



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED
with Confidential Attachment**

**Toronto Community Housing Corporation - Results of
Follow-up of Previous Audit Recommendations**

Date:	March 28, 2013
To:	Board of Directors of the Toronto Community Housing Corporation
From:	Auditor General
Wards:	All
Reason for Confidential Information	Reasons for confidentiality <ol style="list-style-type: none">1. The confidential attachment deals with personal matters about an identifiable person.2. The confidential attachment is about litigation or potential litigation that affects the Toronto Community Housing Corporation.
Reference Number:	

SUMMARY

This report provides the results of the follow-up of audit recommendations for five reports issued by the City's Auditor General to the Board of Directors of the Toronto Community Housing Corporation (TCHC) in 2011 and 2012. The reports are:

- Toronto Community Housing Corporation – Procurement Policies and Procedures Are Not Being Followed
<http://www.toronto.ca/audit/2011/procurement-feb25.pdf>
- Toronto Community Housing Corporation – Controls Over Employee Expenses Are Ineffective
<http://www.toronto.ca/audit/2011/employeeexpense-feb25.pdf>
- Toronto Community Housing Corporation – Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc.
http://www.toronto.ca/audit/2012/review_controls_over_procurement_2feb2012.pdf

- Toronto Community Housing Corporation – The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests
http://www.toronto.ca/audit/2012/city_tchc_strengthen_oversight_3feb2012.pdf
- Toronto Community Housing Corporation Fleet Management - Lack of Central Oversight Has Led to Control Deficiencies
http://www.toronto.ca/audit/2012/tchc_fleet_management_6feb2012.pdf

Our 2011 audit reports contained a total of 41 recommendations. At this point last year, we reported that 10 recommendations had been implemented, and 31 remained outstanding. Our 2012 audit reports contained an additional 39 recommendations.

This review consequently addresses whether or not a total of 70 recommendations have been implemented.

The result of our review indicates that TCHC have fully implemented 30 out of the outstanding 70 recommendations made in the five audit reports issued by the Auditor General's Office. Confidential Attachment 1 contains a confidential recommendation that has been fully implemented. Public audit recommendations that have been fully implemented are listed in Attachment 2. Three recommendations we determined as not applicable are listed in Attachment 4.

The implementation of the remaining recommendations is in progress. Management of TCHC indicated they have recently implemented new processes for 14 out of the 37 remaining recommendations. As sufficient time has not passed since the implementation of these processes, we will review their effectiveness as part of our next follow up review.

Audit recommendations not fully implemented, as well as management's comments and action plan, are included in Attachment 3. These recommendations will be carried forward to our next follow-up review in approximately 12 months.

Finally, we would like to express our appreciation to all TCHC staff involved in the recommendation implementation process for their dedication and effort.

RECOMMENDATIONS

The Auditor General recommends that:

1. This report be forwarded to the City's Audit Committee for information.
2. The Board of Directors of the Toronto Community Housing Corporation not authorize the public release of Attachment 1 – Confidential Information as this attachment contains confidential information relating to:
 - a. personal matters about an identifiable person; and

- b. litigation or potential litigation that affects the Toronto Community Housing Corporation.

Financial Impact

The Auditor General reports have resulted in significant changes to the day-to-day operating environment at the TCHC. The benefits of these changes have had profound and far-reaching effects that cannot all be quantified in financial terms.

We originally estimated that cost savings as a result of increased competition pertaining to the procurement process could be anywhere from \$4 million to \$10 million. The Board approved a new enterprise-wide Procurement Policy, Procedures and Protocols in October 2012. As a result of the new Procurement Policy, Procedures and Protocols adopted by TCHC in October 2012, and based on preliminary TCHC staff reports, that actual savings are anticipated to be at the upper end of the range initially reported.

We also indicated that additional savings were likely possible through increased coordination of operations between the TCHC and the City. In this regard, the transfer of ownership and management of TCHC fleet to the City are estimated to result in savings of \$2.6 million over a five-year period, or \$520,000 annualized savings. In addition, following a fleet needs analysis, TCHC decided to reduce its fleet by 30 vehicles, and we estimate that this will result in approximately \$380,000 annual savings in operating and capital expenses.

Finally, a revised Employee Expense Policy was approved by the Board in December 2012 which aims to provide for improved controls and closer scrutiny of employee expenses. During our recommendation follow-up in 2012, we determined that closer scrutiny of employee expenses as well as improved controls had resulted in additional savings of approximately \$1 million annually as compared to prior years. With the revised Employee Expense Policy taking effect in late 2012, we are not in a position to quantify the extent of any subsequent additional savings at this time.

