administration and Expenses for Members of Council" policy, the City Clerk:
- (a) advise Councillors that any additional work performed by Councillors' staff be remunerated in the form of lieu time or paid overtime and not through the Accounts Payable system as payment for consulting services or an honorarium;
 - (b) reiterate to Councillors the policy requirements with respect to consulting services, and advise that payment will be withheld if proper supporting documentation (ie. nature of services provided, per diem or hourly rate) is not provided;
 - (c) prepare a policy with respect to expenditures incurred by Members of Council in their capacities as members of local boards, including whether such expenditures should be charged to the Councillors global office budget; and
 - (d) clearly outline to Councillors and their staff the purpose of the global office budget and that payments to community organizations, including sports teams, in the form of sponsorships, donations, etc. are not permitted;
- (4) To ensure the necessary supporting documentation is provided for expense approval and reimbursement and to promote consistency across the Corporation, the Chief Financial Officer and Treasurer:
- (a) advise all staff, Councillors and the Mayor's office that travel expense reimbursements must be accompanied by a properly completed and approved Request for Travel form;
 - (b) develop a standard kilometres claim form for the Corporation and advise all staff, Councillors and the Mayor's office that when submitting kilometres claims, appropriate supporting detail must be provided for each trip, specifically, the destination and purpose of the trip and the number of kilometres travelled; and
 - (c) advise all staff, Councillors and the Mayor's Office that reimbursement of expenses, whether processed through petty cash, payroll or accounts payable, must be supported by original receipts indicating what was purchased and be

approved by the individual's immediate supervisor, in accordance with the department's delegation of financial signing authority;

- (5) Due to the delay in settling travel claims, and the fact that many expenses (ie. air fare, registration fees) relating to travel can be paid directly by the Corporation:
 - (a) the Chief Financial Officer and Treasurer consider eliminating travel advances; and
 - (b) Accounting staff follow up on all advances currently outstanding for more than 30 days, to either recover any unspent funds or to settle the advance, and that any travel advance still outstanding after follow up by Accounting, be escalated to the respective department head for appropriate action;
- (6) With respect to cellular telephones:
 - (a) the Telecommunications Division, Corporate Services, in consultation with Departments, Agencies and Commissions, develop a policy covering the criteria and authorization for purchase and issuance of cellular telephones, guidelines for business and personal use, and procedures for the reassignment and return of these telephones;
 - (b) a complete inventory of all cellular telephones be undertaken by each department, and a listing indicating the staff member assigned each telephone be forwarded to the Telecommunications Division, Corporate Services;
 - (c) all future purchases of cellular telephones be made through the Telecommunications Division, Corporate Services, which will also maintain an inventory of cellular telephones for the Corporation; and
 - (d) cellular telephone bills be reviewed and approved by the appropriate departmental staff and any personal calls reimbursed to the City;
- (7) To ensure that travel arrangements are made at the lowest possible cost, more than one quote be obtained and documented for all travel by Councillors and the Mayor's Office, including a quote from the corporate travel agent; and
- (8) In view of the fact the majority of Councillors' expenses will be well below the \$70,000 allocated to each Councillor for office expenses in 1998, the Councillors' global office budget should be reviewed.

3. INVESTMENT POLICY COMPLIANCE

City Auditor

(February 1, 1999)

Recommending that:

- (1) monthly reporting procedures be put in place by City Finance staff relating to the investing of City Funds. Such reporting procedures to include details of all investments held and maturity dates of such investments. The review of monthly reports be conducted by staff independent of the investment function and include an analysis as to whether or not the City's investment policies and procedures are complied with. Evidence of the review be documented in writing. Immediate and appropriate action be taken for all instances of non compliance;
- (2) City Finance staff seek legal advice and clarification relating to the scope of the Council approved policy entitled "Investment Policy and Procedures" and determine whether or not such policy applies to Agencies, Boards and Commissions. If it is determined that the policy does apply to these entities, management of the City Finance Department forward the policy to staff of all Agencies, Boards and Commissions for which the policy is deemed to be applicable. All applicable Agencies, Boards and Commissions be advised that they are required to comply with such policy;
- (3) where practical, consideration be given to the consolidation of Agencies, Boards and Commissions investing activities by the City Finance staff. In addition, the decision on whether to consolidate should consider whether or not the services of outside professional investment managers are utilized, the practicality based on dollar amounts and the average length of terms investments are held, the types of investments allowed under legislation and the degree of control exercised by the City over the Agencies, Boards and Commissions;
- (4) a reporting procedure be put in place by City Finance staff relating to the investing activities of those Agencies, Boards and Commissions for which the policy is deemed applicable. The reporting procedure be consistent with those recommendations as outlined under Recommendation 1;
- (5) consolidated financial reporting of all City investments be reported to Council on a more regular basis than once a year;
- (6) Management take immediate action to ensure compliance with policy limits on maximum amounts and durations of specific investments;
- (7) the document approved by Council entitled "Investment Policy and Procedures" be finalized, particularly in terms of addressing key management administrative procedures;

