

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting 7

Tuesday, November 23, 2004

The Audit Committee met on Tuesday, November 23, 2004 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

No Declarations of Interest under the Municipal Conflict of Interest Act were declared.

On motion by Councillor Del Grande, the Minutes of the meeting held on September 23, 2004 were confirmed.

7.1 Annual Report and 2005 Budget – Auditor General's Office

The Audit Committee had before it a report (November 5, 2004) from the Auditor General providing the Audit Committee with information relating to the annual report and the 2005 budget for the Auditor General's Office.

Recommendation:

It is recommended that the attached Annual Report and 2005 Budget for the Auditor General's Office be approved and forwarded to the Budget Advisory Committee.

The Audit Committee also had before it a paper copy of a PowerPoint presentation given by Jeffrey Griffiths, Auditor General.

On motion by Councillor Del Grande, the Audit Committee:

- (1) approved the Annual Report and 2005 Budget for the Auditor General's Office attached to the report (November 5, 2004) from the Auditor General and requested that it be forwarded it to the Budget Advisory Committee; and
- (2) requested the Auditor General to provide the value added of his department for the past three years to the Budget Advisory Committee by identifying:
 - (a) actual dollar savings to the City;

- (b) potential savings to the City of Toronto;
- (c) at risk dollars to the City of Toronto; and
- (d) and for non-identifiable dollar activities, the impact of the audit review on those items.

(Letters sent to: Budget Advisory Committee c.: Auditor General - November 24, 2004)

(Report 6, Other Items Clause 16(a))

7.2 2005 Audit Work Plan

The Audit Committee had before it a report (November 9, 2004) from the Auditor General providing City Council with details of the Auditor General's Audit Work Plan for the year ended December 31, 2005.

Recommendation:

It is recommended that the 2005 Audit Work Plan for the Auditor General's Office be received for information.

The Audit Committee also had before it a paper copy of a PowerPoint presentation given by Alan Ash, Director, Auditor General's Office.

On motion by Councillor Holyday, the Audit Committee requested the Auditor General to report to the Audit Committee in January 2005 with a strategy to bring forward and complete the Audits with Outstanding Recommendations contained in his report (November 9, 2004).

On motion by Councillor Holyday, the Audit Committee submitted to City Council for its information, the 2005 Audit Work Plan attached to the report (November 9, 2004) from the Auditor General, and in accordance with Chapter 169-30.1 of the City of Toronto Municipal Code, advised City Council that:

- (1) the Audit Committee received the Work Plan; and
- (2) Council may not amend or delete the Work Plan, but may only add to the Work Plan by a 2/3 vote of all Members of Council.

(Letters sent to: Auditor General - November 24, 2004)

(Report 6, Clause 1)

7.3 The Migration of the SAP Financial and Human Resources/Payroll System to the City's Agencies, Boards and Commissions

The Audit Committee had before it a report (October 12, 2004) from the Auditor General providing the Audit Committee with information relating to the migration of the SAP Financial and Human Resources/Payroll System to the City's Agencies, Boards and Commissions.

Recommendation:

It is recommended that the Chief Administrative Officer initiate a process whereby all information technology acquisitions throughout the City, including the Agencies, Boards and Commissions, are effectively planned and coordinated. Such a process take into account the potential of establishing a corporate governance model which provides the appropriate level of authority for initiating, coordinating and approving technology investments at the City's Agencies, Boards and Commissions. If appropriate, the Chief Administrative Office be required to propose changes to legislation to ensure that such a process takes place. The Chief Administrative Officer report back to Audit Committee for its July 11, 2005 meeting in regard to this matter.

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

- (1) adopt the staff recommendations in the Recommendations Section of the report (October 12, 2004) from the Auditor General;
- (2) request the Chief Administrative Officer to review and report on a process which would enable the implementation of SAP to the City's ABCs, wherever it is economical and practical, and report back to the Audit Committee in six months time; and

On motion by Councillor Del Grande the Audit Committee requested the Chief Administrative Officer to consider and review the need for a Chief Information Officer for the City and report on her findings to the appropriate Committee.

(Report 6, Clause 2)

7.4 Receivables Review – Parks and Recreation Operations, Economic Development, Culture and Tourism Department

The Audit Committee had before it a report (October 7, 2004) from the Auditor General reporting the results of the Auditor General's independent verification of certain outstanding receivables relating to the Parks and Recreation operations and, where appropriate, to recommend further action to improve controls.

Recommendation:

It is recommended that the Commissioner, Economic Development, Culture and Tourism, analyze the outstanding receivables accounts in order to determine the appropriateness of the allowance for doubtful receivables estimated by the Auditor General and report back to the first Audit Committee meeting in 2005. The allowance be incorporated in the Department's 2004 actual financial results and be reported to the Chief Financial Officer and Treasurer.

The Audit Committee also had before it a report (November 9, 2004) from the Commissioner, Economic Development, Culture and Tourism responding to the request by the Audit Committee to report on accounts receivable for Parks and Recreation, including the age of the accounts and to provide a management response to the Report by the Auditor General titled "Receivables Review -- Parks and Recreation Operations, Economic Development, Culture and Tourism " in front of November 23, 2004, Audit Committee.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Fletcher, the Audit Committee:

- (1) recommended that City Council adopt the staff recommendations in the Recommendations Section of the report (October 7, 2004) from the Auditor General; and
- (2) requested the Commissioner of Economic Development, Culture and Tourism to report to the Audit Committee, for its February 2005 meeting, with an updated report providing information on his department's receivables after the small receivable accounts from families have been written off and year end accounts have been cleared.

