
Audit Committee

Meeting No.	4	Contact	Rosemary MacKenzie, Council Administrator
Meeting Date	Monday, September 24, 2007	Phone	416-392-8021
Start Time	9:30 AM	E-mail	rmacken@toronto.ca
Location	Committee Room 1, City Hall		

Item		Page
AU4.1	Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts	1
AU4.2	Toronto Water Division, Review of Wastewater Treatment Program - Phase One	4
AU4.3	Internet Usage Review	7
AU4.4	Children's Services Division – Review of the Administration of Child Care Fee Subsidy	9
AU4.10	Financial Statements for the Year Ended December 31, 2006 - Agencies, Boards and Commissions	10

Audit Committee

Meeting No.	4	Contact	Rosemary MacKenzie, Council Administrator
Meeting Date	Monday, September 24, 2007	Phone	416-392-8021
Start Time	9:30 AM	E-mail	rmacken@toronto.ca
Location	Committee Room 1, City Hall		

AU4.1	AMENDED			
-------	---------	--	--	--

Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts

City Council Decision

City Council on October 22 and 23, 2007, adopted the following motions:

1. The General Manager, Toronto Water, in consultation with the Deputy City Manager and Chief Financial Officer and the City Solicitor:
 - a. evaluate City business continuity and disaster management risks in contracting with a single contract provider for all City water and sewer emergency repairs;
 - b. evaluate the viability and impact of alternate procurement solutions, such as a roster of contractors, or restricting bidding contractors to a limited number of districts; and
 - c. develop appropriate criteria for the standardized use of contractual incentives, such as alternative liquidated damages provisions when emergency repairs are delayed, and include such criteria in future City water and sewer emergency contracts.
2. The Deputy City Manager and Chief Financial Officer ensure the tendering process is complied with and a comparative summary of bids is developed and authorized. Copies of key sections, including authorization and pricing sections of competitive bids, should be retained by the Purchasing and Materials Management Division.
3. The General Manager, Toronto Water, in consultation with the City Solicitor, review the content of all standard Toronto Water emergency repair contracts, in order to

ensure that contract provisions are clear, consistent and enforceable.

4. The General Manager, Toronto Water, review payments to the contractor based on undocumented assumptions and informal agreements and, where appropriate, such payments be recovered.
5. The General Manager, Toronto Water, direct staff that any decisions, and in particular, decisions that involve financial commitments for contract terms which appear to be ambiguous, unclear or inconsistent only be made after consultation with the City's Legal Services Division and approval by the senior management. All such consultations and approval be documented.
6. The General Manager, Toronto Water, review the possibility of including criteria for emergency and non-emergency work in future contracts and obtaining separate rates for emergency and non-emergency work accordingly.
7. The General Manager, Toronto Water, ensure that where possible, estimated quantities contained in emergency repair contract tenders are reasonably accurate and are representative of actual quantities required to complete the contract. In addition, The General Manager in consultation with Purchasing and Materials Management, explore other procurement solutions for obtaining emergency repair services independent of fixed quantity estimates.
8. The General Manager, Toronto Water, take steps to develop policies and procedures for managing emergency repair contracts and ensure staff is appropriately trained.
9. The General Manager, Toronto Water, review 2006 and 2007 contractor payments for emergency repairs and take steps to determine and recover overpayments made to the contractor identified as part of the review.
10. The General Manager, Toronto Water, develop policies to ensure that:
 - a. Site Inspector's Daily Work Reports are prepared independently of contractor invoices and provide relevant details including services provided, calculations and measurements supporting payment; and
 - b. documentation supporting progress payments is reviewed in detail by supervisory staff.
11. The General Manager, Toronto Water, ensure that extra work is awarded through authorized change directives and that separate inspector reports are used for recording work pertaining to extra work orders.
12. The General Manager, Toronto Water, ensure that to the extent possible, all required work be included in the original contract and extra work orders be limited.
13. The General Manager, Toronto Water, develop a process for the periodic monitoring of contract expenditures and ensure that Purchasing by-law requirements for

authorizing over-expenditures are complied with. Appropriate action is taken in circumstances where non-compliance of the by-law is identified.

