

**Management Response to the Auditor General's Review of
Solid Waste Management Services - Review of Major Contracts**

Rec No	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	The General Manager, Solid Waste Management Services, take steps to correct corporate financial records and Good and Services Tax Returns, so that processing costs, sales revenues and Good and Services Tax amounts on operating results of City contracts with Canada Fibers Ltd. and Metro Waste Paper Recovery Inc. are recorded according to generally accepted accounting principles and tax reporting guidelines.	X			Complete. On a go forward basis we will report on processing costs and revenue separately in accordance with generally accepted accounting principles and tax reporting guidelines.

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2.	The Deputy City Manager and Chief Financial Officer, ensure relevant City staff is aware that purchase and sale transactions with individual customers or suppliers may not be netted against each other but must be recorded in the City's financial records at gross amounts.	X		Acknowledge. DCM and CFO to respond.	Completed by Accounting Services staff on March 16, 2007. PPFA staff that input the data on behalf of Solid Waste Management were trained by Accounting Services. Also, Accounting Services has scheduled tax training sessions during the first two quarters of 2007. During the training sessions, Accounting Services staff will advise City staff that all expenditures and revenue should be reported gross and not netted. This will ensure that all transactions are recorded on a gross basis and sales revenues are properly recorded on the Goods and Services Tax Returns.

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3.	The General Manager, Solid Waste Management Services, obtain the required provincial tax exemption certification from all purchasers of recyclables, and take steps to recover provincial retail sales tax on previous sales transactions from customers without a valid provincial tax exemption certificate.	X			Complete. PEC's have been received from the outstanding purchasers and there is no PST owing. On a go forward basis all Request to Purchase calls issued by PMMD require the submission of the Provincial Tax Exemption Certificate (if applicable) to the Supervisor of Processing before the first load of materials will be released to them.
4.	The General Manager, Solid Waste Management Services, ensure staff is adequately trained on retail sales tax issues and proper management oversight on sales transactions.	X			Corporate Finance has scheduled Tax Training Sessions for Spring 2007. Training of appropriate staff to be complete by July 1, 2007.

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5.	The General Manager, Solid Waste Management Services, strengthen management controls over the issuance and use of dump authorization slips. Such controls should include the use of unique serial numbers and regular reconciliation of dump tickets issued and remitted at weigh scale stations.	X			SWMS will implement sequential unique dump authorization slips for our contracted collection operation in Solid Waste no later than December 31, 2007. Copies will be kept of all slips issued and logged. At invoice reconciliation time, each slip will be crosschecked to the record of remitted slips by referencing the unique sequential number.
6.	The General Manager, Solid Waste Management Services, ensure material recovery rates for the Dufferin recycling facility are calculated, communicated to the contractor each month and appropriate action taken.	X			Material recovery rates for the Dufferin recycling facility will be calculated and communicated to the contractor monthly and appropriate action taken.

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7.	The General Manager, Solid Waste Management Services, ensure all specifications contained in contracts are clear and enforceable. In unusual circumstances where there is a need to deviate significantly from contract specifications, reasons for such deviations be documented and approved. In circumstances where certain specifications are considered too impractical and likely unenforceable, such specifications be reviewed and, where appropriate, amended.	X		In 2006 there was no significant variance from contract specifications and therefore no documentation required. The deviation rate on late finishing times was approximately 1%.	On a go forward basis, we will document all significant variations from contract specifications. We have been consulting with Legal on all specifications in our contracts and will continue to consult with Legal on required specifications as new contracts are drafted.
8.	The Deputy City Manager and Chief Financial Officer, in consultation with the Deputy City Manager responsible for Solid Waste Management, review purchasing policies and procedures to ensure that they are adequate to meet divisional needs to respond to market conditions relating to the sale of materials recovered through the City's recycling facilities.	X		The revenue received from the sale of recyclables hinges on volatile market prices. SWMS needs to review existing purchasing policies with PMMD and identify workable solutions that will result in the City receiving the highest revenue possible based on the marketplace at the time of sale.	In order to obtain the best price for commodities and comply with the City's purchasing policies and procedures, SWMS will set up a meeting with PMMD in Q2 to review the issues associated with the commodities we sell.

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9.	The General Manager, Solid Waste Management Services, provide necessary training, such that staff understand and comply with City purchasing and financial control policies, procedures and guidelines.	X			Complete. Appropriate staff have received contract management training or purchasing policy training and all necessary purchasing and financial control policies have been communicated.
10.	The City Manager, in consultation with the Deputy City Manager and Chief Financial Officer and the City Solicitor, review and take necessary steps to ensure contract provisions related to Workplace Safety and Insurance Board clearance certificates, and compliance with the <i>Occupational Health and Safety Act</i> are appropriate and consistently included in City contracts with similar risk exposure	X			The CM, in consultation with the DCM and CFO, and the City Solicitor will review and take steps to ensure contract provisions relating to Workplace Safety and Insurance Board clearance certificates and Occupational Health and Safety Act are appropriate and consistently included in City contracts where applicable.

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11.	<p>The Deputy City Manager and Chief Financial Officer, in consultation with the other Deputy City Managers and the City Solicitor:</p> <p>(a) review the appropriate standard content of performance bonds and insurance certificates and the appropriateness and criteria for deviations from such standards in light of relevant risk exposure, including the respective roles of the Legal Services Division and Corporate Finance's Insurance and Risk Management section in deciding on any deviation of submitted documents;</p> <p>(b) review and take necessary steps to ensure current administrative policies and procedures, including clarifying the roles and responsibilities of City Finance and City divisions in the safekeeping, recordkeeping and administration of performance bonds, letters of credit, and insurance certificates, are effective in protecting the City from claims, risks and losses in connection with activities performed by City contractors; and</p> <p>(c) issue written directives to clearly communicate relevant corporate policies and procedures to staff.</p>	X		<p>As a general comment, Corporate Finance has established and communicated policies and practices with regard to the role of divisions in the respective financial instruments such as performance bonds, letters of credit and insurance certificates.</p>	<p>In view of the Auditor General's recommendations a review of existing standard wordings for these financial instruments will take place along with a review of procedures for safekeeping, record keeping, document administration and clarification of roles and responsibilities. The results of this review will be done in consultation with City divisions with the results communicated accordingly. Corporate Finance staff will continue to communicate with contract administrators throughout the City to reinforce their responsibilities in ensuring that the City is adequately protected through the appropriate financial instruments.</p> <p><u>Action Plan/Time Frame</u></p> <p>September 30, 2007.</p>

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12.	The General Manager, Solid Waste Management Services, review the Saturday and after-hour shipping arrangement in view of its benefits and risk exposure to the City.	X		<p>This operational arrangement has been reviewed throughout the life of the program and tonnages reconciled through bi-weekly audits. Any additional staffing costs to weigh after hour shipments exceed any potential variation in weights between City scales and the contractor scales.</p> <p>As indicated by the Auditor General, it is not cost effective to implement other controls to mitigate this risk.</p>	Continue status quo.