(Letters sent to: Commissioner of Economic Development, Culture and Tourism - November 24, 2004)

(Report 6, Clause 3)

7.5 CLASS Recreation Registration and Permitting System Information Technology Review – Economic Development, Culture and Tourism Department

The Audit Committee had before it report (October 6, 2004) from the Auditor General advising that the purpose of this review was to evaluate the information technology management and administration of the CLASS Recreation Registration and Permitting

System, in the Parks and Recreation Division of the Economic Development, Culture and Tourism Department

Recommendation:

It is recommended that:

- (1) the Commissioner, Economic Development, Culture and Tourism, develop a longer term strategic plan which provides specific direction to the Information Technology Unit within the Department in regard to:
 - (a) the prioritization of Information Technology projects;
 - (b) the monitoring of the performance of the Information and Technology Unit;
 - (c) the monitoring of the progress of Information Technology projects;
 - (d) the approval of Information Technology related acquisitions, including software; and
 - (e) such a plan be developed in consultation with senior management of the Corporate Information Technology Division of the Corporate Services Department;
- (2) the Commissioner, Economic Development, Culture and Tourism, establish appropriate performance indicators for the key deliverables and objectives of the Information Technology Unit. These indicators be established for specific system development, system enhancement activities, as well as on-going operations. The Information Technology Unit be required to report on actual performance on a regular basis;
- (3) the Commissioner, Economic Development, Culture and Tourism, ensure that processes are in place to monitor the progress of various information technology projects and steps are taken to ensure that such projects are completed in a reasonable period of time and within budget;
- (4) the Commissioner, Economic Development, Culture and Tourism, ensure that significant technology projects be initiated only after the specific development and approval of a project charter. Such charter to include:
 - (a) specific details and objectives on the project;
 - (b) specific timeframes; and

- (c) the need for regular progress reporting;
- (5) the Commissioner, Economic Development, Culture and Tourism, ensure that the decision not to proceed with the upgrade to the CLASS Recreation Registration and Permitting System is appropriately authorized and that such decisions and all supporting documentation is retained on file;
- (6) the Commissioner, Economic Development, Culture and Tourism, in consultation with the City Solicitor review the potential of revising the agreement with Class Software Solutions Ltd., in order to ensure that the level of support provided by the company extends to the version of software currently utilized by the City;
- (7) the Commissioner, Economic Development, Culture and Tourism, ensure that a copy of the Source Code and Source Code Documentation for the CLASS Recreation Registration and Permitting software is held in escrow and that it is maintained on an on-going basis;
- (8) the Commissioner, Economic Development, Culture and Tourism, ensure that a business continuity plan that integrates operational needs with the technology component of the CLASS Recreation Registration and Permitting System is prepared, and that such a plan is documented and tested on a regular basis and this plan be incorporated into the Department's overall disaster recovery plan;
- (9) the Commissioner, Economic Development, Culture and Tourism:
 - (a) ensure responsibility for managing security for the CLASS Recreation Registration and Permitting System is clearly assigned;
 - (b) conduct an assessment of the risks associated with the CLASS Recreation Registration and Permitting System and determine the level of security required; and
 - (c) establish specific security standards complete with procedures to support those standards and communicate expectations to employees;
- (10) the Commissioner, Economic Development, Culture and Tourism, implement formal procedures for granting or removing a user's access to the CLASS Recreation Registration and Permitting System. These procedures to include, but not be limited to approval requirements, assigning user group(s), process for handling transferred and terminated employees and the maintenance of appropriate documentation in support of the access privileges granted;
- (11) the Commissioner, Economic Development, Culture and Tourism, use the information on employee terminations from the City's Human Resources system

7
Audit Committee Minutes
November 23, 2004

for the purposes of removing access privileges of individuals who no longer work for the City;

- (12) the Commissioner, Economic Development, Culture and Tourism, direct that a review of current user access rights be performed and that such a review be conducted on a regular basis to confirm that user access rights are compatible with job functions and responsibilities;
- (13) the Commissioner, Economic Development, Culture and Tourism, ensure that password management practices, such as setting a standard minimum length for passwords, requiring regular password changes and locking out users after three unsuccessful attempts, are implemented;
- (14) the Commissioner, Economic Development, Culture and Tourism:
 - (a) review the System Administrator function to ensure that the number of individuals assigned such duties is limited to that required for the efficient and effective operation of the CLASS Recreation Registration and Permitting System; and
 - (b) ensure that the password to the System Administrator login identification is changed and a procedure implemented to change the password on a regular basis;
- (15) the Commissioner, Economic Development, Culture and Tourism, establish a policy and corresponding procedures for archiving records maintained on the CLASS Recreation Registration and Permitting System; and
- (16) the Commissioner, Economic Development, Culture and Tourism, ensure that:
 - (a) the development of reports follow a process that includes defining the user's requirements, obtaining the necessary approval, testing for accuracy, receiving final user acceptance before adding a customized report to the CLASS Recreation Registration and Permitting System and retaining appropriate documentation; and
 - (b) customized reports are available to all appropriate staff members.

The Audit Committee also had before it a report (October 29, 2004) from the Commissioner, Economic Development Culture and Tourism providing a management response to the October 7, 2004 Report by the Auditor General titled "CLASS Recreation Registration and Permitting System Information Technology Review -- Economic Development, Culture and Tourism Department."

Recommendation:

It is recommended that this report be received for information.