ISSUE BACKGROUND

The Auditor General conducts an annual follow-up process of all audit reports issued to City Divisions, Agencies and Corporations to ensure management has taken appropriate action to implement recommendations.

In accordance with the Auditor General's Work Plan, we have reviewed the status of outstanding audit recommendations previously made by the City's Auditor General to the Board of Directors of the TCHC in 2011 and 2012.

We conducted this follow-up audit in accordance with generally accepted government auditing standards. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

COMMENTS

In response to the audit reports issued in 2011 and 2012, TCHC took extensive action, such as:

- Developed a procurement workplan to address the recommendations made as a result of a full review of procurement policies and practices, leading to the development of a new enterprise-wide Procurement Policy, Procedures and Protocols document that assigns a higher level of accountability throughout the procurement process;
- Mandated and substantially completed tiered training on the revised Procurement Policy, Procedures and Protocols for all staff;
- Revised the Employee Expense Policy to provide for improved controls and closer scrutiny of employee expenses;
- Developed a Policy Management Framework that will apply to ongoing policy development, review or amendment;
- Coordinated the transfer of TCHC fleet to the City;
- Piloted a project with City Stores to evaluate the feasibility and benefits of sourcing more products from City Stores;
- Approved the dissolution of TCHC subsidiary Housing Services Inc.; and
- Drafted a revised Framework for Establishing Subsidiaries to take into account the updated Shareholder Direction, to be finalized by the City.

The follow-up review process for all audit reports requires that management provide the Auditor General a written response on the status of each recommendation contained in our audit reports. For those recommendations noted as implemented, audit work was conducted by audit staff to ensure the accuracy of management assertions. Where management indicated that a recommendation was not implemented, audit work was not performed.

Table 1 represents the results of our current follow-up on audit recommendations for the TCHC.

Table 1:

RESULTS OF 2013 FOLLOW-UP REVIEW

Report Title and Date	Total No. of Recs.	Previously Reported	Reported By Management		Results of Current Review By Auditor General		
		Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Not Applicable
Toronto Community Housing Corporation – Procurement Policies and Procedures Are Not Being Followed, February 2011.	31	3	8	20	10	17	1
Toronto Community Housing Corporation – Controls Over Employee Expenses Are Ineffective, February 2011.	10	7	0	3	0	3	0
Toronto Community Housing Corporation – Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc., February 2012	19	-	6	13	7	10	2
Toronto Community Housing Corporation – The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests, February 2012	9	-	1	8	2	7	0
Toronto Community Housing Corporation Fleet Management - Lack of Central Oversight Has Led to Control Deficiencies, February 2012	11	-	10	1	11	0	0
Total	80	10	25	45	30	37	3

Based on our audit work, we concluded that 30 of the 70 outstanding recommendations have been fully implemented and three recommendations were not applicable. A further 14 recommendations have been addressed by management. However these new processes require more time to elapse before we can verify that they have been effectively implemented and put into practice on a regular and ongoing basis. Since the related

process changes have only recently been implemented, we did not conduct any audit work on those recommendations.

Status of Recommendations

Confidential Attachment 1 contains a confidential recommendation that has been fully implemented.

The list of public audit recommendations implemented by the TCHC is included in Attachment 2.

Recommendations that are no longer relevant are listed in Attachment 4.

Recommendations not fully implemented, together with management's comments and action plan, are listed in Attachment 3 and will be carried forward to the next follow-up review. All recommendations reported in Attachment 3 will be included in subsequent follow-up reviews until fully implemented.

A consolidated report will be tabled at the July 4, 2013 meeting of the City's Audit Committee on the results of the current follow-up of audit recommendations relating to the City's Agencies and Corporations for reports issued by the Auditor General's Office. The results of the current follow-up review for the TCHC will be included in that report.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

ATTACHMENTS

- Attachment 1: Confidential Information: Toronto Community Housing Corporation – Results of Follow-up of Previous Audit Recommendations – Confidential Recommendations
- Attachment 2: Audit Recommendations – Fully Implemented in 2012
- Attachment 3: Audit Recommendations – Not Fully Implemented
- Attachment 4: Audit Recommendations – Not Applicable

**TORONTO COMMUNITY HOUSING CORPORATION
AUDIT RECOMMENDATIONS - FULLY IMPLEMENTED IN 2012**

**Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
PROCUREMENT POLICIES AND PROCEDURES ARE
NOT BEING FOLLOWED**

Report Date: FEBRUARY 25, 2011

Recommendations:

- (2) The Chief Executive Officer review the 2005 Report of Madame Justice Bellamy and the Auditor General’s report entitled “Procurement Processes Review.” The purpose of the review should be to develop a work plan to implement all appropriate recommendations.
- (4) The Chief Executive Officer ensure that all of the issues identified in this report are addressed during any external review of the procurement process.
- (5) The Chief Executive Officer be required to report to the Board of Directors on a quarterly basis the progress made in implementing all such recommendations.
- (10) The Chief Executive Officer review the management structure, reporting relationships, the roles and responsibilities of the Strategic Procurement Unit and assign clear accountability for each step in the procurement process, including the responsibility for ensuring compliance with various policies and procedures.
- (13) The Chief Executive Officer amend the tender requirements contained in the procedures document particularly as they pertain to transactions below \$10,000.
- (18) The Chief Executive Officer communicate to staff the requirement to comply with the TCHC Conflict of Interest Policy. Conflicts be declared prior to and not subsequent to procurements. All declarations be in writing.
- (19) The Chief Executive Officer review the City policy pertaining to unsolicited quotations or proposals and give consideration to the development of such a policy.
- (22) The Chief Executive Officer direct all staff to comply with TCHC procedures regarding tender openings. Tenders should be opened in public and in the presence of tenderers or their representatives who wish to attend. The name of the tenderer and the total amount of each tender should be read aloud and recorded when opened. A complete record of the tender opening should be

maintained. Consideration be given to recording the results of tender openings on TCHC's Web site.

- (27) The Chief Executive Officer review the process relating to TCHC's Fair Wage Policy in order to ensure that the policy is enforceable.
- (28) The Chief Executive Officer, direct all staff that financial security requirements in all tender documents must be complied with. Where required financial security is not provided in response to a tender then the tender should be disqualified. Under no circumstances should staff be allowed to negotiate terms and conditions which are different from the tender document.

**Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
REVIEW OF CONTROLS OVER PROCUREMENT AND
PAYMENT FUNCTIONS AT TCHC SUBSIDIARY:
HOUSING SERVICES INC.**

Report Date: FEBRUARY 3, 2012

Recommendations:

- (1) The Chief Executive Officer, in consultation with Toronto Community Housing Corporation Executive Management, identify additional opportunities to consolidate procurement of construction and maintenance services.
- (2) The Chief Executive Officer identify for Toronto Community Housing Corporation Executive Management areas where additional construction and maintenance work can be allocated to Housing Services Inc.
- (3) The Chief Executive Officer explore opportunities to enter into co-operative purchasing agreements with the City and its Agencies, Boards, Commissions and Corporations, other municipalities, public organizations, and other levels of government.
- (5) The Chief Executive Officer, in consultation with Toronto Community Housing Corporation Executive Management, establish protocols for timely communication of any significant changes to Toronto Community Housing Corporation's budget, prioritization, or scope of construction projects which impact Housing Services Inc.'s procurement strategy and/or utilization of internal trades.
- (7) The Chief Executive Officer review and recommend for Board approval updates to the Procurement Policy and Procedures. Updates should address issues such as:
 - a. Procedures for how vendor lists should be established, maintained and utilized

- b. Necessary approval authorities and reporting regarding the aggregated use of vendor lists
 - c. Methodology for setting standard prices for all vendors performing specific types of work
 - d. Procedures for preparing, issuing, receiving, evaluating and awarding informal requests for price quotations
 - e. Requirement for retention of procurement documents in paper and/or electronic format.
- (14) The Chief Executive Officer review competitive procurement thresholds and recommend, for approval by the Board of Directors, any revisions required to facilitate operating needs while ensuring fair access, equitable treatment, and competition.
- (19) This report be forwarded to the City's Executive Committee for information.

Report Title: TORONTO COMMUNITY HOUSING CORPORATION – THE CITY AND TORONTO COMMUNITY HOUSING CORPORATION NEEDS TO STRENGTHEN ITS OVERSIGHT OF SUBSIDIARIES AND OTHER BUSINESS INTERESTS

Report Date: FEBRUARY 3, 2012

Recommendations:

- (6) The Chief Executive Officer complete plans for reviewing and updating internal policies with a view to developing a harmonized, integrated corporate policy framework, business practices, and internal controls.
- (9) This report be forwarded to the City's Executive Committee for information.

