

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 6

Monday, December 13, 1999

The Audit Committee met on Monday, December 13, 1999, in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

On motion by Councillor Altobello, the minutes of the Meeting held on October 25, 1999 were confirmed.

6.1 Review of Investigation of Sexual Assaults - Toronto Police Service

The Audit Committee had before it the report (October, 1999) from the City Auditor respecting Review of Investigation of Sexual Assaults – Toronto Police Service.

The following persons appeared before the Audit Committee in connection with the foregoing matter:

- Ms. Jane Doe, Toronto, Ontario;
- Ms. Connie Guberman, Metrac, Co-ordinator Safety Initiatives;
- Ms. Punan Khosla, Civic Development Planner, Community Social Planning Council of Toronto;
- Ms. Ellen Anderson, Annex Women's Action Committee;
- Ms. Anna Willats, YWCA of Greater Toronto;
- Mr. Ted Hart, Toronto, Ontario;
- Mr. John S. Woods, Toronto, Ontario; and
- S/Insp. R. Pilkington, Toronto Police Service – Sexual Assault Squad.

On motion by Councillor Bussin, the Audit Committee recommended to City Council that:

- (1) the recommendations contained in the report (October, 1999) from the City Auditor be adopted;
- (2) City Council request the Toronto Police Services Board to establish a Steering Committee, and that they consider including a professional mediator, and at least three senior officers from the Toronto Police Service and an equal number of women selected by the anti-violence community, and that the Steering Committee have appropriate resources allocated to it in accordance with the Auditor's report; and

- (3) the Audit Reference Group be re-established and renamed as an Implementation Advisory Committee to meet quarterly to be a reference for the Steering Committee throughout 2000 and to report to Council through the appropriate Standing Committee.

On further motion by Councillor Bussin, the Audit Committee also referred the issue of honoraria for the Implementation Advisory Committee set out in Recommendation No. 3 to the Policy and Finance Committee for report thereon directly to Council.

(Report 1, Clause 1)

6.2 1998 Management Letter Summary - Community Centres and Arenas

The Audit Committee had before it a report (August 30, 1999) from the City Auditor respecting 1998 Management Letter Summary - Community Centres and Arenas, and recommending that:

- “(1) As part of its mandate the recently structured ABC Reduction Task Force should, on a priority basis, review the governance of all community centres and arenas in the City. The objective of such a review process should include the integration and streamlining of all duplicated activities.
- (2) The Chief Financial Officer and Treasurer immediately initiate a plan to provide the appropriate support for the accounting needs of all community centres and arenas. The preparation of specific timetables, year end working paper and reconciliation requirements should be incorporated into this support.
- (3) City Finance staff should prepare standardized written policies and procedures for all community centres and arenas. Where possible and appropriate, these policies and procedures should be consistent with those of the City.
- (4) Community centres and arenas should be instructed by City Finance staff that under no circumstances will they be permitted to make expenditures which are not included in their annual approved budget submissions.
- (5) The Chief Financial Officer and Treasurer give consideration to the standardization of all accounting systems at each of the community centres and arenas. In the longer term, all accounting should be done centrally using the City's new SAP accounting system.
- (6) The Chief Financial Officer and Treasurer, in consultation with City Legal Services, review the present arrangements relating to the organization of each

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separate non-profit charitable corporation within each community centre. Arrangement should be made to immediately separate the accounting function of the non-profit organizations from those of the centre. Monthly financial reporting, as well as year end financial reporting, should be conducted separately.