The Audit Committee also had before it a confidential report (November 10, 2004) from the Commissioner, Economic Development, Culture and Tourism, and because the report related to the security of the property of the municipality or local board, under the *Municipal Act, 2001*, discussions were held in-camera.

The Audit Committee also had before it a confidential report (October 7, 2004) from the Auditor General, and because the report related to the security of the property of the municipality or local board, under the *Municipal Act, 2001*, discussions were held in-camera.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee recommended that City Council:

- (1) adopt the staff recommendations in the Recommendations Section of the report (October 6, 2004) from the Auditor General;
- (2) adopt the staff recommendations in the Recommendations Section of the confidential report (October 7, 2004) from the Auditor General which was forwarded to Members of Council under separate cover, and, in accordance with the *Municipal Act*, discussion relating to this matter be held in-camera as the report relates to the security of the property of the municipality or local board; and
- (3) request the Commissioner, Economic Development, Culture and Tourism to conduct a threat and risk analysis of the CLASS Recreation System and report to the Audit Committee on his findings in one year's time.

(Report 6, Clause 4)

7.6 Payroll Processing Review (Phase One)

The Audit Committee had before it a report (October 27, 2004) from the Auditor General reporting on a review to assess the adequacy of controls over payroll processing and to determine whether outstanding recommendations from previous audit reports issued by the Auditor General's Office in relation to payroll matters have been implemented and, where appropriate, to recommend further action to improve controls.

Recommendation:

It is recommended that:

Audit Committee Minutes
November 23, 2004

- (1) City Council direct that this report be forwarded to the City's Agencies, Boards and Commissions in order to ensure that issues raised in this report are addressed by them, where appropriate. The City's Agencies, Boards and Commissions be required to report back to the Audit Committee at its meeting of July 11, 2005, in connection with the results of their review;
- (2) the Chief Administrative Officer establish Corporate standards and policies in relation to internal administrative controls for the processing of payroll information by Departments. Such controls include the requirement that:
 - documentation supporting the initial recording of payroll information (such as time sheets) is reviewed and approved in writing by supervisory staff;
 - payroll data input is reviewed and approved in writing or on-line by supervisory staff;
 - payroll expenditures for all pay periods are reviewed, compared and approved in writing by supervisory staff;
 - unusual payroll amounts are investigated, reviewed in detail and approved in writing by supervisory staff; and
 - the Chief Administrative Officer be required to report to the Audit Committee at its meeting of July 11, 2005, on the action taken in regard to the above.
- (3) the Chief Financial Officer and Treasurer review those specific on-line system controls currently available through SAP and in addition implement those on-line system controls identified during the course of this review. Such implementation be completed by July 11, 2005, and reported to the Audit Committee at that time;
- (4) the Chief Administrative Officer require that departmental staff, independent of the payroll input process, review and verify the accuracy and completeness of payroll transactions.
- (5) the Chief Financial Officer and Treasurer review controls over SAP employee master file data to ensure that employee payroll information is accurate and in agreement with authorized payroll forms. All relevant payroll information such as authorized payroll forms should be properly maintained in employee personnel files;
- (6) the Chief Financial Officer and Treasurer review the extent and usefulness of payroll reports currently available. Those reports which serve no purpose and consequently are not being used should be discontinued. The Chief Financial

10
Audit Committee Minutes
November 23, 2004

Officer and Treasurer be required to advise all Departments of payroll reports available through the financial information system;

- (7) the Chief Financial Officer and Treasurer, in consultation with the Commissioners, review the accuracy of vacation, lieu time and sick leave bank balance information in the SAP Human Resources/Payroll system. Appropriate action should be taken to correct SAP bank balances as required and discontinue the use of manual records;
- (8) the Chief Financial Officer and Treasurer review the controls in the SAP Human Resources/Payroll system in regard to employee alternate rate assignments;
- (9) the Chief Administrative Officer direct that all City Commissioners review the use of temporary alternate rate assignments within their own operations to ensure compliance with Corporate policy. All long-term acting assignments should be recorded on the SAP Human Resources/Payroll system as continuous alternate rates with a one-year expiry date and monitored by Finance Department payroll staff;
- (10) the Chief Financial Officer and Treasurer, investigate the reasons for all payroll overpayments and report to the Audit Committee at its meeting of July 11, 2005, on the results of this investigation and steps taken to prevent and/or minimize overpayments in the future;
- (11) the Chief Financial Officer and Treasurer finalize the overpayment recovery process as soon as possible and report to the Audit Committee by July 11, 2005, on the results of action taken to recover payroll overpayments;
- (12) the Commissioner of Economic Development, Culture and Tourism, in consultation with the Chief Financial Officer and Treasurer, review controls over payroll processing in the Parks and Recreation Division related to part-time recreation employees and make the necessary internal control and system improvements to reduce the risk of payroll overpayments and the number of manual cheques;
- (13) the Chief Administrative Officer, review the possibility of implementing control self-assessment in all City departments. The objective of such an assessment is to ensure that the appropriate level of control exists, such controls are constantly monitored and evaluated and there is compliance with such controls;
- (14) the Chief Financial Officer and Treasurer and the Commissioners review and assess the training needs of users of the SAP Human Resources/Payroll system and ensure additional training is provided. Such training should include information on payroll and human resource policies and collective agreements;

- (15) the Commissioner, Economic Development, Culture and Tourism in consultation with the Commissioner of Corporate Services review the appropriateness of proceeding with the electronic time sheet (Pay.Net) pilot project at the same time as the Time Entry SAP system is being developed. Any development of a non-SAP system considers the costs and benefits of integrating such a system with SAP. The Commissioner, Economic Development, Culture and Tourism report to the Audit Committee at its meeting of July 11, 2005, on the steps taken to implement this recommendation;
- (16) the Chief Financial Officer and Treasurer ensure that all reconciling items on payroll bank reconciliations are investigated and cleared on a timely basis;
- (17) the Chief Administrative Officer direct that access to confidential personnel and employee payroll information be restricted to those employees who require access to perform their specific job functions. Employees should not be provided complete access to sensitive and confidential data unless specific written approval is obtained from management; and
- (18) the Chief Financial Officer and Treasurer ensure that there is a process in place to determine that all employees currently in possession of temporary social insurance numbers are, after the required time frame, in possession of valid permanent social insurance numbers. Such a process ensure that individuals with temporary insurance numbers are eligible to work in Canada.