Report Title: TORONTO COMMUNITY HOUSING CORPORATION FLEET MANAGEMENT - LACK OF CENTRAL OVERSIGHT HAS LED TO CONTROL DEFICIENCIES

Report Date: FEBRUARY 6, 2012

Recommendations:

- (1) The Chief Executive Officer, in consultation with the City Manager, evaluate the advantages of transferring the central management of the fleet operations at both Toronto Community Housing Corporation and Housing Services Inc. to the City. Prior to any transfer taking place the recommendations contained in this report be addressed.

- (2) The Chief Executive Officer immediately discontinue all fleet acquisitions and disposals until a complete re evaluation of Toronto Community Housing Corporation's fleet requirements is completed. This re evaluation should be conducted in consultation with the City's Fleet Services Division and should require business cases in support of each current vehicle.
- (3) The Chief Executive Officer articulate and document the specific fleet related roles and responsibilities of the individual assigned responsibility for the fleet. The roles and responsibilities be clearly defined in a formal position description. Any position description take into account the recommendations contained in this report particularly the potential transfer of fleet responsibilities to the City of Toronto.
- (4) The Chief Executive Officer, in consultation with the City Manager and the City's Director of Fleet Services, ensure that the management of the Toronto Community Housing Corporation fleet is assigned specifically to one individual who has the appropriate level of fleet management expertise and experience
- (5) The Chief Executive Officer be required to prepare an inventory of all vehicles currently owned or leased by Toronto Community Housing Corporation. The inventory should include details pertaining to the actual capital cost, the make and model of the vehicle, the age of the vehicle, its location, its utilization and its mileage. This inventory should form the basis of information to be transferred to the City of Toronto for the potential transfer of fleet responsibilities.
- (6) The Chief Executive Officer in consultation with the City's Deputy City Manager and Chief Financial Officer give consideration to adopting the City's funding model for vehicle acquisitions. Regular financial contributions be made to a vehicle replacement reserve fund maintained by the City for the benefit of the Toronto Community Housing Corporation.
- (7) The Chief Executive Officer take steps to ensure that the draft audit report prepared by the Compliance and Ethics Unit dated December 15, 2010 entitled "Expense Reimbursement – Mileage and Parking" be finalized as soon as possible. Management responses should be included with the report with specific dates for implementing the recommendations. The report be tabled with the Corporate Affairs and Audit Committee.
- (8) The Chief Executive Officer review the mileage reimbursement policy and, where appropriate, ensure that the extent of reimbursements are consistent with the City's. Further, the Executive Director review all "high mileage employees" in order to ensure that vehicle reimbursements are cost-effective.
- (9) The Board of Directors of the Toronto Community Housing Corporation adopt the recommendation contained in Attachment 1 – Confidential Information attached to this report.

- (10) The Board of Directors of the Toronto Community Housing Corporation authorize the public release of the information contained in the Attachment 1 – Confidential Information to this report at the discretion of the Chief Executive Officer in consultation with legal counsel.
- (11) This report be forwarded to the City’s Executive Committee for information.

**TORONTO COMMUNITY HOUSING CORPORATION
AUDIT RECOMMENDATIONS – NOT FULLY IMPLEMENTED**

Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
PROCUREMENT POLICIES AND PROCEDURES ARE NOT
BEING FOLLOWED

Report Date: FEBRUARY 25, 2011

Recommendations:

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(1)	The Chief Executive Officer in consultation with the City Manager review areas where opportunities exist to consolidate or coordinate operations at the TCHC and the City in order to achieve cost savings. The Chief Executive Officer be required to report to the Board of Directors by September 30, 2011 on the results of these consultations. Further, the City Manager be requested to report to City Council at the same time.	Management presented a summation of potential cost sharing initiatives that had been identified at the January CAAC meeting. As a result of guidance received from the CAAC, Management is re-evaluating potential cost sharing with the City for payroll, policy, internal audit and IT. Management is anticipated to re-present its identified cost savings with the CAAC by Q3 2013 and work towards finalization with the Service Manager, City Manager and the Auditor General by Q4 2013. Planned completion by: December 2013
(6)	The Chief Executive Officer in consultation with the Internal Audit Unit review all major procurement decisions to determine whether contracts were awarded appropriately and in the best interest of the TCHC. Where this is not the case, consultation be held with legal counsel to determine an appropriate course of action.	Internal Audit is completing fieldwork for the review of major procurement decisions and will report results to the Corporate Affairs and Audit Committee. Planned completion by: June 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(7)	The Chief Executive Officer review all reports issued by the Auditor General in order to determine the applicability of the recommendations contained in the reports. The reports to be reviewed include, but not be limited to those contained in Exhibit 1.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(8)	The Chief Executive Officer report back to the Board of Directors by September 30, 2011 on the implementation progress of all relevant recommendations contained in each one of the reports included in Exhibit 1.	There are approximately 30 reports relating to other City Agencies in Exhibit 1. Management had believed it had addressed the recommendation through the establishment of a policy framework so as to better ensure alignment of TCHC policies with other City policies. Management will be conducting a substantive review of all 30 reports in 2013 and provide evidence of this review for the AG office upon its next visit, and in addition, will adjust/accommodate any TCHC policies/procedures as a result of this work in 2013, as appropriate. Planned completion by: December 2013
(9)	The Chief Executive Officer ensure that any revision of Board approved policies and procedures take into account current policies and procedures at the City.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(11)	The Chief Executive Officer, as required by the Board approved Policy, implement a structured and ongoing program of procurement reviews. Such reviews should address ongoing compliance with policies and procedures and where instances of non-compliance are identified appropriate action be taken.	The City's Internal Audit Department is working with TCHC Internal Audit to develop a structured procurement review program to be implemented by TCHC Strategic Procurement. Planned completion by: September 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(12)	The Chief Executive Officer direct all staff to comply with procurement policies and procedures and advise them that non-compliance will result in disciplinary action. If necessary, training be provided to staff involved in the procurement process.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(14)	The Chief Executive Officer direct staff that all future tenders be required to comply with the TCHC's open tender policy. The Internal Audit Unit conduct regular and random reviews of all future tenders to ensure compliance. Where instances of non-compliance are identified appropriate disciplinary action be taken.	Internal Audit is completing fieldwork for the review of major procurement decisions and will report results to the Corporate Affairs and Audit Committee. Planned completion by: June 2013
(15)	The Chief Executive Officer review all instances where the open tendering process has been circumvented. In instances where value for money has not been obtained consultations be held with legal counsel to determine an appropriate course of action.	Internal Audit is completing fieldwork for the review of major procurement decisions and will report results to the Corporate Affairs and Audit Committee. Planned completion by: June 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(16)	<p>The Chief Executive Officer review all major single tendered contracts to ensure that they represent value for money. Future single tender procurements should be approved by the Chief Executive Officer.</p> <ul style="list-style-type: none"> • Single tendering be approved only under the circumstances contained in TCHC policy. • Detailed documentation be made available in support of any single tender procurement. • The extent and details of single tendered contracts be tracked in the financial information system and be reported to the Board of Directors on an annual basis. 	<p>Internal Audit is completing fieldwork for the review of major procurement decisions and will report results to the Corporate Affairs and Audit Committee.</p> <p>Planned completion by: June 2013</p>
(20)	<p>The Chief Executive Officer direct staff that procurement or purchase order transactions not be "split" in order to circumvent procedures. Staff be advised that failure to comply will be subject to discipline.</p>	<p>Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans.</p> <p>Planned completion by: July 2013</p>
(21)	<p>The Chief Executive Officer establish a process whereby unusual procurement transactions are identified and reviewed on a regular basis. Appropriate action be taken on those items identified. The financial information system be adapted to provide ongoing exception reports.</p>	<p>Exception reporting is being developed for the E1 and EasyTrac financial systems. The City's Internal Audit Department is working with TCHC Internal Audit to develop a structured procurement review program, including unusual procurement transactions.</p> <p>Planned completion by: June 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(24)	The Chief Executive Officer in consultation with Legal Counsel develop protocols and procedures for addressing bid irregularities such as correction of mathematical errors. The Chief Executive Officer communicate with vendors on a regular basis to emphasize the importance of ensuring tender responses are accurate and complete and include all mandatory information.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(26)	The Chief Executive Officer develop protocols in connection with circumstances when the Strategic Procurement Unit or a third party Fairness Commissioner should be involved in the tender evaluation process.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(29)	The Chief Executive Officer review the current process for establishing and maintaining the current vendor list. Where significant purchases are made from one supplier an open competitive tender process be initiated. Consideration be given to establishing common terms and conditions and pricing for the duration of the contract and the regular monitoring of vendor performance.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(30)	<p>The Chief Executive Officer, during her review of the procurement process ensure that an appropriate level of attention is also given to the Accounts Payable system. In particular, internal control deficiencies relating to the payment of invoices be immediately addressed.</p>	<p>An updated expenditure cycle review is in progress which includes the development of revised purchase order and payment processes.</p> <p>Management will ensure that recommendations in the RSM Richter Report are addressed in the new cycle, strengthening internal controls.</p> <p>Accounts payable processes are being centralized in one location reporting to one executive, the CFO.</p> <p>The updated and approved expenditure cycle processes and procedures will be implemented.</p> <p>Planned completion by: December 2013</p>
(31)	<p>The Chief Executive Officer take appropriate steps to ensure compliance with the Corporate Finance Policy and Procedures. Supplier invoices be recorded in the financial information system on a timely basis.</p>	<p>Internal Audit is completing fieldwork for the review of the timely recording of supplier invoices and will report results to the Corporate Affairs and Audit Committee.</p> <p>An updated expenditure cycle review is in progress which includes the development of revised purchase order and payment processes.</p> <p>Management will ensure that recommendations in the RSM Richter Report are addressed in the new cycle, strengthening internal controls.</p> <p>Accounts payable processes are being centralized in one location reporting to one executive, the CFO.</p> <p>The updated and approved expenditure cycle processes and procedures will be implemented.</p> <p>Planned completion by: December 2013</p>

Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
CONTROLS OVER EMPLOYEE EXPENSES ARE
INEFFECTIVE

Report Date: FEBRUARY 25, 2011

Recommendations:

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(2)	Senior Management be directed to ensure that all expenses incurred by staff are in compliance with policy. Under no circumstances should expenses be approved and processed without supporting, appropriate, sufficient documentation. Further, employees should not approve their own expenditures.	Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans. Planned completion by: July 2013
(3)	The internal audit unit be directed to conduct ongoing audits of all expense claims and report any instances of non-compliance to the Chief Executive Officer. The Chief Executive Officer take appropriate action when instances of non-compliance are identified.	Internal Audit review of employee expense claims is in progress. Results will be reported to the Corporate Affairs and Audit Committee. Planned completion by: June 2013
(9)	The Chief Executive Officer review the controls relating to the issue of cash advances and make appropriate changes as required.	Internal Audit review of petty cash and cash advances is in progress. Results will be reported to the Corporate Affairs and Audit Committee. Planned completion by: June 2013

Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
**REVIEW OF CONTROLS OVER PROCUREMENT AND
 PAYMENT FUNCTIONS AT TCHC SUBSIDIARY:
 HOUSING SERVICES INC.**

Report Date: FEBRUARY 3, 2012

Recommendations:

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(4)	The Chief Executive Officer, in consultation with Toronto Community Housing Corporation Executive Management, develop and communicate a procurement plan that closely aligns with Toronto Community Housing Corporation's long term business and capital plans.	<p>The 2013 TCHC Capital Plans are underway and will be finalized and approved.</p> <p>The 2013 procurement strategy will be formalized pending the finalization and approval of the 2013 Capital Plan. All depts were for the first time asked to submit their procurement requirements for 2013 to Strategic Procurement by January 15, 2013.</p> <p>In preparing the 2013 procurement strategy, Strategic Procurement will also take into account the 5 year capital plan reported to the City through the Bailao Report.</p> <p>Planned completion by: June 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(8)	<p>The Chief Executive Officer ensure call documents for the pre-qualification of vendors clearly outline the process for using the list, including:</p> <ul style="list-style-type: none"> a. Method(s) for adding and removing vendors from the list and the period of time the list remains valid b. The scope of work that can be awarded through the vendor list c. Upper limits of the value of future awards including the maximum value of work that can be awarded through the list without an open tender d. Procedures for awarding or assigning work to vendors e. Procedures for evaluating vendor performance and the impact on future work assignments. 	<p>Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans.</p> <p>Planned completion by: July 2013</p>
(9)	<p>The Chief Executive Officer implement procedures to ensure vendor lists are used in accordance with processes set out in pre-qualification call documents.</p>	<p>Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans.</p> <p>Planned completion by: July 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(10)	<p>The Chief Executive Officer, in consultation with legal counsel, develop and implement formal procedures regarding vendor performance which describe:</p> <ul style="list-style-type: none"> a. Vendor performance monitoring practices, both during a contract and at its conclusion b. Impact of poor performance on the assignment of work or award of future contracts to vendors c. The steps that will be taken to suspend vendors from submitting bids and from being assigned work through the vendor lists, period of time vendors can be suspended from bidding on Housing Services Inc. contracts, steps to rescind suspensions, and requirements for approval of suspensions by the Board of Directors. 	<p>Management has completed a piloted Vendor Management Program with Grounds Maintenance and is rolling out the program to pest control, MES, and construction for the Enterprise.</p> <p>Planned completion by: July 2013</p>
