



STAFF REPORT ACTION REQUIRED

Toronto Police Service – G8/G20 Summits: Final Payment

Date:	March 9, 2012
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the Budget Committee with the total claim submitted to Public Safety Canada (PSC) by the Toronto Police Service (Service) for the policing of the G8/G20 Summits.

RECOMMENDATION

It is recommended that the Budget Committee receive this report for information.

FINANCIAL IMPACT

The total claim submitted to PSC by the Service for the G8/G20 policing and security related costs was \$89.2M, which was \$55.2M (or 38.2%) below the net budget of \$144.4M approved by PSC. The total claim submitted by the Service includes security-related costs provided by external police services and the City of Toronto.

The total claim was subject to audit by Audit Services Canada (Auditors). The Service received two interim payments from PSC totalling \$20.5M. After conclusion of the audit, the Service received the third and final payment of \$67.7M from PSC for a total receipt of \$88.2M, which is \$1M (1.2%) less than the total amount claimed. The difference between the amount submitted and received represents items that the auditor has disallowed. The table below summarizes the claim and payments received.

	G8/G20 Submitted Costs (\$M)	Payment Received from PSC (\$M)	Difference (\$M)
Toronto Police	61.9	61.2	0.7
External Services	14.3	14.6	(0.3)
City of Toronto	13.0	12.4	0.6
Total	89.2	88.2	1.0

As a result of the audit, the Service received \$0.7M less than its portion of the claim. Included in the \$0.7M difference is \$0.4M related to Senior Officers' overtime and benefits claimed. These overtime and benefit costs have been disallowed by the Auditors. As payment to members was conditional on receiving payment from PSC for these costs, the Service will therefore not be paying this amount. As a result, the actual impact on the Service of the disallowed amount is \$0.3M. This disallowed amount will be offset against the allowance for doubtful accounts of \$8.1M, which was established at the end of the 2010 fiscal year for the G8/G20 Summits. The remaining amount (approximately \$7.8M) of the doubtful allowance will be taken into income in the 2011 year as a surplus amount.

ISSUE BACKGROUND

At its meeting held on February 16, 2012, the Board was in receipt of a report dated January 27, 2012 from William Blair, Chief of Police, with regard to the final payments for the policing of the G8/G20 Summits.

COMMENTS

Mr. Miguel Avila was in attendance and delivered a deputation to the Board. A copy of Mr. Avila's deputation is on file in the Board office.

The Board received the Chief's report and agreed to forward copies to the City of Toronto – Budget Committee and the City's Deputy City Manager/Chief Financial Officer for information. The Board also received the deputation by Mr. Avila.

CONCLUSION

A copy of the Chief's report dated January 27, 2012 is contained in Board Minute No. P35/12. A copy of Board Minute No. P35/12, in the form attached as Appendix "A" to this report, is provided for information.

CONTACT

Chief of Police William Blair
Toronto Police Service
Telephone No. 416-808-8000
Fax No. 416-808-8002

SIGNATURE

Alok Mukherjee
Chair

ATTACHMENT

Appendix A – Board Minute No. P35/12

cc. Mr. Cam Weldon, Deputy City Manager and Chief Financial Officer

A: g20 final payment.doc

APPENDIX “A”

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON FEBRUARY 16, 2012

#P35. G8/G20 SUMMITS – FINAL PAYMENT

The Board was in receipt of the following report January 27, 2012 from William Blair, Chief of Police:

Subject: G8/G20 SUMMITS – FINAL PAYMENT

Recommendations:

It is recommended that:

- (1) the Board receive this report for information; and
- (2) the Board forward a copy of this report to the City’s Budget Committee and the City’s Deputy City Manager and Chief Financial Officer for information.

Financial Implications:

The total claim submitted to Public Safety Canada (PSC) by the Toronto Police Service (Service) for the G8/G20 policing and security related costs was \$89.2M, which was \$55.2M (or 38.2%) below the net budget of \$144.4M approved by Public Safety Canada. The total claim submitted by the Service includes security-related costs provided by external police services and the City of Toronto.

The total claim was subject to audit by Audit Services Canada (Auditors). The Service received two interim payments from PSC totalling \$20.5M. After conclusion of the audit, the Service received the third and final payment of \$67.7M from PSC for a total receipt of \$88.2M, which is \$1M (1.2%) less than the total amount claimed. The difference between the amount submitted and received represents items that the auditor has disallowed. The table below summarizes the claim and payments received.