- (7) The Chief Financial Officer and Treasurer be required to review all annual financial statements of arenas in order to determine the extent of funds owed to the City. The Chief Financial Officer and Treasurer be required to collect all surplus funds owed to the City on an annual basis.
- (8) The Y2K City Project Team, as a priority, should review its work plan in order to ensure that adequate attention is being given to each community centre and arena. The Y2K Team should review the work completed to date at each of these entities in order to ensure that adequate attention has been given to the issue.
- (9) In order to avoid penalties and interest charges, management should ensure that all payments to employees, including car and laundry allowances, are included as part of salaries and wages, subject to statutory deductions. All increases to salaries and benefits should be approved by the respective Boards and Committees and documented in writing.
- (10) For those arenas and community centres where no fixed asset listing is prepared, priority should be given to creating a fixed asset register. The register should include details of the source of the items (i.e., supplier, invoice number), the cost and the date of acquisition. A physical inventory of all furniture and equipment should be conducted annually and agreed to the fixed asset listing.
- (11) All arenas and community centres be requested to submit management letters to their respective Boards along with appropriate responses.”

The Audit Committee also had before it the following reports/communications:

- (December 1, 1999) from the City Auditor respecting 1998 Management Letter Summary – Community Centres and Arenas;
- (November 30, 1999) from the City Auditor respecting 1998 Management Letters – Arenas;
- (November 30, 1999) from the City Auditor respecting 1998 Management Letters – Community Centres;
- (September 24, 1999) from Anne Dubas, President, CUPE Local 79;
- (October 21, 1999) from W. James Herber, North Toronto Memorial Arena;

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- (October 21, 1999) from Eric Anweiler, North Toronto Memorial Arena;
- (October 22, 1999) from James Bell, Swansea Town Hall Community Centre; and
- (October 26, 1999) from Susan Fletcher, Association of Community Centres.

The following persons appeared before the Audit Committee in connection with the foregoing matter:

- Mr. Brian McGroarty, William H. Bolton Area;
- Ms. Alison Kemper, Executive Director, 519 Church Street;
- Ms. Julia Goldstein, Executive Director, Cecil Community Centre;
- Mr. Kevin Lee, Scadding Court Community Centre;
- Ms. Susan Fletcher, Executive Director, Applegrove Community Complex;
- Ms. Susan Neal, Executive Director, Eastview Neighbourhood Community Centre;
- Mr. Paul Schmidt, Treasurer, Swansea Town Hall Community Centre;
- Ms. Leona Rodall, Executive Director, Harbourfront Community Centre;
- Mr. Donald Greenbaum, Member, Board of Management, Forest Hill Memorial Arena;
- Mr. Tim Macri, Manager, Forest Hill Memorial Arena;
- Mr. A. Peter Simmie, Chair, Leaside Memorial Community Gardens;
- Mr. Henry Stachelbeck, General Manager/Secretary of the Board, Leaside Gardens;
- Mr. Terry Lee, Executive Director, Ralph Thornton Centre;
- Mr. Bob Murdoch, Community Centre 55; and
- Mr. Jim Oreto, Manager, William H. Bolton Arena.

The Audit Committee recommended to City Council that:

On motion by Councillor Altobello:

- (1) as part of its mandate the Economic Development and Parks Committee should, on a priority basis, review the governance of all community centres, arenas and recreation centres operated by the Parks and Recreation Department in the City. The objective of such a review process should include the integration and streamlining of all duplicated activities, in consultation with the community centres, arenas and recreation centres;
- (2) the Chief Financial Officer and Treasurer immediately initiate a plan to provide the appropriate support for the accounting needs of all community centres and arenas. The preparation of specific timetables, year end working paper and reconciliation requirements should be incorporated into this support;

