

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 2

Monday, June 26, 2000

The Audit Committee met on Monday, June 26, 2000, 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 March 29, 2000, 1999 were confirmed.

2.1 Cash Controls Review – Parks and Recreation Division, East and West Districts

The Audit Committee had before it a report (May 4, 2000) from the City Auditor respecting Cash Controls Review – Parks and Recreation Division, East and West Districts, and recommending that:

- “(1) the Commissioner of Economic Development, Culture & Tourism expedite the review of cash handling and financial procedures at all Parks and Recreation facilities to ensure that effective and consistent financial policies and internal control procedures exist and are carried out by staff;
- (2) the Commissioner of Economic Development, Culture & Tourism clarify and communicate the roles and responsibilities of the Administration and Support Division and other divisional operations, with respect to administration and financial matters;
- (3) the Commissioner of Economic Development, Culture & Tourism clearly delineate the roles and responsibilities of supervisory staff, emphasize the importance of maintaining effective internal controls and provide guidelines to assist supervisors in carrying out their responsibilities. Necessary action should be taken to ensure that all sites and functions are adequately supervised;
- (4) to avoid the maintenance of separate financial records by Parks and Recreation Divisional staff, the Commissioner of Economic Development, Culture & Tourism request that the Chief Financial Officer and Treasurer provide the necessary management information in the SAP financial system at a level that facilitates timely decision making by Parks and Recreation management staff;
- (5) in order to minimize the amount of cash handled at each facility:

- (a) debit card terminals be installed at appropriate locations and a policy be adopted that promotes payment by debit or credit card as opposed to cash and cheques; and
 - (b) the reservation of arenas and sportfields be centralized at the district level and a policy be adopted, as appropriate, requiring payment in full prior to permitting the use of the facility;
- (6) the Commissioner of Economic Development, Culture & Tourism harmonize and/or implement the following policies and procedures:
- (a) the timely follow-up and resolution of NSF cheques and declined credit cards;
 - (b) credit procedures to protect against and reduce the risk of loss of revenue from organizations renting facilities. Such procedures could include performing credit checks, obtaining credit card imprints or collecting a reasonable deposit amount;
 - (c) the expansion of armoured car services to pick up receipts at appropriately designated facilities with significant cash balances;
 - (d) the development of an appropriate and uniform policy relating to cancellations, with particular emphasis on facility rentals;
 - (e) the timely follow-up and collection of accounts receivable;
 - (f) the timely invoicing of amounts due from customers for arena usage;
 - (g) the reconciliation and balancing of cash receipts by each cashier upon completion of each shift and the investigation and resolution by supervisory staff of any cash overages and/or underages;
 - (h) the implementation of uniform facility permit agreements and forms at all sites; and
 - (i) the review and enhancement as required of the physical security of all cashier areas;
- (7) the Commissioner of Economic Development, Culture & Tourism review the adequacy of CLASS (registration and permitting system) training offered to staff, to ensure that all staff have received the necessary training and that supervisors have the ability to access key management information;

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- (8) the Commissioner of Economic Development, Culture & Tourism implement appropriate access controls on the CLASS system to restrict access and, that system identifications and passwords be reviewed and changed frequently;
- (9) the Commissioner of Economic Development, Culture & Tourism report to the Audit Committee and the Economic Development and Parks Committee by September 30, 2000, on the implementation and status of the recommendations presented in this report; and
- (10) this report be forwarded to the Economic Development and Parks Committee for information.”

The Audit Committee recommended to City Council that:

On motion by Councillor Adams:

- (1) the foregoing report (May 4, 2000) from the City Auditor be adopted;
- (2) the City Auditor submit to the Audit Committee an annual report on the status of fraud and related matters; and

On motion by Councillor Holyday:

- (3) the City Auditor report immediately to the Audit Committee those instances where the policies and procedures set out in the report (May 4, 2000) from the City Auditor are not followed.

(Report 3, Clause 2)

2.2 Review of Snow Budget Over-Expenditure

The Audit Committee had before it a report (June 5, 2000) from the City Auditor respecting Review of Snow Budget Over-Expenditure, and recommending that:

- “(1) the Emergency Snow Plan be amended to identify corporate resources from other departments required to carry out the plan in the event of a winter storm emergency, including necessary financial, purchasing, human resources and communications personnel;
- (2) in order to facilitate budget monitoring and ensure the reporting of accurate and complete information, the Transportation Services budget be amended to establish a specific cost centre in the Financial Information System for winter maintenance activities;