14. The General Manager, Toronto Water, ensure contractor performance issues are consistently documented and monitored. Significant contractor performance issues that can not be resolved through the regular contract management process should be communicated to Purchasing and Materials Management for consideration in future contract award decisions.
15. The General Manager, Toronto Water, expedite the review and assessment of existing work management systems, including an assessment of the SAP Plant Maintenance Module. Following the selection of a work management system, its implementation should be expedited and the cost benefits of its integration with SAP be evaluated.
16. The General Manager, Toronto Water, develop procedures to ensure staff review repair requests to determine if the required work is covered under warranty.
17. The General Manager, Toronto Water Division, develop a process for District Contract Services and Operations and Maintenance staff to meet on a regular basis to discuss project status, and document and assess the priority of ongoing projects for re-assignment of pending projects to in-house staff.
18. The City Manager be requested to review the current training policies, using the results of this audit, and develop a plan to support appropriate training that would further support supervisory staff, in all City divisions, improving the effectiveness and efficiency of City operations.

(July 30, 2007) Report from the Auditor General

Committee Recommendations

The Audit Committee recommends that:

1. The General Manager, Toronto Water, in consultation with the Deputy City Manager and Chief Financial Officer and the City Solicitor:
 - a. evaluate City business continuity and disaster management risks in contracting with a single contract provider for all City water and sewer emergency repairs;
 - b. evaluate the viability and impact of alternate procurement solutions such as a roster of contractors, or restricting bidding contractors to a limited number of districts; and
 - c. develop appropriate criteria for the standardized use of contractual incentives such as alternative liquidated damages provisions when emergency repairs are delayed and include such criteria in future City water and sewer emergency contracts.

2. The Deputy City Manager and Chief Financial Officer ensure the tendering process is complied with and a comparative summary of bids is developed and authorized. Copies of key sections including authorization and pricing sections of competitive bids should be retained by the Purchasing and Materials Management Division.
3. The General Manager, Toronto Water, in consultation with the City Solicitor, review the content of all standard Toronto Water emergency repair contracts in order to ensure that contract provisions are clear, consistent and enforceable.
4. The General Manager, Toronto Water, review payments to the contractor based on undocumented assumptions and informal agreements and where appropriate such payments be recovered.
5. The General Manager, Toronto Water, direct staff that any decisions, and in particular, decisions that involve financial commitments for contract terms which appear to be ambiguous, unclear or inconsistent only be made after consultation with the City's Legal Services Division and approval by the senior management. All such consultations and approval be documented.
6. The General Manager, Toronto Water, review the possibility of including criteria for emergency and non-emergency work in future contracts and obtaining separate rates for emergency and non-emergency work accordingly.
7. The General Manager, Toronto Water, ensure that where possible, estimated quantities contained in emergency repair contract tenders are reasonably accurate and are representative of actual quantities required to complete the contract. In addition, the General Manager in consultation with Purchasing and Materials Management, explore other procurement solutions for obtaining emergency repair services independent of fixed quantity estimates.
8. The General Manager, Toronto Water, take steps to develop policies and procedures for managing emergency repair contracts and ensure staff is appropriately trained.
9. The General Manager, Toronto Water, review 2006 and 2007 contractor payments for emergency repairs and take steps to determine and recover overpayments made to the contractor identified as part of the review.
10. The General Manager, Toronto Water, develop policies to ensure that:
 - a. Site Inspector's Daily Work Reports are prepared independently of contractor invoices and provide relevant details including services provided, calculations and measurements supporting payment; and
 - b. documentation supporting progress payments is reviewed in detail by supervisory staff.
11. The General Manager, Toronto Water, ensure that extra work is awarded through

authorized change directives and that separate inspector reports are used for recording work pertaining to extra work orders.

