Audit, Finance & Administration Committee  
REPORT 11-009  
Wednesday, June 22, 2011  
9:30 a.m.  
Council Chambers  
City Hall  
71 Main Street West  
Hamilton, Ontario  

Present:  
Councillors B. Clark (Chair), B. Johnson (Vice Chair), M. Pearson, R. Powers and B. Morelli  

Also Present:  
Councillors, L. Ferguson, T. Whitehead  
R. Rossini, General Manager, Finance & Corporate Services  
T. Tollis, City Treasurer  
R. Caterini, Clerk  
P. Barkwell, City Solicitor  
A. Zuidema, Director, Corporate Initiatives  
A. Pekaruk, Director, Audit Services  
R. Male, Director of Financial Services  
G. Moore, Director of Engineering Services, Public Works  
A. Grozelle, Legislative Assistant, Office of the City Clerk  

THE AUDIT, FINANCE AND ADMINISTRATION COMMITTEE PRESENTS REPORT 11-009, AND RESPECTFULLY RECOMMENDS:  

1. Treasurer’s Apportionment of Land Taxes for Property in Flamborough (FCS11001(c)) (Ward 15) (Item 5.1)  

That the 2011 property taxes in the amount of $5,432 for 46-48 Mill St. S., Flamborough, (Roll #2518 303 310 59400 0000) be apportioned and split amongst the two newly created parcels as set out in Appendix A to report FCS11001(c).
2. **Follow Up of Audit Report 2009-08 - Cemeteries - Administrative Office (AUD11023) (City Wide) (Item 5.2)**

That Report AUD11023 respecting the follow up of Audit Report 2009-08, Cemeteries Administrative Office, be received.

3. **Follow Up of Audit 2008-11 - Wage Payroll and Timekeeping (AUD11019) (City Wide) (Item 5.3)**

That Report AUD11019 respecting the follow up of Audit Report 2008-11, Wage Payroll and Timekeeping, be received.

4. **Evaluation of City of Hamilton Accounts Payable Program (FCS11051) (City Wide) (Item 5.4)**

That Report FCS11051 respecting the Evaluation of the City of Hamilton Accounts Payable Program be received.

5. **Professional and Consultant Services Roster 2007-2008 / 2009-2010 (PW11038) (City Wide) (Item 5.5)**

That Report PW11038, respecting the Professional and Consultant Services Roster for 2007-2008 and 2009-2010, be received.

6. **Annual Follow Up of Outstanding Audit Report Recommendations (CM11012) (City Wide) (Item 5.6)**

   (a) That Report CM11012, respecting the Annual Follow-Up of Outstanding Audit Report Recommendations, be received.

   (b) That, staff be directed to report back to the Audit, Finance and Administration Committee with a matrix respecting the Outstanding Audit Report Recommendations, to include all deficiencies, reasons behind non-compliance and timelines until compliance.

7. **Monthly Status Report of Tenders and Requests for Proposals for April 9, 2011 to May 27, 2011 (FCS11004(c)) (City Wide) (Item 5.7)**

That Report FCS11004(c), respecting the Monthly Status Report of Tenders and Requests for Proposals for April 9, 2011 to May 27, 2011, be received.

8. **Governance Review Sub-Committee Minutes, March 8, 2011 (Item 5.8)**

That the Minutes for the Governance Review Sub-Committee meeting of March 8, 2011, be received.
9. Governance Review Sub-Committee Minutes, March 22, 2011 (Item 5.9)

That the Minutes for the Governance Review Sub-Committee meeting of March 22, 2011, be received.

10. Committee Against Racism Minutes, May 24, 2011 (Item 5.10)

That the Minutes for the Committee Against Racism meeting of May 24, 2011, be received.

11. Audit Report 2011-03 - Sole and Single Source Procurement (AUD11024) (City Wide) (Item 8.1)

(a) That Report AUD11024 respecting Audit Report 2011-03, Sole and Single Source Procurement, be received;

(b) That the Management Action Plans as detailed in Appendix “A” of Report 11-009 be approved; and,

(c) That the General Managers of Corporate Services and Public Works be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “A” to Report 11-009) implemented.

12. Audit Report 2010-13 - Domiciliary Hostels (AUD11017) (City Wide) (Item 8.2)

(a) That Report AUD11017 respecting Audit Report 2010-13, Domiciliary Hostels, be received;

(b) That the Management Action Plans as detailed in Appendix “B” of Report 11-009 be approved; and,

(c) That the General Manager of Community Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “B” to Report 11-009) implemented.