- (3) the General Manager, Transportation Services conduct a review to determine the most effective mix of in-house and contracted staff that would deliver the required winter maintenance services at a minimum cost to the City, and report to the Works Committee prior to re-tendering of the winter maintenance contracts;
- (4) Finance Department staff be required to meet with district management staff in order to identify specific financial reporting requirements. Such financial reports be at a level of detail which would enable the division to effectively manage their respective budgets.
- (5) responsibility for budget monitoring be delegated to district management staff, and that timely and reliable cost and budget information be provided to these managers to enable them to monitor and compare actual costs with the approved budget at the district and activity levels;
- (6) formal performance measures be established to properly evaluate the performance of winter maintenance services and the economy, efficiency and effectiveness that such services are carried out;
- (7) the interface of Maintenance Management System with the SAP Financial Information System and Human Resources/Payroll System be expedited to eliminate duplication of processing and to ensure the accuracy and completeness of expenditure and payroll information in the Maintenance Management System;
- (8) the necessary staff, computer resources and training be provided to district operations to proceed with the timely implementation of the Maintenance Management System. Any deviations from the established timelines for implementation be reviewed and followed up;
- (9) in consultation with Legal Services and the Purchasing and Materials Management Division, a revised Contractor Performance Evaluation Form and a Contractor Infraction Report Form be implemented for all winter maintenance contracts;
- (10) the General Manager, Transportation Services, in consultation with the Commissioner, Corporate Services and the Chief Financial Officer and Treasurer, review the Division's equipment and maintenance requirements with a view to developing a cost effective fleet management and replacement program; and
- (11) this report be forwarded to the Policy and Finance Committee for consideration."

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

(Letter sent to Policy and Finance Committee – June 27, 2000)

2.3 Annual Audit Work Plan and Proposed Audit Process and Preliminary Audit Work Plan for The Toronto Police Service.

The Audit Committee had before it a report (May 23, 2000) from the Vice-Chair, Toronto Police Services Board respecting Annual Audit Work Plan and Proposed Audit Process and Preliminary Audit Work Plan for the Toronto Police Service, and recommending that the City of Toronto Audit Committee receive this report.

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

(Letter sent to Chair, Toronto Police Services Board – June 27, 2000)

2.4 Review of Animal Transaction Policies, Procedures and Practices since 1988

The Audit Committee had before it a report (June 7, 2000) from the Secretary, Board of Management, Toronto Zoo, advising that the Board of Management of Toronto Zoo, on June 7, 2000, received the report (May 30, 2000) from the General Manager and CEO responding to the Auditor's Report on "Review of Animal Transaction Policies, Procedures and Practices since 1988" and directed that a copy thereof be forwarded to the Audit Committee for information.

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

(Letter sent to Secretary, Board of Management, Toronto Zoo – June 27, 2000)

2.5 Audited Financial Statements for the Year Ended December 31, 1999 for Exhibition Place

The Audit Committee had before it a communication (June 2, 2000) from the Corporate Secretary, Exhibition Place respecting Audited Financial Statements for the Year Ended December 31, 1999 for Exhibition Place, and recommending that the financial statements be received and forwarded to City Council.

On motion by Councillor Altobello, the Audit Committee recommended that City Council receive the Audited Financial Statements for the year ended December 31, 1999 for Exhibition Place.

(Report 3, Clause 4)

2.6 Feasibility of Conducting a Program Audit of Toronto Public Health

The Audit Committee had before it a report (May 29, 2000) from City Auditor respecting Feasibility of Conducting a Program Audit for Toronto Public Health, 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 – June 27, 2000)

2.7 Environmental Audit Mandate

The Audit Committee had before it a report (May 29, 2000) from City Auditor respecting Environmental Audit Mandate, 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 – June 27, 2000)

2.8 Audit Services - Additional Audit Projects

The Audit Committee had before it a report (May 29, 2000) from City Auditor respecting Audit Services – Additional Audit Projects, 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 – June 27, 2000)

2.9 Audit Services – Participation in the Peer Review of the Wayne County Office of the Legislative Auditor General

The Audit Committee had before it a report (April 25, 2000) from City Auditor respecting Audit Services – Participation in the Peer Review of the Wayne County Office of the Legislative Auditor General, 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 – June 27, 2000)

2.10 Toronto Zoo – Tendering of Advertising Contract

The Audit Committee had before it a report (June 1, 2000) from City Auditor respecting Toronto Zoo – Tendering of Advertising Contract, and recommending that this report be received and forwarded to the Budget Advisory Committee.

On motion by Councillor Holyday, the Audit Committee received the foregoing report and forwarded same to the Budget Advisory Committee.