12. The General Manager, Toronto Water, ensure that to the extent possible, all required work be included in the original contract and extra work orders be limited.
13. The General Manager, Toronto Water, develop a process for the periodic monitoring of contract expenditures and ensure that Purchasing by-law requirements for authorizing over-expenditures are complied with. Appropriate action is taken in circumstances where non-compliance of the by-law is identified.
14. The General Manager, Toronto Water, ensure contractor performance issues are consistently documented and monitored. Significant contractor performance issues that can not be resolved through the regular contract management process should be communicated to Purchasing and Materials Management for consideration in future contract award decisions.
15. The General Manager, Toronto Water, expedite the review and assessment of existing work management systems, including an assessment of the SAP Plant Maintenance Module. Following the selection of a work management system, its implementation should be expedited and the cost benefits of its integration with SAP be evaluated.
16. The General Manager, Toronto Water, develop procedures to ensure staff review repair requests to determine if the required work is covered under warranty.
17. The General Manager, Toronto Water Division, develop a process for District Contract Services and Operations and Maintenance staff to meet on a regular basis to discuss project status, and document and assess the priority of ongoing projects for re-assignment of pending projects to in-house staff.

Decision Advice and Other Information

The Audit Committee requested the Auditor General to submit a follow-up report to the Audit Committee on this matter within one year, the report to also include clarification of the following staff Recommendation 3 in terms of defining the role of the City Solicitor in the review of Toronto Water contracts:

3. The General Manager, Toronto Water, in consultation with the City Solicitor, review the content of all standard Toronto Water emergency repair contracts in order to ensure that contract provisions are clear, consistent and enforceable.

Financial Impact

The implementation of recommendations in this report will improve financial controls over the management of construction contracts. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

Summary

The objective of this review was to assess whether procedures were in place to adequately monitor the award and management of Toronto Water and Sewer emergency repair contracts.

This audit is one of a series of audits conducted in relation to the management of construction or construction related activities. Certain of the issues identified in this review are similar to those identified in other audits.

This report contains 17 recommendations. The implementation of these recommendations will improve the way the City manages its contracts.

Issues identified during this review were discussed with senior management and, as a result, management is taking immediate action to implement our recommendations.

Background Information

Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts, report (July 30, 2007) from the Auditor General

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6695.pdf>)

Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts, Appendix 1

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6696.pdf>)

Management of Construction Contracts - Toronto Water and Sewer Emergency Repair Contracts, Appendix 2 Management's Response to the Auditor General's Review

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6697.pdf>)

Speakers

Councillor Adam Vaughan

AU4.2	NO AMENDMENT			
-------	--------------	--	--	--

Toronto Water Division, Review of Wastewater Treatment Program - Phase One

City Council Decision

City Council on October 22 and 23, 2007, adopted the following motions:

1. The General Manager, Toronto Water Division, review the current process to monitor employee attendance during night and weekend shifts and determine whether or not it is practical or cost-effective to conduct random checks of employee attendance during night and weekend shifts.
2. The General Manager, Toronto Water Division, require management review and approval of all overtime worked and ensure that all plant staff use appropriate documentation approved by management that clearly explain the reasons for overtime worked.

3. The General Manager, Toronto Water Division, in consultation with the Director, Policy, Planning, Finance and Administration and the Director, Pension, Payroll and Employee Benefits, develop overtime reports to meet the information needs of the Managers responsible for reviewing overtime costs. Management should regularly review overtime reports to monitor overtime usage and costs and identify potential opportunities to reduce overtime.
4. The General Manager, Toronto Water Division, direct that detailed overtime analyses be performed to determine whether the amount of overtime is reasonable and necessary in the wastewater plants. Such overtime analyses should identify reasons for overtime and trends among work areas and positions within the plants.
5. The General Manager, Toronto Water Division, consult with the union the potential of adopting a common shift schedule for both the water filtration and wastewater plants that will reduce staff overtime.
6. The General Manager, Toronto Water Division, develop criteria for defining the exceptional circumstances where supervisors approve staff requests for changes to their scheduled vacation.
7. The General Manager, Toronto Water Division, ensure that the staff in the Toronto Water Division are aware of their responsibilities relating to the attendance management program and require that employee absenteeism is regularly monitored in accordance with City policy.
8. The General Manager, Toronto Water Division, ensure that:
 - a. divisional staff, independent of the payroll input process, review and verify the accuracy and completeness of payroll transactions; and
 - b. Toronto Water staff do not input their own payroll data into the payroll system.
9. The Treasurer take appropriate action to identify and recover payroll overpayments resulting from the incorrect use of payroll input codes prior to the enhancement of on-line system controls in August 2006.
10. The General Manager, Toronto Water Division, develop and implement standard payroll procedures in the Toronto Water Division that require supervisory staff to review and approve a standard time sheet that captures all staff time and attendance.
11. The General Manager, Toronto Water Division, review the use of alternate rate assignments to ensure that such assignments are necessary and properly processed in accordance with policies and procedures as well as the provisions in the collective agreement.
12. The General Manager, Toronto Water Division, consider the possibility of re-assigning payroll input duties to plant administrative staff.