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- (3) City Finance staff should prepare standardized written policies and procedures for all community centres and arenas. Where possible and appropriate, these policies and procedures should be consistent with those of the City;
- (4) the Chief Financial Officer and Treasurer, in consultation with City Legal Services, review the present arrangements relating to the organization of each separate non-profit charitable corporation within each community centre. Arrangement should be made to immediately separate the accounting function of the non-profit organizations from those of the centre. Monthly financial reporting, as well as year end financial reporting, should be conducted separately;
- (5) the Chief Financial Officer and Treasurer be required to review all annual financial statements of arenas in order to determine the extent of funds owed to the City. The Chief Financial Officer and Treasurer be required to collect all surplus funds owed to the City on an annual basis;
- (6) the Y2K City Project Team, as a priority, should review its work plan in order to ensure that adequate attention is being given to each community centre and arena. The Y2K Team should review the work completed to date at each of these entities in order to ensure that adequate attention has been given to the issue;
- (7) in order to avoid penalties and interest charges, management should ensure that all payments to employees, including car and laundry allowances, are included as part of salaries and wages, subject to statutory deductions. All increases to salaries and benefits should be approved by the respective Boards and Committees and documented in writing;
- (8) for those arenas and community centres where no fixed asset listing is prepared, priority should be given to creating a fixed asset register. The register should include details of the source of the items (i.e., supplier, invoice number), the cost and the date of acquisition. A physical inventory of all furniture and equipment should be conducted annually and agreed to the fixed asset listing;
- (9) all arenas and community centres be requested to submit management letters to their respective Boards along with appropriate responses; and

On motion by Councillor Adams:

- (10) in future, any recommendations respecting Community Centres and Arenas distinguish between the community centres and arenas.

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The Audit Committee also:

On further motion by Councillor Altobello:

- (1) referred back to the City Auditor the following recommendations (4) and (5) contained in the report (August 30, 1999) from the City Auditor, for consultation with the affected Boards of Management:

“(4) Community centres and arenas should be instructed by City Finance staff that under no circumstances will they be permitted to make expenditures which are not included in their annual approved budget submissions.

- (5) The Chief Financial Officer and Treasurer give consideration to the standardization of all accounting systems at each of the community centres and arenas. In the longer term, all accounting should be done centrally using the City’s new SAP accounting system.”

On motion by Councillor Bussin:

- (2) requested the City Auditor, in his review of Recommendation No. (5) contained in his report dated August 30, 1999, to consider the remarks made by Mr. Bob Murdoch, Community Centre 55 in his deputation;
- (3) requested the City Auditor to set out in writing to the Community Centres and Arenas the requirements set out by Revenue Canada respecting the accounting functions of the non-profit organizations and the centres;

On further motion by Councillor Adams:

- (4) requested the City Solicitor and the City Clerk to report directly to Council on whether the provisions of the Municipal Act are being followed with respect to the Single Cities Savings Task Force, the A.B.C. Reduction Task Force and the Safer City Task Force; and
- (5) requested the Chief Financial Officer and Treasurer to provide Leaside Gardens with all financial information and operating policies of:
 - (a) Cummer Park Recreation Facility;
 - (b) North Toronto Community Centre; and
 - (c) North York Central Arena;

The following motions by Councillor Adams were placed but not voted on:

- (1) That Recommendation No. (5) of the report (August 30, 1999) from the City Auditor be amended to provide that there is a separate recommendation applying to Arena Boards;
- (2) That the following separate recommendation applying to community centres be adopted:

“That the Chief Financial Officer and Treasurer give consideration to examining the feasibility of using the City’s new SAP accounting system within each community centre;” and
- (3) That Recommendation No. (1) of the report (August 30, 1999) from the City Auditor be deleted.”

(Report 1, Clause 2)

6.3 Review Of Reserves and Reserve Funds

The Audit Committee had before it a report (November 29, 1999) from the City Auditor respecting Review of Reserves and Reserve Funds, and recommending that:

- “(1) the Chief Financial Officer and Treasurer provide Council with reserve and reserve fund continuity schedules on a semi-annual basis, itemizing contributions to and withdrawals from each reserve and reserve fund;
- (2) the pending report to Council regarding the consolidation, continuance and creation of reserves and reserve funds, clearly identify any changes in the report adopted by Council on April 29 and 30, 1998, and the corrective action taken. Consultation with applicable user departments should also occur prior to finalization of the report;
- (3) the Chief Financial Officer and Treasurer ensure that the accounting for reserves and reserve funds be brought up to date by December 31, 1999 and that senior management ensure that this accounting is done on a regular basis in the future;
- (4) the Chief Financial Officer and Treasurer ensure that interest is applied to reserve funds on a monthly basis and that the Accounting Services Division provide Treasury and Financial Services staff with the total amount of interest applied;
- (5) the Chief Financial Officer and Treasurer develop by January 1, 2000, appropriate accounting policies and procedures relating to reserves and reserve funds, ensure that proper controls exist to monitor these accounts and that management information is complete, accurate and up-to-date;