13. Rotary Clubs’ of Ancaster – Pledge Agreement Cessation (FCS11057) (Ward 12) (Item 8.3)

(a) That the remaining commitment of $168,000 of the total pledge of $500,000 by the Rotary Club of Ancaster A.M. (Rotary A.M.) and Rotary Club of Ancaster P.M. (Rotary P.M.) towards the Construction of the Ancaster Community Centre-Phase II and confirmed through an Agreement between the former Town of Ancaster and the Rotary Clubs dated January 17, 2000, be re-directed towards other projects that benefit the Ancaster Community;
(b) That the Community Centre Phase II Agreement between the Corporation of the City of Hamilton (originally with the Town of Ancaster) and the Rotary A.M. and the Rotary P.M dated January 17, 2000, be deemed fulfilled and completed;

(c) That any financial impact resulting from the forgiveness of the pledge be funded from reserve 108030 - Ancaster Reserve.

14. City of Hamilton/The Regional Municipality of Halton Supply of Water Agreement (FCS11035) (City Wide) (Item 8.4)

(a) That the agreement between The Regional Municipality of Halton (“Halton”) and the City of Hamilton (“Hamilton”), for the continued supply of potable water to the City of Burlington (“Burlington”), be approved on the following terms and conditions:

(i) for a period of 10 years, from the date of execution of the agreement, with a potential renewal of 10 years upon the same terms and conditions;

(ii) at a rate of 1.5 times the water rate otherwise imposed by the City of Hamilton, from time to time, during the term of the agreement;

(iii) of a volume not to exceed 1,000,000 litres per day and a flow rate of not greater than 5,500 litres/minute; and,

(iv) for the three existing water supplies plus future water supplies where requested by Halton and agreed to by Hamilton in accordance with criteria set out in the agreement.

(b) That the Mayor and City Clerk be authorized and directed to execute, on behalf of the City of Hamilton, all necessary documentation to implement subsection (a), all with content acceptable to the General Manager of Finance and Corporate Services and General Manager of Public Works, and in a form satisfactory to the City Solicitor.

15. 2010 Ward 11 Budget Deficit (FCS11052) (City Wide) (Item 8.5)

(a) That report FCS11052 respecting the 2010 Ward 11 Budget Deficit be received.

(b) That staff be directed to fund $1674 out of the Legislative budget towards the 2010 Ward 11 Budget Deficit and pay $1645 to Mr. David Mitchell out of the Legislative budget in consideration of his remaining portion of mileage expenses.
16. **Request for Balance of Deductible (RMS 009585) (FCS11060) (City Wide)** (Added Item 12.1)

(a) That the request of Frank Cowan Company for reimbursement of the balance of the City of Hamilton’s deductible in the amount of $320,159.66 be approved;

(b) That if approved, the aforementioned sum shall be paid by the City of Hamilton (from account number 23007-000100-Claims Reserve) to the Frank Cowan Company.

(c) That Report FCS11060 not be released as a public document as the information relates to litigation.

**FOR THE INFORMATION OF COUNCIL:**

(a) **CHANGES TO THE AGENDA (Item 1)**

There Clerk advised of the following changes to the Agenda

(i) Added as Item 4.1 – Delegation Request from Donna Lee Macdonald, Hamilton Artists Inc., requesting waiver of $14,89 charged by the City for real estate assessment of 161 James Street North. (referred by Council, June 15, 2011)

(ii) Added as Item 8.6 - Council referral, Sub-Sections (b)(i) and (c)(iv) of Item 7 of the Audit, Finance and Administration Report 11-008, respecting Grants Sub-Committee Report 11-003.

(iii) Added as Item 12.1 - Request for Balance of Deductible (RMS 009585) (FCS11060) (City Wide)


The agenda for the June 22, 2011 meeting of the Audit, Finance & Administration Committee was approved, as amended.

(b) **DECLARATIONS OF INTEREST (Item 2)**

There were no declarations of interest.
(c) APPROVAL OF MINUTES OF PREVIOUS MEETINGS (Item 3)

(i) June 8, 2011 (Item 3.1)

The Minutes of the June 8, 2011 meeting of the Audit, Finance & Administration Committee were approved, as presented.

(d) DELEGATION REQUEST (4.1)

(i) Delegation Request from Donna Lee Macdonald, Hamilton Artists Inc., requesting waiver of $14,89 charged by the City for real estate assessment of 161 James Street North. (referred by Council, June 15, 2011) (Added Item 4.1)

The Delegation Request from Donna Lee Macdonald, Hamilton Artists Inc., requesting waiver of $14,89 charged by the City for real estate assessment of 161 James Street North, was approved.

