



---

**AUDIT COMMITTEE**

**AGENDA**

**MEETING No. 3**

**Date of Meeting:** February 24, 2004      **Enquiry:** Frances Pritchard  
**Time:** 2:00 p.m.      **Administrator**  
**Location:** Committee Room 2      **392-7033**  
City Hall      **teycc@toronto.ca**  
100 Queen Street West

---

**Declarations of Interest Pursuant to the Municipal Conflict Of Interest Act**

Deputations/Presentations:

- Item 1: Deputation Item - 2:00 p.m.
- Item 2: Presentation by Auditor General
- Item 3: Presentation by Auditor General
- Item 4: Presentation by Chief Financial Officer and Treasurer

---

**Reports/Communications:**

- 1. Centralization of Accounting and Other Services of Arenas and Community Centres  
(Deputation – 2:00 p.m.)**

Clause 2 contained in Report No. 1 of the Audit Committee, titled “1998 Management Letter Summary – Community Centres and Arenas”, which was amended and adopted by City Council on February 1, 2 and 3, 2000.

## **2. Fleet Operations Review – Phase One**

### **(Presentation by the Auditor General)**

Report (November 18, 2003) from the Auditor General. reporting on the results of Phase One of a two-part review of the City's fleet operations

#### Recommendations:

- (1) That City Council direct that this report be forwarded to those City organizations who separately manage their own fleet operations including the Toronto Police Service, Emergency Medical Services Division and Fire Services Division in order to ensure that the issues raised in this report are addressed by them where appropriate. These organizations be required to report back to the October 2004 meeting of the Audit Committee in connection with the results of their review, specifically addressing:
  - (a) fuel site use and management, including:
    - (i) daily fuel reconciliation procedures and administration; and
    - (ii) compliance with Ontario's Technical Standards and Safety Act fuel site inspections by the Technical Standards and Safety Authority;
  - (b) vehicle procurement, utilization and disposal activities;
  - (c) fleet safety activities; and
  - (d) initiatives to minimize the environmental impact of respective fleets;
- (2) the Commissioner, Corporate Services, report annually on the status of initiatives undertaken as outlined in the Fleet Services Future Plan, including timelines and expected completion dates. The report should also include the status of the action plans previously approved by Council but not included in the Future Plan. The first such report to be forwarded to the September 2004 meeting of the Administration Committee;
- (3) the Commissioner, Corporate Services, in consultation with other City departments who directly manage fuel sites, the Toronto Police Service, Emergency Medical Services Division and Fire Services Division, complete a comprehensive assessment of all City-owned fuel sites, with a view to:
  - (a) evaluating existing fuel sites, considering such factors as the age, size, type, volume, utilization, location and condition of the fuel tanks;

- (b) evaluating the benefits and costs, including environmental concerns/benefits of maintaining the fuel sites;
- (c) evaluating the benefits and costs of closing and decommissioning the fuel sites;
- (d) recommending the retention or closure of each fuel site based on the results of the evaluation and cost-benefit analysis and long-term fuel supply strategy including any future use of alternative fuels such as biodiesel;
- (e) developing a long-term strategy, including the cost implications and timelines, for the closure and decommissioning of those fuel sites identified for closure, if any, in (d) above;
- (f) developing a coordinated long-term fuel site use and management strategy for all City-owned fuel sites, including consideration of single accountability for all City-owned fuel sites, and addressing:
  - (i) policies and procedures with respect to the administration and operation of all such sites including the training of appropriate staff. The policies and procedures provide for receipt of fuel, daily dipstick readings and reconciliation, and the maintenance of the fuel site facility and equipment;
  - (ii) practices for ensuring daily fuel reconciliations are properly completed, discrepancies where identified are investigated and corrective action taken on a timely basis, and that all such reconciliations be subject to supervisory review and approval with evidence of such review in writing;
  - (iii) a review of the computerized fuel dispensing systems in use, including Profuel, in order to ensure that:
    - (a) controls as originally designed in the system are operating appropriately;
    - (b) reports, which identify unusual fuel consumption transactions, are generated and reviewed by supervisory staff, such transactions investigated and where necessary appropriate action is taken. Evidence of the review and any follow-up action be documented in writing; and
    - (c) reports are generated which track fuel consumption on a vehicle by vehicle basis;

