

1998 Management Letter Summary - Community Centres and Arenas

The Audit Committee recommends that:

- (1) as part of its mandate the Economic Development and Parks Committee should, on a priority basis, review the governance of all community centres, arenas and recreation centres operated by the Parks and Recreation Department in the City. The objective of such a review process should include the integration and streamlining of all duplicated activities, in consultation with the community centres, arenas and recreation centres;**
- (2) the Chief Financial Officer and Treasurer immediately initiate a plan to provide the appropriate support for the accounting needs of all community centres and arenas. The preparation of specific timetables, year end working paper and reconciliation requirements should be incorporated into this support;**
- (3) City Finance staff should prepare standardized written policies and procedures for all community centres and arenas. Where possible and appropriate, these policies and procedures should be consistent with those of the City;**
- (4) the Chief Financial Officer and Treasurer, in consultation with City Legal Services, review the present arrangements relating to the organization of each separate non-profit charitable corporation within each community centre. Arrangement should be made to immediately separate the accounting function of the non-profit organizations from those of the centre. Monthly financial reporting, as well as year end financial reporting, should be conducted separately;**
- (5) the Chief Financial Officer and Treasurer be required to review all annual financial statements of arenas in order to determine the extent of funds owed to the City. The Chief Financial Officer and Treasurer be required to collect all surplus funds owed to the City on an annual basis;**
- (6) the Y2K City Project Team, as a priority, should review its work plan in order to ensure that adequate attention is being given to each community centre and arena. The Y2K Team should review the work completed to date at each of these entities in order to ensure that adequate attention has been given to the issue;**
- (7) in order to avoid penalties and interest charges, management should ensure that all payments to employees, including car and laundry allowances, are included as part of salaries and wages, subject to statutory deductions. All increases to salaries and benefits should be approved by the respective Boards and Committees and documented in writing;**

- (8) for those arenas and community centres where no fixed asset listing is prepared, priority should be given to creating a fixed asset register. The register should include details of the source of the items (i.e., supplier, invoice number), the cost and the date of acquisition. A physical inventory of all furniture and equipment should be conducted annually and agreed to the fixed asset listing;**
- (9) all arenas and community centres be requested to submit management letters to their respective Boards along with appropriate responses; and**
- (10) in future, any recommendations respecting Community Centres and Arenas distinguish between the community centres and arenas.**

The Audit Committee reports, for the information of Council, having:

- (1) referred back to the City Auditor the following recommendations (4) and (5) contained in the report (August 30, 1999) from the City Auditor, for consultation with the affected Boards of Management:
 - “(4) Community centres and arenas should be instructed by City Finance staff that under no circumstances will they be permitted to make expenditures which are not included in their annual approved budget submissions.
 - (5) The Chief Financial Officer and Treasurer give consideration to the standardization of all accounting systems at each of the community centres and arenas. In the longer term, all accounting should be done centrally using the City’s new SAP accounting system.”
- (2) requested the City Auditor, in his review of Recommendation No. (5) contained in his report dated August 30, 1999, to consider the remarks made by Mr. Bob Murdoch, Community Centre 55 in his deputation;
- (3) requested the City Auditor to set out in writing to the Community Centres and Arenas the requirements set out by Revenue Canada respecting the accounting functions of the non-profit organizations and the centres;
- (4) requested the City Solicitor and the City Clerk to report directly to Council on whether the provisions of the Municipal Act are being followed with respect to the Single Cities Savings Task Force, the A.B.C. Reduction Task Force and the Safer City Task Force; and
- (5) requested the Chief Financial Officer and Treasurer to provide Leaside Gardens with all financial information and operating policies of:
 - (a) Cummer Park Recreation Facility;
 - (b) North Toronto Community Centre; and
 - (c) North York Central Arena;

The Audit Committee submits the following report (December 1, 1999) from the City Auditor:

Purpose:

To provide the Audit Committee with additional information relating to the report titled 1998 Management Letter Summary - Community Centres and Arenas, dated August 30, 1999, submitted to the Audit Committee on September 17, 1999 and again on October 25, 1999.

Recommendations:

It is recommended that this report be received for information.