13. The General Manager, Toronto Water Division, require that an evaluation of the use of the work management system be conducted following implementation of the system at each plant location. In addition, timely action should be taken to correct problems that are identified during the evaluation process.
14. The General Manager, Toronto Water Division, evaluate the feasibility of accelerating the timelines to implement the work management system at the wastewater plants.
15. The General Manager, Toronto Water Division, expedite the review and assessment of the existing work management systems and the SAP Plant Maintenance Module and consider the feasibility of creating an interface between the selected system and the SAP Financial Information system.
16. The General Manager, Toronto Water Division, develop a single time sheet to be used for payroll purposes and assess the feasibility to also use this time sheet for the work management system.
17. A copy of this Item be forwarded to the Employee and Labour Relations Committee for information, with a request that the Committee pursue changes to Toronto Water's current Shift Schedule Agreement with Local 416, including defining exceptional circumstances where supervisors approve staff requests for changes to their scheduled vacation and the mandate to negotiate changes to the current 18-day sick benefits program.

(July 16, 2007) Report from the Auditor General

Committee Recommendations

The Audit Committee recommends that:

1. The General Manager, Toronto Water Division, review the current process to monitor employee attendance during night and weekend shifts and determine whether or not it is practical or cost-effective to conduct random checks of employee attendance during night and weekend shifts.
2. The General Manager, Toronto Water Division, require management review and approval of all overtime worked and ensure that all plant staff use appropriate documentation approved by management that clearly explain the reasons for overtime worked.
3. The General Manager, Toronto Water Division, in consultation with the Director, Policy, Planning, Finance and Administration and the Director, Pension, Payroll and Employee Benefits, develop overtime reports to meet the information needs of the managers responsible for reviewing overtime costs. Management should regularly review overtime reports to monitor overtime usage and costs and identify potential

opportunities to reduce overtime.

4. The General Manager, Toronto Water Division, direct that detailed overtime analyses be performed to determine whether the amount of overtime is reasonable and necessary in the wastewater plants. Such overtime analyses should identify reasons for overtime and trends among work areas and positions within the plants.
5. The General Manager, Toronto Water Division, consult with the union the potential of adopting a common shift schedule for both the water filtration and wastewater plants that will reduce staff overtime.
6. The General Manager, Toronto Water Division, develop criteria for defining the exceptional circumstances where supervisors approve staff requests for changes to their scheduled vacation.
7. The General Manager, Toronto Water Division, ensure that the staff in the Toronto Water Division are aware of their responsibilities relating to the attendance management program and require that employee absenteeism is regularly monitored in accordance with City policy.
8. The General Manager, Toronto Water Division, ensure that:
 - a. divisional staff, independent of the payroll input process, review and verify the accuracy and completeness of payroll transactions; and
 - b. Toronto Water staff do not input their own payroll data into the payroll system.
9. The Chief Financial Officer and Treasurer take appropriate action to identify and recover payroll overpayments resulting from the incorrect use of payroll input codes prior to the enhancement of on-line system controls in August 2006.
10. The General Manager, Toronto Water Division, develop and implement standard payroll procedures in the Toronto Water Division that require supervisory staff to review and approve a standard time sheet that captures all staff time and attendance.
11. The General Manager, Toronto Water Division, review the use of alternate rate assignments to ensure that such assignments are necessary and properly processed in accordance with policies and procedures as well as the provisions in the collective agreement.
12. The General Manager, Toronto Water Division, consider the possibility of re-assigning payroll input duties to plant administrative staff.
13. The General Manager, Toronto Water Division, require that an evaluation of the use of the work management system be conducted following implementation of the system at each plant location. In addition, timely action should be taken to correct problems that are identified during the evaluation process.

