

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 7

Thursday, November 29, 2001

The Audit Committee met on Thursday, November 29, 2001 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

No interests were declared pursuant to the Municipal Conflict of Interest Act.

On motion by Councillor Holyday, the Minutes of the Meeting held on November 1, 2001 were confirmed.

7.1 Policy For The Selection And Hiring Of Professional And Consulting Services; Use Of Consultants And Expenditure Reduction Strategies; Hiring Of Professional And Consulting Services Review

The Audit Committee had before it a communication (October 16, 2001) from the City Clerk respecting Policy for the Selection and Hiring of Professional and Consulting Services; Use of Consultants and Expenditure Reduction Strategies; Hiring of Professional and Consulting Services Review, forwarding the actions of the Administration Committee on October 16, 2001.

The Audit Committee also had before it a report (November 16, 2001) from the Chief Administrative Officer respecting Management of Consultants – Policy and Implementation Plan.

The Audit Committee recommended to City Council that:

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair:

- (1) the following Purchasing Policy for the Selection and Hiring of Professional and Consulting Services contained in the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer be adopted, subject to the inclusion of a justification analysis requirement with a corresponding dollar threshold and detailed consequences arising from non-compliance as recommended by the City Auditor:

(A) General:

The City should only utilize consultants and professional services when:

- (i) City staff are fully occupied with other tasks and assignments and the project requires urgent completion;
- (ii) specific projects require certain technical capabilities, or unique and specialized advice not available in-house;
- (iii) the advice or services sought and the resulting expenditure, can be justified as being necessary to satisfy program requirements;
- (iv) independent expertise is required by legislation or regulation;
- (v) Council has directed the use of external assistance; and/or
- (vi) priority capital projects require greater City resources than are available.

As with most public agencies, the City employs a number of full-time staff possessing professional skills and expertise. These in-house engineers, health technologists, policy consultants and other professionals are responsible for activities including project planning, assessment, design, construction and provision of support for the City's operations. When professional and consulting services are utilized, the City must assign the correct and sufficient in-house personnel to conduct proper interviewing and selection and to administer the resulting contract(s). In addition, it is essential that professionally competent City staff be allocated to conduct and manage technical aspects of a program, regardless of whether that is accomplished by employees or consultants.

(B) Intent of the Policy:

The intent of this policy is to:

- (i) Ensure that the City of Toronto awards professional and consulting contracts to qualified individuals and firms based on:
 - (a) adherence to the need/requirement to use such services, as per (A) above;
- (ii) an open, fair and competitive process;
- (iii) competence and expertise relative to the particular requirement;
- (iv) ability to complete the task within the proposed time frame;

- (v) experience and record of past performance with similar projects;
- (vi) value for the funds expended;
- (vii) allow Departments the flexibility to engage consultants for low dollar value projects using the process described in Table 1 of this policy; and
- (viii) ensure that qualified individuals and firms interested in providing professional and consulting services have equal access to City of Toronto consulting opportunities under normal circumstances, excepting occasional sole-source procurement of consultants and professional services in accordance with approved City policy as described in Table 2 of the policy (as set out in the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Committee Report No. 11, Clause 1)

(C) Application of the Policy:

This policy shall apply to the selection and hiring of all professional and consulting services by City Departments, unless otherwise authorized by Council.

(D) Definitions and Using the Request for Quotation or Request for Proposal Method:

(i) Professional and Consulting Services Defined:

Professional and Consulting Services are defined as, but not limited to, those provided in the following categories:

- (a) technical and Professional Consultants, who typically undertake activities for a defined assignment to assist managers in delivering services requiring the application of mandatory or essential technical skills by accredited professional or quasi-professionals (including architectural or engineering design, project supervision services, accounting, actuarial, medical, appraisal, scientific, community planning, banking/financial, surveying or landscape/interior design in nature);
- (b) management Consultants, who typically undertake planning, organizing and directing activities to assist

managers in analyzing management problems and in recommending solutions for a defined assignment (can be operational, administrative, organizational or policy in nature);

- (c) system Development Consultants, who typically undertake activities on a defined assignment to assist managers in developing and maintaining systems including information processing, telecommunications and office automation (can be analytical, project management, programming, testing or of an implementation nature); and
- (d) other consulting categories used at the City of Toronto include:
 - (1) Legal Consultants, determined in consultation with City legal staff;
 - (2) research and Development Consultants, doing an investigative study to provide the City with increased knowledge or information; and
 - (3) creative Communications Consultants, inclusive of advertising, promotional, public relations and graphic design services.

“Consultant” is defined as any firm or individual providing time limited expertise, advice, or professional services that are not readily available from City staff. The skills are not present because it is not economical for the City to hire staff for that purpose, or the work is not able to be accommodated internally in a timely fashion. Consulting services result in contracts (or other forms of agreement) and some are provided on a fee-for-service basis (many in Technical/Professional Services).

Not all services used by the City constitute consulting services as defined above. Specifically, the following types of services are not considered consulting assignments/projects for the purposes of this policy. They are used by the City to actually provide services on its behalf:

- (i) service provided under what is (legally) an employee-employer relationship;
- (ii) contracted-out/outsourced services: garbage/waste collection, certain repair work, snow clearing, for example;

- (iii) purchase of service contracts: daycare, hostels, language translation, certain testing/inspections, certain computer systems development, for example;
- (iv) managed services: golf courses, concessions, certain facilities, for example;
- (v) fees: sheriffs' fees, honoraria, special examiners' fees, employment/placement fees, training course instruction, for example; and
- (vi) tendered work for direct operational responsibilities of the City (i.e., where what is to be done and how it is to be done are known, specifications are detailed, and suppliers compete only on price).

The provisions, authority levels and procedures in place for the retention of these non-consulting services and the practices on the procurement (and contracting) of goods and services may be found in the Toronto Municipal Code, Chapter 195, Purchasing. Information on delegated spending commitment authorities and other relevant information may be found in Chapter 71, Financial Control, of the Municipal Code. Please consult with the Purchasing and Materials Management Division (PMMD) for any clarification.

(E) Consulting Assignments/Projects:

A consulting assignment, or project, has a defined scope of work with specific objectives and deliverables. Consulting assignments may be obtained by a Request for Quotation (RFQ) or a Request for Proposal (RFP) using either the pre-qualification process or non pre-qualification process, described in section 5.0 below.

(F) Request for Quotation (RFQ):

A Request for Quotation is a solicitation from the City to external suppliers inviting them to submit an offer to the City so that it can purchase specified consulting or professional services at a fixed price as to the total amount, or on a unit cost basis, or both.

(i) Using the RFQ Process:

A Request for Quotation from qualified proponents is the appropriate method to use when tasks and deliverables for a technical, professional or managerial problem are highly specific. As a result, there is a low likelihood of much variation among the approaches to be submitted. An RFQ usually specifies a fixed cost

or project upset limit and the most competitive price is the major factor for evaluation. Such calls will not result in a negotiated contract, but will result in either an executed formal contract and/or a purchase order, as required.

(G) Request for Proposal (RFP):

A Request for Proposal is a solicitation from the City to external suppliers to submit an offer to furnish goods or services, including professional or consulting services, as a basis for negotiations for entering into a contract.

(i) Using the RFP Process:

A Request for Proposal from qualified proponents is the appropriate method to use when there is a complex technical, professional or managerial problem or matter to be resolved for which there is often no clear or single solution. While the goal, timing, requirements or results desired is often describable, the method or way of reaching results may be left to proponents to submit for comparative evaluation. As a result, price is not usually the primary factor for evaluation, although value and cost-effectiveness will still be evaluated and will be required of the successful proponent.