The Audit Committee also had before it a report (November 12, 2004) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer, providing management's response to the recommendations made by the Auditor General in his "Payroll Processing Review – Phase 1" report to the Audit Committee.

Recommendation:

It is recommended that the Chief Administrative Officer and the Chief Financial Officer and Treasurer provide a consolidated report to the Audit Committee by July 2005, on the actions taken to address the recommendations in the Auditor General's report.

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

- (1) adopt the staff recommendations in the Recommendations Section of the report (October 27, 2004) from the Auditor General noting that the Chief Administrative Officer and the Chief Financial Officer will provide a consolidated report to the Audit Committee by July 2005 on the actions taken to address the recommendations in the Auditor General's report;
- (2) requested the Chief Administrative Officer and the Chief Financial Officer and Treasurer to consider using the services of SAP, at no cost, to assist the payroll

division in overcoming some of the difficulties they are experiencing as the result of the SAP system; and

- (3) request the Commissioner of Corporate Services, in consultation with the Chief Financial Officer and Treasurer, to report to the Employee and Labour Relations Committee on a stronger collection procedure that would advise employees who have received a salary overpayment and who have not repaid this overpayment within a specific timeframe, that they would risk not being rehired by the city.

(Report 6, Clause 5)

7.7 Hostel Operations Review – Community and Neighbourhood Services

The Audit Committee had before it a report (June 20, 2004) from the Auditor General reporting the results of the review of hostel operations and the status of implementation of the recommendations included in the Auditor General's March 2001 report on Hostel Vacancy and Bed Rates.

Recommendations:

It is recommended that:

- (1) the Commissioner, Community and Neighbourhood Services, report to City Council with proposed provincial subsidy options and recommended changes to the current funding arrangements for the City's shelter system. Such a report:
 - (a) clearly articulate the need for a funding model which has as its objectives:
 - (i) the need to provide incentives for shelter operators to transition the homeless to permanent long-term accommodation; and
 - (ii) the need to provide a measure of financial stability to shelter operators; and
 - (b) include funding alternatives, including the short-term and long-term financial implications under each option; and
 - (c) along with any recommendations which City Council may have, form the basis of future negotiations with the Province of Ontario;
- (2) the Commissioner, Community and Neighbourhood Services, in consultation with the General Managers of Shelter, Housing and Support and Homes for the Aged Divisions, conduct a comprehensive review of those individuals who are long-term hostel residents with a view to:

- (a) identifying the appropriate level of support and accommodation for these residents;
 - (b) evaluating the financial impact on subsidies available from the Province in regard to the reallocation of long-term hostel residents to other programs;
 - (c) identifying the appropriate facility, such as rental housing, supportive housing, long-term care or special care facility, that is available to accommodate these individuals;
 - (d) identifying the availability of beds at those facilities; and
 - (e) developing a transition plan for the transfer of long-term hostel residents to those facilities;
- (3) the Commissioner, Community and Neighbourhood Services, establish formal policies and procedures for the ongoing transfer of hostel residents to other appropriate permanent housing facilities, including the placement of those individuals on the waiting lists of such facilities;
- (4) the Commissioner, Community and Neighbourhood Services, ensure that the recommendations in this report, particularly with respect to the financial-related controls are addressed in the development of the Shelter Management Information System. In addition, consideration be given to accelerating the implementation of the Shelter Management Information System;
- (5) the Commissioner, Community and Neighbourhood Services, establish a process to claim provincial subsidy for the personal needs allowance provided in kind to individuals. In addition, appropriate steps should be taken to negotiate a retroactive subsidy claim for prior years where possible ;
- (6) the Commissioner, Community and Neighbourhood Services, establish centralized policies and procedures regarding the issuance of personal needs allowance to individuals either in cash or in kind. The policy should specify eligibility criteria for the receipt of personal needs allowance in cash or in kind, the rate to be paid in cash, the maximum value of personal needs items to be provided, and general administration guidelines for issuance of the allowance;
- (7) the Commissioner, Community and Neighbourhood Services, establish standard procedures for all City-operated and purchased service shelters for the identification and reporting of information on individuals who have lived on a First Nations Reserve during the 12 months prior to their admission to the shelter. Subsidy claims, including those for prior years, be prepared taking this information into account;