- (6) the Chief Financial Officer and Treasurer confirm the roles and responsibilities of the various divisions within the Finance Department with respect to reserves and reserve funds and ensure that all applicable Finance staff are apprised accordingly; and
- (7) the Chief Financial Officer and Treasurer clearly advise user departments regarding their roles and responsibilities with respect to reserves and reserve funds and ensure that departments are provided information relating to specific accounts, as requested.”

On motion by Councillor Holyday, the Audit Committee recommended to City Council the adoption of the foregoing report.

(Report 1, Clause 3)

6.4 Review of Conversion of Financial Data for Metro and All Former Municipalities

The Audit Committee had before it a report (October 21, 1999) from the City Auditor respecting Review of Conversion of Financial Data for Metro and All Former Municipalities, and recommending that:

- “(1) the Accounting Services Division, Finance Department:
 - (a) develop and implement a plan of action to distribute the amounts residing in the suspense costing centres to their proper cost centres. Such a plan to include the time frame for completion and responsibilities assigned; and
 - (b) ensure bank reconciliations are up to date upon completion of the data conversion;
- (2) the Budget Division, Finance Department, in consultation with departments, put into action a plan to review the pre-1999 Capital Budget data on the FIS system for the purpose of signing off the completeness and accuracy of the information residing on the new FIS system;
- (3) the Purchasing and Materials Management Division, Finance Department, monitor purchase orders on a monthly basis in the FIS system that are outstanding for an extended period of time for follow-up to determine their validity and status; and
- (4) effective management of materials be improved by:

- (a) conducting a complete physical inventory (including those items deemed obsolete) upon completion of the conversion of the 1998 financial data from the former City of Scarborough;
- (b) including all obsolete inventory items in the City's financial records (General Ledger and Inventory Management System) until their disposal; and
- (c) continuing to provide clear audit trails, including the establishment of proper approvals to track the disposal of all obsolete items."

On motion by Councillor Altobello, the Audit Committee recommended to City Council the adoption of the foregoing report.

(Report 1, Clause 4)

6.5 Councillors' Use of Corporate Vehicles

The Audit Committee had before it the report (October, 1999) from the City Auditor respecting Councillors' Use of Corporate Vehicles, and recommending that in view of the potential savings that could be realized from alternative means of transportation, the need to maintain a dedicated fleet of vehicles and full-time staff to provide transportation services for Members of Council be referred to the Acting Commissioner of Corporate Services and the Chief Financial Officer and Treasurer for consideration during the 2000 operating budget process.

The Committee also had before it a communication (December 10, 1999) from Councillor Duguid.

On motion by Councillor Altobello, the Audit Committee recommended to the Administration Committee the adoption of the foregoing report.

The Audit Committee also requested the Commissioner of Corporate Services, in consultation with appropriate officials to report directly to the Administration Committee on:

On further motion by Councillor Altobello:

- (1) the employees who would be affected by the termination of this program, detailing those who would be entitled to receive long-term disability payments and those who would be entitled to receive Workers' Compensation payments, and the cost to the City;

On motion by Councillor Bussin:

- (2) the future employment impact on employees should the program be terminated; and

On motion by Councillor Holyday:

- (3) the suggestions contained in the communication (December 10, 1999) from Councillor Duguid.

