

**AUDIT COMMITTEE
AGENDA
MEETING No. 7**

Date of Meeting:	November 29, 2001	Enquiry:	Frances Pritchard
Time:	9:30 a.m.		Administrator
Location:	Committee Room 1		392-7033
	City Hall		fpritcha@city.toronto.on.ca
	100 Queen Street West		

DECLARATIONS OF INTEREST PURSUANT TO THE MUNICIPAL CONFLICT OF INTEREST ACT.

CONFIRMATION OF MINUTES OF MEETINGS OF SEPTEMBER 21 AND NOVEMBER 1, 2001 (*Forwarded to Members by electronic mail*)

COMMUNICATIONS/REPORTS:

1. POLICY FOR THE SELECTION AND HIRING OF PROFESSIONAL AND CONSULTING SERVICES; USE OF CONSULTANTS AND EXPENDITURE REDUCTION STRATEGIES; HIRING OF PROFESSIONAL AND CONSULTING SERVICES REVIEW

City Clerk
(October 16, 2001)

Forwarding the actions of the Administration Committee on October 16, 2001, in having:

- (1) referred the communication (August 1, 2001) from the Acting City Clerk to the Acting Chief Administrative Officer with a request that she submit a report to the Audit Committee for its meeting scheduled to be held in November, 2001, providing a detailed implementation plan and timetable responding to all of the recommendations contained in Clause No. 1 of Report No. 11 of the Administration Committee, entitled "APolicy for the Selection and Hiring of Professional and Consulting Services; Use of Consultants and Expenditure Reduction Strategies; and Hiring of Professional and Consulting Services Review";

- (2) requested the Audit Committee, when it gives consideration to this matter, to refer the following two Recommendations of the Administration Committee which were submitted to Council for consideration at its meeting on July 24, 25 and 26, 2001, to the City Auditor:

“(VI) that the City Auditor be directed to conduct a forensic audit of the contracts referred to in the report (June 28, 2001) from the City Auditor respecting the four instances where actual payments to the consultant had exceeded the total value of the purchase order issued by the City; and the two consultants who were engaged as project managers to develop and maintain financial information systems in the Finance Department for a number of years; and that this audit be a complete review from the original date of the contract to the current time and all details be reported to the Audit Committee immediately; and

(VII) that the forthcoming report from the City Auditor respecting this matter clarify in detail those particular contracts mentioned in the aforementioned report (June 28, 2001) from the City Auditor; which identifies a number of situations where there are opportunities to reduce consulting costs;”;

- (3) amended the following motion which was referred to the Administration Committee by Council on July 24, 25 and 26 to read as follows:

Moved by Councillor Nunziata:

It is recommended that, for all consulting contracts in excess of \$50 thousand, the Acting Chief Financial Officer be requested to submit a report to the appropriate Standing Committee on the total funds expended in relation to such contracts, such report to include a comparison of the funds specifically budgeted for each contract and the final cost of each to the City of Toronto; and contracts that exceed the amount that was originally approved be brought back to the relevant Committee for approval;”;

- (4) requested the Acting Chief Administrative Officer to:
- (a) review the need to attach an interim Audit measure to ensure the appropriateness of payment of accounts in this interim stage; and
 - (b) submit a report to the Administration Committee on whether or not there are appropriate staffing levels in relationship to the Departments that were reviewed by the City Auditor; and

- (5) referred the policies to track costs on various categories of consultants in the financial system and budget process outlined in the aforementioned Clause to the Acting Chief Administrative Officer for report thereon to the Administration Committee as soon as possible.