- (8) performance benchmarks for investment returns be set for those funds administered by the City without an established performance benchmark;
- (9) the investment policy and procedures manual be amended and updated to include the York Employees' Pension and Benefit Fund. Clarification be sought in regards to the responsibility for the investment of the assets of this fund; and
- (10) appropriate staff be requested to provide a complete and updated reconciliation of all investment balances at the City. This information be submitted to senior staff for their review and approval. Evidence of approval be documented in writing. Specific deadlines be set for the preparation of such reconciliations. Reconciliation of the investment portfolio to the general ledger be performed on a monthly basis for all investment funds.

4. CONSOLIDATION OF CITY AUDIT ACTIVITIES *(Report Not Yet Available)*

5. CHEMICAL PROCUREMENT

City Auditor
(February 15, 1999)

Recommending that the report (February 15, 1999) from the City Auditor be received for information.

6. REVIEW OF PARKING TAG OPERATIONS

City Auditor
(December 23, 1998)

Recommending that:

- (1) in preparing the 1998 financial statements, management should provide an additional allowance for doubtful accounts of \$6.4 million relating to parking tag receivables. In addition, a projected final collection rate of 78 percent should be used for accrual purposes at 1998 year end;
- (2) Parking Tag Operations (PTO) staff review its current arrangement with the Ministry of Transportation (TO) relating to the administration of plate denial and enter into a formal agreement with TO which outlines the administrative responsibilities of the respective parties regarding the collection of parking fines at plate denial;

- (3) priority be given to the reconciliation of PTO records with TO records to ensure that all tags filed for plate denial are in fact awaiting collection at plate denial. This reconciliation should be done at least annually;
- (4) PTO staff perform an analysis of the tags outstanding at plate denial, investigate the reasons for the delay of their collection and assess their current collectability. In addition, management should evaluate TO's collection procedures and take appropriate action to ensure that reliance can be placed on the Ministry's processes for the collection of outstanding fines at plate denial;
- (5) the Chief Financial Officer and Treasurer and the City Solicitor report to the Corporate Services Committee on the changes required to the current provincial legislation and regulations, to enable the City to collect outstanding fines at any stage, as well as to use private collection agencies in this regard;
- (6) PTO staff work with the Ministry to actively pursue collection of the old outstanding fines at plate denial, specifically those individuals or companies identified as owing more than \$5,000;
- (7) the Chief Financial Officer and Treasurer meet with the appropriate senior Ministry officials to expedite the resolution of the issues relating to the plate denial process in order to improve the collection of outstanding fines at plate denial;
- (8) in view of the loss of revenue from parking tags issued to out-of-province vehicles, management pursue with the Province of Ontario the extension of reciprocal agreements with other Canadian provinces and United States cities, to parking violations. Consideration should also be given to assigning the outstanding fines relating to out-of-province vehicles to a private collection agency;
- (9) in consultation with the City Solicitor, management request an appropriate change in legislation to provide an alternative means of serving parking tags to drove-away vehicles, which could include mailing the notice of infraction;
- (10) the Parking Enforcement Unit of the Toronto Police Services report to the Corporate Services Committee on the reasons for the increase in the number of spoiled tags and the action that will be taken to keep this number to a minimum;
- (11) the current report from the Chief Financial Officer and Treasurer relating to parking tags be modified to include additional management information such as the total number of tags written, spoiled, available for collection, withdrawn, status of outstanding fines, including those that are issued to out-of-province vehicles, as well as an analysis of any significant trends or problem areas; and that this report be submitted to the Corporate Services Committee on a quarterly basis, rather than monthly;