(ii) Sole Source Situations:

Sole Source shall mean entering into a commitment without the issuance of a Request for Quotation (RFQ) or a Request for Proposal (RFP). This is applied only in cases where normal purchasing procedures are not possible (i.e. emergencies, time constraints or where for economic reasons it is not possible to follow accepted procedures).

(H) Proponents List:

This is a list of firms and individuals that have requested to be placed on an appropriate Proponents List for consideration for projects of all values and to be selected to provide submissions for consulting and professional services assignments. (Note: This is not the department requested "Pre-qualified" Proponents List described in section 4.7 below).

See Appendix 1 of the joint report (March 16, 2001) from the Chief Administrative Officer the Chief Financial Officer and Treasurer contained in Administration Committee Report No. 11, Clause 1 for information on how a Proponents List will be established.

(I) Qualified Proponents:

A Proponent means any legal entity submitting a proposal in response to a Request issued by the City. Qualified Proponents shall be defined as individuals and firms demonstrating a proficiency in the application of professional and consulting services within their areas of expertise. They should possess current member status/accreditation in their appropriate governing professional body if applicable.

(J) Pre-Qualified Proponents List(s):

This is a list of firms and individuals that, through an evaluative pre-qualification process, have met the qualification criteria, have been placed on a Pre-Qualified List, and may be selected for projects of all values to provide submissions. The need for establishing a Pre-Qualified List(s) of individuals and firms is at the discretion of the client department. The list would include individuals and firms who have demonstrated the necessary expertise to perform required assignments.

Pre-qualification for individuals and firms that have requested to be pre-qualified and placed on an appropriate pre-qualified proponent's list can be in accordance with one of the following distinct processes:

- (i) a pre-qualification process that occurs once every year by way of a public advertisement by the PMMD for the purpose of creating a pre-qualified proponents list or augmenting an existing pre-qualified proponents list. In addition, other proponents can request to be pre-qualified any time during the year; and
- (ii) a pre-qualification process that applies for an extended and defined period of time, to not exceed two years. During the defined period, no new proponents will be added to the pre-qualified proponent's list. This method of pre-qualification requires approval by the City of Toronto Council.

Should the client department choose to pre-qualify proponents in either fashion, the pre-qualification process must be in accordance with the Toronto Municipal Code, Chapter 195, Purchasing, and in accordance with the policies and practices of Purchasing and Materials Management Division (PMMD). Subsequent award of contracts will be in accordance with section 7.1.

All requests to be included in a Pre-Qualified Proponents List(s) will be evaluated using various criteria to be developed for areas including, (a)

experience; (b) technical ability; (c) financial capabilities; and (d) available resources.

See Appendix 2 of the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Report No. 11, Clause 1 for information on how a Pre-Qualified Proponents List will be established and maintained. Also see Appendix 3 for information on how a Pre-Qualified Proponents List will be used.

(K) Pre-Qualification of Proponents (POP) and Request for Expressions of Interest (REOI):

Pre-qualification is an important mechanism to screen and review proponents interested in being considered for City consulting and professional service assignments. The City will use pre-weighted evaluative criteria to be developed for evaluation areas such as prior experience, financial stability, and technical information pertinent to known categories of projects that frequently arise. Pre-qualification helps the issuer define their project scope and streamlines the process of issuing an RFQ or RFP at a later time.

One common method of pre-qualification is the issuance of a Request for Expression of Interest (REOI). This is often important as a stage preceding a particular RFQ/RFP to assist the issuer in determining whether their project scope is clear and reasonable and to establish a pre-qualification process short-listing the proponents invited to respond to any subsequent RFP.

Pre-qualification of respondents will be based on pre-determined evaluation criteria to be developed for evaluation areas such as, prior relevant experiences, quality of work, financial stability and other areas of suitability for City consulting projects.

(L) How to Retain Professional and Consulting Services:

Professional and consulting services are typically retained using either a Request for Quotation or Request for Proposal according to the following methods:

(i) Without Pre-Qualification:

The issuance of a Request for Quotation or Request for Proposal will usually be through newspaper/journal advertisements, use of

the City proponents list(s), and/or advertisement on the City's Internet web site. The process to establish a Proponents List(s) is described in Appendix 1 to the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Committee Report No. 11, Clause 1.

(ii) With Pre-Qualification, the methods include:

- (a) the regular pre-qualification process, that is: the issuance of a Request for Expression of Interest (REOI) for the purpose of pre-qualifying proponents on a specific project. Issuance of a subsequent RFQ or RFP will be only to those evaluated as meeting the REOI qualifications, and Council approval is not required for this pre-qualification process; or
- (b) the exception pre-qualification process, that is: the issuance of a Request for Expression of Interest for the purpose of pre-qualifying proponents for an extended period of time to not exceed two years. Issuance of a subsequent Request for Quotation or Request for Proposal will be only to those evaluated as meeting the REOI qualifications. Council approval is required for this pre-qualification process. See Appendix 2 for the process to establish and maintain a Council approved Pre-Qualified Proponents List(s).

(iii) Sole-Source Procurement:

Sole-source procurement is discouraged, but is permitted under certain circumstances and within the authorization limits delegated by the Chief Administrative Officer. The circumstances can include extreme urgency and, economy or value in continuing prior work. See Table 2 for the CAO's delegated authorities, including sole-source.

(M) Evaluation Team and Process:

An Evaluation Team shall be established for all projects. It shall be comprised of departmental staff member(s) with the relevant experience to evaluate proponents' submissions. The size of the Evaluation Team shall be reflective of the complexity and dollar value of the assignment. Staff representatives from Finance, Legal and CAO's shall be included on the Evaluation Team where appropriate, especially for complex or high profile

projects and those having corporate-wide implications. The Purchasing and Materials Management Division (PMMD) may be involved as a facilitator in the selection team at the discretion of the Director, PMMD, or at the request of the department.

The Evaluation Team, in consultation with the PMMD, will be responsible for evaluating all submissions whether solicited from pre-qualified or non-pre-qualified methods as described in section 5.0. This includes requests from firms and individuals to be added to the consulting and professional services Pre-qualified Proponents List(s), as well as all replies to Request for Expressions of Interest documents/requests to be pre-qualified. It also includes all Requests for Quotation or Requests for Proposal submissions, and participation in making recommendations for award.

(N) Evaluation Process:

All calls for RFQ's and RFP's should have an evaluation process that is applied in a fair manner to all respondents. Mandatory criteria and procedures in the call document are not to be deviated from in the evaluation process. A term, condition or requirement for evaluation not explicitly stated in the call document or addenda cannot later be used to evaluate submissions, nor can any method of scoring/weighting contained in the call document be changed. For these reasons, it is critical that the development of the call document and its terms and conditions, expected deliverables and process of evaluation, be carefully prepared. Characteristics of a good evaluation process include, for example:

- (i) clear specifications and evaluation criteria, terms and conditions;
- (ii) evaluation team members additional to those who developed the proposal call;
- (iii) evaluation team members apprised of duties, for example: objectivity, conflict of interest declarations, no preferential treatment, confidentiality/copyrights;
- (iv) a process that is, and is perceived as being, free of interference (could include for example a Council determined prohibition on lobbying);
- (v) evaluation processes at arms-length from the political process;

- (vi) objective selection of the best value also most compatible with meeting all specifications, criteria and requirements (more details below);
- (vii) pre-prepared evaluation forms matching the mandatory criteria and other requirements in the proposal document;
- (viii) individual Evaluation Team member scoring/assessment before combining and consolidating scores to select the front-runner(s); and
- (ix) a justifiable process of fair and consistent treatment of all respondents.