- (8) the Commissioner, Community and Neighbourhood Services, review the food and personal needs allowance rates paid to families accommodated in the shelters and motels, in comparison to the level of support provided to similar families receiving social assistance in the community, with a view to determining whether any adjustment to the shelter rates is warranted;
- (9) the Commissioner, Community and Neighbourhood Services, give priority to the development of a performance measurement framework that includes performance indicators to evaluate the effectiveness of support programs, particularly with respect to case management and counselling provided by the Hostel Services Unit, as well as the reporting requirements on the results of such evaluations;
- (10) the Commissioner, Community and Neighbourhood Services, develop file documentation standards in order to adequately document and monitor the level of support services provided to individuals serviced by the emergency shelter system;
- (11) the Commissioner, Community and Neighbourhood Services, review the arrangement between the City and St. Michael's Hospital Foundation regarding the disbursement of donated funds for Seaton House programs, with a view to ensuring that:
 - (a) the City receives all the funds that it is entitled to; and
 - (b) for any new program that will be funded from the donated funds, all capital and operating costs and related funding are taken into consideration and receive the appropriate approvals prior to the implementation of such program;
- (12) the Commissioner, Community and Neighbourhood Services, report to City Council as requested on the health care activities at Seaton House. In addition, the Commissioner review the current arrangement with those physicians providing medical services to the Seaton House infirmary program, with a view to:
 - (a) determining the level of medical services that should be provided by the physicians for hostel clients at the infirmary clinics;
 - (b) determining the physician fee that should be paid by the City for each type of service which should be consistently applied to all physicians;
 - (c) ensuring that the City does not pay for medical services that should be covered by OHIP; and

- (d) preparing a formal agreement with the physicians, in consultation with the City Solicitor, stipulating the terms and conditions for the provision of medical services under the infirmary program;
- (13) the Commissioner, Community and Neighbourhood Services, develop financial criteria and specific financial guidelines to be consistently applied in determining per diem rates for any community agency requesting to operate an emergency shelter;
- (14) the Commissioner, Community and Neighbourhood Services, seek Council authority annually:
 - (a) to set the per diem rates and maximum bed capacity for each purchased service shelter operated by a community agency on behalf of the City; and
 - (b) to execute the purchased service agreements with the community agency on behalf of the City;
- (15) the Commissioner, Community and Neighbourhood Services, review the standard purchased service agreements with community agencies for the provision of shelter services and establish a policy requiring that:
 - (a) the maximum contract value, including per diem and personal needs allowance payments, be specified in the agreement; and
 - (b) any amendment to the financial terms of the agreement such as in-year changes to the per diem rates be made only in exceptional circumstances and after a written justification of the change, together with the financial impact of the change, is approved by an authorized official. Such changes to be reported to Council annually;
- (16) the Commissioner, Community and Neighbourhood Services, in consultation with the City Solicitor, review the current agreements with motel operators for the provision of rooms for families in need of emergency shelter, with a view to:
 - (a) updating all existing contracts with motel operators;
 - (b) developing standard agreements, and where possible ensuring that the terms and conditions contained in these agreements provide adequate flexibility and protection to the City considering the emergency nature of Hostel operations; and
 - (c) ensuring that the agreements, including amendments to the agreements, are signed by the appropriate City official within their signing authority;

- (17) the Commissioner, Community and Neighbourhood Services, review the Out of the Cold Program, with a view to:
- (a) evaluating the costs and benefits of the program;
 - (b) reporting to the Community and Neighbourhood Services Committee, together with a recommendation on the future direction of the program both in the short-term and the long-term based on the evaluation; and
 - (c) in the interim, provide clear direction as to how the program fits into the overall City shelter system, including:
 - (i) the City's role in the provision of the support services by the agency running the program; and
 - (ii) the City's role in the provision of emergency shelter services by the participating community organizations, particularly with respect to the applicability of the City's Shelter Standards to these organizations;
- (18) the Commissioner, Community and Neighbourhood Services, assess the reliability of the financial information in the Hostel Utilization System currently used by the City-operated shelters and ensure that any information that is required to be carried forward to the new Shelter Management Information System, currently under development, is complete and accurate;
- (19) the Commissioner, Community and Neighbourhood Services, establish standardized policies and procedures for the administration and control of funds in all City-operated shelters, particularly with respect to the following:
- (a) administration and reporting of imprest cash funds and client savings accounts;
 - (b) preparation of bank reconciliations, ensuring that proper bank reconciliations are prepared monthly for all bank accounts maintained by the City-operated shelters. Such reconciliations be reviewed and approved in writing by an authorized supervisory official who is independent of the cash handling and cash recording functions; and
 - (c) assignment of responsibilities including those of supervisory staff, ensuring that there is adequate segregation of duties whenever possible and practical;
- (20) the Commissioner, Community and Neighbourhood Services, in consultation with the Treasurer and Chief Financial Officer, establish trust accounts for client savings administered by each City-operated shelter and further that these trust

accounts be recorded in the City's accounting system. All interest earned on such accounts be proportionately credited to each individual account;

- (21) the Commissioner, Community and Neighbourhood Services, develop policies and procedures which establish clear accountability and responsibility for the payment verification process, including an appropriate level of supervisory control and approval. Such policies ensure that payments are made only for goods and services received in accordance with costs contained in duly approved contracts;
- (22) the Commissioner, Community and Neighbourhood Services, review the payments made for medical supplies in order to determine why the City is being billed for supplies in excess of contract amounts. Where circumstances dictate, all overpayments be recovered from the supplier;
- (23) the Commissioner, Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, consider the benefits of utilizing the services of the Internal Audit Division in the following:
 - (a) development of internal control procedures particularly with respect to funds management and payment controls;
 - (b) implementation of the Shelter Management Information System; and
 - (c) implementation of the quality assurance program;
- (24) the Commissioner, Community and Neighbourhood Services, develop a policy that clearly establishes standard rates for maintenance fees for emergency shelter users. Such a policy determine at what income levels maintenance fees become due. The policy be applied consistently to both City-operated and purchased service shelters. Internal controls commensurate with the level of fees collected be established; and
- (25) the Commissioner, Community and Neighbourhood Services, report back to the Audit Committee by July 2005 on the status of implementation of each of the recommendations contained in this report.

