

Results of Follow-up of Audit Recommendations

Date:	April 3, 2007
To:	Board of Directors of the Toronto Parking Authority
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report provides the Board of Directors of the Toronto Parking Authority the results of our follow-up of audit recommendations made by the Auditor General (formerly City Auditor) to the Toronto Parking Authority between January 1, 1999 and December 31, 2005.

The Toronto Parking Authority has implemented 15 of 19 audit recommendations. Audit recommendations fully implemented are listed in Attachment 1. Audit recommendations not fully implemented, as well as management's comments and action plan, are included in Attachment 2.

FINANCIAL IMPACT

There is no financial impact resulting from the receipt of this report.

ISSUE BACKGROUND

The Auditor General's Office has implemented a formalized follow-up process to ensure that management has taken appropriate action to implement recommendations contained in our audit reports.

In accordance with the Auditor General's Work Plan, we have reviewed the status of audit recommendations made by the Auditor General (formerly City Auditor) to the Toronto Parking Authority between January 1, 1999 and December 31, 2005. This review was conducted in accordance with generally accepted government auditing

standards and was designed to provide reasonable assurance that management has adequately implemented our audit recommendations.

The follow-up review process required management to provide the Auditor General with a written response on the status of each recommendation contained in our audit reports. For those recommendations noted as implemented, specific audit work was conducted by staff of the Auditor General's Office in order to ensure that management's assertions were accurate. Where management indicated that a recommendation was not implemented, no follow up work was performed by the Auditor General's Office.

COMMENTS

The following table shows the results of our follow-up of audit recommendations for the Toronto Parking Authority.

Report Title	Date	Fully Implemented	Not Fully Implemented	Total Recommendations
Courtesy Envelopes	May 14, 2002	2	2	4
Toronto Parking Authority – An Assessment of the Adequacy and Effectiveness of Financial and Administrative Controls	Sept. 16, 2002	13	2	15
Total		15	4	19

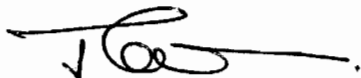
A listing of audit recommendations implemented by the Toronto Parking Authority is included in Attachment 1. Recommendations that are not fully implemented, together with management's comments and action plan, are listed in Attachment 2 and will be carried forward to the next follow-up review.

A report will be tabled at the June 15, 2007 meeting of the Audit Committee on the status of all audit recommendations relating to the City's Agencies, Boards and Commissions issued by the Auditor General's Office between January 1, 1999 and December 31, 2005. The results of the follow-up of audit recommendations for the Toronto Parking Authority will be included in that report. Similar reporting for the City itself was done in June 2006 and, in the future, follow-up on the status of all outstanding audit recommendations for the City and its Agencies, Boards and Commissions will be conducted and reported annually.

CONTACT

Jeff Griffiths, Auditor General

Tel: (416) 392-8461, Fax: (416) 392-3754, E-Mail: Jeff.Griffiths@toronto.ca



Jeff Griffiths, Auditor General

ATTACHMENTS

Attachment 1: Toronto Parking Authority, Audit Recommendations – Fully Implemented

Attachment 2: Toronto Parking Authority, Audit Recommendations – Not Fully Implemented

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**Toronto Parking Authority
Audit Recommendations – Fully Implemented**

Report Title: Courtesy Envelopes

Report Date: May 14, 2002

Recommendations:

- (1) the President of the Toronto Parking Authority modify the existing courtesy envelope program such that customers on unattended lots are issued a courtesy envelope for their first parking violation and a parking infraction notice for all subsequent offences, within a 12 month period (from the time the first courtesy envelope was issued), regardless of whether the courtesy envelope issued is paid (the Modified Parking Enforcement Program);
- (4) this report be forwarded to the City's Administration Committee for consideration and to the City's Audit Committee for information.