(ii) Delegation Request from David Mitchell respecting agenda Item 8.5, Report FCS 11052, 2010 Ward 11 Budget Deficit (Added Item 4.2)

(a) The Delegation Request from David Mitchell respecting agenda Item 8.5, Report FCS 11052, 2010 Ward 11 Budget Deficit, was approved.

(b) The rules of order were waived to allow the delegation from David Mitchell respecting, agenda Item 8.5, 2010 Ward 11 Budget Deficit, to be heard today.

(e) PUBLIC HEARINGS/DELEGATIONS (Item 6)

(i) Luigi Cino, Cino Auto Repair Inc. respecting Concerns regarding Tenders C12-1109 - for the Provision of Various Car and Light Duty Truck Auto Service for Central Fleet and Transit Services; and, C90509 - For Provision of Vehicle Maintenance and Repair Service for Hamilton Police Service Vehicles (Item 6.1)

Mr. Cino addressed Committee, respecting his concerns regarding Tenders C12-1109 - for the Provision of Various Car and Light Duty Truck Auto Service for Central Fleet and Transit Services; and, C90509 - For Provision of Vehicle Maintenance and Repair Service for Hamilton Police Service Vehicles. Mr. Cino’s comments included, but were not limited to, the following:
Discussed that his only concern with the Hamilton Police Service Vehicle tender relates to the extra cost required to meet the increased insurance demands of the tender.

Mr. Cino indicated that insurance has cost him around an extra $900 because his contract was not continued past the one year term.

Discussed that the City car and light fleet tender, indicating Cino Auto Repair Inc. was the lowest bid in several districts for this contract.

Indicated the tender was for issued for one year there were provisions to extend it to two and three years and this is what he expected the City of Hamilton would do.

Discussed a meeting he had with City staff and eight vendors that prequalified for the tender.

Indicated that while the meeting was set up to suggest improvements to the tender he felt ambushed and was not pleased.

Indicated that he hadn’t received complaints about his service.

Indicated he should have been given a chance to continue with the tender even if the he would no longer be providing parts.

Committee members asked several questions of Mr. Cino. Highlights included but were not limited to the following:

- Councillor Pearson asked past work for the City of Hamilton stretching back to prior to amalgamation in Stoney Creek.
- Mr. Cino indicated that he had a long history of doing work for the City and has been servicing the vehicles before and ever since amalgamation.

- Councillor Johnson asked what reason Mr. Cino was given for his contract not be continued.
- Mr. Cino indicated that he was told off the record that Council was taking a hard line on tenders.

- Councillor Johnson asked about Mr. Cino’s meeting with staff and the other qualified bidders.
- Mr. Cino indicated that he was invited in by staff to discuss ways to improve the tender process however that is not what he felt occurred indicating he felt ambushed.

- Councillor Johnson asked if Mr. Cino had received any correspondence indicating the quality of his work was not acceptable.

- Mr. Cino indicated that he hasn’t received complaints about his service but has received compliments.
Chair Clark asked about Mr. Cino’s written submission that suggested a tender should not be considered in other districts where they do not have a garage.

Mr. Cino clarified that this was a suggestion made by the other pre-approved vendors at the meeting held by City staff.

Committee members asked several questions of staff. Highlights included but were not limited to the following:

- Councillor Pearson asked if there wasn’t a more comprehensive way then sending out a tender request to prevent changes after the tender goes out.
- Staff responded that there were actually 13 changes to this tender after it was released.
- Staff indicated that in tenders the majority of changes are made because of suggestions or comments received by the vendors which are then sent through staff for consideration.
- Staff suggested that the specifications in the tender need to be as accurate as possible to start with in order to address this.
- Councillor Pearson asked how many vendors applied for this tender.
- Staff indicated that 30 vendors applied and 20 prequalified.
- Councillor Pearson asked about the policy for posting tenders online for public viewing.
- Staff indicated that it is the policy to post the tenders after awarded for public viewing and is following with Council direction and standard provincial practices.
- Councillor Pearson asked about the insurance cost related to the Police service tender.
- Staff indicated that the practice is to tentatively award the tender and at that time request the insurance documentation.
- Staff indicated that at that time the proponent can arrange and provide the insurance.
- Staff indicated that Police are working with Mr. Cino to address his specific issue.
- Councillor Johnson asked about why the contract wasn’t continued for three years.
- Staff indicated that the removal of parts from the tender was a material change that requires the City to issue another tender.
- Councillor Johnson asked about complaints about the service provided by Mr. Cino.
- Staff indicated that there was a delegation to the Committee earlier this by De Feo Auto which raised the question that the City was
paying too much for auto repairs. This led to a decision to review the contract and the decision and exercise the City’s option to not extend the term.