14. The General Manager, Toronto Water Division, evaluate the feasibility of accelerating the timelines to implement the work management system at the wastewater plants.
15. The General Manager, Toronto Water Division, expedite the review and assessment of the existing work management systems and the SAP Plant Maintenance Module and consider the feasibility of creating an interface between the selected system and the SAP Financial Information system.
16. The General Manager, Toronto Water Division, develop a single time sheet to be used for payroll purposes and assess the feasibility to also use this time sheet for the work management system.
17. A copy of this Item be forwarded to the Employee and Labour Relations Committee for information, with a request that the Committee pursue changes to Toronto Water's current Shift Schedule Agreement with Local 416, including defining exceptional circumstances where supervisors approve staff requests for changes to their scheduled vacation and the mandate to negotiate changes to the current 18-day sick benefits program.

Decision Advice and Other Information

The Audit Committee requested the Auditor General to submit a follow-up report on this matter to the Audit Committee within one year.

Financial Impact

The implementation of recommendations in this report will improve financial controls over employee attendance, overtime and payroll processing. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

Summary

The objective of this review was to assess whether the City's wastewater treatment program was being managed economically, efficiently and in compliance with City policies and legislative requirements. Due to the scope of the work involved, this review was divided into two phases. Phase One of this review focused on controls over payroll processing, overtime and attendance management, as well as the use of technology in managing maintenance activities. Phase Two of our review will address contract management and payment processing.

Our review identified financial control weaknesses in processing payroll, managing overtime costs and monitoring employee attendance. We also found that technology was not fully utilized by plant staff to manage maintenance activities. In our view, the more effective use of technology would likely reduce repair and resultant payroll overtime costs. Issues identified during this review were discussed with senior management and, as a result, are taking immediate action to implement our recommendations.

Background Information

Toronto Water Division, Review of Wastewater Treatment Program - Phase One, report (July 16, 2007) from the Auditor General

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6692.pdf>)

Toronto Water Division, Review of Wastewater Treatment Program - Phase One - Appendix 1

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6693.pdf>)

Toronto Water Division, Review of Wastewater Treatment Program - Phase One - Appendix 2 - Management's Response to the Auditor General's Review

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6694.pdf>)

AU4.3	REFERRED			
-------	----------	--	--	--

Internet Usage Review

City Council Decision

City Council on October 22 and 23, 2007, referred this Item and the following motions to the City Manager for report to the Government Management Committee, and requested the Government Management Committee to review the Acceptable Use Policy prior to any consideration of the findings of the Auditor General:

Moved by Councillor Del Grande:

- “A. That Council adopt the following Recommendations 1, 3 and 4 contained in the report (July 31, 2007) from the Auditor General:
1. The Chief Information Officer implement a user authentication system for all users accessing the Internet.
 3. The Chief Information Officer conduct an ongoing review of top sites visited that are likely for personal use, have highly automated activity, or carry security risks such as instant messaging or email and determine whether further site restrictions are warranted.
 4. The Chief Information Officer take appropriate steps to ensure Internet connections of all City computers are consistently configured so that Internet logs record all Internet activity of all users but exclude visits to City internal sites.
- B. That the following Recommendation 2 contained in the report (July 31, 2007) from the Auditor General, be referred to the Chief Information Officer with a request that he conduct a feasibility study during the next year in order to fully determine the technical requirements, resource implications and costs involved, given that the forensic and other resources required to fully support this monitoring option do not currently exist within the City, and report his findings to the Audit Committee no later than October 31, 2008:

2. The Chief Information Officer, in consultation with the Executive Director of Human Resources Division and the City Solicitor, implement systematic Internet usage monitoring for compliance with the City's Acceptable Use Policy, including:
 - a. developing criteria for Internet use that may not be in compliance with the policy, particularly relating to Internet time, bandwidth usage and visits or attempts to visit inappropriate sites;
 - b. utilizing appropriate analysis tools to generate exception reports identifying users with Internet activity deemed to be inappropriate according to established criteria;
 - c. providing Divisional management with detailed reports and technical support to facilitate review of apparent violations of the City's Acceptable Use Policy;
 - d. establishing written procedures outlining the types and frequency of management reports on Internet usage and the responsibility for review and follow-up of such reports; and
 - e. communicating to all City staff reiterating the City's Acceptable Use Policy, clarifying the responsibility of the City and users, and advising of the procedures in place to monitor compliance with the Policy."

Moved by Councillor Moscoe:

"That Parts A3 and 4 and Part B of Motion 1 by Councillor Del Grande be referred to the City Manager to report to the Government Management Committee and the Committee be requested to review the Acceptable Use Policy prior to the consideration of Recommendations 2, 3 and 4 of the Auditor General."

(July 31, 2007) Report from the Auditor General

Committee Recommendations

The Audit Committee submits this Item to City Council without recommendation.

Decision Advice and Other Information

The Audit Committee submits the staff recommendations contained in the report (July 31, 2007) from the Auditor General:

The Auditor General recommends that:

1. The Chief Information Officer implement a user authentication system for all users accessing the Internet.
2. The Chief Information Officer, in consultation with the Executive Director of Human Resources Division and the City Solicitor, implement systematic Internet usage monitoring for compliance with the City's Acceptable Use Policy, including:
 - a. developing criteria for Internet use that may not be in compliance with the policy, particularly relating to Internet time, bandwidth usage and visits or attempts to visit inappropriate sites;
 - b. utilizing appropriate analysis tools to generate exception reports identifying users with Internet activity deemed to be inappropriate according to established criteria;
 - c. providing Divisional management with detailed reports and technical support to facilitate review of apparent violations of the City's Acceptable Use Policy;
 - d. establishing written procedures outlining the types and frequency of management reports on Internet usage and the responsibility for review and follow-up of such reports; and
 - e. communicating to all City staff reiterating the City's Acceptable Use Policy, clarifying the responsibility of the City and users, and advising of the procedures in place to monitor compliance with the Policy.
3. The Chief Information Officer conduct an ongoing review of top sites visited that are likely for personal use, have highly automated activity, or carry security risks such as instant messaging or email and determine whether further site restrictions are warranted.
4. The Chief Information Officer take appropriate steps to ensure Internet connections of all City computers are consistently configured so that Internet logs record all Internet activity of all users but exclude visits to City internal sites.

Financial Impact

The implementation of recommendations in this report will improve the monitoring for compliance with the City's Acceptable Use Policy. It would also improve system efficiency, minimize system security risks, and reduce personal use. The extent of any resources required to implement the recommendations in this report is not determinable at this time.

Summary

The objective of this review was to assess compliance with the City's Acceptable Use Policy

with respect to employee Internet usage pertaining to personal use, visits to inappropriate sites and excessive use of resources.

Our review indicated that controls appear adequate in restricting access to inappropriate Internet sites and activities using excessive computing resources. However, there are inadequate controls in monitoring excessive personal use at the individual level. Our review found that approximately 200 users or two per cent of all users appear to have spent excessive time on the Internet for personal use and not in compliance with the Acceptable Use Policy. Management needs to implement system changes and proactive measures to monitor compliance with the Acceptable Use Policy.

