

**Management's Response to the Auditor General's Review of
Toronto Parking Authority Pay and Display Parking Operations – Review of Revenue,
Expenditure and Procurement Practices**

<u>Rec No</u>	<u>Recommendation</u>	<u>Agree (X)</u>	<u>Disagree (X)</u>	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
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1.	<p>The Chair of the Board of the Toronto Parking Authority review provisions of Policy Resolution 5-7 and amend to</p> <p>a. provide objective criteria for exceptions to the competitive pricing process, giving consideration to adopting similar criteria included in City procurement policies</p> <p>b. clarify the type of long-term commitments on which the related section applies.</p>	X		<p>With respect to commentary on page 10 regarding the banking services renewal we feel there was strong rationale provided in the board report - generally that for a very small potential saving (ie. the banking services were free except for some minor electronic services) we would have to go through a major process of an RFQ plus potentially have to change banks and adjust, at time and expense, all the internal and external processes linked to it.</p> <p>We agree that it was not explicitly noted that the recommendation was not in accordance with the 3 year tender routine in the policy. However we feel the rationale in the report was clear and strong.</p> <p>With respect to additional commentary on page 10 regarding “long term purchase commitments” we believe the intent of section H. of policy 5-7 was not understood by the auditor. A “long term purchase commitment” addresses a specific scenario and is not intended to extend to regular contracts and agreements which have their own negotiated terms and conditions. It's only applicable to a scenario where we would otherwise consider a blanket purchase order but because of the order.</p>	<p>The Board, at its meeting held April 20, 2009 established a ad hoc committee to be chaired by the Board Chairman to review all Policy Resolutions guiding the Authority including Policy Resolution 5-7. With respect to recommendation 1.a. TPA criteria match City criteria in 3 of 5 instances. TPA will attempt to refine wording of remaining criteria to remove a perception that they are subjective.</p>
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				<p>which have their own negotiated terms and conditions. It's only applicable to a scenario where we would otherwise consider a blanket purchase order but because of the dollar values involved we need to ensure we get a financial benefit. The long term commitment is a letter agreement to be approved by the board (or president depending on the dollar volume) which allows either party to exit it with notice. It was intended to avoid the situation of having to repeatedly ask for quotations from multiple vendors to regularly supply a good or service. In time some vendors refuse to quote when they never get the order.</p>	

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				Section H. was to address this scenario.. Otherwise staff are tied to the limits set out in section B of policy 5.7. We have only one long term arrangement in place now.	
2.	The President of the Toronto Parking Authority take appropriate steps to ensure compliance with the provisions of Policy Resolution 5-7 and obtain specific Board approval for any waiver of policy.	X			

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3.	<p>The President of the Toronto Parking Authority, in consultation with legal counsel, take appropriate steps to execute a formal data and management services agreement, ensuring adequate terms and conditions are provided, including</p> <p>a. access to vendor program source codes essential to the operation of pay and display equipment, in the event of vendor insolvency</p> <p>b. defined service levels and standards, including criteria and measures for non-performance subject to penalty</p> <p>c. TPA ability to obtain potential financial benefits should the vendor market the product to other clients.</p>	X			<p>The Audit Team were advised and provided with a draft of a Data Services and Management Agreement that staff in consultation with legal counsel have been negotiating for the past year to deal with our current credit card processing model and in conjunction with the development and implementation of the on line credit card authorization test project. This agreement will address all aspects of this recommendation</p>