- Chair Clark indicated that the Committee had requested a review of the tender process and asked for clarification when it came forward
- Staff indicated that an information report came forward to the Audit Finance and Administration Committee on this matter on June 8, 2011.
- Staff indicated that the tender is being reissued for the Light Duty Truck Auto Service because savings has been shown with the Heavy Duty tender where they provide the parts rather than the vendor
- Chair Clark asked if there was anything involved in the contract limiting the areas where a vendor can provide services based on the location of garages
- Staff indicated that there is not however there is a less need for air quality testing and this would mean that less garages are needed
- Councillor Whitehead asked what the storage costs for the automotive parts would be.
- Staff indicated that they have not yet fully examined this aspect however they are going to be preparing a report on this to bring forward to Committee.

The presentation, from Luigi Cino, Cino Auto Repair Inc., respecting Concerns regarding Tenders C12-1109 - for the Provision of Various Car and Light Duty Truck Auto Service for Central Fleet and Transit Services; and, C90509 - For Provision of Vehicle Maintenance and Repair Service for Hamilton Police Service Vehicles, was received.

(ii) David Sa, Saco Insurance & Real Estate, respecting Abnormal Water Consumption at 600 Main Street East, Hamilton (Item 6.2)

Mr. Sa, of Saco Insurance & Real Estate, addressed Committee, respecting Abnormal Water Consumption at 600 Main Street East, Hamilton. Mr. Sa’s comments included, but were not limited to, the following:

- Discussed the issue of water consumption
- Indicated that he had a water issue at his residence and which caused his water bill to spike
• Discussed how he was unaware of the spike until he was billed
• Indicated that he would like to have been informed of his options to address this issue sooner

Committee members asked several questions of Mr. Sa. Highlights included but were not limited to the following:

• Councillor Pearson asked Mr. Sa to clarify that it wasn’t the water meter that caused the problem
• Mr. Sa indicated the meter was working properly
• Mr. Sas indicated that he was unaware until he received bills that were in vast excess of the normal amounts he was charged

• Councillor Pearson asked if Mr. Sa if he had called a plumber
• Mr. Sa indicated that he had two plumbers inspect the problem and they were unable to identify what was wrong

Committee members asked several questions of Mr. Sa. Highlights included but were not limited to the following:

• Councillor Morelli asked staff if they had notified Mr. Sa or assisted him in addressing the problem
• Staff indicted that they have a process of sending out a letter to advise residents when they see a spike in water consumption
• Staff indicated that this letter was sent to Mr. Sa and the water consumption
• Staff discussed how Mr. Sa’s water rates spiked only for one month so there was no indication that there was a need for follow-up on this letter
• Staff indicated that seven months after the month of the increase in water usage Mr. Sa requested rebate for water consumption which is past the 120 days for applying for a rebate mention several times in the letter sent to him

• Chair Clark requested that staff provide the brochure and information sent to resident about this rebate program to Councillors

On a Motion the presentation, from Mr. Sa, of Saco Insurance & Real Estate, addressed Committee, respecting Abnormal Water Consumption at 600 Main Street East, Hamilton, was received.
David Mitchell addressed the Committee respecting Item 8.5 on the agenda, Report FCS11052, 2010 Ward 11 Budget Deficit, comments included, but were not limited to, the following:

- Discussed the past history of the policy on Councillor expenses
- Indicated that in the past he averaged between $4,000-$5,000 for mileage that he submitted at the end of the year, not monthly
- Discussed how the current policy was introduced because at one time Councillors were part time and occasionally held other jobs
- Indicated that he feels that the policy should be addressed and reviewed
- Indicated that if he billed the City monthly he probably would have received half of the amount of his personal expenses
- Discussed how the Ward 11 office had always hired a summer student at $12 an hour however in the summer of 2010 the rate of pay for that position increased
- Asked the Committee to cover off his direct expenses from 2010 that were over budget
- Indicated that he felt if he held a union position these expenses would be covered
- Indicated that he would even be pleased with even half of the money being paid back

Committee members asked the several questions of Mr. Mitchell. Highlights included but were not limited to the following:

- Chair Clark asked when Mr. Mitchell submitted his expense request
  - Mr. Mitchell indicated that he thought it was sent in by his Administrative Assistant sometime around the end of December

- Chair Clark asked about the approval of the Ward budget
  - Mr. Mitchell indicated that since he was not returning as a Councillor he could not return to request an increase to cover the difference during the budget process

- Chair Clark asked why Mr. Mitchell didn’t submit a request to the previous Council
  - Mr. Mitchell indicated that he didn’t expect to loose the election

- Chair Clark asked if he thought he should have requested reimbursement prior to vacating office
  - Mr. Mitchell indicated that there is a 60 to 90 day delay between the submission of expenses and reimbursement

Council – June 29, 2011
• Councillor Powers indicated that this issue of Councillor Office budgets is before the Governance Review Sub-committee, he indicated that the accounting is improving in this respect and one issue still to be addressed is that Councillors don’t have a final budget until the City of Hamilton budget process is finalized.

Committee members asked several questions of staff. Highlights included but were not limited to the following:

• Councillor Powers asked if the mileage claims submitted by the former Councillor were valid
• Staff indicated that they are valid however and would be paid if there were still funds available in the Ward 11 budget.

• Councillor Whitehead asked if there was a change to the amount of salary required for summer students
• Staff indicated that there was a change in the middle of the year when the job was reclassified and the result was an increased pressure of Councillors budgets

• Councillor Whitehead asked how Councillors should deal with variances requiring more funds
• Staff indicated that Councillors can come to committee and request more money in circumstances.
• Staff indicated that the downtown wards and ward eight budgets have had their budgets increased because of the issues those wards address, however aside from that there hasn’t been much change in Councillors budgets.

• Councillor Morelli asked if in the past if there has ever been any non-returning Councillor who went over budget
• Staff indicated that they are not aware of any departing or remaining Councillor requesting reimbursement for being over budget

• Councillor Morelli asked what would happened if the money was reimbursed
• Staff indicated that the money would be paid out of the common legislative budget

• Chair Clark asked for details related to the Ward 11 budget
• Staff indicated that the total budget for Ward 11 in 2011 is $181,741 which includes the councillors salary
Chair Clark asked for specifics on what the bills were paid for
Staff indicated that they did not have the detailed list of expenses however all the bills were verified and would have been paid if there was enough money in the budget

Chair Clark asked for more details about the end of the year reconciliation of billing from Councillors offices
Staff indicated that Counillors often hold onto bills and they often reconcile expenses at the end of the year.
Staff also indicated that Councillors sometimes do not submit bills if they are in excess of their budget

Chair Clark commented that he knows there are Councillors who have exceeded their budgets and they don’t submit bills in excess of this, other Councillors try to work frugally within this budget

Chair Clark commented that approval of this could result in more councillors coming forward with requests that exceed their budget.
Chair Clark suggested that there should be review of the policy as well as an examination of legal costs that Councillors have to cover themselves

Councillor Pearson asked if the Mr. Mitchell was re-elected would these claims have been reimbursed
Staff indicated that all of the expenses were legitimate expenses; however the process would have been the same regardless of re-election
Staff indicated that the budget was prorated for an eleven month period because the final month of funding went to the new Ward 11 Councillor

Chair Clark asked what happened at the end of November whereas Mr. Mitchell had a positive amount of $4,300 during at start of the month however was forecasted a deficit of negative $5,000 at the end of the month
Staff indicated that essential what happened was in the last couple weeks of November the Ward 11 Office submitted around $9,000 in expenses.

Councillor Whitehead asked about the common Legislative budget
Staff indicated that there was an overage of around $109,000 in the budget which was accumulated through money not used utilized by Councillors
On a Motion staff were directed to fund $1674 out of the common Legislative budget towards the 2010 Ward 11 Budget Deficit and pay $1645 to Mr. David Mitchell out of the Legislative budget in consideration of his remaining portion of mileage expenses.

The Motion CARRIED on the following recorded vote.

Yeas: R. Powers, M. Pearson, B. Morelli
Total: 3
Nays B. Clark, B. Johnson
Total: 2

On a Motion the Delegation by David Mitchell respecting, Report FCS11052, 2010 Ward 11 Budget Deficit, was received.

(f) Council referral, Sub-sections (b)(i) and (c)(iv) of Item 7 of the Audit, Finance and Administration Report 11-008, respecting Grants Sub-Committee Report 11-003. (Added Item 8.6)

On a Motion Sub-sections (b)(i) and (c)(iv) to Item 7 of Audit, Finance and Administration Report 11-008 were referred to the Grants Sub-Committee.