- (iv) overall management responsibility for all non-computerized (manually operated) fuel sites ensuring all adequate records are maintained and appropriate controls are in place to facilitate control over fuel usage at these sites;
  - (v) controls relating to the supply of fuel for all commercial fuel sites and ensure that fuel usage reports are generated for all vehicles using commercial fuel supply. These reports be reviewed for reasonableness by supervisory staff and appropriate action taken, where necessary. Evidence of such review and any follow-up action be documented in writing;
  - (vi) fuel site inspections by the Technical Standards and Safety Authority for all City-operated fuel sites in order to ensure compliance with Ontario's Technical Standards and Safety Act; and
- (g) The Commissioner, Corporate Services, report back to the September 2004 meeting of the Administration Committee in connection with the above;
- (4) the Commissioner, Corporate Services, in accordance with the directive of Council and in consultation with City departments, establish a policy and procedure requiring that a business case be provided by all departments for all vehicle and equipment acquisitions, including justification for all new or replacement vehicle or equipment, taking into consideration the actual usage and purpose of the vehicle being replaced;
- (5) the Commissioner, Corporate Services:
- (a) develop and generate quarterly vehicle usage reports, the purpose of which is to identify vehicles that exhibit usage significantly different than expected;
  - (b) provide vehicle usage reports to operating departments for their review and analysis, requesting explanation for significant variances and suggested corrective action where necessary; and
  - (c) identify opportunities for the pooling of vehicles, where departmental needs do not require full use of the vehicles and request the transfer of such vehicles to the corporate pool for either reassignment or disposal;
- (6) the Commissioner, Corporate Services, in consultation with all City departments, establish a policy and procedure requiring that a detailed business case be provided by all departments for all vehicle and equipment disposals. Such business case to provide consideration of all relevant costs including the

replacement cost, total work orders and estimated future costs of maintaining the vehicle or equipment, particularly if it still has some life expectancy, as well as the determination of whether the vehicle or equipment could be reallocated to another program area in the City;

- (7) as recommended by the Budget Advisory Committee in February 2002, the Commissioner, Corporate Services, and the Chief Financial Officer and Treasurer report back on the long-term strategy for operating contributions to the Vehicle and Equipment Replacement Reserve and that such strategy also re-visit the lease financing option for vehicle acquisitions, as directed by Council in 2000, and submit such report to the September 2004 meeting of the Administration Committee;
  - (8) the Commissioner, Corporate Services, establish fleet emission and fuel efficiency standards and ensure that these standards are incorporated in the fleet management information system when implementing the recommendations in this report with respect to the monitoring of City vehicles' fuel usage and utilization. In addition, any significant deviation from these standards be investigated and appropriate corrective action taken where necessary;
  - (9) the Commissioner, Corporate Services, develop and establish a corporate policy and clear criteria for the assignment and use of take home vehicles by all departments. Current assignments be re-evaluated and periodic reviews conducted to ensure that vehicles are appropriately assigned and meet the established criteria; and
  - (10) the Commissioner, Corporate Services, report back to the July 2004 meeting of the Audit Committee on the status of implementation of the recommendations contained in this report. Such a status to include specific timelines for implementation.
- 2(a).** Report (February 11, 2004) from Commissioner, Corporate Services forwarding Management Responses to Auditor General's Fleet Operations Review – Phase One

Recommendations:

- (1) That the Commissioner, Corporate Services, report back to the Audit Committee in July 2004 on the status of implementation of the Auditor General's recommendations and a formal work plan for implementation, based on the initial management response outlined in this report and in Appendix "A";
- (2) That the Fleet Services Steering Committee, facilitated by the Fleet Services Division, be utilized as the inter-departmental and inter-agency co-ordinating mechanism to assist the Commissioner of Corporate Services to respond to and implement the Auditor General's recommendations; and

- (3) That the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

### **3. Review of the Implementation of Recommendations of the Final Report of the Task Force on Community Access and Equity**

#### **(Presentation by the Auditor General)**

Report (January 9, 2004) from the Auditor General presenting the results of the review of the City's success in implementing the recommendations of the Final Report of the Task Force on Community Access and Equity as required by Recommendation number 85 of that report.