With respect to establishing best value within an RFP, the evaluation criteria or pricing must be a minimum of 25 percent of the available points. Scores for the cost criterion will be calculated as follows: (a) The lowest cost proposal will receive 25 percent of the available points; and (b) The remaining proposals are assigned points based on the following formula: (lowest priced proposal divided by the price of the next lowest proposal multiplied by 25 percent). The only exception to this requirement is when the two-envelope system, that separates technical and costing information as outlined in section 7.1(b) is utilized. A client department requiring special exemption from this requirement must obtain prior Council approval.

The Departments must provide to PMMD a detailed summary of the evaluation results, in order to permit fulfillment of complete due diligence practices. Departments must also make available to PMMD upon request, all replies and individual evaluation sheets from Evaluation Team members. Departments are responsible for retaining the detailed individual evaluation sheets for audit and other purposes.

- (O) User Guide: Selection and Award by Project Value:

The information is found in summary form in Table 1 of the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Report No. 11, Clause 1).

- (P) Selection and Award Procedures:

This section contains information on selecting and awarding contracts. Different steps are required according to the value category of a project, namely:

- (i) Category 1: Where the cost does not exceed \$50,000, inclusive of all taxes; and
- (ii) Category 2: Where the cost is in excess of \$50,000, inclusive of all taxes.
 - (a) Category 1 – Where the cost does not exceed \$50,000:

The appropriate department will prepare the necessary scope of work, specific deliverables and evaluation criteria and weighting (see Appendix 4 of the joint report (March 16, 2001 from the Chief Administrative Officer and Treasurer and the Chief Financial Officer and Treasurer contained in Administration Report No.,11, Clause 1), together with a detailed work plan for their project or task as required. The department will obtain competitive pricing submissions from a minimum of three (3) proponents, where possible from the City's Proponents List or Pre-Qualified Proponents List on a rotating basis, and in accordance with City Policies and applicable legislation.

Once the submissions have been received and evaluated, and the highest scoring proponent (for RFP's) or lowest bidder meeting the specification (for RFQ's) has been selected, the department will:

- (1) if the cost is within set limits, issue the necessary Departmental Purchase Order (DPO) to the current DPO limit and all the proponents invited to submit must be rotated to the bottom of the applicable category list for future consideration; or
- (2) for assignments in excess of the current DPO limit, the department will forward to PMMD a summary of the bids received, including the evaluation summary, together with a purchase requisition. PMMD will review the information, ensure proper procedures have been followed, and issue the necessary Purchase Order and all the proponents

invited to submit must be rotated to the bottom of the applicable category list for future consideration.

Where DPO's are used and the PMMD is not involved in the process, the department(s) are accountable for compliance with the policy and responsible for the retention of all documentation relating to each transaction. The possibility of splitting the total cost of the assignment such that two or more DPO's are issued for the same project work is strictly prohibited. The use of DPO's is delegated by the CAO and any abuse or lack of compliance by department(s) could result in this authority being rescinded.

(b) Category 2 – Where the cost is in Excess of \$50,000:

The appropriate department will prepare the necessary scope of work, specific deliverables, and evaluation criteria and weighting (see Appendix 4 of the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Report No. 11, Clause 1), together with a detailed work plan for the project or task as required, and forward this document and a purchase requisition to the PMMD for processing.

PMMD, in consultation with the client department, will select all the proponents from the City's Proponents List or Pre-Qualified Proponents List(s) and request a detailed submission from the proponents. In addition, the opportunity will be advertised, where required (i.e. no pre-qualified proponents list) in the appropriate media (City's web site, national newspaper, trade journal, etc).

Short-Listing of Pre-Qualification Proponents List:

For large and complex projects, the cost of preparing a submission may be prohibitively high. Where the Pre-Qualified Proponents list(s) has in excess of ten potential proponents, the department, in consultation with PMMD, may choose to have PMMD further pre-qualify/short-list proponents. The Expression of Interest process would be used to invite responses. All proponents scoring 75 percent

or better on the REOI phase will be invited to provide submissions through an RFQ/RFP process.

Using a Two-Envelope System:

In addition, for large and complex RFP projects, the client department may also, at their sole discretion, choose to use a two-envelope system selection process. In this case a Request for Proposals document is issued by the PMMD and the individuals/firms are directed to submit detailed written proposals for the provision of the required services. Under the two-envelope system, each of the individuals/firms submit both a technical proposal based on the RFP's specified Terms of Reference, as well as a fee/cost proposal outlining the cost of the work assignment. The fee proposal or "Cost of Services" portion of the proposal must be submitted in a separate sealed envelope (i.e., separate from the technical information portion of the proposal).

Proposals are received by the PMMD and are evaluated by the Evaluation Team (See Appendix 5 of the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Committee Report No. 11, Clause 1). If the selection process is a two-stage, (i.e., Request for Expressions of Interest, followed by a Request for Proposals) the Evaluation Team would normally be comprised of the same staff who participated in the evaluation of the REOI in order to ensure consistency. The technical proposals are evaluated, scored and ranked, without reference to cost, based on specific, pre-determined technical criteria for evaluation areas such as relevant firm experience, project team qualifications/experience, personnel time allocation, understanding of scope of work, methodology/thoroughness of approach, quality and completeness of proposal submission, etc. The "cost of services" submission for a particular consulting firm is opened only if the firm scored an average mark of 75 percent or better on the technical component of the proposal. If a firm scored below the 75 percent threshold, the fee proposal envelope is returned unopened.

For the short-listed firms (i.e., scored 75 percent or better on the technical proposal), the fee proposal is then taken into account in the overall evaluation process. A “cost/point”, based on the total costs shown in the fee proposal and the points awarded in the technical evaluation, is calculated for each of the short-listed firms as ranked. The firms are then ranked with the firm having the lowest cost/point being ranked first. The assignment must be awarded to the firm with the lowest cost/point, unless otherwise approved by Council. In the event of a tie in cost/point, the contract will be awarded to the proponent with the higher technical score component.

Once the proposals have been received and evaluated, and the Evaluation Team has determined the highest scoring proponent (for RFP’s) or the lowest bidder meeting the specifications (for RFQ’s), the necessary approvals for the award must be received as per the Toronto Municipal Code, Chapter 195, Purchasing. Then, the PMMD will issue the Purchase Order and the department will arrange for Legal Services to prepare and execute the contract as required.

Architectural and Engineering Design Consultants:

Architectural and Engineering design consulting services should be considered a special category of assignments given their often complex, multi-stage, and high value characteristics. In such cases, the RFP method of soliciting consultants should be used, preferably the two-envelope method system described above, rather than competitive price proposals (RFQ’s or tenders). In addition, the negotiation of payment for projects using the percentage of construction cost payment method shall use the Fee Schedules of the associations as a guideline only. The goal should be to use a “service and fee control” approach. This means that a combination of payment methods (hourly-rate, fixed-price and percentage of established construction costs) should be negotiated for different stages of a project appropriate and applicable.