(11)	<p>The Chief Executive Officer enhance processes and controls to ensure equitable distribution of work amongst vendors. Enhancements should include reporting of the distribution of work which clearly explains and supports any significant variances.</p>	<p>In Q1 2013, Management initiated reporting of supplier selection from rosters through its reporting to the HSI Board of Directors. This practice will continue in future in reporting to the CAAC, and Management will provide evidence of this new control to the AG's office upon their next visit.</p> <p>Planned Completion: March 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(12)	<p>The Chief Executive Officer implement procedures to enforce compliance with requirements to establish blanket contracts through open and competitive tendering processes. Procedures should:</p> <ul style="list-style-type: none"> a. Ensure contract extensions beyond those specified in call documents are not employed to circumvent open competition b. Include periodic reports to the Board of Directors regarding the total value of work awarded through blanket contracts and the length of time since work was last tendered through an open competition. 	<p>HSI formally reports to the Board of Directors the total value of work awarded through blanket purchase orders and the validity periods for the purchase orders to ensure contract extensions are not employed to circumvent open competition. Management will continue this practice through reporting to the CAAC in reporting of blanket contracts.</p> <p>Planned completion by: June 2013</p>
(13)	<p>The Chief Executive Officer implement procedures to document the rationale for non-competitive procurement. Such procedures include:</p> <ul style="list-style-type: none"> a. Guidelines to define what constitutes an emergency or urgent situation and requirements to provide adequate support that the cost of purchases for the emergency are reasonable b. Guidelines on the approvals required prior to awarding the contract, based on the value of the contract being awarded. 	<p>Management has addressed the AG's recommendation; however insufficient time has lapsed to allow for the AG to test the implementation of said action plans.</p> <p>Planned completion by: June 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(15)	<p>The Chief Executive Officer implement procedures to ensure appropriate monitoring and enforcement of procurement procedures and controls. Monitoring should include:</p> <ul style="list-style-type: none"> a. Spot checks or audits of compliance with competitive procurement thresholds by staff independent of the contract award b. Periodic review of exception reports identifying any non-compliance or overrides to the electronic approval process. 	<p>The City's Internal Audit Department is working with TCHC Internal Audit to develop a structured procurement review program to be implemented by TCH Strategic Procurement.</p> <p>Planned completion by: September 2013</p>
(16)	<p>The Chief Executive Officer develop and implement procedures to monitor compliance with the revised change order process and delegated financial signing authorities for purchase order revisions.</p>	<p>The City's Internal Audit Department is working with TCHC Internal Audit to develop a structured procurement review program to be implemented by TCH Strategic Procurement.</p> <p>Planned completion by: September 2013</p>
(17)	<p>The Chief Executive Officer implement and enforce procedures to ensure:</p> <ul style="list-style-type: none"> a. All purchase orders and/or contracts issued specify the itemized prices to be charged b. All invoices specify quantities and itemized prices to be charged in accordance with purchase orders c. All construction invoices approved for payment be accompanied by a Certificate for Payment issued by a third-party architect, consulting engineer or in-house engineer affirming the accuracy of actual quantities invoiced. 	<p>An updated expenditure cycle review is in progress which includes the development of revised purchase order and payment processes.</p> <p>Management will ensure that recommendations in the RSM Richter Report are addressed in the new cycle, strengthening internal controls.</p> <p>Accounts payable processes are being centralized in one location reporting to one executive, the CFO.</p> <p>Planned completion by: December 2013</p>

Report Title: TORONTO COMMUNITY HOUSING CORPORATION – THE CITY AND TORONTO COMMUNITY HOUSING CORPORATION NEEDS TO STRENGTHEN ITS OVERSIGHT OF SUBSIDIARIES AND OTHER BUSINESS INTERESTS

Report Date: FEBRUARY 3, 2012

Recommendations:

No.	Recommendation	Management’s Comments and Action Plan/Time Frame
(1)	The Chief Executive Officer review, and update as necessary, the original Framework for the Establishment of Subsidiary Corporations with a view to briefing the new Board of Directors and reporting publicly to the Shareholder regarding this Framework.	An updated Framework for Establishing Subsidiaries has been drafted. The Framework takes into account the anticipated revised TCHC/City of Toronto Shareholder Direction; however it cannot be finalized until the updated Direction, currently with the City, is finalized. Planned completion by: Dependent upon City of Toronto final approval of Shareholder Direction.
(2)	The Chief Executive Officer, in consultation with the City Manager, review the current Shareholder Direction in order to ensure that all provisions contained in the Shareholder Direction are complied with.	Once the updated Shareholder Direction has been finalized, Management will ensure that all provisions contained in the updated Direction are complied with. Planned completion by: Dependent upon City of Toronto final approval of Shareholder Direction.