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4.	<p>The President of the Toronto Parking Authority report to the Toronto Parking Authority Board by September 2009 on the overall plan to implement on-line credit card processing. Such report to include</p> <p>a. detailed work plan for testing on-line credit card processing, including timelines, responsibility and status of work completed to date</p> <p>b. other options being considered, including pay by phone as additional payment option</p> <p>c. estimated costs of implementing on-line credit card processing under various options.</p>	X		<p>With respect to commentary on pages 12, 13 regarding on-line credit card processing we disagree that we did not have appropriate approval to proceed with a test which committed to nothing in the end. We are only testing the application on a risk free, no commitment basis. TPA proceeded with the testing on the basis of informal cost estimates which indicated that should the test results meet our expectations we could see a financial case for proceeding. The Board were informed in writing of our intent to test on-line pay and display and as instructed by the board staff met with the finance committee of the board prior to starting the test. As we would have done in any event they agreed that a report to the full board with the results of the testing and recommendations be made after the testing period.</p> <p>Both the commentary and recommendation 4. regarding on line testing reads as if the auditor discovered that we had no plans or intention to do what is being recommended. That's not the case. TPA staff informed the auditor what was being done regarding testing and that we would</p>	<p>The TPA management have not made any commitments. The level of testing will be substantially increased over the next several months. As a normal course of action, once staff is satisfied with all aspects of the program a comprehensive report will be submitted to the Board providing for and addressing all of the details and requirements set out in this recommendation.</p>

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				report to the board, as agreed with the finance committee, when we complete the testing and have the basis (including hard costs) to make a recommendation. We feel this section of the report restates many things that are obvious and it reads like we would not have done certain things if they had not been "pointed" out.	
5.	The President of the Toronto Parking Authority, in consultation with appropriate legal counsel, ensure all contracts clearly stipulate all terms and conditions approved by the Board, while protecting the interests of TPA and the City.	X		With respect to commentary on page 14 regarding parts replacement costs we acknowledge a poorly worded agreement but actual results bear out that the asset replacement program operated as intended by both parties.	

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6.	The President of the Toronto Parking Authority analyze options and take appropriate action to reduce the parts replacement cost attributed to unused tickets.	X		With respect to the \$126,000 in unused tickets (recommendation 6.) the commentary suggests that the entire amount is a “loss” when only a potentially small reduction is achievable at the expense of more labour cost and putting us closer to the risky point of completely running out of paper in a machine. We knew 10 years ago that unused paper needed to be minimized and tried to reach a practical balance point but in the end the unused paper is a cost of doing business. The commentary reads as if we were unaware and/or indifferent.	The Toronto Parking Authority currently replaces in the order of 3400 ticket rolls each month. Unused tickets are inherent in all pay and display machine programs. It is not possible to allow ticket rolls to be used completely as well as provide uninterrupted customer service, customer service being the priority. Low tickets levels are preset in each machine and each machine sends a wireless communication to operations staff when these levels have been reached. These levels allow sufficient time for staff to respond to the alarm. Over the past ten years as the program developed these levels were and continue to be refined to reduce the number unused tickets. The TPA has tried to balance the labour cost of ticket roll replacement against the potential material cost savings. This approach will continue to be the case moving forward.

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7.	The President of the Toronto Parking Authority take appropriate action to recover the overpayment on shortage of ticket supply and remind staff to check the quantity of all goods received.	X			A credit has already been requested and agreed to by the vendor and the cost per roll of tickets has been reduced accordingly.
8.	The President of the Toronto Parking Authority implement procedures to ensure equipment repairs and maintenance are completed on a timely basis and recurring problems are identified and satisfactorily addressed.	X			Work Orders are prepared for all work undertaken in this regard. In many cases machines removed for repairs are immediately replaced with another machine eliminating any impact to customer service, preventing revenue loss and easing the necessity to meet the prescribed time frame for turn around. Procedures for tracking will be reviewed to improve tracking/status of these documents/repairs.

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9.	<p>The President of the Toronto Parking Authority take appropriate steps to make necessary adjustments with respect to the credit card upgrade, including</p> <p>a. reducing future payments to reflect revised purchase cost</p> <p>b. adjusting the affected general ledger and financial statement accounts, as appropriate.</p>			<p>The commentary on page 18 assumes that the TPA was going to pay for 2,600 readers despite the fact that we had gone to the trouble of preparing individual, sequentially numbered upgrade installation orders expressly for the purpose of tracking which machines and how many readers were upgraded and had negotiated a long term, no interest financing agreement under which we currently still owe the vendor \$6m. It is assumed that the TPA would pay for more readers than it received despite the paperwork on hand and that the purchase order is still open for a further 3 years. Comments about “potential overpayment” are misleading and the whole discussion ignores the tremendous financial benefit the TPA earned with the deferred, no-interest payment schedule.</p>	<p>The general ledger accounts will get adjusted as a matter of course when the purchase order is closed and final payment is made.</p>

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10.	The President of the Toronto Parking Authority give priority to meeting the Payment Card Industry Data Security Standard (PCI DSS) certification requirements and report to the Board on the efforts made in that regard.	X		This achievement of PCI DSS certification has been the priority of the Authority since 2007. It has required an entire replacement of IT and point of sales infrastructure.	Completion is expected this year as per the comments of the Auditor General.