Report Title: Toronto Parking Authority – An Assessment of the Adequacy and Effectiveness of Financial and Administrative Controls

Report Date: September 16, 2002

Recommendations:

- (1) the President of the Toronto Parking Authority issue open public tenders for large value construction projects, and report to the Board on the specific dollar value above which an open public tender process would be followed;
- (2) the President of the Toronto Parking Authority consult with the City's Chief Financial Officer and Treasurer on potential opportunities for the Toronto Parking Authority to partner with the City on the procurement of certain common goods and services, and report to the City's Administration Committee through the Board, in this regard;
- (3) the President of the Toronto Parking Authority ensure that the responsibilities for payroll cheque signing, the custody of blank cheques and the maintenance of the cheque continuity log are properly separated;
- (4) the President of the Toronto Parking Authority ensure that an independent review of the annual payroll T4 Summaries is performed to ensure that T4 amounts are reasonable and appropriate statutory payroll deductions are withheld and remitted to Revenue Canada, and that such review be evidenced in writing;

- (5) the President of the Toronto Parking Authority develop, for Board approval, a policy with respect to business meeting and entertainment expenses claimed by Toronto Parking Authority staff and Board members. This policy should require that such expenses:
- be supported by original receipts (not credit card chits or statements);
 - include the nature or purpose of the meeting or event, and the names of all persons in attendance;
 - be claimed by the most senior staff person present at the meeting or event; and
 - be approved by the claimant's supervisor, or in the case of President of the Toronto Parking Authority, by the Chair of the Board;
- (6) the President of the Toronto Parking Authority:
- review the Toronto Parking Authority's current practice of subsidizing certain staff events, in whole or in part;
 - report to the Board on the cost and reasons for this practice; and
 - develop a policy for approval by the Board, outlining the circumstances under which the subsidy of staff events are allowed by the Toronto Parking Authority, and the support documentation and prior approvals required in this regard;
- (7) the President of the Toronto Parking Authority review the current convention travel policy and amend the policy such that each attendee is required to complete a request to travel form, detailing the cost of the trip and obtain specific prior approval to attend a convention, in accordance with the authorization limits set out in the policy, and that further Board approval be obtained in those circumstances where costs incurred exceed those approved by the Board;
- (8) the President of the Toronto Parking Authority ensure that expense reports are supported by original receipts and properly approved for reimbursement, and that in this regard, the President's travel expense report be approved by the Chair, Toronto Parking Authority Board;
- (10) the President of the Toronto Parking Authority report to the Board as necessary to ensure all individuals, who have parking passes, have been approved by the Board, and implement the necessary procedures to ensure any pass designated to be cancelled is, in fact, cancelled;

- (12) the President of the Toronto Parking Authority formalize the current budget variance reporting process, and ensure that financial management reports are provided to division heads and the President on a monthly basis for their review, requesting written explanations for any variances above certain pre-established limits;
- (13) the President of the Toronto Parking Authority review the Authority's current policy manual and develop and revise the policies as necessary, taking into account the City of Toronto's policies with respect to issues such as the hiring of consultants, conflict of interest, convention travel and business meeting expenses;
- (14) the President of the Toronto Parking Authority ensure bank reconciliations for all accounts are performed on a timely basis, reconciling items promptly investigated and necessary corrective action taken; and
- (15) the President of the Toronto Parking Authority report to the November 2002 meeting of the City's Audit Committee with a response to each of the recommendations in this report, including timeframes for implementation of the recommendations, as appropriate.