(Letter sent to Administration Committee; c: Commissioner of Corporate Services; City Auditor – December 20, 1999)

6.6 Expenses of Members of Council

The Audit Committee had before it a report (November 29, 1999) from the City Clerk and City Auditor respecting Expenses of Members of Council, and recommending that:

- “(1) business travel expenses incurred by Councillors acting in their capacity as a chair or vice-chair of an agency, board or commission be processed through the Council Services Unit of the Clerk’s Division and charged to the business travel account in the Council budget, and that the Council business travel budget and the travel budgets of the respective agencies, boards and commissions be adjusted to reflect this change in policy;
- (2) all business meeting, entertainment or other general expenses incurred by Councillors as Council appointees of an agency, board, commission or other body, be charged directly to the respective Councillor’s global budget, and that the City Clerk advise all agencies, boards, commissions and other bodies accordingly;
- (3) the current practice of allowing Councillors to spend \$100 annually for sponsorships and donations per organization be formally included in the Councillors’ Expense Policy;
- (4) payments by Councillors of expenses incurred by an outside party (e.g., outreach groups) not be eligible for reimbursement through the Councillors’ global budget;
- (5) with respect to Councillors paying for City souvenirs for community groups promoting the City, that only gifts available in the City’s Protocol office or the City Hall Gift Shop be reimbursed with the limitation that the unit cost cannot exceed \$50 per item and that the total amount expended per annum cannot exceed \$1,000;

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- (6) the receipt of donations of cash, goods, services, gifts and other benefits by Councillors be restricted to those allowed under the Code of Conduct Policy for Members of Council, as approved by City Council on September 28, 1999;
- (7) if a Councillor wishes to use an outside company for printing services that quotes, including one from the City's internal printing function be obtained, and the Council Services Unit be advised accordingly;
- (8) the Commissioner of Corporate Services report to the Administration Committee by June 30, 2000 on an office space charge back policy for Councillors, which takes into account the constituency needs of Councillors and any applicable budgetary implications, and ensures the optimal use of office space across the City;
- (9) the establishment of a charge back policy for Councillors who occupy office space in the former civic centres be reviewed in a corporate context, in terms of the office space requirements of all departments in the City, and be consistent with the city-wide policy currently being developed by the Corporate Services and Finance Departments in this regard;
- (10) the Chief Financial Officer and Treasurer follow up with the Province on the status of the City's request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, take any appropriate action to expedite the handling of this request by the Province and report to the Audit Committee by February 28, 2000 on the Province's response; and
- (11) the Office Administration and Expense Policy for Members of Council be amended to reflect the changes recommended in this report, as adopted by Council, and that the City Clerk advise all Councillors and their staff accordingly."

On motion by Councillor Adams, the Audit Committee recommended to City Council that:

- (1) business travel expenses incurred by Councillors be processed through the Council Services Unit of the Clerk's Division and charged to the business travel account in the Council budget, and that the Council business travel budget and the travel budgets of the respective departments, agencies, boards and commissions be adjusted to reflect this change in policy;

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- (2) all business meeting, entertainment or other general expenses incurred by Councillors as Council appointees of an agency, board, commission or other body, be charged directly to the respective Councillor's global budget, and that the City Clerk advise all agencies, boards, commissions and other bodies accordingly;
- (3) the current practice of allowing Councillors to spend \$100 annually for sponsorships and donations per organization be formally included in the Councillors' Expense Policy;
- (4) payments by Councillors of expenses incurred by an outside party (e.g., outreach groups) not be eligible for reimbursement through the Councillors' global budget;
- (5) with respect to Councillors paying for City souvenirs for community groups promoting the City, that only gifts available in the City's Protocol office or the City Hall Gift Shop be reimbursed with the limitation that the unit cost cannot exceed \$50 per item and that the total amount expended per annum cannot exceed \$1,000;
- (6) the receipt of donations of cash, goods, services, gifts and other benefits by Councillors be restricted to those allowed under the Code of Conduct Policy for Members of Council, as approved by City Council on September 28, 1999;
- (7) if a Councillor wishes to use an outside company for printing services that quotes, including one from the City's internal printing function be obtained, and the Council Services Unit be advised accordingly;
- (8) the Commissioner of Corporate Services report to the Administration Committee by June 30, 2000 on an office space charge back policy for Councillors, which takes into account the constituency needs of Councillors and any applicable budgetary implications, and ensures the optimal use of office space across the City;
- (9) the establishment of a charge back policy for Councillors who occupy office space as a constituency office in the former civic centres be reviewed in a corporate context, in terms of the office space requirements of all departments in the City, and be consistent with the city-wide policy currently being developed by the Corporate Services and Finance Departments in this regard;
- (10) the Chief Financial Officer and Treasurer follow up with the Province on the status of the City's request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free, take any appropriate action to expedite the handling of this request