Background Information

Internet Usage Review - report (July 31, 2007) from the Auditor General

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6698.pdf>)

Internet Usage Review - Appendix 1

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6699.pdf>)

Internet Usage Review - Appendix 2 - Management's Response to Auditor General's Review

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6700.pdf>)

Additional Background Information (City Council)

- Acceptable Use Policy for Information and Technology Resources, submitted by the Chief Information Officer (AU4.3a)

AU4.4	NO AMENDMENT			
-------	--------------	--	--	--

Children's Services Division – Review of the Administration of Child Care Fee Subsidy

City Council Decision

City Council on October 22 and 23, 2007, adopted the following motions:

1. The General Manager, Children's Services Division, review the policies and procedures relating to the processing of subsidy applications and ensure that all such policies and procedures are current, relevant and consistently applied. An effective quality assurance process be implemented and steps taken to address instances of non-compliance.
2. The General Manager, Children's Services Division, review the specific criteria relating to the frequency of detailed financial reviews of child care centres. The frequency of the reviews be tied to the level of risk such that centres which appear to be less well managed would be reviewed more often. During ongoing financial and annual budget review, consideration be given to reviewing any management letters prepared by independent audit firms.
3. The General Manager, Children's Services Division, ensure divisional policies for

granting of subsidies are in compliance with Council's direction of first-come first-serve. The General Manager, Children's Services Division, develop a monitoring system to review granting of subsidy to ensure applicants are processed according to their order of priority on the Ward waiting list.

4. The General Manager, Children's Services Division, ensure that contact information for applicants waiting for subsidy is kept sufficiently current, in order to allow for subsidy to be granted to eligible applicants on Ward waiting lists on a first-come first-serve basis.
5. The General Manager, Children's Services Division, develop a business case to consider the costs and the benefits of Toronto Children's Services Operating Criteria.
6. The General Manager, Children's Services Division, review the potential implementation of an information system which allows for the electronic exchange of information between the Division and its operators.
7. The General Manager, Children's Services Division, review the process for the accounting of subsidy overpayments, with a view to ensuring that all such amounts are accounted for appropriately.

(June 30, 2007) Report from the Auditor General

Committee Recommendations

The Audit Committee recommends that:

1. The General Manager, Children's Services Division, review the policies and procedures relating to the processing of subsidy applications and ensure that all such policies and procedures are current, relevant and consistently applied. An effective quality assurance process be implemented and steps taken to address instances of non-compliance.
2. The General Manager, Children's Services Division, review the specific criteria relating to the frequency of detailed financial reviews of child care centres. The frequency of the reviews be tied to the level of risk such that centres which appear to be less well managed would be reviewed more often. During ongoing financial and annual budget review, consideration be given to reviewing any management letters prepared by independent audit firms.
3. The General Manager, Children's Services Division, ensure divisional policies for granting of subsidies are in compliance with Council's direction of first come first serve. The General Manager, Children's Services Division, develop a monitoring system to review granting of subsidy to ensure applicants are processed according to their order of priority on the ward waiting list.
4. The General Manager, Children's Services Division, ensure that contact information for

applicants waiting for subsidy is kept sufficiently current in order to allow for subsidy to be granted to eligible applicants on ward waiting lists on a first-come first-serve basis.

5. The General Manager, Children's Services Division, develop a business case to consider the costs and the benefits of Toronto Children's Services Operating Criteria.
6. The General Manager, Children's Services Division, review the potential implementation of an information system which allows for the electronic exchange of information between the Division and its operators.
7. The General Manager, Children's Services Division, review the process for the accounting of subsidy overpayments with a view to ensuring that all such amounts are accounted for appropriately.

Financial Impact

The implementation of recommendations in this report will improve the administration of child care subsidies. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at the present time.

Summary

The objective of this review was to assess the extent to which Toronto Children's Services has adequate management controls in place to ensure subsidies are administered in a cost effective manner and in compliance with relevant legislation and City policies and procedures.

Our review found that the provision of child care services for children in the City of Toronto is complex, costly and challenging to administer. Even though this review identified some issues which should be addressed, Children's Services is well managed. The issues identified during this review were discussed with senior management and as a result the majority of the audit recommendations are in the process of being addressed.

