



## REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

### Toronto Parking Authority – 2019 Results of Follow-up of Previous Audit Recommendations

**Date:** May 31, 2019  
**To:** Board of Directors, Toronto Parking Authority  
**From:** Auditor General  
**Wards:** All

#### **REASON FOR CONFIDENTIAL INFORMATION**

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The attachment to this report deals with a proposed or pending acquisition of land by the Toronto Parking Authority Board.

#### **SUMMARY**

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On an annual basis, the Auditor General reviews the implementation status of outstanding audit recommendations and reports the review results to City Council through the City's Audit Committee.

This report provides the implementation status of recommendations contained in the following four audit reports issued to the Toronto Parking Authority (TPA):

- Toronto Parking Authority Phase 1: Audit of Real Estate Activities, 2015
- Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities, 2016
- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority, 2016
- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2, 2017

As of December 31, 2017, there were 30 outstanding recommendations from audit and investigation reports issued to TPA between 2015 and 2017.

Thirteen recommendations arise from the Auditor General's 2015 audit of real estate activities. Although the recommendations are still relevant, as a result of the adoption of the City-wide real estate model, TPA no longer carries out real estate transactions on an independent basis. The TPA, CreateTO, and City Real Estate Services continue to

work together to evolve the processes for acquiring, selling and/or developing TPA lands.

Given the extent of changes being made to TPA real estate operations, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented. Therefore, the Auditor General has decided that the 13 audit recommendations will no longer be included in her annual follow up process. After all process changes have been completed, the Auditor General will consider whether to include a new audit in her future audit work plans.

Again, these recommendations remain relevant and should be considered by TPA, CreateTO, and City Real Estate Services as they continue to work together to implement the City-wide real estate model.

Of the remaining 17 outstanding recommendations, our review verified that eight recommendations have been fully implemented, seven recommendations have been partially implemented, and two are no longer applicable.

We express our appreciation for the co-operation and assistance we received from management and staff during this year's follow-up review process.

## **RECOMMENDATIONS**

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The Auditor General recommends that:

1. The Board of Directors of the Toronto Parking Authority direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it pertains to a proposed or pending acquisition of land by the Toronto Parking Authority Board.

## **FINANCIAL IMPACT**

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There is no financial impact resulting from the adoption of the recommendation in this report.

## **DECISION HISTORY**

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The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it ensures that management has taken appropriate action to implement the recommendations from previous audit reports. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

In accordance with the Auditor General's 2019 Work Plan, we have completed a review of the implementation status of audit recommendations issued to the TPA. We will include the results of this follow-up review in a consolidated report to the City Audit

Committee in June 2019. The consolidated report will include a summary of our review of outstanding recommendations for all City Agencies and Corporations.

We conducted this follow-up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The previous Auditor General's follow-up reports on TPA audits are available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117950.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105101.pdf>

## COMMENTS

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The follow-up review process requires that management provide the Auditor General with a written response regarding the implementation status of each audit recommendation. Where management indicates that recommendations have been implemented, audit work is conducted by audit staff to ensure the accuracy of management assertions. Where management indicates that recommendations have not been implemented, no audit work is performed and the audit recommendations are carried forward to the next follow-up audit. Where management indicates that recommendations are not applicable, audit staff review management's response and confirm management's assertion.

### **Toronto Parking Authority - Phase 1: Audit of Real Estate Activities, 2015**

The Auditor General's 2015 report entitled "Toronto Parking Authority - Phase 1: Audit of Real Estate Activities" included 13 recommendations to strengthen the control framework governing TPA's real estate activities.

<https://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84756.pdf>

In May 2017, City Council approved a new real estate delivery model that centralizes real estate activities on a City-wide basis. Going forward, all real estate transactions are expected to be conducted pursuant to the new City-wide real estate model and amended authorities adopted by City Council.

TPA no longer carries out real estate transactions on an independent basis. The TPA, CreateTO, and City Real Estate Services are working together to evolve the processes for acquiring, selling and/or developing TPA lands (surface parking lots and parking garages). Given the extent of changes being made, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions. Therefore, the Auditor General has decided that the 13 recommendations from the audit of real estate activities will no longer be included in her annual follow up process. After all process changes have been completed, the Auditor General will consider whether to include a new audit in her future work plans.

Nonetheless, these recommendations remain relevant and should be considered by TPA, CreateTO, and City Real Estate Services as they continue to work together to implement the City-wide real estate model. The recommendations are included in Attachment 3.