(Q) Delegation of Authority:

Notwithstanding the above categories describing the value of consulting and professional services assignments, the Chief Administrative Officer,

as per the Toronto Municipal Code, Chapter 71, Financial Control, Enacted by Council, March 2, 2000 has delegated certain spending commitment authorities to the department heads and other management staff under certain situations. Authority levels may be changed at the discretion of the CAO. The delegated authority levels are found in Table 2 to the joint report (March 16, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer contained in Administration Committee Report No. 11, Clause 1;

- (2) Recommendation 1(P) above be amended, for the purpose of the retention of outside legal expertise by the Legal Services Division, in accordance with the modifications detailed in the report (June 29, 2001) from the City Solicitor, entitled, "Policy for the Selection and Hiring of Professional and Consulting Services Modifications of Policy for Retention of Outside Legal Expertise" contained in Administration Committee Report No. 11, Clause 1;
- (3) the Policy for the Selection and Hiring of Professional and Consulting Services be amended to require the quarterly reporting by each Agency, Board and Commission or Department of sole-sourced contracts by project category within the jurisdiction of each; and that the preparation of these reports be supervised by staff in the Purchasing Division;
- (4) the Chief Administrative Officer be required to add to the Policy for the Selection and Hiring of Professional and Consulting Services the following:

"A justification analysis is required prior to the engagement of a consultant which outlines in general terms the costs and benefits of using a consultant, including reasons why the consulting study can not be conducted by internal staff, either in whole or in part.";
- (5) the Chief Administrative Officer report to the Audit Committee by June 30, 2002 on amendments to the policy as set out in Recommendation No. 1(D)(i) above, providing specific parameters for the exclusions from consulting expenditures currently defined, for example "certain repair work" and "certain computer systems development";
- (6) Council adopt the detailed implementation plan and timetable contained in the report (November 16, 2001) from the Chief Administrative Officer, as amended by Recommendation Nos. (2), (3) and (4) above;

17
Audit Committee Minutes
November 29, 2001

- (7) the Chief Administrative Officer in consultation with the Director of Purchasing and Materials Management Division and the City Auditor develop a corporate business case template with appropriate dollar thresholds to be used as justification for hiring consultants by March 2002;
- (8) the reporting date for recommendations arising from the purchasing review to be conducted by the Chief Administrative Officer in consultation with the City Auditor be September 2002;
- (9) the Acting Chief Financial Officer and the Acting Treasurer develop a corporate financial policy and procedures manual by September 2002;
- (10) the Acting Executive Director of Information and Technology in consultation with the City Auditor report to the Audit Committee by March 2002 on their review of Year 2000 and non-Year 2000 information technology service contracts that were awarded without the involvement of the Purchasing Agent;
- (11) the Chief Administrative Officer review the results of the implementation plan contained in the joint report (November 16, 2001) from the Chief Administrative Officer in consultation with the City Auditor and report the findings to the Administration Committee by the end of 2002;
- (12) the Commissioner of Corporate Services be requested to move rapidly to bring the intellectual knowledge as contracted into the department within City staff realm as soon as possible or before December 31, 2002, before re-issuance of the next extension or RFP on Taxation and Water Billing Systems;
- (13) effective 2001, annual consulting expenditures reported by departments and major City agencies, boards and commissions exclude activities that are alternative service delivery methods, and include only those activities that meet the definition and project categories of consulting as defined in the report (March 15, 2001) from the Chief Administrative Officer, titled, "Use of Consultants and Expenditure Reductions Strategies" contained in Administration Committee Report No. 11, Clause 1, and in the Policy on the Selection and Hiring of Professional and Consulting Services;
- (14) departments and the major Agencies, Boards and Commissions of the City be directed to aim for a 10 percent reduction in their 2001 consulting expenditures against expenditures in 2000, inclusive of any consulting cuts already identified for the 2001 annual budget cycle underway, in order to contribute to a total corporate-wide reduction of 10 percent in consulting expenditures;
- (15) effective 2002, line items for "consulting" in capital or operating budgets not include contracted-out/out-sourced activities, or fees and other similar payments

as presented in the report (March 15, 2001) from the Chief Administrative Officer, titled, "Use of Consultants and Expenditure Reductions Strategies" contained in Administration Committee Report No. 11, Clause 1, and in the Policy on the Selection and Hiring of Professional and Consulting Services;

- (16) in-year reporting on consulting expenditures in all six project categories be submitted by departments and the major City agencies, boards and commissions on a semi-annual basis to the Chief Financial Officer and Treasurer to merge the information for a corporate-wide overview of expenditures against the reduction goal, report the results to the Policy and Finance Committee, and that this be forwarded the detailed information to the Purchasing and Materials Management Division for analysis;
- (17) all future reporting of consulting expenditures be based on actual expenditures incurred and not on the value of contracts awarded unless specifically requested by Council. In order to ensure that such reporting is accurate, all consulting costs reported to Council be reconciled to the City's financial information system by each Department. The Chief Administrative Officer be required to communicate to senior staff the recommended reporting requirement;
- (18) the Chief Financial Officer and Treasurer advise all departmental staff of the specific reporting requirements for consulting expenditures. In addition, the Chief Financial Officer and Treasurer emphasize the importance of the need to accurately analyze all consulting related invoices in order to ensure that such expenditures are recorded accurately in the financial information system. Departmental staff be required to review such accounts on a regular basis and make appropriate and timely accounting adjustments, where necessary;
- (19) the Chief Administrative Officer report back on the dollar threshold above which departments are required to prepare detailed business cases prior to the hiring of consulting resources. Consideration be given to the development of a formalized template and/or checklist in order to assist staff in the development of a standard business case. The business case should be approved by each Commissioner and should be filed in the department for future management review and subsequent audit;
- (20) the Chief Administrative Officer take immediate steps to ensure, effective on the date of approval of these recommendations by City Council, that the engagement of all consulting services is made in accordance with the City's purchasing policies. Consultants not be engaged until the appropriate approvals have been obtained and a duly authorized purchase order is processed and recorded on the financial management information system;

- (21) the Chief Administrative Officer require the Commissioners to provide the appropriate information on existing consulting contracts so that purchase orders can be processed by the Purchasing Agent. The Purchasing Agent take the necessary steps to record such purchase orders on the financial information system. Any payments processed in excess of original contract amounts be identified and explanations obtained for such occurrences. The need to process such purchase orders in the future will not be required if proper procedures are followed;
- (22) the Chief Administrative Officer advise all Commissioners that in making sole source procurement decisions, clear justification, target completion date of the project, duration of the consulting engagement, and estimated contract value be documented, properly authorized, and, as required by City policy, be submitted to the Chief Administrative Officer, and to the Purchasing Agent for issuance of a purchase order or contract. Where the justification does not meet the City criteria for sole sourcing such contracts be subject to a competitive tender process in accordance with the City's purchasing policies;
- (23) the Commissioners take the necessary action to ensure that staff assigned to project management duties, especially where consultants are hired, have an appropriate combination of training and experience in project management and knowledge in the subject of the assignment, especially in the areas of developing clear and measurable deliverables, milestones, and performance evaluation criteria;
- (24) the Chief Financial Officer and Treasurer advise staff that requests for proposal documents will not contain information relating to the actual project budget;
- (25) the Commissioners be required to re-evaluate the administrative internal controls in their departments and give consideration to including an internal audit function in order to ensure that invoices submitted by consultants are reviewed for reasonableness, proper supporting documentation and verified to the terms of the contract prior to authorization for payment. The review should also ensure that individuals approving invoices are in a position to assess whether the service has been rendered. Council revise its contracted services agreements to clearly state that all incidental expenditures i.e., out of pocket are included in the total contract award price;
- (26) the Commissioners take the necessary steps to ensure that:
 - (a) measurable standards and acceptance criteria are included in contracts executed with consultants;