Background Information

Children's Services Division - Review of the Administration of Child Care Fee Subsidy
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6676.pdf>)

Appendix 1 - Children's Services Division - Review of the Administration of Child Care Fee Subsidy

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6677.pdf>)

Appendix 2 - Management's Response to the Auditor General's Review of Children's Services Division - Review of the Administration of Child Care Fee Subsidy

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6678.pdf>)

AU4.10	NO AMENDMENT			
--------	--------------	--	--	--

Boards and Commissions

City Council Decision

City Council on October 22 and 23, 2007, adopted the following motion:

1. City Council receive, for information, the 2006 Financial Statements and related documents of the following agencies, boards and commissions:
 - Toronto Economic Development Corporation
 - TTC Insurance Company Limited
 - Toronto Coach Terminal Inc.
 - St. Lawrence Centre for the Arts.

Committee Recommendations

The Audit Committee recommends that:

1. City Council receive, for information, the 2006 Financial Statements and related documents of the following agencies, boards and commissions:
 - Toronto Economic Development Corporation
 - TTC Insurance Company Limited
 - Toronto Coach Terminal Inc.
 - St. Lawrence Centre for the Arts

Decision Advice and Other Information

The Audit Committee requested the Auditor General to give consideration to a review of the potential tax consequences concerning any sale of property owned by the Toronto Coach Terminal.

Summary

2006 Financial Statements have been submitted to the Audit Committee for consideration by the following agencies, boards and commissions:

- Toronto Economic Development Corporation
- TTC Insurance Company Limited
- Toronto Coach Terminal Inc.
- St. Lawrence Centre of the Arts

10a Toronto Economic Development Corporation (TEDCO) - Consolidated Financial Statements, December 31, 2006

(September 11, 2007) Report from the Deputy City Manager and Chief Financial Officer

Summary

The purpose of this report is to provide Audit Committee and City Council with the 2006 Audited Financial Statements of the City of Toronto Economic Development Corporation (“TEDCO”).

The 2006 consolidated financial statements for TEDCO, audited by Ernst & Young LLP, Chartered Accountants are presented to Audit Committee after approval by TEDCO Board of Directors.

Background Information

TEDCO Consolidated Financial Statements December 31, 2006 - REVISED report (September 11, 2007) from the Deputy City Manager and Chief Financial Officer (<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-6752.pdf>)

Consolidated Financial Statements - City of Toronto Economic Development Corporation - December 31, 2006 (<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-7168.pdf>)

10b TTC Insurance Company Limited - Financial Statements for the Year Ended December 31, 2006

(June 26, 2007) Report from the Secretary, TTC Insurance Company Limited

Summary

The Board of Directors of TTC Insurance Company Limited approved the attached Financial Statements for the year 2006, and forwarded them to the City Audit Committee for information.

Background Information

Cover letter (June 26, 2007) from the Secretary, TTC Insurance Company Limited (<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5902.pdf>)

Auditor's Cover Report (February 5, 2007)

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5903.pdf>)

TTC Insurance Company Limited - Balance Sheet, Statement of Income, Statement of Cash Flows

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5904.pdf>)

Notes to Financial Statements - TTC Insurance Company Limited

(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5905.pdf>)

10c Toronto Coach Terminal Inc. - Financial Statements for the Year Ended December 31, 2006

(June 26, 2007) Report from the General Secretary, Toronto Transit Commission

Summary

The Board of Directors of Toronto Coach Terminal Inc. approved the attached Financial Statements for the year ended December 31, 2006, and forwarded them to Toronto City Council, through the City Audit Committee, for information.

Background Information

Cover letter (June 26, 2007) from the General Secretary, Toronto Transit Commission
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5909.pdf>)

Toronto Coach Terminal Inc. Report No. 1 (June 22, 2007)
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5910.pdf>)

Non-Consolidated Financial Statements of Toronto Coach Terminal Inc.
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-5911.pdf>)

10d St. Lawrence Centre for the Arts - Financial Statements and Audit Results, December 31, 2006

Summary

Financial Statements and Audit Results as at December 31, 2006, for the St. Lawrence Centre for the Arts.

Background Information

St. Lawrence Centre for the Arts - Financial Statements December 31, 2006
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-7070.pdf>)

St. Lawrence Centre for the Arts - Audit Results December 31, 2006
(<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-7071.pdf>)

*Submitted Monday, September 24, 2007
Councillor Doug Holyday, Chair, Audit Committee*