The Audit Committee also had before it a communication (November 22, 2004) from Cindy Cowan and Kate Stark, OAH-Toronto Steering Committee.

The Audit Committee also had before it a paper copy of a PowerPoint presentation given by Jerry Shaubel, Director, Auditor General's Office

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

- (1) adopt the staff recommendations in the Recommendations Section of the report (June 20, 2004) from the Auditor General;
- (2) request that the Commissioner of Community and Neighbourhood Services to:
 - (a) work with the Toronto area Community Care Access Centres on finding appropriate community resources for residents of the shelter system including long-term care;
 - (b) confirm with the Toronto area Community Care Access Centres that eligible clients for long term care in the shelter system be considered crisis placements under the *Long Term Care Act*; and
 - (c) work with the Province on a protocol for helping residents of the shelter system apply for Ontario Disability Support.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee requested the Commissioner of Community and Neighbourhood Services to report directly to City Council on November 30, 2004 on a precise action plan providing clear deadlines to implement the Auditor General's recommendations contained in his report dated June 20, 2004 and to also clarify which recommendations are successfully implemented and which are in progress.

(Letter sent to: Commissioner of Community and Neighbourhood Services – November 24, 2004)

(Report 6, Clause 6)

7.8 Finance Department's Response to Ernst and Young's report: "Investment Policy Compliance"

The Audit committee had before it a report (November 8, 2004) from the Chief Financial Officer & Treasurer responding to the issues raised and the recommendations contained in the report "Investment Policy Compliance", from Ernst and Young dated July 5, 2004.

Recommendation:

It is recommended that this report be considered with the attached Ernst and Young report, dated July 5, 2004 and received as information.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council adopt the recommendations of Ernst & Young contained in the report (July 2, 2004) attached to the (November 8, 2004) report from the Chief Financial Officer and Treasurer and in so doing request the Chief Financial Officer and Treasurer to :

- (1) review the City's policy with respect to investment holding terms, investment holding percentages by issuer, approved issuers and credit rating parameters and consider whether it is appropriate to revise the policy to incorporate current investment policies;
- (2) establish internal controls that prevent the approved maximum investment holding and percentages by issuer terms from being exceeding and to prevent investments in issuers who have not yet been approved;
- (3) submit a revised policy and procedures documents to City Council for approval which would, in addition to the comments made within the report (July 2, 2004) from Ernst & Young, clearly state, within its scope or an appendix, which entities are exempted from the policy to clearly articulate which entities are in and those that are not, thereby removing any confusion on the matter; and
- (4) follow up with the Agencies, Boards and Commissions, as appropriate, to obtain representations to enable the City to discharge its reporting responsibilities.

(Report 6, Clause 7)

7.9 Cash Controls Follow-up Review – Toronto Zoo

The Audit committee had before it a report (October 19, 2004) from the Secretary, Board of Management of the Toronto Zoo.

Recommendation:

The Board of Management of the Toronto Zoo adopted the report from the Auditor General; received the report from the Executive Director, Administrative and Site Services and directed that a copy of these reports be forwarded to the Audit Committee for information.

On motion by Councillor Holyday, the Audit Committee:

- (1) received the report (October 19, 2004) from the Secretary, Board of Management of the Toronto Zoo for information; and
- (2) requested the Toronto Zoo to report to the Audit Committee in six months time on the status of the recommendations in this report.

(Letter sent to: Mr. Calvin White, General Manager and CEO, Toronto Zoo – November 24, 2004)

(Report 6, Other Items Clause 16(b))

7.10 The Toronto Parking Authority and the Toronto Public Library Board - Investment Portfolio Management

The Audit committee had before it a report (November 8, 2004) from the Chief Financial Officer and Treasurer presenting additional information relating to investment portfolio management for the Toronto Parking Authority and the Toronto Public Library Board.

Recommendations:

It is recommended that:

- (1) the Toronto Parking Authority and the Toronto Public Library Board be directed to place all of their funds available for investment with the City to be managed and be credited with a monthly rate of return that is defined as the weighted-average yield on the City's money market and bond portfolios;
- (2) the investment function be assumed by the City as of April 1, 2005 to allow for an orderly transition for the Toronto Public Library Board and the Toronto Parking Authority and the expiration of the TPA's external investment manager's contract; and
- (3) staff be authorized to take appropriate action to effect the above recommendations.

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

- (1) adopt the staff recommendations in the Recommendations Section of the report (November 8, 2004) from the Chief Financial Officer and Treasurer, subject to amending Recommendations (1) and (2) by deleting reference to the Toronto Parking Authority and amending Recommendation (1) to require that the Toronto Public Library Board is requested rather than directed, so that the recommendations now read:

“It is recommended that:

- (1) the Toronto Public Library Board be requested to place all of its funds available for investment with the City to be managed and be credited with a monthly rate of return that is defined as the weighted-average yield on the City's money market and bond portfolios;
- (2) the investment function be assumed by the City as of April 1, 2005 to allow for an orderly transition for the Toronto Public Library Board; and

- (3) staff be authorized to take appropriate action to effect the above recommendations.”;
- (2) resolve that the investments of the Toronto Parking Authority (TPA) remain under the TPA’s jurisdiction;
- (3) the TPA be directed to seek the investment advice of the Chief Financial Officer and Treasurer when making all investment trade decisions;
- (4) this process be undertaken for a period of six months after which an assessment be made of the rate of return achieved during this pilot period.; and
- (5) the Chief Financial Officer and Treasurer be requested to report to the Policy and Finance Committee on any policy recommendations or changes that may be necessary.