- (b) regular, properly documented, meetings are held with consultants to ensure that the consultant is meeting contractual obligations and performing as required; and
 - (c) upon completion of a project, the consultant's performance is documented and made available for review to relevant City staff, including the Purchasing Agent, when considering consultants for new projects;
- (27) the Chief Administrative Officer, in consultation with the City's Commissioners, identify areas where departments have skill shortages or insufficient staff resulting in the consistent and extensive long-term use of consultants and:
 - (a) present the appropriate business cases justifying meeting long-term operational demands by increasing staffing levels, such increases to be financed by the transfer of funds from consulting budgets to salaries and wages budgets;
 - (b) where possible, ensure sufficient City staff are trained in skills required frequently and on a long-term basis, thus reducing the City's reliance on consultants to perform such duties; and
 - (c) ensure that the continuous operation of critical management information systems is not dependant upon a single individual consultant;
 - (d) all contracts of Critical Management Information System where a single individual consultant is the only supplier of services necessary, be reported to Standing Committees outlining the risk to the City for approval of any such award;
- (28) the Chief Administrative Officer communicate to and remind each Commissioner of the policy relating to the hiring of former employees, either directly or indirectly, as consultants for a specified period of time after they participated in the employee separation program of the City;
- (29) the Chief Administrative Officer review the practice whereby individual consultants are required to contract with consulting firms for providing their services to the City rather than being engaged directly as individuals;
- (30) in view of the fact that the recommendations contained in the report (June 28, 2001) from the City Auditor, titled, "Selection and Hiring of Professional and Consulting Services Review", contained in Administration Committee Report No. 11, Clause 1, may be relevant to the City's Agencies, Boards and Commissions, the General Manager of each of these entities be required to report to their respective Boards by June 30, 2002, on such recommendations and their

- applicability in relation to their operations. In addition, the respective Boards be requested to forward such reports to the City Audit Committee;
- (31) the Chief Administrative Officer be required to add to the Policy for the Selection and Hiring of Professional Consulting Services specific details relating to the consequences of non-compliance with the policy, such additions to be submitted to the Administration Committee by June 30, 2002;
 - (32) each Commissioner report to the appropriate Standing Committee for review, a detailed report of all existing consultant contracts within their departments, such reports to provide details on budgeted funds, expended funds, expected completion date and performance to date;
 - (33)
 - (a) the Acting Chief Administrative Officer be requested to report to Council every six months on the use of consultants by the City and its ABCs; and
 - (b) all Commissioners be requested to report to their appropriate Standing Committee on re-hiring of employees severed with a separation package and providing details on the authorization and approval process followed;
 - (34) the City Auditor, in consultation with the City Solicitor, report to the Audit Committee on any possibility of recovering funds paid to consultants where payments were made without invoices or proper receipts or contractual agreement;”;
 - (35) City-wide consulting expenditure for the year 2001 be established five percent below the 2000 gross level, resulting in a 28 percent reduction from 1999;
 - (36) the Acting Chief Financial Officer and Acting Treasurer report to the Administration Committee on 2001 consulting costs in the Operating Budgets of departments and major Agencies, Boards and Commissions, upon completion of the transfer of recorded costs to new cost element categories recommended by the Chief Administrative Officer;
 - (37) the Chief Financial Officer and Treasurer and the City Auditor, in consultation with the CAO, develop an appropriate review and approval process to justify the use of consultants, as well as to document consulting project results including matters respecting value for money;
 - (38) Commissioners be requested to submit a report to the Audit Committee on the non P.O. voucher process and ways and means of implementing stronger controls or discontinuing payment of these vouchers;

- (39) for all consulting contracts in excess of \$50,000, the Acting Chief Financial Officer submit a report to the appropriate Standing Committees on the total funds expended in relation to such contracts, such report to include a comparison of the funds specifically budgeted for each contract and the final cost of each to the City of Toronto; and contracts that exceed the amount that was originally approved be brought back to the relevant Committee for approval;

On motion by Councillor Bussin:

- (40) the Chief Administrative Officer, in her further report on this matter to Council, clearly delineate those departments where there may be staff deficiencies, their structures and the skill sets required for employees needed in those departments;

On further motion by Councillor Balkissoon, with Councillor Holyday in the Chair:

- (41) the Chief Administrative Officer publish a succinct document that outlines the City's policies in relation to the hiring of consultants and the accounting and reporting processes to be followed;
- (42) should the City Auditor not be able to provide information satisfactory to the Audit Committee and the Administration Committee in his report, the Province of Ontario, or any other appropriate body, be requested to conduct an enquiry on the use of consultants within the City of Toronto; and
- (43) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

On further motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee also:

- (1) referred to the City Auditor the request from the Administration Committee that he report, in consultation with the Acting Chief Financial Officer and the Acting Treasurer, on an appropriate variance reporting procedure which will ensure timely reporting of variances for professional and consulting services;
- (2) requested the City Auditor to investigate what prompted the decision for the sale of the City's telephone system and its replacement by Centrex Phone System;
- (3) requested the City Auditor conduct a forensic audit of the contracts referred to in the report (June 28, 2001) from the City Auditor, titled, "Selection and Hiring of Professional and Consulting Services", contained in Administration Committee Report No. 11, Clause 1, respecting the five instances where actual payments to the consultant had exceeded the total value of the purchase order issued by the City; and the two consultants who were engaged as project managers to develop

and maintain financial information systems in the Finance Department for a number of years; and that this audit be a complete review from the original date of the contract to the current time and all details be reported to the Audit Committee in June 2002; such forensic audit to:

- (a) clarify in detail those particular contracts set out in the report (June 28, 2001) from the City Auditor, entitled, "Selection and Hiring of Professional and Consulting Services Review" contained in Administration Committee Report No. 11, Clause 1, which identify a number of situations where there are opportunities to reduce consulting costs;
- (b) address the following issues:
 - (i) the process that was followed for selection of consultants;
 - (ii) whether these consultants were in a position to hire other consultants;
 - (iii) whether the consultants met the terms of reference;
 - (iv) the number of contracts awarded to these consultants in the past five years;
 - (v) the special expertise offered by these consultants to the City;
 - (vi) whether this expertise was available within the City's staff;
 - (vii) whether food/hotel accommodation was included in initial terms, and if not, whether the dollar amount was specifically identified with a maximum amount allowed;
 - (viii) whether any efficiencies resulted from these contracts.

(Letter sent to the City Auditor; Chief Administrative Officer and Acting Chief Financial Officer; Acting Treasurer and Director, Accounting Services – December 4, 2001)

(Report No. 10, Clause 10)

7.2 Audit Services – 2002 Operating Plan and Budget

The Audit Committee had before it a report (November 18, 2001) from the City Auditor respecting Audit Services – 2002 Operating Plan and Budget, and recommending that the

attached 2002 Operating Plan and Budget for Audit Services be approved and forwarded to the Budget Advisory Committee.

On motion by Councillor Holyday, the Audit Committee approved the 2002 Operating Plan and Budget for Audit Services attached to the report (November 18, 2001) from the City Auditor and forwarded same to the Budget Advisory Committee.

(Letter sent to the Budget Advisory Committee; c: City Auditor – December 4, 2001)

(Report No. 10, Clause 12(a))

7.3 2002 Audit Work Plan

The Audit Committee had before it a report (November 1, 2001) from the City Auditor respecting 2002 Audit Work Plan, and recommending that the Audit work plan, as set out in Appendix 1, be approved.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report (November 1, 2001) from the City Auditor.

(Letter sent to the Chief Administrative Officer; c: City Auditor – December 4, 2001)

(Report 10, Clause 1)

7.4 Departmental Purchase Orders – Enforcement and Compliance Measures

The Audit Committee had before it a report (November 6, 2001) from the City Auditor respecting Departmental Purchase Orders – Enforcement and Compliance Measures, and recommending that:

- (1) the Chief Administrative Officer and the City Auditor, during their comprehensive review of the purchasing function within the City of Toronto, determine an efficient and effective monitoring and reporting mechanism for the use of Departmental Purchase Orders;
- (2) Commissioners advise all their respective staff responsible for the acquisition of goods and/or services of the blanket contract information available on the City's Intranet;
- (3) Commissioners ensure that staff involved in the acquisition of goods and/or services obtain training on the use of the blanket contract information available on the City's Intranet, if required;

- (4) Commissioners, in consultation with the Chief Financial Officer and Treasurer and Audit Services, implement by June 30, 2002 monitoring and reporting mechanisms, including automated extraction and data analysis routines, to facilitate the identification and reporting of non-compliance with the purchasing policy. These mechanisms will facilitate identification of splitting of Departmental Purchase Orders and non-reported sole source/emergency purchases. Where instances of non-compliance are identified, Commissioners be required to take appropriate action.