Background:

A report entitled 1998 Management Letter Summary – Community Centres and Arenas was prepared by the City Auditor dated August 30, 1999. The intent of this report was to summarize issues raised during the 1998 financial audits of both the community centres and arenas. In the opinion of the City Auditor, it was viewed that the preparation of one summary document would be more manageable from an Audit Committee perspective rather than issue a total of 17 individual management letters to the Committee.

I have since met with representatives from nine of the 10 community centres to discuss concerns that they have raised with respect to the report dated August 30, 1999. In addition, my staff have also met with certain representatives from various arena Boards to discuss similar concerns.

Comments:

Representatives from the community centres and arenas have expressed concerns that issues outlined in the report dated August 30, 1999 were not applicable to all community centres and arenas. While we concede this to be the case, the recommendations relating to actions required by parties external to the centres and arenas, such as the ABC Task Force and the Finance Department, are in fact pertinent to all community centres and arenas. The other issues outlined in the August 30, 1999 report are specifically addressed to individual centres and arenas and do not pertain to all entities as the initial report may have implied.

The Audit Committee requested that all community centre and arena management letters be forwarded to them and as a result it is now possible to determine which issues identified in the summary report of August 30, 1999 pertain to specific individual entities.

Concerns have also been raised in connection with specific recommendations which require further study. For example, recommendations relating to the potential elimination of duplicated activities, the standardization of written policies and procedures, the centralization of accounting services, etc. require further research and discussion and communication with the entities involved. We of course support this view and emphasize that further action relating to our

recommendations can not be conducted until cost benefit analyses have been prepared. While this issue was not raised in our report, we would expect that such a process would be conducted as a matter of course and, in particular, with the input of all community centres and arenas.

Concerns have also been raised, particularly from an arena perspective, as to why only those arenas with independent Boards of Management have been the subject of individual audit management letters. There are a significant number of arenas being operated by the Parks and Recreation Division which have not been the subject of the same level of scrutiny by the City Auditor.

The arenas operated by independent Boards of Management require individual audit opinions on their financial statements and as a result require a significant degree of audit work to accomplish this. From a professional perspective, the City Auditor is required to report in a management letter any issues of concern encountered as a result of his audit work. Arenas operated by the Parks and Recreation Division do not require separate audit opinions and are audited by the City's external auditors as a part of the City's accounts. In these circumstances they would not be subject to a detailed audit process. While this particular issue was not raised at my recent meeting with the community centres, this comment of course would also apply to the community centres.

Conclusions:

Management letters are a normal bi-product of most financial audits. It is my understanding that many of the centres and arenas have not received management letters for a number of years and as a result may not be familiar with a process which is new to many of them. In view of issues raised as a result of the summarized report, we will in future be forwarding individual management letters to the Audit Committee. It is the objective of the Audit Department to work with the centres and arenas to facilitate an independent audit process which is of value to both the centres and arenas as well as the City.

The Audit Committee also submits the following report (November 30, 1999) from the City Auditor:

Purpose:

In response to the request of the Audit Committee at their meeting of October 25, 1999, attached are management letters relating to each of the arenas.

Recommendations:

It is recommended that:

- (1) Arena Management be requested to respond to the City Auditor in writing to the comments contained in the respective management letters; and

(2) the City Auditor be requested to report to the next Audit Committee on the financial audit of the McCormick Arena.

Comments:

Appended to this report are management letters for the following arenas:

Forest Hill Arena
George Bell Arena
Moss Park Arena
North Toronto Arena
Ted Reeve Arena
William H. Bolton Arena

The management letters have been compiled as a result of the financial audits conducted on each of the arenas by the City Auditor. The preparation of management letters are a normal bi-product of a financial audit process.

The audit of the financial statement of the McCormick Arena has not yet been finalized. Management of the McCormick Arena have not yet finalized their accounting information.

Conclusions:

The audits of the financial statements of each of the arenas have identified issues which require resolution. In order to ensure that these issues are addressed, the arenas be required to respond to the City Auditor on each of the issues identified in the various management letters.