1(a). Chief Administrative Officer
(November 16, 2001)

Respecting Management of Consultants – Policy and Implementation Plan, and recommending that:

- (1) the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer entitled “Policy for the Selection and Hiring of Professional and Consulting Services” contained in Administration Committee Report No. 11, Clause 1 be adopted subject to the inclusion of a justification analysis requirement with a corresponding dollar threshold and detailed consequences arising from non-compliance as recommended by the City Auditor;
- (2) Council adopt the detailed implementation plan and timetable contained in this report;
- (3) the Chief Administrative Officer in consultation with the Director of Purchasing and Materials Management Division and the City Auditor develop a corporate business case template with appropriate dollar thresholds to be used as justification for hiring consultants by March 2002;
- (4) the reporting date for recommendations arising from the purchasing review to be conducted by the Chief Administrative Officer in consultation with the City Auditor be amended from January 2002 to September 2002;
- (5) the Acting Chief Financial Officer and the Acting Treasurer develop a corporate financial policy and procedures manual by September 2002;
- (6) the Acting Executive Director of Information and Technology in consultation with the City Auditor report to the Audit Committee by March 2002 on their review of Year 2000 and non-Year 2000 information technology service contracts that were awarded without the involvement of the Purchasing Agent;
- (7) the Chief Administrative Officer review the results of the implementation plan contained herein in consultation with the City Auditor and report the findings to the Administration Committee by the end of 2002; and
- (8) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

2. AUDIT SERVICES – 2002 OPERATING PLAN AND BUDGET

City Auditor
(November 18, 2001)

Recommending that the attached 2002 Operating Plan and Budget for Audit Services be approved and forwarded to the Budget Advisory Committee.

3. 2002 AUDIT WORK PLAN

City Auditor
(November 1, 2001)

Recommending that the Audit work plan, as set out in Appendix 1, be approved.

4. DEPARTMENTAL PURCHASE ORDERS – ENFORCEMENT AND COMPLIANCE MEASURES

City Auditor
(November 6, 2001)

Recommending that:

- (1) the Chief Administrative Officer and the City Auditor, during their comprehensive review of the purchasing function within the City of Toronto, determine an efficient and effective monitoring and reporting mechanism for the use of Departmental Purchase Orders;
- (2) Commissioners advise all their respective staff responsible for the acquisition of goods and/or services of the blanket contract information available on the City's Intranet;
- (3) Commissioners ensure that staff involved in the acquisition of goods and/or services obtain training on the use of the blanket contract information available on the City's Intranet, if required;

- (4) Commissioners, in consultation with the Chief Financial Officer and Treasurer and Audit Services, implement by June 30, 2002 monitoring and reporting mechanisms, including automated extraction and data analysis routines, to facilitate the identification and reporting of non-compliance with the purchasing policy. These mechanisms will facilitate identification of splitting of Departmental Purchase Orders and non-reported sole source/emergency purchases. Where instances of non-compliance are identified, Commissioners be required to take appropriate action.

5. CONTRACT MANAGEMENT PROCEDURES – TRANSPORTATION SERVICES DIVISION, WORKS AND EMERGENCY SERVICES

City Auditor

(November 15, 2001)

Recommending that this report be received for information.

6. SNOW REMOVAL BUDGET REVIEW

City Auditor

(November 8, 2001)

Recommending that:

- (1) the Commissioner of Works and Emergency Services ensure that monthly reconciliations and analysis are performed between the Maintenance Management System and the SAP system;
- (2) the Commissioner of Works and Emergency Services, in consultation with the Chief Financial Officer and Treasurer, develop a single time sheet to be used for both the SAP Payroll system and the Maintenance Management System;
- (3) the Commissioner of Works and Emergency Services integrate relevant, objective and measurable performance measures and standards into the budget and planning process to evaluate the effectiveness of the City's winter maintenance program;
- (4) the Commissioner of Works and Emergency Services report to the Works Committee by April 30, 2002, on the status and action taken to address the recommendations in this report; and
- (5) this report be forwarded to the Works Committee for information.

7. NOVELL NETWARE NETWORKS SECURITY ASSESSMENT

City Auditor
(September 14, 2001)

Recommending that this report be received for information.

8. TORONTO PUBLIC HEALTH – DELIVERY OF THE CITY’S NON-MANDATORY DENTAL PROGRAM

City Auditor
(November 8, 2001)

Recommending that:

- (1) a value-for-money audit on the non-mandatory dental program be deferred to 2003; and
- (2) this report be submitted to the Policy and Finance Committee for consideration and to the Board of Health for information.

