



**City of Toronto  
Executive Committee  
May 14, 2012**

**TORONTO COMMUNITY HOUSING  
CORPORATION**

**AUDITOR GENERAL'S REPORTS**

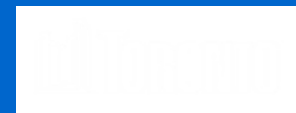
**Jeff Griffiths, C.A., C.F.E. - Auditor General  
Jerry Shaubel, C.A., CISA, CGAP - Director**





# Outline of Presentations

- Fleet Management – Lack of Central Oversight Has Led to Control Deficiencies Jeff Griffiths
- The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests Jeff Griffiths
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc. Jerry Shaubel
- Next Steps Jeff Griffiths





# Reports Issued in 2011

- **Toronto Community Housing Corporation, Procurement Policies and Procedures Are Not Being Followed**
- **Toronto Community Housing Corporation, Controls Over Employee Expenses Are Ineffective**
  - Both reports identified significant internal control deficiencies
  - Issues identified were systemic in nature and indicative of a culture which needed to change





# What Has Changed?

- New Board of Directors
- New Chief Executive Officer
- Other staff changes at Senior Level
- Independent Audit Function
- More active and structured Corporate Affairs and Audit Committee with an appropriate mandate





## What Has Changed? (cont.)

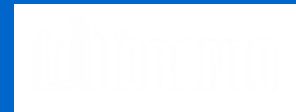
- Revision of Policies for
  - Expenses
  - Purchasing Cards
  - Cash Advances
  - Procurement
  - Fleet
- Appointment of Senior Director of Strategic Procurement
- Creation of a Fraud Prevention Directive
- Launch of a “Do What’s Right Hotline”





## What Has Changed? (cont.)

- Internal Review of Employee Expenses Resulting in:
  - 55 Disciplinary Letters
  - 2 Employee Suspensions
  - 3 Terminations





# **Auditor General's Report**

## **Fleet Management – Lack of Central Oversight Has Led to Control Deficiencies**





# Presentation Outline

- Background
- Summary of Findings
- Audit Conclusions and Recommendations







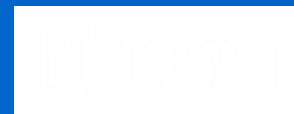
# Background

- TCHC operates approx. 120 vehicles
- HSI operates 85 vehicles
- Approx capital investment \$3.3 million (our estimate)
- 2011 budget of fleet related expenditures is \$1.56 million



# Audit Scope

- Covered the period from January 1, 2010 to July 31, 2011
- Focus on TCHC Fleet and Fleet related expenditures (not HSI)





## Summary of Findings

- Roles and Responsibilities unclear – no one person in charge
- No accurate inventory of vehicles
- No accurate valuation of vehicles
- TCHC has not conducted an analysis to determine its fleet requirements





# Summary of Findings

- Third party fleet manager – no contract exists
- Payments being made without the virtue of a contract
- Reporting capabilities not known
- Vehicle expense reimbursement controls deficient
- Fleet utilization controls lacking

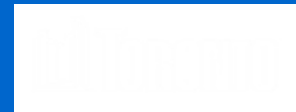




# Key Recommendations

Key recommendations include:

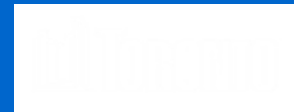
- Consideration to be given to turning over management of fleet to City of Toronto's Fleet Services
- Work needed to address deficiencies prior to any transfer to the City





# Good News

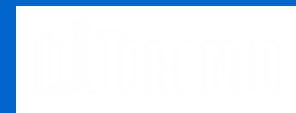
- Management agrees with recommendations
- Plans in place to implement recommendations
- Many changes already taking place





# Auditor General's Report

## **The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests**





# Audit Objectives

- Does TCHC comply with provisions of the City's Shareholder Direction?
- Are the City and the TCHC Board kept informed of subsidiary companies, joint ventures, and other business interests?
  - Purpose
  - Governance structure
  - Financial and operating performance