(Letter sent to Budget Advisory Committee – June 27, 2000)

2.11 Auditor's Report and Financial Statements of the Toronto Atmospheric Fund for the Year Ended December 31, 1999

The Audit Committee had before it a report (May 3, 2000) from the Committee Secretary, Toronto Atmospheric Fund respecting Auditor's Report and Financial Statements of the Toronto Atmospheric Fund for the year ended December 31, 1999, and recommending that the Auditor's Report (March 21, 2000) and the Financial Statements of the Toronto Atmospheric Fund for the year ended December 31, 1999 be received and forwarded to City Council.

On motion by Councillor Bussin, the Audit Committee deferred consideration of the foregoing report until its next meeting.

(Letter sent to Committee Secretary, Toronto Atmospheric Fund – June 27, 2000)

2.12 Financial Statements for the Year Ended December 31, 1999 – Toronto Zoo

The Audit Committee had before it a communication (June 7, 2000) from the Secretary, Board of Management, Toronto Zoo, forwarding Financial Statements for the year ended December 31, 1999.

On motion by Councillor Adams, the Audit Committee recommended to City Council that the financial statements of the Board of Management of the Toronto Zoo for the year ended December 31, 1999 be approved.

(Report 3, Clause 3)

2.13 Contract Process Review – Facilities and Real Estate

The Audit Committee had before it a report (June 15, 2000) from the Commissioner of Corporate Services respecting Contract Process Review – Facilities and Real Estate, and recommending that this report be received for information.

On motion by Councillor Altobello, in accordance with the Municipal Act, the Audit Committee met privately to discuss the Appendix of the report, having regard that the subject matter dealt 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:

On motion by Councillor Adams:

- (1) received the foregoing report; and
- (2) requested the Chief Administrative Officer and the City Commissioners together to develop a process to provide reports in a timely fashion on when there is a variation from standard purchasing policies and when City staff have exercised their delegated authority with respect to single sourcing of goods and/or services.

(Letter sent to: Chief Administrative Officer; Chief Financial Officer and Treasurer; Commissioner of Community and Neighbourhood Services; Commissioner of Corporate Services, Commissioner of Economic Development, Culture and Tourism, Commissioner of Urban Development Services; Commissioner of Works and Emergency Services; c. City Auditor – June 27, 2000)

2.14 Toronto Harbour Commissioners – Financial Review

The Audit Committee had before it a report (June 16, 2000) from the City Auditor respecting Toronto Harbour Commissioners – Financial Review, and recommending

- “(1) City Finance, in consultation with City Legal Services, be directed to advise all City Agencies, Boards and Commissions and other Special Purpose Bodies of a requirement to comply with City administrative policies. All such policies be communicated to the respective Agency, Boards and Commissions and other Special Purpose Bodies;
- (2) City Finance be directed to amend the reports submitted to City Council regarding the remuneration of Council appointees to Local Boards or other Special Purpose Bodies dated May 11, 1999 and March 3, 2000. Such amendments to include actual expenditures incurred by the Toronto Harbour Commissioners and the Toronto Port Authority on behalf of Council appointees;
- (3) City Finance advise all Local Boards and Special Purpose Bodies of the specific requirements set out in Section 247(1) and Section 247(3) of The Municipal Act in regard to the reporting to Council of all remuneration and expenses of Council appointees;
- (4) City Council direct that all costs relating to travel approved by and incurred for the benefit of Agencies, Boards, Commissions or Special Purpose Bodies be processed by the entity approving the travel;
- (5) in accordance with Council’s directive, City Finance, in consultation with City Legal Services, be authorized to recover the amount of \$21,278 from the Toronto Port Authority in relation to certain non-subsidizable expenses, including first class air travel and expenses relating to spousal travel;
- (6) City Finance, in consultation with City Legal Services, clarify the subsidy responsibilities of the City in regard to expenditures incurred by the Toronto Port Authority which do not form a part of their budget submission to the City. For those expenditures not budgeted, the Toronto Port Authority be required to reimburse the City for such amounts;
- (7) City Legal Services in consultation with City Audit Services determine whether or not the expenditure of certain funds is in accordance with the provisions of the subsidy agreement which states, among other things, that the Toronto Harbour Commissioners “shall continually strive to reduce the expenses it incurs in its operations, with a view to operating at an optimum level of efficiency, economy and effectiveness.” If it is determined that funds have not been expended in this manner, steps be taken to recover such amounts;

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- (8) City Finance in consultation with City Legal Services, during its deliberation of the budget of the Toronto Port Authority, determine the composition of the surplus account at the Toronto Port Authority with a view to determining whether or not any of this surplus qualifies as “surplus profits” as defined in the Toronto Harbour Commissioners Act of 1911. Funds qualifying as “surplus profits” be returned to the City; and
- (9) this report be forwarded to the Budget Advisory Committee for consideration during its review of the budget of the Toronto Port Authority.”