**Toronto Parking Authority
Audit Recommendations – Not Fully Implemented**

Report Title: Courtesy Envelopes
Report Date: May 14, 2002

Recommendation Not Fully Implemented	Management's Comments and Action Plan/Time Frame
<p>(2) The President of the Toronto Parking Authority, in consultation with the City Auditor, report to the Toronto Parking Authority's Board of Directors and the City's Administration Committee, one year after the implementation of the Modified Parking Enforcement Program, on the results of operating this modified program on unattended lots including the effect on overall revenue and expenses and the impact, if any, on customers and local businesses;</p>	<p>The modified parking enforcement program was implemented between April and June of 2003 at the facilities operated by way of pay and display machines. Statistics on the issuance of courtesy envelopes are included in the monthly usage and revenue reports submitted to the Authority's Board of Directors at their regular monthly meetings. The operation of the program is considered in conjunction with the semi-annual rate review of unattended facilities which is conducted by the Board's Rate Committee. No formal report on the program has been prepared and submitted to either the Board of Directors or the City's Administrative Committee. A formal report is under preparation and will be before the Board of Directors at their June meeting. Following the consideration of this report, the Authority, in consultation with the City Auditor, will report out on the Modified Parking Enforcement Program to the appropriate City Committee in the fall of 2007.</p>
<p>(3) The President of the Toronto Parking Authority review the courtesy envelope delinquent report (as it relates to all TPA lots), commence action on all accounts where amounts owing warrant additional collection efforts, and report to the Toronto Parking Authority Board of Directors by July 31, 2002, on the procedures that will be implemented to avoid any significant outstanding balances from accumulating;</p>	<p>The delinquent report was reviewed. Actions were undertaken on persons having significant delinquent accounts to prevent them from continuing to accumulate charges. The Authority undertook changes to administrative procedures, operational practices and revenue control equipment to prevent the accumulation of significant delinquent charges. The implementation of these procedures, particularly the re-equipping of the attended lots, have reduced the number of delinquent charges at attended facilities by approximately 80% and prevented the creation of large</p>

Recommendation Not Fully Implemented	Management's Comments and Action Plan/Time Frame
	<p>delinquent accounts. The implementation of these processes is still underway and is expected to be completed in 2008. TPA follows up by tagging with PIN's or by banning vehicles from lots for non-payment of fees if vehicle shows up again. We are unable to follow-up in other ways as we no longer have access to the MTO plate information. In any event the unpaid CE's were never recorded in TPA accounts as receivable. When we did have access to MTO plate information resultant recoveries from sending a statement was not covering the cost to follow-up. Under current practices we are less "courteous" if someone is receiving CE's. CE's are more expensive and PIN's are issued sooner once a vehicle starts receiving CE's.</p>

Report Title: Toronto Parking Authority – An Assessment of the Adequacy and Effectiveness of Financial and Administrative Controls

Report Date: September 16, 2002

Recommendation Not Fully Implemented	Management’s Comments and Action Plan/Time Frame
<p>(9) The President of the Toronto Parking Authority, in consultation with the City’s Chief Financial Officer and Treasurer determine whether there are any taxable benefits associated with the issuance of the parking passes to staff, Councillors and Board members, and ensure Revenue Canada guidelines and the Income Tax Act are complied with;</p>	<p>TPA provided copy of a CRA letter concerning our payroll audit. Parking passes were noted but not assessed. CRA recommended that an advance ruling be obtained from CRA. We were advised by our legal counsel that it was inappropriate to seek CRA’s view in relation to how to administer a taxable benefit where no employment relationship exists (ie. between the TPA and City employees). The recommended approach would be for the City to consider if it is in its’ best interest to seek such advice respecting City Councillors and staff employed by the City. In respect of TPA employees it would also be inappropriate to request a ruling while at the same time objecting to an assessment which relies on a section of the Income Tax Act which the TPA disputes applies to us at all.</p>
<p>(11) The President of the Toronto Parking Authority report to the City’s Administration Committee on the rationale for providing annual complimentary parking passes and on a process for obtaining City approval for those passes issued to City employees and Councillors.</p>	<p>The TPA contends that the decision to issue these passes is at the discretion of the TPA board. If the City does not want such passes issued to City employees or Councillors the TPA requests that they advise us in writing and we will discontinue issuing them. In the meantime we will send a list to the CAO of passes we have issued to City staff.</p>