(Report 6, Clause 8)

7.11 Protocol – Response to Audit Recommendations by Agencies, Boards and Commissions

The Audit committee had before it a report (October 8, 2004) from the Auditor General advising that the purpose of this report is to recommend a formal reporting protocol requiring Agencies, Boards and Commissions to report to the Audit Committee in response to various Audit reports.

Recommendation:

It is recommended that the City Clerk ensure that when a response to an Audit report is required by the Agencies, Boards and Commissions, that all such responses be coordinated by the City Clerk and forwarded to the Audit Committee. Copies of all responses be forwarded to the Auditor General prior to the date of the Audit Committee. When responses have not been received, the City Clerk be required to report to the Audit Committee on this matter.

On motion by Councillor Fletcher, the Audit Committee recommended that City Council adopt the staff recommendations in the Recommendations Section of the report (October 8, 2004) from the Auditor General.

(Report 6, Clause 9)

7.12 Enterprise Case and Occurrence Processing System (eCOPS) – Toronto Police Service

The Audit committee had before it a report (October 29, 2004) to the Toronto Police Services Board and the Audit Committee from the Auditor General responding to the request of the Toronto Police Services Board at its meeting of September 23, 2004, related to a report dated September 21, 2004 from the Chief of Police, entitled “Update: Enterprise Case and Occurrence Processing System (eCOPS)”. The Toronto Police Services Board requested that the report from the Chief of Police be forwarded to the City of Toronto Audit Committee with a request that a review of this matter be considered by the Auditor General on behalf of the Board and that the review, once completed, be forwarded to the Board for consideration.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Del Grande, the Audit Committee received the report (October 29, 2004) from the Auditor General.

(Report 6, Other Items Clause 16(c))

7.13 Conflict of Interest Policy: Declaration by Employees

The Audit committee had before it a report (October 19, 2004) from the Chief Administrative Officer reporting back on a reporting mechanism for tracking the Conflict of Interest Policy declarations by employees.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Holyday, the Audit Committee deferred consideration of the report (October 19, 2004) from the Chief Administrative Officer to its next meeting.

(Letter sent to: Chief Administrative Officer - December 6, 2004)

(Report 6, Other Items Clause 16(d))

7.14 Cost Accounting of Environmental Liabilities on City Lands

The Audit committee had before it a report (November 2, 2004) from the Chief Financial Officer and Treasurer providing information on the development of corporate policy for

the cost accounting and funding of environmental liabilities in conjunction with other initiatives within the corporation to identify, assess, record and manage environmental conditions on City lands.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee received the report (November 2, 2004) from the Chief Financial Officer and Treasurer for information.

(Letter sent to: Chief Financial Officer and Treasurer - December 6, 2004)

(Report 6, Other Items Clause 16(e))

7.15 City of Toronto – Audit Planning – Year Ended December 31, 2004

The Audit committee had before it a report (November 1, 2004) from Ernst & Young submitting its report on their audit approach for the City of Toronto.

On motion by Councillor Del Grande, the Audit Committee received the report (November 1, 2004) from the Ernst & Young for information.

(Report 6, Other Items Clause 16(f))

7.16 Response to the City Auditor General's Report on Fleet Operations – Phase 1

The Audit committee had before it a report (October 29, 2004) from Pam McConnell, Chair, Toronto Police Services Board responding to City Council's request that, among others, the Toronto Police Service address the issues raised in the Fleet Operations Review – Phase 1 Report on fleet operations and refueling sites.

Recommendations:

It is recommended that the Audit Committee receive this report.

On motion by Councillor Fletcher, the Audit Committee received the report (October 29, 2004) from the Chair, Toronto Police Services Board for information.

(Letter sent to: Councillor Pam McConnell, Chair, Toronto Police Services Board – November 24, 2004)

(Report 6, Other Items Clause 16(g))

7.17 2003 Management Letter – Follow-up Report – Toronto Transit Commission

The Audit committee had before it a report (October 21, 2004) from Vincent Rodo, General Secretary, Toronto Transit Commission.

Recommendations:

The Commission:

- (1) received the attached follow-up report on the 2003 auditor's management letter, for information, and
- (2) approved forwarding a copy of the follow-up report on the 2003 auditor's management letter to the City Audit Committee of the City of Toronto for information.

On motion by Councillor Holyday, the Audit Committee received the report (October 21, 2004) from Vincent Rodo, General Secretary, Toronto Transit Committee for information.

(Letter sent to: Vincent Rodo, General Secretary, Toronto Transit Commission - November 24, 2004)

(Report 6, Other Items Clause 16(h))

7.18 The North York Performing Arts Centre: Audit Results – Year Ended December 31, 2003 and Financial Statements – December 31, 2003

The Audit committee had before it Audit Results and Financial Statements, submitted by Ernst & Young, for the North York Performing Arts Centre Corporation for the year ended December 31, 2003.

On motion by Councillor Holyday, the Audit Committee recommended that City Council receive the Audit Results and Financial Statements for the North York Performing Arts Centre Corporation for the year ended December 31, 2003.