9. AUDIT MANAGEMENT LETTERS RELATING TO INDIVIDUAL BUSINESS IMPROVEMENT AREAS

City Auditor
(November 15, 2001)

Recommending that:

- (1) the individual management letters issued for each of the Business Improvement Areas be received for information; and
- (2) the Commissioner of Economic Development, Culture & Tourism be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by April 30, 2002.

(Individual Management Letters forwarded to Members of Audit Committee only)

9(a). Commissioner, Economic Development, Culture and Tourism
(November 1, 2001)

Respecting Response to Audit Management Letters for Business Improvement Areas, and recommending that the report be received for information.

10. IMPLEMENTATION OF CITY AUDITOR'S RECOMMENDATIONS REGARDING THE COMMUNITY SERVICES GRANTS PROGRAM

Acting Commissioner of Community and Neighbourhood Services
(November 15, 2001)

Recommending that:

- (1) the Reserve/Surplus Policy contained in Appendix "F" of this report be approved;
- (2) this report be referred to the Community Services, Economic Development and Parks, and the Grants Sub-Committees for their information; and
- (3) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

11. URBAN DEVELOPMENT SERVICES – BUILDING DIVISION REVIEW

City Auditor
(November 13, 2001)

Recommending that:

- (1) the Commissioner, Urban Development Services, report to the Planning and Transportation Committee by April 30, 2002 on an implementation plan that:
 - (a) prioritizes issues and opportunities for improvement, identifies barriers that must be addressed, and outlines appropriate courses of action with specific timelines for implementation of initiatives in order to complete the harmonization process and improve service levels;

- (b) clarifies roles and responsibilities of staff within the Division, establishes formal and informal processes for divisions to consult on the impact of their decisions on other division responsibilities, eliminates overlap in responsibilities and recognizes and adopts best business practices in the Divisions;
 - (c) facilitates the development of service level agreements with other departments, pursuant to the Interdepartmental Development Process Review Project, to better control the timeliness and level of service provided by these departments with respect to development applications; and
 - (d) identifies any short-term resources required to carry out the implementation plan;
- (2) the Commissioner, Urban Development Services report to Planning and Transportation Committee by September 30, 2002:
- (a) on the adequacy of quality assurance procedures that currently exist within each district, and revise and implement standard procedures and processes, as necessary, to ensure consistent application across all districts; and
 - (b) on the status and functionality of the new IBMS reporting module currently being implemented, the information requirements being requested from the system to effectively support staff in their management and quality assurance activities, and any deficiencies in terms of the management information the IBMS system can provide;
- (3) the Commissioner, Urban Development Services report to the Planning and Transportation Committee during the 2002 budget process on the status and functionality of the IBMS phased implementation program, including identification of planned initiatives, implementation target dates, expenditures incurred to date and estimates of additional resources required to achieve effective functionality, including Internet capabilities, multi-department integration and appropriate training;
- (4) the Commissioner, Urban Development Services report to Planning and Transportation Committee on:
- (a) the potential impact of the provincial legislation and implementation of the provincial Building Regulatory Reform Advisory Group recommendations by February 28, 2002;
 - (b) the action required and estimated timelines to implement changes to reporting and business processes necessary to improve the transparency of building fees by September 30, 2002; and

- (c) the action required and issues that must be considered for the Building Division to adopt an “entreprise model” for its operations by September 30, 2002;
- (5) the Commissioner, Urban Development Services, in consultation with the Chief Financial Officer and Treasurer, report to Planning and Transportation Committee by April 30, 2002 on the feasibility of recording deferred revenue and actions required to phase in this initiative;
- (6) the Commissioner, Urban Development Services:
 - (a) analyse NSF cheques outstanding and authorize an appropriate allowance for doubtful accounts pertaining to the NSF accounts receivable balance; and
 - (b) in consultation with the Chief Financial Officer and Treasurer, report to the Planning and Transportation Committee by February 28, 2002 on procedures to minimize the risk of loss from NSF cheques and ways to improve the collection process regarding these cheques;
- (7) this report be forwarded to the Planning and Transportation Committee for information.