#### Recommendations:

1. That the Chief Administrative Officer complete the corporate Access Action Plan Guide by March 31, 2004 to facilitate departmental access and equity action planning for submission to the Policy and Finance Committee and Council by November 2004;
2. the Chief Administrative Officer take the necessary steps to ensure:
  - (a) the completion of a corporate access and equity plan that identifies corporate priorities, a multi-year implementation plan, interim targets and implementation timelines for adoption by City Council by November 2004; and
  - (b) that the Diversity Management and Community Engagement Unit leads and facilitates a corporate access and equity planning process that involves departmental representatives, the new Roundtable on Access, Equity and Human Rights, and other advisory committees on access and equity related matters;
3. the Commissioner of Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, facilitate the development of a multi-year implementation plan for the Immigration and Settlement Policy Framework consisting of specific, attainable, and achievable implementation objectives with clear timelines, and report to the Community Services Committee and City Council by September 2004;
4. the Chief Administrative Officer take the necessary steps to ensure that:
  - (a) the Diversity Management and Community Engagement Unit assigns staff leads to support City departments in access and equity action planning, in

accordance with Recommendation number 90 of the Task Force on Community Access and Equity; and

- (b) there are clear linkages and co-ordination between the Diversity Management and Community Engagement Unit and Human Resources Division in their support to City departments in planning and achieving their access and equity goals;
5. the Commissioner of Corporate Services report to the Administration Committee by June 2004 on how the expertise and skills of the employment equity and human rights consultants are being used to enhance the activities of the Human Resources Business Units as required by Recommendation number 95(i) of the Task Force on Community Access and Equity;
  6. the Chief Administrative Officer complete a review of the effectiveness of the structure and operation of the Access and Equity Community Advisory Committees and Working Groups, and consider the findings of the review in preparing her report to the Policy and Finance Committee and City Council on the terms of reference for the new Roundtable on Access, Equity and Human Rights, Aboriginal Affairs Advisory Committee and the Working Groups on Access, Equity and Human Rights Issues;
  7. Departmental Commissioners:
    - (a) identify in the departmental access and equity action plan opportunities for involving residents in program advisory committees; and
    - (b) ensure that the operational effectiveness of these program advisory committees is regularly reviewed for improvement;
  8. the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer and departmental Commissioners, report to the Policy and Finance Committee by September 2004 on the Accessibility Design Guidelines, including a City-wide strategy to implement the Guidelines on all City facilities and the resource implications;
  9. the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer and departmental Commissioners, finalize the draft Employment Accommodation Policy for reporting to the Policy and Finance Committee by June 2004. Such a report should include resource implications, options and target implementation timelines for consideration by City Council;
  10. the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, develop, pilot and begin delivering, a diversity training program in 2004. The diversity training program, where appropriate, should be

customized to meet the specific needs of departmental staff in providing services to the public;

11. the Chief Administrative Officer:
  - (a) take over responsibility for the Human Rights Office and request Council approval to transfer all existing staff resources and approved budget of the Human Rights Office from the Corporate Services Department to the Chief Administrator's Office;
  - (b) ensure that the Human Rights Office is established as a distinct unit within the Chief Administrator's Office such that it has the profile and operational independence to carry out its functions specifically related to investigations, the provision of confidential advice, and raising contentious issues that require attention; and
  - (c) develop effective communication mechanisms to ensure that City staff are fully aware of the roles of the Human Rights Office in addressing human rights enquiries and complaints;
  
12. the Chief Administrative Officer, in consultation with the Commissioner of Corporate Services:
  - (a) clearly define the roles and responsibilities of the Human Rights Office and consultants in Human Resources Business Units in their investigation and reporting of all complaints of discrimination regarding employment, access to services, and hate-related activities;
  - (b) develop mechanisms to maintain strong linkages between the Human Rights Office and Human Resources Division to ensure that all Human Resources policies, programs, and guidelines incorporate human rights standards and reflect the City's commitment to human rights and equity; and
  - (c) ensure that all data on human rights complaints, enquiries, and concerns received and addressed by the Human Resources Division are reported to the Human Rights Office for inclusion in its annual report to Council effective 2004;
  
13. the Commissioner of Community and Neighbourhood Services expedite the development of the program standards and risk management and performance measures as a part of the implementation of the Grants Accountability and Risk Management Framework, and report on the progress to the Policy and Finance Committee by June 2004;



14. the Chief Administrative Officer, in consultation with the Commissioner of Community and Neighbourhood Services, review the current administration of the Access and Equity Grants Program with a view to identifying areas for improved efficiency through further co-ordination with the administration of the Community Services Grants Program; and
15. the Commissioner of Community and Neighbourhood Services ensure that the Grants Business Practice Improvement Project includes an assessment of grant application review procedures (particularly on Part A of the application form, site visits and information sessions) for opportunities to eliminate duplications among City grants programs.

**3(a).** Report (February 13, 2004) from the Chief Administrative Officer responding to the Auditor General's Review of the Implementation of Recommendations of the Final Report of the Task Force on Community Access and Equity

#### **4. Reformatted Annual Consolidated Financial Statements**

**(Presentation by the Chief Financial Officer and Treasurer)**

Report (February 11, 2004) from Chief Financial Officer and Treasurer

Recommendation:

That the report entitled "Reformatted Annual Consolidated Financial Statements" be received for information.