(Letter sent to: City Council - November 24, 2004)

(Report 6, Clause 10)

7.19 Community Centres and Arenas – 2003 Audited Financial Statements and Management Letters

The Audit committee had before it a report (November 9, 2004) from the Auditor General presenting the 2003 Audited Financial Statements and Management Letters of Community Centres and Arenas and to provide the Audit Committee with a status report on those financial statements and management letters of Community Centres and Arenas not yet completed.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Stintz, the Audit Committee recommended that City Council receive the 2003 Financial Statements and related Management Letters of the following Community Centres and Arenas as attached to the report (November 9, 2004) from the Auditor General, and submitted under separate cover:

Ralph Thornton Community Centre
Swansea Town Hall Community Centre
Leaside Memorial Community Gardens
William H. Bolton Arena

(Note: Financial Statements were distributed to members of the Audit Committee and appropriate staff only)

(Letter sent to: City Council - November 24, 2004)

(Report 6, Clause 11)

7.20 2003 Financial Statements of Business Improvement Areas

The Audit Committee had before it a report (November 2, 2004) from the Chief Financial Officer and Treasurer and the Commissioner of Economic Development, Culture and Tourism presenting the 2003 financial statements of certain Business Improvement Areas operated by Boards of Management and related audit management letters.

Recommendation:

It is recommended that the 2003 financial statements and related management letters appended to this report for Business Improvement Areas operated by Boards of Management be received.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee recommended that City Council receive the 2003 Financial Statements and related Audit Management Letters of the following Business Improvement Areas, as attached to the joint report (November 2, 2004) from the Chief Financial Officer and Treasurer and the Commissioner of Economic Development, Culture and Tourism, and submitted under separate cover:

Liberty Village BIA	Kennedy Road BIA
Gerrard India Bazaar BIA	Lakeshore Village BIA
Bloor Annex BIA	Mimico By the Lake BIA
Bloor by the Park BIA	Old Cabbagetown BIA
Bloorcourt Village BIA	Parkdale Village BIA
Boordale BIA	St. Clair Gardens BIA
Dovercourt BIA	St. Clair West BIA
Eglinton Hill BIA	Village of Islington BIA
Greektown On the Danforth BIA	Weston BIA
Junction Gardens BIA	York-Eglinton BIA
Church-Wellesley BIA	

(Note: Financial Statement and Management letters of BIAs distributed to members of the Committee and appropriate staff only).

(Letter sent to: City Council - November 24, 2004)

(Report 6, Clause 12)

7.21 Report on the Outcome of Negotiations with SAP Canada Inc. and Oracle Corporation Canada Inc. in regard to Software License Costs and Maintenance Fees for SAP Software Licenses Currently Not in Use in the Recovery of Maintenance Overpayments

The Audit Committee had before it a confidential report (November 9, 2004) from the Commissioner of Corporate Services, and because the report relates to the security of the property of the municipality or local board and litigation or potential litigation, under the *Municipal Act, 2001* discussions be held in-camera.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council adopt the staff recommendations in the Recommendations Section of the confidential report (November 9, 2004) from the Commissioner of Corporate Services which was forwarded to Members of Council under separate cover, and, under the *Municipal Act*, discussions relating to this matter be held in-camera as the report relates to the security of the property of the municipality or local board.

(Report 6, Clause 13)

7.22 Minimum security requirements respecting the design of cheques issued by the City's Agencies, Boards and Commissions

The Audit committee had before it a confidential report (November 2, 2004) from the Chief Financial Officer and Treasurer, and because the report relates to the security of the property of the municipality or local board, under the *Municipal Act, 2001* discussions be held in-camera.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council adopt the staff recommendations in the Recommendations Section of the confidential report (November 2, 2004) from Chief Financial Officer and Treasurer which was forwarded to Members of Council under separate cover, and, under the *Municipal Act*, discussions relating to this matter be held in-camera as the report relates to the security of the property of the municipality or local board.

(Report 6, Clause 14)

7.23 Toronto Hydro Corporation - "2003 THC Audit Observations and Recommendations" (Management Letter)

The Audit committee had before it a joint confidential report (November 16, 2004) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer, and because the report relates to the security of the property of the municipality or local board, under the *Municipal Act, 2001* discussions be held in-camera.

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

- (1) receive the Toronto Hydro Corporation's 2003 Audit Observations and Recommendations (Management Letter) attached to the confidential report (November 16, 2004) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer which was forwarded to Members of Council under separate cover; and
- (2) adopt the recommendations of the Audit Committee contained in the confidential communication (November 24, 2004) from the City Clerk, Administration Committee.

under the *Municipal Act*, discussions relating to this matter be held in-camera as the report relates to the security of the property of the municipality or local board.

(Letter sent to: City Council (Confidential) - November 24, 2004)

(Clause 6, Report 15)

7.24 Response from the Agencies, Boards and Commissions regarding the Auditor General's Report on Oracle Database Review - Security Controls and Other Issues

The Audit committee had before it a joint report (November 5, 2004) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer, submitting responses received to date from the Agencies, Boards and Commissions with respect to the Auditor General's Report on Oracle Database Review - Security Controls and Other Issues.

Recommendation:

It is recommended that this report be received for information.

On motion by Councillor Stintz, the Audit Committee received the report (November 5, 2004) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer and in accordance with the *Municipal Act*, Appendix B was distributed to members of Council only as an in-camera item as the subject matter relates to security of the property of the municipality or local board.

(Report 6, Other Items Clause 16(i))

The Audit Committee adjourned at 5:25 p.m.

Chair

Attendance:

September 23, 2004	9:30 a.m. – 5:30 p.m.*
Balkissoon (Chair)	X
Holyday (Vice-Chair)	X
Del Grande	X
Fletcher	X
Stintz	X

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