The Audit Committee recommended that:

On motion by Councillor Holyday:

- (1) the foregoing report (November 6, 2001) from the City Auditor be adopted; and

On motion by Councillor Minnan-Wong:

- (2) the City Auditor report to the Audit Committee at its first meeting after June 30, 2002 on the status of the recommendations contained in the report.

(Report 10, Clause 2)

7.5 Contract Management Procedures – Transportation Services Division, Works and Emergency Services

The Audit Committee had before it a report (November 15, 2001) from the City Auditor respecting Contract Management Procedures – Transportation Services Division, Works and Emergency Services, and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee:

- (1) received the foregoing report for information; and
- (2) requested the Chief Administrative Officer to report to the Audit Committee by March, 2002 on a City-wide framework for contract management as part of the internal controls required for the successful implementation of the Alternate Service Delivery strategies.

(Letter sent to the Chief Administrative Officer; c. City Auditor – December 4, 2001)

(Report No. 10, clause 12(b))

7.6 Snow Removal Budget Review

The Audit Committee had before it a report (November 15, 2001) from the City Auditor respecting Snow Removal Budget Review, and recommending that:

- (1) the Commissioner of Works and Emergency Services ensure that monthly reconciliations and analysis are performed between the Maintenance Management System and the SAP system;
- (2) the Commissioner of Works and Emergency Services, in consultation with the Chief Financial Officer and Treasurer, develop a single time sheet to be used for both the SAP Payroll system and the Maintenance Management System;
- (3) the Commissioner of Works and Emergency Services integrate relevant, objective and measurable performance measures and standards into the budget and planning process to evaluate the effectiveness of the City's winter maintenance program;
- (4) the Commissioner of Works and Emergency Services report to the Works Committee by April 30, 2002, on the status and action taken to address the recommendations in this report; and
- (5) this report be forwarded to the Works Committee for information.

On motion by Councillor Holyday, the Audit Committee recommended the adoption of the foregoing report (November 8, 2001) from the City Auditor.

(Report 10, Clause 3)

7.7 Novell Netware Networks Security Assessment

The Audit Committee had before it a report (September 14, 2001) from the City Auditor respecting Novell Netware Networks Security Assessment, and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee received the foregoing report for information.

(Letter sent to the City Auditor – December 4, 2001)

(Report No. 10, Clause 12(c))

7.8 Toronto Public Health – Delivery of the City’s Non-Mandatory Dental Program

The Audit Committee had before it a report (November 8, 2001) from the City Auditor respecting Toronto Public Health – Delivery of the City’s Non-Mandatory Dental Program, and recommending that:

- (1) a value-for-money audit on the non-mandatory dental program be deferred to 2003; and
- (2) this report be submitted to the Policy and Finance Committee for consideration and to the Board of Health for information.

On motion by Councillor Altobello, the Audit Committee:

- (1) recommended to the Policy and Finance Committee that a value-for-money audit on the non-mandatory dental program be deferred to 2003; and
- (2) forwarded the report (November 8, 2001) from the City Auditor respecting Toronto Public Health – Delivery of the City’s Non-Mandatory Dental Program to the Board of Health for information.

(Letter sent to the Policy and Finance Committee, Board of Health; c. City Auditor – December 4, 2001)

(Report No. 10, Clause 12(d))

7.9 Audit Management Letters Relating To Individual Business Improvement Areas

The Audit Committee had before it a report (November 15, 2001) from the City Auditor respecting Audit Management Letters Relating To Individual Business Improvement Areas, and recommending that:

- (1) the individual management letters issued for each of the Business Improvement Areas be received for information; and
- (2) the Commissioner of Economic Development, Culture & Tourism be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by April 30, 2002.

The Audit Committee also had before it a report (November 1, 2001) from the Commissioner, Economic Development, Culture and Tourism responding to Audit Management Letters for Business Improvement Areas, and recommending that the report be received for information.

On motion by Councillor Holyday, the Audit Committee:

- (1) received the individual management letters issued for each of the Business Improvement Areas for information;
- (2) directed the Commissioner of Economic Development, Culture & Tourism to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by April 30, 2002; and
- (3) received the report (November 1, 2001) from the Commissioner, Economic Development, Culture and Tourism responding to Audit Management Letters for Business Improvement Areas for information.

(Letter sent to All Business Improvement Areas; c. Commissioner of Economic Development, Culture and Tourism, City Auditor – December 6, 2001)

(Report No. 10, Clauses 12(e) and (f))

7.10 Implementation of City Auditor's Recommendations Regarding the Community Services Grants Program

The Audit Committee had before it a report (November 15, 2001) from the Acting Commissioner of Community and Neighbourhood Services respecting Implementation of City Auditor's Recommendations Regarding the Community Services Grants Program, and recommending that:

- (1) the Reserve/Surplus Policy contained in Appendix "F" of this report be approved;
- (2) this report be referred to the Community Services, Economic Development and Parks, and the Grants Sub-Committees for their information; and
- (3) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report (November 15, 2001) from the Acting Commissioner of Community and Neighbourhood Services.

(Report 10, Clause 4)

7.11 Urban Development Services – Building Division Review

The Audit Committee had before it a report (November 13, 2001) from the City Auditor respecting Urban Development Services – Building Division Review, and recommending that:

- (1) the Commissioner, Urban Development Services, report to the Planning and Transportation Committee by April 30, 2002 on an implementation plan that:
 - (a) prioritizes issues and opportunities for improvement, identifies barriers that must be addressed, and outlines appropriate courses of action with specific timelines for implementation of initiatives in order to complete the harmonization process and improve service levels;
 - (b) clarifies roles and responsibilities of staff within the Division, establishes formal and informal processes for divisions to consult on the impact of their decisions on other division responsibilities, eliminates overlap in responsibilities and recognizes and adopts best business practices in the Divisions;
 - (c) facilitates the development of service level agreements with other departments, pursuant to the Interdepartmental Development Process Review Project, to better control the timeliness and level of service provided by these departments with respect to development applications; and
 - (d) identifies any short-term resources required to carry out the implementation plan;
- (2) the Commissioner of Urban Development Services report to the Planning and Transportation Committee by September 30, 2002:
 - (a) on the adequacy of quality assurance procedures that currently exist within each district, and revise and implement standard procedures and processes, as necessary, to ensure consistent application across all districts; and
 - (b) on the status and functionality of the new IBMS reporting module currently being implemented, the information requirements being requested from the system to effectively support staff in their management and quality assurance activities, and any deficiencies in terms of the management information the IBMS system can provide;
- (3) the Commissioner of Urban Development Services report to the Planning and Transportation Committee during the 2002 budget process on the status and

functionality of the IBMS phased implementation program, including identification of planned initiatives, implementation target dates, expenditures incurred to date and estimates of additional resources required to achieve effective functionality, including Internet capabilities, multi-department integration and appropriate training;

- (4) the Commissioner of Urban Development Services report to the Planning and Transportation Committee on:
 - (a) the potential impact of the provincial legislation and implementation of the provincial Building Regulatory Reform Advisory Group recommendations by February 28, 2002;
 - (b) the action required and estimated timelines to implement changes to reporting and business processes necessary to improve the transparency of building fees by September 30, 2002; and
 - (c) the action required and issues that must be considered for the Building Division to adopt an “entreprise model” for its operations by September 30, 2002;
- (5) the Commissioner of Urban Development Services, in consultation with the Chief Financial Officer and Treasurer, report to the Planning and Transportation Committee by April 30, 2002 on the feasibility of recording deferred revenue and actions required to phase in this initiative;
- (6) the Commissioner of Urban Development Services:
 - (a) analyse NSF cheques outstanding and authorize an appropriate allowance for doubtful accounts pertaining to the NSF accounts receivable balance; and
 - (b) in consultation with the Chief Financial Officer and Treasurer, report to the Planning and Transportation Committee by February 28, 2002 on procedures to minimize the risk of loss from NSF cheques and ways to improve the collection process regarding these cheques;
- (7) this report be forwarded to the Planning and Transportation Committee for information.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report (November 13, 2001) from the City Auditor.