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11.	<p>The President of Toronto Parking Authority determine payment card chip and PIN technology requirements and report to the Toronto Parking Authority Board on related action plans. Such report to include</p> <p>a. cost and benefit of implementation</p> <p>b. specific timelines and responsibility for implementation.</p>	X		<p>Commentary on page 21 regarding “no significant benefit” from the credit card reader upgrade is based on opinion. It ignores the potential rising costs of rejected cards had we continued with a 1,000 card reject file – keeping the rejection rate in check in light of the media coverage was a benefit, just not easily quantifiable. The commentary also ignores the importance of the data encryption feature that is a mandatory requirement of PCI DSS certification.</p> <p>It is our opinion that had we not purchased the new readers we could just as easily be in the position today of being criticized for not being prepared for EMV.</p> <p>TPA considers the original board report as adequate justification for the reader upgrade, especially given what was known at the time regarding EMV.</p>	As per rollout schedules and requirements defined by card issuers.

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12.	<p>The President of the Toronto Parking Authority take steps to</p> <p>a. request the vendor to modify the current operating system of the pay and display equipment to allow for assignment of sequentially numbered identification numbers for each parking transaction</p> <p>b. establish procedures to account for numerical continuity of all transactions to ensure completeness of data.</p>	X		<p>The commentary on page 22 regarding transaction identification controls and recommendation 13. are unnecessary as we had already (in August 2008) set this as one of the required changes to the on line processing architecture as part of the development process for on-line pay and display before we would consider migrating at the conclusion of the testing.</p> <p>The report suggests that we overlooked it. That is not the case.</p>	<p>These changes were already identified and will be integral to the reconciliation process moving forward.</p>

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13.	<p>The President of the Toronto Parking Authority establish information technology policies and procedures to provide</p> <p>a. change management controls requiring adequate documentation and approvals for changes to TPA's information technology systems</p> <p>b. roles and responsibilities assigned to information and technology staff to ensure adequate segregation of incompatible functions</p> <p>c. adequate security controls including maintaining review of system access logs and conducting periodic review of the logs.</p>	X			By end of 2009.

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14.	<p>The President of the Toronto Parking Authority, in consultation with the Toronto Transportation Services Division, establish guidelines with respect to recovery of lost meter revenue, outlining the</p> <p>a. roles and responsibilities of TPA staff and Transportation Services staff</p> <p>b. basis for calculating the lost meter revenue recovery amounts.</p>	X		Lost parking revenue is currently calculated in one of two ways depending on the duration of time the parking stalls will be unavailable for public use.	These methods will be documented in a policy/operating procedure in 2009.

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15.	<p>The President of the Toronto Parking Authority implement controls over accounts payable activities to ensure master vendor file updates are</p> <ul style="list-style-type: none"> a. performed by someone independent of the accounts payable and disbursement functions b. properly documented and approved by management c. verified by an independent person to ensure accuracy. 	X		We recognize this as a generally valid control recommendation. However commentary on page 25 does not allow that the internal control environment at the TPA more closely resembles a small business than a large organization and that we have compensating controls in the form of one person who signs all purchase orders and cheques and another person who approves all cheques.	TPA will make appropriate changes.
16.	The Chair of the Board of the Toronto Parking Authority ensure that all items discussed in closed meetings meet the criteria stipulated under the City of Toronto Act, 2006 and follow City protocols with respect to confidential items.	X			The Board, at its meeting held January 28, 2008 adopted, in Toronto Parking Authority Policy Resolution 1-1, the provisions of the City of Toronto Municipal Code Chapter 27-Council Procedures-Article V-Meetings and Council Committees-Section 27-38-Closed Meetings wherein the subjects for closed meetings are prescribed.