- (12) PTO management establish key indicators to monitor the activity with respect to the issuance and processing of parking tags. This should include monitoring the number of spoiled tags, withdrawn tags, illegible tags, etc. In this regard, management should designate an individual the responsibility for this function as well as for the analysis of trends and the provision of relevant reports to management;
- (13) PTO management utilize other available tools and resources within the City to generate customized reports to facilitate the review and monitoring of activity within PTO and discontinue the need to manually re-input data;
- (14) the monthly reconciliation of the Parking Tag Management System (PTMS) to the general ledger be reviewed and approved by the Manager of PTO;
- (15) PTO management make arrangements for the First Appearance Facilities to deposit all monies directly to the nearest financial institution, having a banking arrangement with the City;
- (16) a transaction report showing the details of all tags withdrawn be provided to all First Appearance Facilities locations. To help ensure compliance with the guidelines, the respective supervisors should scan the transaction report and, on a test basis, examine the supporting documentation of tag withdrawals. Evidence of such review should be documented in writing;
- (17) priority be given to acquiring the required computer server for the Parking Tag Management System and making the necessary arrangements with the appropriate provincial ministries and financial institutions to ensure that all computer systems related to parking tag operations are Year 2000 compliant by September 1999, as planned;
- (18) PTO management develop an action plan with specific time lines to implement the recommendations contained in this report; and
- (19) that this report be forwarded to the Corporate Services Committee for consideration.

7. TRANSFER OF PARKING OPERATIONS FROM THE FORMER MUNICIPALITIES TO THE TORONTO PARKING AUTHORITY

City Auditor

(December 15, 1998)

Recommending that:

- (1) The Toronto Parking Authority should ensure all receipts are promptly deposited to the bank;

- (2) The Toronto Parking Authority should change the accounting policies and practices of the former municipal parking operations to ensure they are appropriate and consistently applied;
- (3) the Chief Financial Officer and Treasurer should ensure that the five former municipalities expedite the closing of all accounts related to parking operations and transfer same to the Toronto Parking Authority in accordance with the requests of Council;
- (4) the Chief Financial Officer and Treasurer should ensure the Toronto Parking Authority remits progress payments on a monthly basis as specified in the Council minutes, and
- (5) the City Auditor be requested to report back to Council through the Audit Committee on the operating results of the transferred parking operations both before and after the transfer to the Toronto Parking Authority.

8. AUDIT PROJECTS UPDATE

City Auditor

(February 9, 1999)

Recommending that the report (February 9, 1999) from the City Auditor be received for information.

9. YEAR 2000 PROJECT UPDATE

City Auditor

(February 10, 1999)

Recommending that:

- (1) The Chief Financial Officer and Treasurer develop a contingency plan to provide a backup location for the SAP project office;
- (2) The SAP Steering Committee closely monitor the progress of the Human Resource and Payroll project and effect a process to facilitate the removal of roadblocks which may compromise delivery; and
- (3) The role and responsibility of the Quality Assurance Manager be redefined to ensure the benefits derived from a quality assurance function are not lost.

10. AUDIT SERVICES 1999 OPERATING PLAN AND BUDGET

City Auditor

(February 12, 1999)

Recommending that the 1999 Operating Plan and Budget be approved by the Audit Committee and forwarded to the Budget Committee.

11. TORONTO CIVIC EMPLOYEE'S PENSION FUND AND TORONTO FIRE DEPARTMENT SUPERANNUATION AND BENEFIT FUND REVIEW OF DATA CONVERSION

City Auditor

(February 19, 1999)

Recommending that the report entitled, "Toronto Civic Employee's Pension Fund and Toronto Fire Department Superannuation and Benefit Fund Review of Data Conversion, dated February 4, 1999, be received for information.

12. ERNST & YOUNG - UPDATE ON THE 1998 EXTERNAL AUDIT

Ernst & Young

(February 22, 1999)

Recommending that the Audit Committee receive the memo (February 22, 1999) from Ernst & Young as an update on the progress of the audit of the 1998 financial statements.

13. IN CAMERA MATTER

MATTER DEALING WITH LITIGATION OR POTENTIAL LITIGATION, INCLUDING MATTERS BEFORE ADMINISTRATIVE TRIBUNALS, AFFECTING THE MUNICIPALITY OR LOCAL BOARD

City Auditor

(February 15, 1999)

14. IN CAMERA MATTER

**MATTER DEALING WITH LITIGATION OR POTENTIAL LITIGATION,
INCLUDING MATTERS BEFORE ADMINISTRATIVE TRIBUNALS, AFFECTING
THE MUNICIPALITY OR LOCAL BOARD**

City Auditor

(February 19, 1999)