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Toronto Police	61.9	61.2	0.7
External Services	14.3	14.6	(0.3)
City of Toronto	13.0	12.4	0.6
Total	89.2	88.2	1.0

As a result of the audit, the Service received \$0.7M less than its portion of the claim. Included in the \$0.7M difference is \$0.4M related to Senior Officers’ overtime and benefits claimed. These

overtime and benefit costs have been disallowed by the Auditors. As payment to members was conditional on receiving payment from PSC for these costs, the Service will therefore not be paying this amount. As a result, the actual impact on the Service of the disallowed amount is \$0.3M. This disallowed amount will be offset against the allowance for doubtful accounts of \$8.1M, which was established at the end of the 2010 fiscal year for the G8/G20 Summits. The remaining amount (approximately \$7.8M) of the doubtful allowance will be taken into income in the 2011 year as a surplus amount.

Background/Purpose:

This report provides information on the financial close-out of the security and policing operations administered by the Service, related to the G8/G20 Summits.

Discussion:

The G8/G20 Summits that took place in June 2010 resulted in significant incremental costs for the provision of policing and security. These costs are eligible for full or partial reimbursement under the Federal Government's Security Cost Framework Policy (the Policy). The Policy is intended to contribute towards the incremental, extraordinary and justifiable policing and security-related costs of municipal partners. It identifies which items are funded at 100% (e.g., incremental staffing costs, services, specialized training, leased equipment and consumables) and which items are funded at 50% (e.g., purchased equipment and telecommunication infrastructure).

Based on the Service's responsibilities for the G8 and G20 Summits, and in accordance with the Federal Government's Policy on reimbursements, a budget was developed identifying the estimated incremental costs to the Service and the City. This budget covered planning, mobilization and demobilization costs to September 30, 2010. Requirements for the budget were determined based on the best available information regarding planning assumptions for the G8 and G20 Summits. Given the many unknowns at the time and the short time line to plan (approximately six months) and prepare the budget (less than one month), the estimate was based on a worst-case scenario. The budget estimate was reviewed in detail with PSC and the final approved budget formed part of a Cost Contribution Agreement with the Federal Government.

Under the Agreement with PSC, two interim claims and a final claim were required to be submitted for reimbursement of eligible costs. All of the claims were submitted to PSC, and final payment was subject to audit by Audit Services Canada before the final payment could be made.

The final cost, reported to the Board in February 2011 (Min. No. P25/11 refers) and submitted to Public Safety Canada for reimbursement totalled \$89.2M, of which \$61.9M represents the portion directly associated with the Service. The remaining \$27.3M is attributable to costs incurred by City of Toronto departments (e.g., Toronto Fire, Emergency Medical Services, etc.) and other police services that were processed through the Service to PSC.

Consistent with the terms of the Agreements, claims made by the Service were audited by Audit Services Canada. The audit was a lengthy process with the Auditors on site at Police Headquarters for over six months and subsequently concluding their work in their offices. On November 15, 2011, audit results were provided to the Service for review and response.

Although the funding Agreement specifies, in respect of final payment, that “it shall be the objective of both Parties to have a complete reconciliation and payment by the end of March 31, 2011 but no later than September 30, 2011,” final payment was not received until mid-December, 2011.

A summary of G8/G20 Summit audited expenditures against the amounts claimed is provided below in Table 1.

Table 1 - Total G8/ G20 Policing and Security Audited Expenditures

Function	Budget Approved by Public Safety Canada	Expenditures Claimed	Expenditures Approved by Auditors	Difference	% Difference
Toronto Police Service	\$ 123,304,600	\$ 61,891,062	\$ 61,195,342	\$ 695,720	1.1%
External Police Services		\$ 14,334,320	\$ 14,639,713	(\$ 305,393)	-2.1%
Emergency Medical Services	\$ 5,965,300	\$ 3,027,509	\$ 2,760,119	\$ 267,390	8.8%
Toronto Fire Service	\$ 17,954,400	\$ 7,937,375	\$ 7,667,536	\$ 269,839	3.4%
City	\$ 0	\$ 2,028,722	\$ 1,913,653	\$ 115,069	5.7%
Contingency	\$ 8,124,000				
Total	\$ 155,348,300	\$ 89,218,988	\$ 88,176,363	\$ 1,042,625	1.2%
Less: Cost Share in Budget	(\$ 10,937,300)				
Grand Total	\$ 144,411,000	\$ 89,218,988	\$ 88,176,363	\$ 1,042,625	1.2%

As shown in Table 1, the audited amount is \$1M less than the amount claimed; this represents a 1.2% difference. The difference is attributed to amounts disallowed by the Auditors.

The information below summarizes the significant adjustments made by the Auditors.