(Report No. 10, Clause 5)

7.12 Toronto Atmospheric Fund

The Audit Committee had before it a report (November 9, 2001) from the City Auditor, respecting the Toronto Atmospheric Fund, and recommending that:

- (1) the Executive Director, Toronto Atmospheric Fund develop an annual business plan that includes strategic and operational objectives and performance indicators to measure the value and effectiveness of individual grants/loans and the program as a whole;
- (2) the Executive Director, Toronto Atmospheric Fund, implement a more rigorous grants monitoring process, which includes:
 - (a) a regular review of progress to ensure project milestones and objectives are being achieved;
 - (b) a grant payment schedule that is based on achievement of project milestones;
 - (c) a review of project financial information and the organization's audited financial statements prior to approving grant requests; and
 - (d) consistent application of monitoring procedures;
- (3) the Executive Director, Toronto Atmospheric Fund and the Grants and Loans Committee ensure that all grant proposals submitted for approval to the Toronto Atmospheric Fund Board include objectives that are clear, realistic, achievable and measurable. For multi-year projects, program objectives should be established on an annual basis;
- (4) the Executive Director, Toronto Atmospheric Fund assess and document and report to the Toronto Atmospheric Fund Board, accordingly, the impact of any reductions to grant requests on the organization's ability to complete the project as proposed;
- (5) the Chief Financial Officer and Treasurer review the issue of City departments and boards using loans from the Toronto Atmospheric Fund to finance certain City projects, develop a clear policy in this regard and report to the Policy and Finance Committee by June 30, 2002 accordingly; and
- (6) the Executive Director, Toronto Atmospheric Fund report to the Audit Committee by June 30, 2002, on the action taken to implement the recommendations in this report.

The Audit Committee also had before it a report (November 20, 2001) from the Executive Director, Toronto Atmospheric Fund, submitting Management Response to the Audit Report.

On motion by Councillor Holyday, the Audit Committee recommended the adoption of the foregoing report (November 9, 2001) from the City Auditor.

(Report 10, Clause 6)

7.13 Toronto Public Health – Corporate Charges

The Audit Committee had before it a report (November 19, 2001) from the City Auditor, respecting Toronto Public Health – Corporate Charges, and recommending that:

- (1) the Chief Financial Officer and Treasurer, in consultation with the Commissioner of Corporate Services, incorporate in their report on the rationalization of interdepartmental charges, the development of a policy and framework for identifying the types of corporate overhead costs that are to be allocated to the various departments, and the basis for such allocations; and
- (2) this report be forwarded to the Board of Health and the Budget Advisory Committee for information.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report (November 19, 2001) from the City Auditor.

(Report 10, Clause 7)

7.14 Terms of Reference

The Audit Committee had before it a report (November 16, 2001) from the City Auditor respecting Terms of Reference, and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee:

- (1) received the foregoing report for information; and
- (2) requested the City Auditor to review and report back to the Audit Committee on the “Xspand” program for collection services of tax arrears in the City.

(Letter sent to the City Auditor – December 4, 2001)

(Report No. 10, Clause 12(g))

7.15 National Association of Local Government Auditors – 2003 Annual Conference

The Audit Committee had before it a report (October 23, 2001) from the City Auditor respecting National Association of Local government Auditors – 2003 Annual Conference, and recommending that this report be received for information.

On motion by Councillor Altobello, the Audit Committee received the foregoing report for information.

(Letter sent to the City Auditor – December 4, 2001)

(Report No. 10, Clause 12(h))

7.16 Competition Bureau Investigation – Liquid Chlorine Contract Update

On motion by Councillor Holyday, the Audit Committee adjourned its public session, in accordance with the Municipal Act, to meet in Camera to discuss a confidential report (November 14, 2001) from the City Auditor, respecting Competition Bureau Investigation – Liquid Chlorine Contract Update, having regard that the subject matter may be subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On further motion by Councillor Holyday, the Audit Committee received the foregoing confidential report.

(Report No. 10, Clause 12(i))

7.17 2000 Sinking Fund Financial Statements

The Audit Committee had before it a joint report (November 16, 2001) from the Chief Administrative Officer & Acting Chief Financial Officer and the Acting Treasurer & Director of Accounting Services, respecting 2000 Sinking Fund Financial Statements, and recommending that the 2000 financial statements for the City's sinking funds be received.

On motion by Councillor Altobello, the Audit Committee recommended that:

- (1) the 2000 financial statements for the City's sinking funds be received; and
- (2) the quarterly variance report include the City's sinking funds.

(Report 10, Clause 8)

7.18 2000 Financial Statements of Boards of Management of Business Improvement Areas

The Audit Committee had before it a joint report (November 16, 2001) from the Chief Administrative Officer & Acting Chief Financial Officer and the Acting Treasurer & Director of Accounting Services, respecting 2000 Financial Statements of Boards of Management of Business Improvement Areas, and recommending that the financial statements of the Business Improvement Areas included with this report be received.

On motion by Councillor Holyday, the Audit Committee received the financial statements of the Business Improvement Areas included with the foregoing report.

(Letter sent to All Business Improvement Areas; c: Chief Administrative Officer & Acting Chief Financial Officer; Acting Treasurer & director of Accounting Services; City Auditor – December 4, 2001)

(Report No. 10, Clause 12(j))

7.19 Interim Update: Response to the “Review of the Investigation of Sexual Assaults – Toronto Police Service”

The Audit Committee had before it a report (October 29, 2001) from the Chairman, Toronto Police Services Board, respecting Interim Update: Response to the “Review of the Investigation of Sexual Assaults – Toronto Police Service”, and recommending that the Audit Committee receive the report.

On motion by Councillor Altobello, the Audit Committee received the foregoing report.

(Letter sent to the Chair, Toronto Police Services Board – December 4, 2001)

(Report No. 10, Clause 12(k))

7.20 Public Audit of Toronto's 2008 Olympic Bid

The Audit Committee had before it a communication (October 11, 2001) from the City Clerk respecting Public Audit of Toronto's 2008 Olympic Bid, forwarding a motion from Councillor Walker, seconded by Councillor Balkissoon respecting the Public Audit of Toronto's 2008 Olympic Bid, which was referred by City Council at its meeting held on October 2, 3 and 4, 2001.

On motion by Councillor Bussin, the Audit Committee requested:

- (1) the Commissioner of Economic Development, Culture and Tourism to report to the first meeting of the Audit Committee in 2002, providing a financial statement outlining all spending (out-of-pocket as well as staff resources) by all departments, agencies, boards, and commissions, relating to Toronto's 2008 Olympic Bid and that the City Auditor be requested to audit the financial statement provided by the Commissioner of Economic Development, Culture and Tourism;
- (2) the Toronto Olympic Bid Corporation to provide a copy of their Audited Financial Statements to the first meeting of the Audit Committee in 2002; and
- (3) City Auditor to report back on the analysis of all expenditures charged to City credit cards by senior staff and councillors during 2000 and 2001 with details of expenditures incurred on restaurants, conferences, travel, hotel and other items, such as rentals, related to the 2008 Olympic Bid.