#### **5. City of Toronto – Audit Planning – Year Ended December 31, 2003**

Communication (February 11, 2004) from Martha Tory and Diane Brouwer, Ernst and Young, forwarding the report titled "City of Toronto – Audit Planning – Year Ended December 31, 2003"

#### **6. Oracle Database Review – Security Controls and Other Issues**

Report (December 12, 2003) from the Auditor General, reviewing security controls relating to the City's Oracle databases managed by the Information & Technology Division of the Corporate Services Department

Recommendations:

- (1) That City Council direct that this report be forwarded to all City Departments, Agencies, Boards and Commissions. These entities be required to review the recommendations in this report to determine whether or not they have relevance to their operations and report to the July 2004 meeting of Audit Committee on the results of their reviews including any action taken;
- (2) the Commissioner of Corporate Services, direct that a self-assessment security audit be conducted on all major computer applications directly supported by the Information & Technology Division. In conducting this audit, consideration be given to the audit steps contained in various publications including the publication of the United States General Accounting Office entitled "Federal Information System Controls Audit Manual" and the publication entitled "Oracle Security Step-by-Step: A Survival Guide for Oracle Security." Copies of all such self-assessment audit reports be forwarded to the Auditor General's Office for review, evaluation and subsequent audit;
- (3) the Commissioner of Corporate Services, provide a written response to the Audit Report dated January 26, 2001, entitled "Information Security Framework" and forward such report to the July 13, 2004 meeting of the Audit Committee. The report from the Commissioner should include an update on the action taken on the recommendations included in the report dated January 26, 2001;
- (4) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, report to the City's Administration Committee on the benefits and costs of establishing a centralized database security function with authority to administer and monitor database security practices for all databases throughout the City;
- (5) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, prepare a City-wide protocol and process for the development, approval, implementation and communication of all new or revised information technology policies and procedures. In addition, the Commissioner of Corporate Services, finalize the "Oracle Database Standards and Procedures" document ensuring it adequately addresses Oracle security;
- (6) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, review the current practices in connection with the installation of software patches to Oracle and other software applications. Such a review ensure that:
  - (a) an analysis is done to ensure that the benefits of installing specific software patches outweigh the risk and costs inherent in not applying the software patches;

- (b) a process be implemented in order to ensure that information in regard to software patches is disseminated throughout the City; and
  - (c) patches, where required, have been appropriately and consistently installed.
- (7) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, review the extent to which Oracle's standard auditing features should be activated and this process be implemented corporate wide. Any decisions in relation to the activation or otherwise should be documented and approved by supervisory staff. As a minimum, we recommend the logging and timely review of unsuccessful access attempts;
  - (8) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, direct database administrators throughout the City to review all passwords for default accounts provided by the Oracle Corporation in order to ensure that all such default passwords have been changed. Passwords be changed where appropriate;
  - (9) the Commissioner of Corporate Services update, document and test the database business continuity plan for the databases administered by the Information & Technology Division and such documentation be centrally maintained;
  - (10) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, take the necessary steps to centralize, within the City's Information & Technology Division, the custody, recording and administration of all Oracle database software licenses for the City; and
  - (11) The Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, report back to the Audit Committee scheduled for July 13, 2004, on a work plan in regard to the implementation of the recommendations contained in this report. Such report to include specific timelines for implementation.
- 6(a).** Joint Report (February 10, 2004) from Chief Administrative Officer and Commissioner of Corporate Services forwarding Management Response to the Auditor General's Report on Oracle Database Review – Security Controls and Other Issues

Recommendation:

That this report be received for information.

**7. Safety Footwear Report – Management Response**

Joint Report (February 6, 2004) from the Chief Administrative Officer and the Commissioner, Corporate Services

Recommendation:

That this report be received.

**8. Terms of Reference**

Report (February 9, 2004) from the Auditor General. providing the Audit Committee with the terms of reference for certain audit projects included in the 2004 Audit Work Plan that will be commencing shortly.

Recommendation:

That this report be received for information.

**9. Audit Recommendations and Management Initiatives Relating to the Toronto Computer Leasing Inquiry**

Report (February 13, 2004) from the Auditor General providing City Council with information relating to various audit recommendations made prior and subsequent to the commencement of the Toronto Computer Leasing Inquiry. This report also provides information in relation to management's responses to the audit recommendations, as well as other actions initiated independently by management.

Recommendation:

That this report be received for information.