### Other Audits and Investigations from 2016-2017

Table 1 outlines the current assessment results of the remaining 17 outstanding recommendations issued to the Toronto Parking Authority in previous audit and investigation reports. Our review verified that eight recommendations have been fully implemented, seven recommendations have been partially implemented, and two are no longer applicable.

**Table 1: Results of 2019 Follow-up review**

Report Title	Total No. of Recs.	Results of 2019 Review			
		New or Outstanding Recs. from Last Follow-up Review	Fully Implemented	Not Fully Implemented	No Longer Applicable
<b>Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities Off-Street Controlled Facilities, 2016</b>	12	9	5	4	0
<b>Auditor General's Observations of a Land Acquisition at Finch Avenue and Arrow Road by the Toronto Parking Authority, 2016</b>	2	2	0	0	2
<b>Auditor General's Observations of a Land Acquisition at Finch Avenue and Arrow Road by the Toronto Parking Authority - Part 2, 2017</b>	6	6	3	3	0
<b>Total</b>	<b>20</b>	<b>17</b>	<b>8 (47%)</b>	<b>7 (41%)</b>	<b>2 (12%)</b>

The recommendations we verified as fully implemented during our current follow up process are included in Attachment 1. The recommendation that are not fully implemented together with management's comments and action plan are included in Attachment 2. The recommendations that are no longer applicable are included in Confidential Attachment 1.

## Noteworthy 2019 Follow-up Review Results

The Auditor General was requested to review a pending property acquisition at Finch Avenue West and Arrow Road by the TPA. The Auditor General's observations in relation to this transaction were covered in two reports:

- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority, 2016. This report is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97675.pdf>

- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2, 2017. This report is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105389.pdf>

This is our first follow-up review of the recommendations made in these reports.

The 2016 audit report contains two confidential recommendations. During the current follow-up review, we assessed that both recommendations are no longer applicable.

The 2017 audit report, contains six recommendations, three recommendations were assessed as fully implemented during the current follow-up review. These recommendations are included in Attachment 1. Management's efforts are underway to implement the remaining three recommendations related to amendments to the TPA by-law, updating of governance and procedural policy and training for Agency boards. Management's comments and action plan are included in Attachment 2.

## CONTACT

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## SIGNATURE

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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**Attachment 1: Toronto Parking Authority Audit Recommendations - Fully Implemented**

**Attachment 2: Toronto Parking Authority Audit Recommendations - Partially Implemented**

**Attachment 3: Toronto Parking Authority, Phase 1: Audit of Real Estate Activities, 2015 Audit Recommendations**

**Confidential Attachment 1: Toronto Parking Authority Confidential Recommendations - No Longer Applicable**

## Attachment 1

### TORONTO PARKING AUTHORITY AUDIT RECOMMENDATIONS – FULLY IMPLEMENTED

**Report Title:** Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2

**Report Date:** 06/22/2017

<b>No.</b>	<b>Recommendation</b>
001	<p>The Board of Directors acknowledge and endorse the following as necessary improvements to the processes by the Toronto Parking Authority and refer them to the President for any necessary action:</p> <ul style="list-style-type: none"><li>a. have non real estate assets with significant contributory value appraised by independent business valuers;</li><li>b. prepare engagement letters for appraisers, valuers and consultants if relying on the value to support a purchase price to ensure there is a clear understanding of key terms of engagement such as scope, fees, methodology, timing, conflicts of interest declarations and expectations;</li><li>c. ensure persons involved with procurement transactions do not have actual or perceived conflicts of interest;</li><li>d. ensure confidentiality agreements are signed by persons who are advisors on transactions;</li><li>e. ensure that Toronto Parking Authority obtains independent arms-length property valuations before requesting the board to approve a transaction;</li><li>f. ensure the Board has proper procedural guidance during board meetings; and</li><li>g. arrange a formal board training session to provide information on Board member's duties, risks and responsibilities.</li></ul>
003	<p>City Council request the City Manager and the City Clerk to review and report, as part of the implementation of the Agency governance review, on whether the Toronto Parking Authority Board of Directors should be increased by two Directors.</p>
006	<p>City Council appoint the City Clerk as secretary to provide meeting management support to the Toronto Parking Authority Board of Directors, such services to be provided at the Toronto Parking Authority's expense in accordance with a service agreement to be mutually agreed upon by the Toronto Parking Authority Board and the City Clerk.</p>