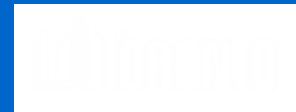




# Subsidiaries

TCHC has established the following wholly owned subsidiary companies:

- Don Mount Court Development Corporation
- 2001064 Ontario Inc.
- Access Housing Connections Inc.
- Regent Park Development Corporation
- Housing Services Inc.
- Toronto Community Housing Enterprises Inc.
- Railway Lands Development Corporation
- Toronto Affordable Housing Fund

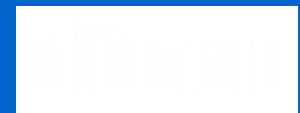




# Joint Ventures

TCHC also participates in a number of joint ventures as follows:

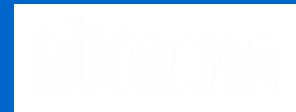
- Dundas and Parliament Development Corporation
- Library District Inc.
- Parliament and Gerrard Development Corporation
- Regent Park Community Energy Inc.
- Regent Park Arts Non-Profit Development Corporation





## Other Business Interests

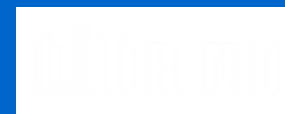
- InnoServ Solar (35%)
- Sparkle Income Fund (35% - since sold)





# Findings

- Reporting to the City and the TCHC is limited
  - Minimal information provided regarding certain subsidiaries and other investments
  - Acquisitions of minority interests contravene Shareholder Direction
  - Subsidiary financial and performance information not forwarded to TCHC and the City





# Findings

- Inadequate TCHC Board oversight of subsidiary operations and other investments
- Closer coordination between the City, TCHC and its subsidiaries required





# Key Recommendations

- Need to revisit TCHC's corporate structure and strengthen the governance and accountability framework
- Consolidation and coordination of certain TCHC and subsidiary activities has the potential for efficiencies and cost savings





# Key Recommendations

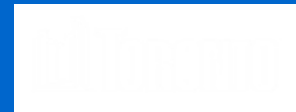
- Clarify the relationship of the City with TCHC and its subsidiary companies, joint ventures and other business investments
- Review the purpose and the roles and responsibilities of each one of the subsidiaries, joint ventures and other business investments





# Auditor General's Report

## **Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc.**







# Presentation Outline

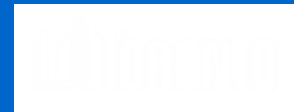
- Audit Scope
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# Audit Scope

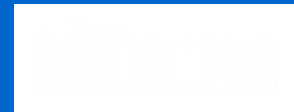
- Audit focused on the period from January 1, 2010 to May 31, 2011
- New internal control initiatives introduced by HSI management in 2010 and 2011 were considered in our review





# Findings

- Barriers to effective procurement across TCHC
  - No requirement to use HSI
  - Purchasing power not bundled
  - In-house trades not fully utilized





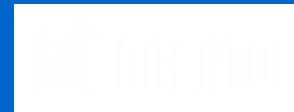
## Findings (2)

- Practices limit fair access, equitable treatment, competition, transparency
  - Vendor lists not updated
  - Use of vendor lists not clearly and transparently defined
    - Selective tendering
    - Uneven distribution of work
    - Contractor performance



## Findings (3)

- Non-compliance with policy and procedures
  - Repeated contract extensions circumvent competition
  - Enhanced controls over contract changes





# Conclusion

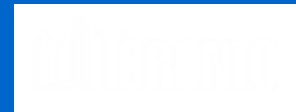
- Measures being implemented to improve openness, fairness and transparency of procurement processes
- Streamlining of processes to provide some potential efficiencies and cost savings





# Key Recommendations

- Increase integration within TCHC
- Enhance policy and procedures to ensure openness, fairness, and transparency of purchasing practices
- Monitor and enforce compliance with updated practices





# Next Steps

- Review of In-camera Report?
- Audit Follow-up of Implementation Process