Contact:

Jeff Griffiths, City Auditor, Tel: 392-8461, Fax: 392-3754, e-mail: jgriffiths@city.toronto.on.ca

(Copies of Management Letters dated July 12, 1999, May 14, 1999, November 15, 1999, November 30, 1999, May 4, 1999 and October 7, 1999, were forwarded to all Members of the Audit Committee with the agenda for its meeting on December 13, 1999, and a copy thereof in on file in the office of the City Clerk).

The Toronto Community Council also submits the following report (November 30, 1999) from the City Auditor:

Purpose:

In response to the request of the Audit Committee at their meeting of October 25, 1999, attached are management letters relating to each of the community centres.

Recommendations:

It is recommended that Community Centre Management be requested to respond to the City Auditor in writing to the comments contained in the respective management letters.

Comments:

Appended to this report are management letters for the following community centres:

Applegrove Community Centre

Cecil Community Centre

Central Eglinton Community Centre

Community Centre 55

Eastview Community Centre

519 Church Street Community Centre

Harbourfront Community Centre

Ralph Thornton Community Centre

Scadding Court Community Centre

Swansea Town Hall Community Centre

The management letters have been compiled as a result of the financial audits conducted on each of the community centres by the City Auditor. The preparation of management letters are a normal bi-product of a financial audit process.

Conclusions:

The audits of the financial statements of each of the community centres have identified issues which require resolution. In order to ensure that these issues are addressed, the community centres be required to respond to the City Auditor on each of the issues identified in the various management letters.

Contact:

Jeff Griffiths, City Auditor, Tel: 392-8461, Fax: 392-3754, e-mail: jgriffiths@city.toronto.on.ca

(Copies of Management Letters dated July 8, 1999, November 8, 1999, June 18, 1999, November 19, 1999, October 28, 1999, November 25, 1999, May 28, 1999, November 26, 1999, July 17, 1999, and July 30, 1999, were forwarded to all Members of the Audit Committee with the agenda for its meeting on December 13, 1999, and a copy thereof in on file in the office of the City Clerk).

The Audit Committee reports, for the information of Council, having also had before it during consideration of the foregoing matter, the following communications, which have been submitted to Members of Council under separate cover:

- (September 24, 1999) from Ms. Anne Dubas, President, CUPE Local 79;
- (October 21, 1999) from Mr. W. James Herber, North Toronto Memorial Arena;
- (October 21, 1999) from Mr. Eric Anweiler, North Toronto Memorial Arena;
- (October 22, 1999) from Mr. James Bell, Swansea Town Hall Community Centre;
- (October 26, 1999) from Ms. Susan Fletcher, Association of Community Centres;
- (December 13, 1999) from Ms. Susan Neal, Executive Director, Eastview Neighbourhood Community Centre;
- (December 13, 1999) from Mr. Keith Jacka, Chair, Board of Management, Harbourfront Community Centre;
- (October 21, 1999) from Mr. Leonard Freed, Chair, Board of Management, Forest Hill Memorial Arena; and
- (November 10, 1999) from Mr. Peter Simmie, Chairman, Board of Management, Leaside Memorial Community Gardens.

The following persons appeared before the Audit Committee in connection with the foregoing matter:

- Mr. Brian McGroarty, William H. Bolton Area;
- Ms. Alison Kemper, Executive Director, 519 Church Street;
- Ms. Julia Goldstein, Executive Director, Cecil Community Centre;
- Mr. Kevin Lee, Scadding Court Community Centre;
- Ms. Susan Fletcher, Executive Director, Applegrove Community Complex;
- Ms. Susan Neal, Executive Director, Eastview Neighbourhood Community Centre;
- Mr. Paul Schmidt, Treasurer, Swansea Town Hall Community Centre;
- Ms. Leona Rodall, Executive Director, Harbourfront Community Centre;
- Mr. Donald Greenbaum, Member, Board of Management, Forest Hill Memorial Arena;
- Mr. Tim Macri, Manager, Forest Hill Memorial Arena;
- Mr. A. Peter Simmie, Chair, Leaside Memorial Community Gardens;
- Mr. Henry Stachelbeck, General Manager/Secretary of the Board, Leaside Gardens;
- Mr. Terry Lee, Executive Director, Ralph Thornton Centre;
- Mr. Bob Murdoch, Community Centre 55; and
- Mr. Jim Oreno, Manager, William H. Bolton Area.