**Report Title: Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities**

**Report Date: 01/12/2016**

<b>No.</b>	<b>Recommendation</b>
001	<p>The Board of Directors request the Chief Executive Officer to clarify the rate setting benchmarks for long stay parking as set out in Toronto Parking Authority Policy Resolution 2-1 "Parking Rates – Off-Street Facilities". More specifically, consideration be given to clarifying or updating benchmarks for:</p> <ul style="list-style-type: none"><li>a. Multipliers for day maximum rates</li><li>b. Day maximum rates that may be applicable for long stay discretionary ("early bird") use and long stay non-discretionary use.</li></ul>
005	<p>The Board of Directors request the Chief Executive Officer to periodically review and update standard operating procedures for off-street operations to ensure they reflect current practices and expected controls.</p>
006	<p>The Board of Directors request the Chief Executive Officer to implement a structured program of reviews and surprise audits to monitor adherence to the standard operating procedures.</p>
009	<p>The Board of Directors request the Chief Executive Officer to develop and implement formal reconciliation procedures which address the responsibilities of supervisors, the Manager of Attended Facilities, and finance staff for managing and safeguarding the various change fund floats.</p>
010	<p>The Board of Directors request the Chief Executive Officer conduct a periodic review of the physical security of cash/coinage handling and implement any necessary enhancements.</p>



## Attachment 2

### TORONTO PARKING AUTHORITY AUDIT RECOMMENDATIONS – PARTIALLY IMPLEMENTED

**Report Title:** Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2

**Report Date:** 06/22/2017

No.	Recommendation	Management Comments
002	The Board of Directors request the President to review and recommend to City Council appropriate amendments to Toronto Parking Authority's by-law.	<p>TPA and the City Clerk's office have compiled a new draft TPA by-law. Finalizing the document is contingent on implementing the TPA governance structure going forward, and incorporating the recommendations recently approved by Council (Item EX1.2) arising from the aforementioned Torgs governance investigation.</p> <p>Torgs report entitled: "Toronto Parking Authority Governance Review &amp; Report" is available at:  <a href="https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-123470.pdf">https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-123470.pdf</a></p>
004	City Council request the City Clerk to review the qualifications for City Agencies and consider whether to recommend to the Executive Committee whether at least one board member on each Agency board should hold a Director's designation qualification.	<p>The City Clerk will address Director's designations or training as part of a review of all board qualifications to be conducted later in the latter half of 2019 for presentation to City Council. This work is delayed due to the allocation of Public Appointments unit resources to the recruitment and filling of a high volume of vacancies in 2019 Q1 and Q2 arising from the transition to a new term of Council.</p> <p>In the meantime, Public Appointments staff have regard for directors training when scoring candidates for submission to the various nominating panels for consideration.</p> <p>The City Clerk's Office partners with several board training organizations including the Institute of Corporate Directors, on Board Canada and the Society of Ontario Adjudicators and Regulators and is also currently examining the feasibility of developing customized directors training for municipal public boards.</p>
005	City Council request the City Manager, in consultation with the City Clerk and the City Solicitor, to update as necessary guidelines and training for Agency boards based on the findings in the report (June 22, 2017) from the Auditor General.	<p>In EX1.2, City Council approved a staff recommendation, based on the recommendation of the external consultant, to request the TPA Board, once appointed, to adopt a governance and procedural policy which addresses issues such as roles and duties of directors, the Chair, the President and TPA staff; the right of Board members to dissent; the process for directors to seek information from management; and, the period in which all Board briefing materials must be provided to directors in advance of a meeting.</p> <p>From report EX1.2, the external consultant made other recommendations regarding "training, orientation, evaluation frameworks to evaluate the performance of a board, its</p>

No.	Recommendation	Management Comments
		committees, Chair and individual directors, as well as consideration of a policy handbook that could be adopted in whole or in part by City agencies. In order to ensure that there is a consistent approach across boards, these recommendations will be considered by the City Manager in consultation with the City Clerk as part of a comprehensive orientation and training program for members of boards of all City agencies."