(Letter sent to the Commissioner of Economic Development, Culture and Tourism; City auditor – December 4, 2001; Letter sent to Borden D. Rosiak, Chief Financial Officer, T.O. Bid, c/o Cameron Capital Corporation, Suite 3100, Canada Trust Tower, B.C.E. Place, 161 Bay Street, Toronto, Ontario M5J 2S1 – December 10, 2001)

(Report No. 10, Clause 12(1))

7.21 Forensic Audit of Beacon Systems

The Audit Committee had before it a communication (October 12, 2001) from Councillor Pitfield respecting Forensic Audit of Beacon Systems, requesting that a forensic audit of Beacon Systems be conducted

On motion by Councillor Altobello, the Audit Committee received the foregoing communication.

(Letter sent to Councillor Pitfield – December 4, 2001)

(Report No. 10, Clause 12(m))

7.22 SAP Implementation Final Report

On motion by Councillor Altobello, the Audit Committee allowed the introduction of a joint report (November 22, 2001) from the Chief Administrative Officer and Acting Chief Financial Officer and the Acting Treasurer and Director of Accounting Services, respecting SAP Implementation Final Report, and recommending that:

- (1) authority be given for staff to make final payment for full SAP implementation, including the Toronto Police Services project; and
- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.

On further motion by Councillor Altobello, the Audit Committee referred the foregoing report to the Policy and Finance Committee for consideration.

(Letter sent to the Policy and Finance Committee; c: Chief Administrative Officer and Acting Chief Financial officer; Acting Treasurer and Director of Accounting Services; City Auditor – December 4, 2001)

(Report No. 10, Clause 12(n))

7.23 Investment Policy Compliance by Agencies, Boards and Commissions

On motion by Councillor Holyday, the Audit Committee allowed the introduction of a report (November 27, 2001) from the City Solicitor respecting Investment Policy Compliance by Agencies, Boards and Commissions, and recommending that this report be received for information.

On further motion by Councillor Holyday, the Audit Committee received the foregoing report for information.

(Letter sent to the City Solicitor – December 4, 2001)

(Report No. 10, Clause 12(o))

7.24 Review of Computer Leasing Contract Between City of Toronto and MFP Financial Services

On motion by Councillor Holyday, the Audit Committee allowed the introduction of a confidential report (November 29, 2001) from the Chief Administrative Officer and City Auditor, titled, "Review of Computer Leasing Contract Between City of Toronto and MFP Financial Services".

On further motion by Councillor Holyday the Audit Committee met privately to discuss the matter of Review of Computer Leasing Contract between City of Toronto and MFP Financial Services, having regard that the subject matter relates to the receiving of advice under solicitor-client privilege, in accordance with the Municipal Act.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee recommended that:

- (1) the Chief Administrative Officer lead a comprehensive strategy to significantly enhance the City's business processes, accountability, transparency, and human resource competencies. That strategy should include, but not be limited to, the recommendations below;
- (2) a steering committee of appropriate senior staff work with the CAO to support the development and implementation of the strategy;
- (3) the Chief Administrative Officer put in place stringent standardized life cycle management rules for the management of City contracts by September 2002. A central component of those rules should be a project charter template for all large acquisition and contract projects. The project charter should clearly delineate accountability for all aspects of the contract life cycle;
- (4) the Chief Administrative Officer, with the assistance of the City Solicitor, develop written policies and procedures on contract changes. The policies should specify when changes to existing contracts require Council approval, further financial analysis, legal review, or the issuance of a new RFP or RFQ;
- (5) where possible, all future contracts be designed and negotiated to protect the City's interests should priorities or needs change. Therefore, contracts should, wherever possible, include review processes, re-negotiation windows, cancellation provisions, and full or partial exit provisions;
- (6) the Chief Administrative Officer and Commissioner of Corporate Services develop a contract management centre of excellence in Corporate Services I&T Division using existing funds and 2001 under-expenditures. The centre should include highly skilled technical experts and all necessary resources to assess,

issue, review, manage and evaluate major contracts. The centre should include, at a minimum, expertise in financial analysis, contract law, and negotiation. The staff of the centre should have, or be working towards, nationally or internationally recognized professional qualifications in contract management. The business processes of the centre should similarly reflect or fully adopt international standards for contract management. The centre should be implemented early in 2002;

- (7) the Chief Administrative Officer, in consultation with the City Auditor, report to the Audit Committee in the spring of 2002 on a strategy to undertake ongoing 'value for money' audits of major contracts and outsourced services;
- (8) the Chief Administrative Officer ensure that the City's approved conflict of interest policy is fully implemented, and that all levels of management ensure that there is rigorous and consistent application and compliance. The opportunity for conflict of interest can be created by the contractor. Therefore the city's conflict of interest policy should be included with requests for proposal and quotations;
- (9) the Chief Administrative Officer and the City Auditor continue the investigation of this matter and report to the Audit Committee in April, 2002;
- (10) the Province of Ontario and the Minister of Municipal Affairs be requested to conduct a Provincial Municipal Audit of the computer leasing contract between the City of Toronto and MFP Financial Services; and
- (11) in accordance with the Municipal Act discussions pertaining to the confidential report (November 29, 2001) from the Chief Administrative Officer and the City Auditor be held in camera, having regard that the subject matter may be subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On motion by Councillor Minnan-Wong, the Audit Committee also requested the City Solicitor to report directly to Council on the following issues:

- (1) whether the provisions of the various acts respecting confidentiality were breached with respect to matters before the Audit Committee at its meeting held on November 1, 2001;
- (2) the Members of Council who were involved in such breach of confidentiality; and
- (3) disciplinary action that can be pursued against those Members of Council.

The Chair advised that the Audit Committee also issued confidential instructions to the City Auditor and the Acting Executive Director, Information Technology, such

instructions to remain confidential, having regard that the subject matter of the instructions may be subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

(Letter sent to the City Solicitor – November 30, 2001)

(Report 10, Clause 11)

7.25 Review of Y2K Spending and Contracts

On motion by Councillor Holyday, the Audit Committee allowed the introduction of a joint report (November 28, 2001) from the Chief Administrative Officer and Acting chief Financial Officer and the City Auditor, respecting Review of Y2K Spending and Contracts, and recommending that:

- (1) The Acting Executive Director of Information and Technology and the City Auditor undertake a focused review of Y2K spending and report to the Audit Committee in April 2002.
- (2) At a minimum, the review examine the scope of the spending, whether the amount spent was necessary to adequately prepare the city, whether Y2K funds were spent on non-Y2K initiatives.
- (3) Where there are outstanding opportunities to reduce contractual obligations and reduce the city's financial commitment, the Acting Executive Director of Information Technology in conjunction with the Acting Chief Financial Officer be authorized to negotiate contract reductions.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report (November 28, 2001) from the Chief Administrative Officer and Acting Chief Financial Officer and the City Auditor.

(Report 10, Clause 9)

The Committee adjourned at 4:45 p.m.

40
Audit Committee Minutes
November 29, 2001

Attendance:

November 29, 2001	9:30 a.m. – 11:10 a.m.	11:10 a.m. – 1:10 p.m. (In Camera)	2:00 p.m. – 4:10 p.m. (In Camera)	4:10 p.m. – 4:45 p.m.
Balkissoon (Chair)	X	X	X	X
Holyday (Vice-Chair)	X	X	X	X
Altobello	X	X	X	X
Bussin	X	X	X	X
Milczyn	X	X	X	X
Minnan-Wong	X	X	X	X

* Members were present for some or all of the time indicated.

Note: Councillors Cho, Di Giorgio, Johnston, Kelly, Nunziata, Pitfield and Walker were also present during all portions of the meeting.

Chair