12. TORONTO ATMOSPHERIC FUND

City Auditor

(November 9, 2001)

Recommending that:

- (1) the Executive Director, Toronto Atmospheric Fund develop an annual business plan that includes strategic and operational objectives and performance indicators to measure the value and effectiveness of individual grants/loans and the program as a whole;
- (2) the Executive Director, Toronto Atmospheric Fund, implement a more rigorous grants monitoring process, which includes:
 - (a) a regular review of progress to ensure project milestones and objectives are being achieved;
 - (b) a grant payment schedule that is based on achievement of project milestones;

- (c) a review of project financial information and the organization's audited financial statements prior to approving grant requests; and
 - (d) consistent application of monitoring procedures;
- (3) the Executive Director, Toronto Atmospheric Fund and the Grants and Loans Committee ensure that all grant proposals submitted for approval to the Toronto Atmospheric Fund Board include objectives that are clear, realistic, achievable and measurable. For multi-year projects, program objectives should be established on an annual basis;
 - (4) the Executive Director, Toronto Atmospheric Fund assess and document and report to the Toronto Atmospheric Fund Board, accordingly, the impact of any reductions to grant requests on the organization's ability to complete the project as proposed;
 - (5) the Chief Financial Officer and Treasurer review the issue of City departments and boards using loans from the Toronto Atmospheric Fund to finance certain City projects, develop a clear policy in this regard and report to the Policy and Finance Committee by June 30, 2002 accordingly; and
 - (6) the Executive Director, Toronto Atmospheric Fund report to the Audit Committee by June 30, 2002, on the action taken to implement the recommendations in this report.

12(a). Executive Director, Toronto Atmospheric Fund
(November 20, 2001)

Submitting Management Response to the Audit Report

13. TORONTO PUBLIC HEALTH – CORPORATE CHARGES

City Auditor
(November 19, 2001)

Recommending that:

- (1) the Chief Financial Officer and Treasurer, in consultation with the Commissioner of Corporate Services, incorporate in their report on the rationalization of interdepartmental charges, the development of a policy and framework for identifying the types of corporate overhead costs that are to be allocated to the various departments, and the basis for such allocations; and
- (2) this report be forwarded to the Board of Health and the Budget Advisory Committee for information.

14. TERMS OF REFERENCE

City Auditor
(November 16, 2001)

Recommending that this report be received for information.

15. NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS – 2003 ANNUAL CONFERENCE

City Auditor
(October 23, 2001)

Recommending that this report be received for information.

16. IN CAMERA MATTER

COMPETITION BUREAU INVESTIGATION – LIQUID CHLORINE CONTRACT UPDATE

City Auditor
(November 14, 2001)

Confidential report 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.

17. 2000 SINKING FUND FINANCIAL STATEMENTS

Chief Administrative Officer & Acting Chief Financial Officer
Acting Treasurer & Director of Accounting Services
(November 16, 2001)

Recommending that the 2000 financial statements for the City's sinking funds be received.

18. 2000 FINANCIAL STATEMENTS OF BOARDS OF MANAGEMENT OF BUSINESS IMPROVEMENT AREAS

Chief Administrative Officer & Acting Chief Financial Officer
Acting Treasurer & Director of Accounting Services
(November 16, 2001)

Recommending that the financial statements of the Business Improvement Areas included with this report be received.

(Financial Statements attached to the report forwarded to Members of the Audit Committee only)

19. INTERIM UPDATE: RESPONSE TO THE “REVIEW OF THE INVESTIGATION OF SEXUAL ASSAULTS – TORONTO POLICE SERVICE”

Chairman, Toronto Police Services Board
(October 29, 2001)

Recommending that the Audit Committee receive the report.

20. PUBLIC AUDIT OF TORONTO’S 2008 OLYMPIC BID

City Clerk
(October 11, 2001)

Forwarding a motion from Councillor Walker, seconded by Councillor Balkissoon respecting the Public Audit of Toronto’s 2008 Olympic Bid, which was referred by City Council at its meeting held on October 2, 3 and 4, 2001.

21. FORENSIC AUDIT OF BEACON SYSTEMS

Councillor Pitfield
(October 12, 2001)

Requesting that a forensic audit of Beacon Systems be conducted.