**Report Title: Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities**

**Report Date: 01/12/2016**

No.	Recommendation	Management Comments
002	The Board of Directors request the Chief Executive Officer to clearly communicate how long term parking rates align with the parking rate benchmarks (as set out in Toronto Parking Authority Policy Resolution 2-1 "Parking Rates – Off-Street Facilities") and document the factors which may impact the alignment of Toronto Parking Authority parking rates with the benchmarks.	These relationships as set out in amended Policy 2-1, and specific factors impacting alignment with the benchmarks, are documented and reported to the TPA Board in conjunction with the comprehensive annual Parking Rate Review, including the analysis of the compliance of the rates to the guidelines. The 2019 comprehensive off-street rate review report will contain this information and it will continue to be provided going forward.  Timeline: Q4, 2019
003	The Board of Directors request the Chief Executive Officer, where possible, to:  a. Implement automated interfaces between the parking revenue control system and the accounting system.  b. Automate the recording and reconciliation of revenue generating transactions, collections, and deposits.	a. The implementation of automated interfaces between revenue control and accounting systems will be incorporated as part of a larger project with other planned upgrade and automation of the TPA accounting system, scheduled for implementation through 2019 - 2020.  b. Interim automation procedures have been adopted where practical for recording and reconciliation of revenue transactions.
004	The Board of Directors request the Chief Executive Officer to use system functionality, where possible, and analyze collected data to augment monitoring of exception transactions and events.	Manual exception management monitoring remains unchanged, however, TPA has automated, where possible and financially practical, the capture of collected data to assist with audit, control and exception reporting. This review was made in consideration of the new accounting system implementation currently proceeding in 2019-2020 and parking equipment vendor's proposed new revenue collection system enhancements.
012	The Board of Directors request the Chief Executive Officer, in consultation with the Board's	Operational and financial duties have been segregated. The former TPA Board's Audit Committee approved the use of a professional services audit firm to conduct this activity.

No.	Recommendation	Management Comments
	<p>Finance and Audit Committee, to review the role and mandate for the Internal Audit function. Such review to determine whether the Internal Audit function be required to:</p> <p>a. Preserve independence and objectivity, transferring all operational duties to other Toronto Parking Authority personnel</p> <p>b. Conduct audits or issue reports in accordance with or guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.</p>	<p>Services will be retained once the financial system and the new governance structure are in place.</p> <p>In the interim as required, TPA has retained the services of the City's Internal Audit team to support this requirement.</p>

## Attachment 3

### TORONTO PARKING AUTHORITY, PHASE 1: AUDIT OF REAL ESTATE ACTIVITIES, 2015 AUDIT RECOMMENDATIONS

**Report Title:** Toronto Parking Authority-Phase 1: Audit of Real Estate Activities  
**Report Date:** 10/15/2015

No.	Recommendation
001	The Board of Directors request the Chief Executive Officer to ensure adequate support is retained for projections of local area parking requirements.
002	The Board of Directors request the Chief Executive Officer to document key assumptions underlying financial analyses. Where assumptions are substantiated by actual results from completed joint ventures and/or comparative data from other parking garages and surface lots, such data be documented and retained.
003	The Board of Directors request the Chief Executive Officer to review the financial models used to assess the financial impacts of transactions and report back to the Board on the framework used to analyze real estate transactions.
004	4. The Board of Directors request the Chief Executive Officer to expand upon the financial information provided to the Board when recommending the approval of the proposed transaction, as well as any amendments to the transaction agreement. Information provided should include: <ul style="list-style-type: none"> <li>a. The expected rate of return and a summary of the financial analysis performed including a description of the basis for any key assumptions.</li> <li>b. A summary of the financial impact of competing offers before and after discounting offers for risk.</li> <li>c. The financial and qualitative impacts of adopting key terms in the transaction agreement.</li> </ul>
005	The Board of Directors request the Chief Executive Officer, in consultation with the City's Deputy City Manager and Chief Financial Officer, to periodically review the expected minimum return on transactions, to ensure it is reflective of the current economic environment.
006	The Board of Directors request the Chief Executive Officer to consider obtaining market value appraisals from independent appraisers who are selected from a competitively established roster of pre-qualified service providers and consideration be given to using the City's roster where possible.
007	The Board of Directors request the Chief Executive Officer to retain the quantitative and qualitative evaluation of offers and document the basis for management's decision to short list proponents.
008	The Board of Directors request the Chief Executive Officer, in consultation with the City Clerk, to recommend and implement a record retention policy to ensure compliance with the City of Toronto Act, 2006.
009	The Board of Directors request the Chief Executive Officer to ensure that, for all property transactions, reports recommending the short listing or selection of developers include a description of how the evaluation results of each submission received impacted the overall short listing of proponents.
010	The Board of Directors request the Chief Executive Officer to report periodically to the Real Estate, Development and Business Opportunities Advisory Committee with updates on the status of in-

<b>No.</b>	<b>Recommendation</b>
	process real estate transactions. Such updates to include reporting on the selection of, or the initiation of direct negotiations with, a potential purchaser and/or development partner.
011	The Board of Directors request the Chief Executive Officer to ensure that, prior to marketing projects, the circulation process be initiated to ascertain if there is any municipal interest that could potentially be accommodated in the project.
012	City Council request the City's Chief Corporate Officer, and the Board of Directors request the Chief Executive Officer, to resolve issues to ensure the Chief Corporate Officer's delegated authority for real estate matters can be used effectively by the Toronto Parking Authority.
013	The Board of Directors request the Chief Executive Officer to formalize its policy for real property acquisitions.