- *Senior Officers Overtime and Benefits – \$387,000 disallowed:* In accordance with the memorandum of understanding (MOU) “re: temporary compensation accord” between the Toronto Police Services Board and the Toronto Police Senior Officers’ Organization, the Service’s claim included a cost for Senior Officers’ overtime and benefits for overtime performed during the period of deployment from June 14, 2010 to June 28, 2010. This claim was made consistent with Annex 1 of the Agreement with PSC that states that “Overtime wages of personnel engaged in planning, deployment and demobilization phases are reimbursed in accordance with relevant collective agreements or contracts of employment.”

The Auditors disallowed this expenditure on the basis that it is not allowed in the “relevant” collective agreement, which was determined by the Auditors to be the original collective agreement between the Board and the Senior Officers’ Organization and not the MOU that was entered into in June, 2010. The Service disputed this claim; however, the Auditors did not reconsider the adjustment. Consideration is being given to escalating this matter within Public Safety Canada.

- *Supplies and Equipment (Service) – \$199,940 disallowed:* An adjustment was made to disallow 50% of the cost claimed for certain items retained by the Service that were claimed at 100%.
- *Supplies and Equipment (City of Toronto) – \$404,733 disallowed:* Adjustments were made to disallow 50% of costs claimed by Toronto Fire Service and Emergency Medical Services on equipment retained that was claimed at 100% and amounts denied for expenditures that were deemed not solely for the provision of policing and security for the Summit.
- *Administrative Salaries for Outside Services – \$68,116 disallowed:* Although the funding Agreement with Public Safety Canada stipulates that “Internal handling or administration costs or interdepartmental and intergovernmental service fees and overhead” are not eligible for reimbursement, a number of external police services had raised concerns about the recovery of planning and administrative expenses during the negotiation of their Memorandums of Agreement with the Service. Approval was received by Public Safety Canada for one external police service prior to the event. Only that police service was reimbursed for their claim of administrative costs and the other police services’ expenditure claims were denied. The Service disputed this adjustment; however, the Auditors did not revise their recommendation. Although the above explains the amount disallowed for administrative salaries of external services, the actual net adjustment to external police services is an increase to the amounts claimed. This net increase is due to the Auditor’s adjustment to include an invoice received by an outside police service (Ontario Provincial Police) for salaries, overtime and benefits subsequent to the final claim being made to Public Safety Canada.

Other smaller adjustments, several of which could be disputed based on interpretations received from Public Safety Canada that differ from the Auditor’s interpretations, were also made. The total adjustments, however, represent only 1.2% of the costs claimed. Given that the budget was developed under extremely short time-lines and that the Security Cost Framework Policy contained many areas that were subject to interpretation, the Service sees no value to further disputing these claims.

At the time that the funding Agreement was negotiated with Public Safety Canada, concerns were expressed regarding the wording in the Agreements regarding eligibility of costs. The Security Cost Framework Policy, upon which the Agreement is based, is meant to be used as a guide to determine the Federal Government and the participants’ respective contributions to the event. In many instances, the Policy is unclear and the Agreement was therefore subject to interpretations. Given this uncertainty and utilizing accounting best practices, the Service established an allowance for doubtful accounts of \$8.1M at the end of 2010. This allowance was

established for the Service's portion of the total costs while the external Services and the City of Toronto could establish their own allowances. The Service's portion of the claim that was disallowed by the Auditors was \$0.7M and after deducting the adjustment for Senior Officers' overtime and benefits that will not be paid out to members, the net impact on the Service is \$0.3M. After applying this against the doubtful allowance, an amount of approximately \$7.8M can be taken into income, increasing the Service's surplus for 2011.

Conclusion:

The G8/G20 Summits that occurred in June 2010 required significant expenditures for human resources, equipment and supplies, and enabled the Service to meet its mandate for a safe and secure Summit. Expenditures related to the G8/G20 Summits total \$89.2M net, and cover the costs for the Service, City divisions and external police services that assisted during the event. Following the final audit by Audit Services Canada, a total amount of \$88.2M has been received, resulting in a difference of \$1M from the total amount claimed. \$0.7M of the difference represents costs attributed directly to the Service, of which \$0.3M is for costs incurred that will not be recovered.

The Service established an allowance for doubtful accounts of \$8.1M at the end of 2010. After applying the unrecoverable amount of \$0.3M, in the Service's claim, against the allowance for doubtful accounts set up at the end of 2010, an amount of approximately \$7.8M can be taken into income, thereby increasing the Service's surplus for 2011.

Mr. Tony Veneziano, Chief Administrative Officer, Administrative Command will be in attendance to answer any questions from the Board.

Mr. Miguel Avila was in attendance and delivered a deputation to the Board. A copy of Mr. Avila's deputation is on file in the Board office.

The Board received the foregoing report and agreed to forward copies to the City of Toronto – Budget Committee and the City's Deputy City Manager/Chief Financial Officer for information. The Board also received the deputation by Mr. Avila.