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(3)	<p>The Chief Executive Officer prepare a report to the Shareholder on:</p> <p>a. The business case for each existing subsidiary corporation and significant investment interest, providing background information on purpose, governance, and other such information as may be relevant. Such information be reported in each Annual Report to the Shareholder;</p> <p>b. Any new subsidiaries or significant investment interests established by Toronto Community Housing Corporation, at the earliest possible opportunity, in keeping with the Shareholder Direction; and</p> <p>c. Requirements for financial and performance reporting to the City regarding Toronto Community Housing Corporation subsidiary corporations and significant investment interests.</p>	<p>a) A business case is being prepared for each subsidiary and significant investment interest, as recommended. Such information will be reported in each Annual Report to the Shareholder.</p> <p>b) 2011 TCHC Annual Report dated September 4, 2012 to the City Manager included information on 3 new wholly owned subsidiaries recently approved by TCHC's Board.</p> <p>c) All TCHC subsidiaries were subject to an external audit for the year ended December 31, 2011. A similar external audit will occur for the year ended December 31, 2012.</p> <p>Planned completion by: September 2013</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(4)	<p>The Chief Executive Officer, in consultation with the City Manager, update and clarify the governance and accountability framework between the City and Toronto Community Housing Corporation regarding both Toronto Community Housing Corporation and its subsidiaries. Such framework include a direction regarding the composition of Boards of Toronto Community Housing Corporation subsidiary corporations and significant investment interests.</p>	<p>In updating the Shareholder Direction between the City and TCHC, the City Manager and CEO will update and clarify the governance and accountability framework between the City and TCHC regarding TCHC and its subsidiaries, joint ventures, and significant investment interests.</p> <p>The Shareholder Direction will speak to requirements regarding the composition of the Boards of TCHC's subsidiaries, joint ventures, and significant investment interests.</p> <p>Planned completion by: Dependent upon City of Toronto final approval of Shareholder Direction.</p>
(5)	<p>The Chair of the Toronto Community Housing Corporation Board of Directors, as well as the Chairs of the subsidiary Boards of Directors, in consultation with Legal Counsel, implement a confidential reporting protocol with a view to reporting in public to the greatest extent possible.</p>	<p>Such a protocol is being developed.</p> <p>Planned completion by: September 2013</p>
(7)	<p>The Chief Executive Officer evaluate the feasibility and associated risks of integrating subsidiaries within Toronto Community Housing Corporation, giving consideration to potential operational efficiencies, staff resource re-allocation, and cost savings that can be gained from a more integrated operating structure.</p>	<p>The subsidiary Housing Solutions Inc. is in the process of being wound up and integrated into TCHC's operations.</p> <p>The review of the possible integration of the other TCHC subsidiaries is ongoing.</p> <p>Planned completion by: Dependent upon City of Toronto final approval of waiting list services.</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(8)	The Chief Executive Officer, in conjunction with the recommended review of the benefits of integration, conduct a comprehensive review of each subsidiary to evaluate whether the goals and benefits of their separate existence are being achieved and continues to be the most appropriate governance structure.	A business case, taking into consideration the Auditor General's Recommendation, is being prepared for each subsidiary and significant investment interest. Planned completion by: December 2013

**TORONTO COMMUNITY HOUSING CORPORATION
AUDIT RECOMMENDATIONS – NOT APPLICABLE**

Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
PROCUREMENT POLICIES AND PROCEDURES ARE
NOT BEING FOLLOWED

Report Date: FEBRUARY 25, 2011

Recommendation:

- (17) The Chief Executive Officer review the propriety of current arrangements related to the overseas procurement of products such as kitchen and bathroom fixtures. Competitive pricing be obtained to determine whether the current procurement arrangements represent the best value for money taking into account all ancillary costs including brokerage, agency fees, transportation, storage, security and warranty fees.

Report Title: TORONTO COMMUNITY HOUSING CORPORATION –
REVIEW OF CONTROLS OVER PROCUREMENT AND
PAYMENT FUNCTIONS AT TCHC SUBSIDIARY:
HOUSING SERVICES INC.

Report Date: FEBRUARY 3, 2012

Recommendations:

- (6) The Chief Executive Officer, in consultation with Toronto Community Housing Corporation Executive Management, implement controls to ensure that all purchasing done on behalf of Toronto Community Housing Corporation follows appropriate procurement processes.
- (18) The Chief Executive Officer continue to enforce procedures and monitor the operating effectiveness of controls over staff expenses.