The Audit Committee also had before it a communication (June 26, 2000) from Councillor Layton.

On motion by Councillor Altobello, in accordance with the Municipal Act, the Audit Committee met privately to hold discussions pertaining to the Appendix of the report (June 16, 2000) from the City Auditor, having regard that the subject matter deals with personal matters about an identifiable individual, including municipal or local board employees.

The Audit Committee recommended to City Council that:

On motion by Councillor Altobello:

- (1) the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, be directed to advise all City Agencies, Boards and Commissions and other Special Purpose Bodies of a requirement to comply with City administrative policies. All such policies be communicated to the respective Agency, Boards and Commissions and other Special Purpose Bodies;
- (2) the Chief Financial Officer and Treasurer be directed to amend the reports submitted to City Council regarding the remuneration of Council appointees to Local Boards or other Special Purpose Bodies dated May 11, 1999 and March 3, 2000. Such amendments to include actual expenditures incurred by the Toronto Harbour Commissioners and the Toronto Port Authority on behalf of Council appointees;
- (3) the Chief Financial Officer and Treasurer advise all Local Boards and Special Purpose Bodies of the specific requirements set out in Section 247(1) and Section 247(3) of The Municipal Act in regard to the reporting to Council of all remuneration and expenses of Council appointees;

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- (4) City Council direct that all costs relating to travel approved by and incurred for the benefit of Agencies, Boards, Commissions or Special Purpose Bodies be processed by the entity approving the travel;
- (5) in accordance with Council's directive, the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, be authorized to recover the amount of \$21,278 from the Toronto Port Authority in relation to certain non-subsidizable expenses, including first class air travel and expenses relating to spousal travel;
- (6) the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, clarify the subsidy responsibilities of the City in regard to expenditures incurred by the Toronto Port Authority which do not form a part of their budget submission to the City. For those expenditures not budgeted, the Toronto Port Authority be required to reimburse the City for such amounts;
- (7) the City Solicitor in consultation with the City Auditor, determine whether or not the expenditure of certain funds is in accordance with the provisions of the subsidy agreement which states, among other things, that the Toronto Harbour Commissioners "shall continually strive to reduce the expenses it incurs in its operations, with a view to operating at an optimum level of efficiency, economy and effectiveness." If it is determined that funds have not been expended in this manner, steps be taken to recover such amounts;
- (8) the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, during its deliberation of the budget of the Toronto Port Authority, determine the composition of the surplus account at the Toronto Port Authority with a view to determining whether or not any of this surplus qualifies as "surplus profits" as defined in the Toronto Harbour Commissioners Act of 1911. Funds qualifying as "surplus profits" be returned to the City;

On motion by Councillor Adams:

- (9) the City's external auditors who conduct a high level financial audit at the Agencies, Boards and Commissions and other Special Purpose Bodies be required to report issues of non-compliance regarding the City's policies to the Chief Financial Officer and Treasurer, the City Auditor and to the Audit Committee;

On motion by Councillor Bussin:

- (10) the City request that a representative from the City's Finance Department be present at all Toronto Port Authority meetings;

On motion by Councillor Holyday:

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- (11) the Toronto Harbour Commissioners be invited to attend the next meeting of the Audit Committee to individually account for the events set out in the report (June 16, 2000) from the City Auditor;

On motion by Councillor Altobello:

- (12) the report (June 16, 2000) from the City Auditor be forwarded to the Budget Advisory Committee and the Policy and Finance Committee for consideration during their review of the budget of the Toronto Port Authority.

The Audit Committee also:

On motion by Councillor Mahood, with Councillor Altobello in the Chair:

- (1) issued confidential instructions to the City Auditor to report directly to Council, such instructions having been forwarded to Members of Council under separate cover and having regard that the subject matter of the instructions deals with personal matters about an identifiable individual, including municipal or local board employees;

On motion by Councillor Adams:

- (2) requested the City Auditor to report directly to Council on:
- (a) the members of the Toronto Harbour Commission present at the meeting of March 9, 1998 and whether the recommendations from City Council of April 1998 were, or were not, incorporated into the 1999 and 2000 subsidy agreement;
 - (b) those matters, as set out in his report dated June 16, 2000, which would not be properly part of the subsidy arrangement;
- (3) requested the City Auditor and the Chief Financial Officer and Treasurer to report directly to Council on possible remedies for the failure of the Chief Financial Officer of the Toronto Harbour Commission to report accurately on remuneration of the Council appointees for the years 1998 and 1999;
- (4) referred the communication (June 26, 2000) from Councillor Layton for consideration with the above report requests;
- (5) requested the City Auditor to:

On motion by Councillor Adams:

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- (a) make further inquiries and report to the Audit Committee not later than September, 2000 on who received \$35,500 in political contributions and the circumstances surrounding the Toronto Harbour Commissioners' use of the services of GGMA Communications Ltd., including who authorized the use of this organization and its qualifications, ownership and experience for providing these services;

On motion by Councillor Holyday:

- (b) report to the Audit Committee on:
 - (i) how the \$195,000.00 to be returned to the Toronto Port Authority could be repaid, in turn, to the City; and
 - (ii) how the City can ensure compliance of the City Auditor's recommendations through the subsidy arrangement;

On motion by Councillor Mahood:

- (c) submit to the Audit Committee a complete and detailed expense report for Councillor Kelly's trips to London and Belfast, U.K. in June, 1998 and to Boston, Baltimore and Chicago in September, 1998;

On motion by Councillor Adams:

- (6) requested the City Solicitor and the City Auditor to report to the Audit Committee, by September, 2000, on the determination of whether or not the expenditure of \$138,557 on hockey tickets, including hockey seat licences, complies with the subsidy agreement;
- (7) requested the Chief Administrative Officer to report to the Audit Committee, by September, 2000, on policies governing management employment contracts, severances, staff bonuses, consulting expenses, business travel and reimbursement of office expenses incurred by Board members which would apply to all staff and City-appointed Board members of the City's Agencies, Boards and Commissions and Special Purpose Bodies, to provide guidance to the City-appointed Board members;
- (8) requested the Chief Financial Officer and Treasurer, given that Council has given general direction for all the City's Agencies, Boards and Commissions and Special Purpose Bodies to be using the City's Financial System (SAP), to report to the appropriate Committee on the status and timetable for implementing the City's Financial System for all the City's Agencies, Boards and Commissions and Special Purpose Bodies (unless City Council authorizes an exemption), in

addition to the timetable for implementing the common financial and administrative policies;

- (9) requested the Chief Financial Officer and Treasurer, in consultation with the Executive Director of Human Resources to report to the appropriate committee on the feasibility, status and timetable for implementing the City's Human Resource and Payroll Information System for all the City's Agencies, Boards and Commissions and special purpose bodies.

(Letter sent to Chief Administrative Officer; City Auditor; Chief Financial Officer and Treasurer; City Solicitor; Executive Director of Human Resources; c. Mary Ellen Bench, Legal Services – June 27, 2000)

(Report 3, Clause 1)

2.15 Toronto Economic Development Corporation (TEDCO) Update.

The Audit Committee had before it a confidential report (May 26, 2000) from the City Auditor, respecting Toronto Economic Development Corporation (TEDCO) Update.

On motion by Councillor Altobello, in accordance with the Municipal Act, the Audit Committee met privately to hold discussions pertaining to this matter, having regard that the subject matter dealt with the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

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

(Letter sent to City Auditor – June 27, 2000)

2.16 Competition Bureau Investigation – Liquid Chlorine Contract

The Audit Committee had before it a confidential report (May 24, 2000) from the City Auditor, respecting Competition Bureau Investigation – Liquid Chlorine Contract.

On motion by Councillor Altobello, in accordance with the Municipal Act, the Audit Committee met privately to hold discussions pertaining to this matter, having regard that the subject matter may be subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

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

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(Letter sent to City Auditor – June 27, 2000)

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2.17 1999 City of Toronto Consolidated Financial Statements

The Audit Committee had before it a report (June 21, 2000) from the Chief Financial Officer and Treasurer respecting 1999 City of Toronto Consolidated Financial Statements, and recommending that the attached 1999 Consolidated Financial Statements be adopted.

On motion by Councillor Adams, the Audit Committee deferred consideration of the foregoing report until its next meeting.

(Letter sent to Chief Financial Office and Treasurer – June 17, 2000)

Attendance:

June 26, 2000	9:30 a.m. – 9:55 a.m.	In Camera 9:55 a.m. - 11:15 a.m.	11:20 a.m. – 1:00 p.m.	1:10 p.m. - 1:40 p.m. – (Committee Room 4)
Mahood (Chair)	x	x	x	x
Adams	x	x	x	x
Altobello	x	x	x	x
Bussin	x	x	x	x
Holyday	x	x	x	x

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

Chair