**10. Second Supplementary Report to the Auditor General's "Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud and Waste Hotline Program"**

Report (February 4, 2004) from the Auditor General reporting further on: the total amount recovered from "14 substantiated complaints" (received by the Auditor General's Office and referred to City departments for action); on whether "departmental changes in operations took place" when these complaints were substantiated; on the "possibility of offering a reward for cases where substantial savings/recovery occurred as a result of a complaint to the hotline".

Recommendation:

That this report be received for information.

- 10(a).** Audit Committee Report No. 4, Clause 8, titled, "Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud and Waste Hotline Program, which was adopted by City Council at its meeting held on September 22, 23, 24 and 25, 2003
- 10(b).** Communication (January 22, 2004) from the City Clerk, forwarding the Audit Committee's action at its meeting held on January 21, 2004

**11. Investment Policy Compliance by City Agencies, Boards and Commissions**

Report (February 11, 2004) from Chief Financial Officer and Treasurer

Recommendations:

- (1) That the City's Investment Policy, as approved by Council, be distributed to the City's Agencies, Boards and Commissions whenever it is revised or updated and they be directed to comply with this policy; and
- (2) That the City's Agencies, Boards and Commissions be requested to report on an annual basis to the Audit Committee to certify that they are in compliance with the City's investment policy and to report all instances of non-compliance as of December 31, 2003.

**12. Procurement Process Review Implementation – Status Report and Implementation Plan Timelines**

Communication (January 13, 2004) from the City Clerk, Administration Committee, forwarding the Committee's actions at its meeting held on January 9, 2004 respecting the report (December 17, 2003) from the Chief Financial Officer and Treasurer

**13. GST Rebates for Business Improvement Areas (BIAs)**

Joint Report (February 3, 2004) from the Chief Financial Officer and Treasurer and Commissioner of Economic Development, Culture and Tourism

Recommendation:

That this report be received for information.

**14. Improvements to the Collection Process for Outstanding Accounts Receivable**

**(Deferred from Audit Committee meeting of January 21, 2004)**

Report (September 26, 2003) from the Acting Chair, Toronto Police Services Board

Recommendation:

That the Audit Committee receive this report.

- 14(a).** Communication (February 9, 2004) from the Chair, Toronto Police Services Board requesting further deferral.

**15. Arenas – Audit Management Letters**

Report (February 11, 2004) from the Auditor General, providing to the Audit Committee individual audit management letters for each of the Committees of Management for Arenas.

Recommendations:

- (1) the individual management letters issued for each of the Committees of Management for Arenas 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 July 31, 2004.

**16. Business Improvement Areas – Audit Management Letters**

Report (February 11, 2004) from the Auditor General providing to the Audit Committee individual audit management letters for each of the Business Improvement Areas.

Recommendations:

- (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 July 31, 2004.

**17. Community Centres – Audit Management Letters**

Report (February 11, 2004) from the Auditor General providing to the Audit Committee individual audit management letters for each of the Boards of Management for Community Centres.

Recommendations:

- (1) the individual management letters issued for each of the Boards of Management for Community Centres be received for information; and
- (2) the Commissioner of Community and Neighbourhood Services be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by July 31, 2004.

**18. Financial Statements of Business Improvement Areas**

Report (February 9, 2004) from the Chief Financial Officer and Treasurer

Recommendation:

That the 2002 financial statements appended to this report for Business Improvement Areas operated by Boards of Management be received.

**19. 2002 Audited Financial Statements of Community Centres**

Report (February 9, 2004) from Chief Financial Officer and Treasurer

Recommendation:

That the financial statements appended to this report be received.

**20. Audited Financial Statements of Arenas**

Report (February 10, 2004) from Chief Financial Officer and Treasurer

Recommendation:

That the financial statements appended to this report be received.

**21. Update on Issues Raised in Auditor Management Letters**

Report (February 12, 2004) from Chief Financial Officer and Treasurer

Recommendation:

That this report on workplan progress be received and forwarded to Council for information.



**22. Employee Separation Program Payment Review**

**(In Camera – Security of the Property of the Municipality or Local Board)**

Confidential Report (November 12, 2003) from the Auditor General

**23. Interim Report on Progress of negotiations with SAP Canada Inc.**

**(In Camera – Security of the Property of the Municipality or Local Board)**

Commissioner of Corporate Services reporting as requested (*Not Yet Available*)

- 23(a).** Audit Committee Report No. 1, Clause 1, titled, “SAP Financial and Human Resources/Payroll Information System, Post Implementation Review – Status of Recommendations” which was amended and adopted by City Council at its meeting of January 27, 28 and 29, 2004