by the Province and report to the Audit Committee by February 28, 2000 on the Province's response; and

- (11) the Office Administration and Expense Policy for Members of Council be amended to reflect the changes recommended in this report, as adopted by Council, and that the City Clerk advise all Councillors and their staff accordingly.

(Report 1, Clause 5)

6.7 1999 Audit Workplan – Status Report

The Audit Committee had before it a status report (November 29, 1999) from the City Auditor respecting 1999 Audit Workplan, and recommending that this report be received for information.

On motion by Councillor Altobello, the Audit Committee received the foregoing report for information.

(Letter sent to City Auditor – December 20, 1999)

6.8 1998 Financial Statements of Various Business Improvement Areas

The Audit Committee had before it a report (November 30, 1999) from the City Auditor respecting 1998 Financial Statements of Various Business Improvement Areas, and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee received the foregoing report for information.

(Letter sent to City Auditor – December 20, 1999)

6.9 Purchase of Bulk Common Coarse Rock Salt (Road Salt)

The Audit Committee had before it a report (November 10, 1999) from the Commissioner of Works and Emergency Services and Chief Financial Officer and Treasurer Respecting Purchase of Bulk Common Coarse Rock Salt (Road Salt) and recommending that this report be received for information.

On motion by Councillor Altobello, the Audit Committee received the foregoing report for information.

(Letter sent to Commissioner of Works and Emergency Services; Chief Financial Officer and Treasurer; c. City Auditor – December 20, 1999)

6.10 North York Performing Arts Centre Corporation – 1998 Audited Financial Statements

The Audit Committee had before it a report (December 2, 1999) from the City Clerk respecting North York Performing Arts Centre Corporation – 1998 Audited Financial Statements, and recommending that the report (November 12, 1999) from the Chief Financial Officer and Treasurer be adopted.

On motion by Councillor Altobello the Audit Committee recommended to City Council the adoption of the recommendation contained in the foregoing communication from the City Clerk.

6.11 Report to the Audit Committee – 1999 Audit Planning

The Audit Committee had before it a report (November 10, 1999) from Ernst and Young respecting 1999 Audit Planning, and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee received the foregoing report for information.

(Letter sent to Ernst and Young; c. City Auditor – December 20, 1999)

6.12. In Camera Matter

On motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in Camera to consider a matter the subject of which deals with a matter in respect of which a council, board, committee or other body has authorized a meeting to be closed under another Act.

On motion by Councillor Altobello, the Audit Committee received for information the confidential report (December 8, 1999) from the City Auditor.

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6.13 In Camera Matter

On motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in Camera to consider a matter the subject of which deals with a matter in respect of which a council, board, committee or other body has authorized a meeting to be closed under another Act.

The Audit Committee provided the City Auditor with confidential instructions and the matter remained in Camera.

Attendance:

October 25, 1999	9:30 a.m. – 12:10 p.m.	In Camera 12:10 p.m. - 12:30 p.m.	2:10 p.m. - 4:25 p.m.	4:25 p.m. – 5:05 p.m..
Mahood (Chair)	x	x	x	x
Adams	x	-	x	x
Altobello	x	x	x	x
Bussin	x	x	x	-
Holyday	x	x	x	x

* Members were present for some or all of the time indicated.