(g) GENERAL INFORMATION/OTHER BUSINESS (Item 11)

(i) Amendments to the Outstanding Business List (Item 11.1)

On a Motion the following proposed new due date, was approved:

(a) Item “D” - Sky Dragon Community Cooperative – Partnership Opportunities
Current Due Date: June 22, 2011
Proposed New Due Date: September 8, 2011

(ii) Monthly meeting Schedule (Added Item 11.2)

Chair Clark suggested that the Audit, Finance and Administration Committee could switch to one meeting a month and assign their second meeting date to the General Issues Committee.
Staff discussed this possible change and indicated that it should be sent onto the Governance Review Sub-committee. This approach was supported by Committee members.

Councillor Pearson indicated that she prefers having General Issues Committee meetings as currently scheduled and keeping a separate week for the other standing Committee meetings.

Councillor Pearson suggested that there have been a lot of General Issues Committee meetings recently and hopefully this trend is brought under control as matters are settled.

Councillor Johnson suggested that too many matters are being sent to the General Issues Committee rather than the appropriate standing committees.

For clarification purposes Councillor Powers indicated that the Committee members were not expressing a Committee position on the Audit Finance and Administration meeting schedule, just making comments for review at the Governance Review Sub-committee.

On a Motion the comments expressed by the Audit, Finance and Administration Committee were sent to the Governance Review Sub-committee for consideration.

(h) PRIVATE AND CONFIDENTIAL

(i) Request for Balance of Deductible (RMS 009585) (FCS11060) (City Wide) (Item 12.1)

On a Motion the Committee move into Closed Session at 11:58 a.m. to consider item 12.1 on the agenda pursuant to Section 239 subsection (e) of the Municipal Act and the City of Hamilton's Procedural By-law as the matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

Chair Clark advised those in attendance that the Committee would reconvene in Open Session to deliver their recommendations.

The Committee reconvened in Open Session at 12:04 p.m.

For further disposition on this Item refer to Item 16
(i) **AJOURNMENT (Item 13)**

There being no further business, the Audit, Finance and Administration Committee adjourned at 12:06 p.m.

Respectfully submitted,

Councillor B. Clark, Chair  
Audit, Finance and Administration Committee

Andy Grozelle  
Legislative Assistant  
June 22, 2011
## CITY OF HAMILTON
INTERNAL AUDIT REPORT 2011-03
SOLE AND SINGLE SOURCE PROCUREMENT

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<td>1.</td>
<td>Pre-Authorization of Policy 11 Form</td>
<td>That the Procurement Section review and compare, on a regular basis, vendors’ invoices to the corresponding Policy 11 forms in order to determine if the forms were authorized before the goods / services were purchased. If they were not, then such procurements should be categorized as non-compliant when reported to Council.</td>
<td>P - Agreed. Procurement has updated the Policy 11 form as of May 26, 2011 with a header to reinforce the requirement that approvals are required prior to vendors being engaged.</td>
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1. Purchasing Policy 11 requires the pre-authorization of the Policy 11 form before the goods / services are procured or the work is initiated. This rule is not always followed for single source purchases. Even though the Procurement Section is diligent in pointing out non-compliance with this stipulation in the Quarterly Status Reports to Council, Internal Audit found further instances in which vendors were engaged and work was completed or the invoice received for work completed pre-dated the Policy 11 form approval date. These instances were reported as single source rather than non-compliant on the reports to Council.

Through the Purchasing Review Process and the Procurement Advisory Committee, the Policy 11 process is changing. Policy 11 forms will only be used for pre-authorization of a vendor and will no longer be used after a vendor has been engaged. A new form (Form 19) will be used if a vendor has already been engaged. This will eliminate non compliant Policy 11 forms. Reviews will be performed by F&A staff when processing invoices with Policy 11 forms to ensure the date of the invoices is after the approval of the Policy 11 form.
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<td>2.</td>
<td>Justification for Sole and Single Source Purchases Purchasing Policy 11 defines sole source as having only one known source for the goods / services required. All six of the sole source purchases reviewed by Internal Audit appear justified as the vendor was the only known supplier or distributor or the City had an agreement in place with a vendor for an uncommon or unusual service. In regard to the single source purchases sampled by Internal Audit, the justification is not as distinct. Similar, repetitive reasons such as – the consultant has a long standing relationship with the client department, the vendor can draw on prior experience (even though it may be 6-10 years old) and the consultant could prepare a report quickly – were noted as explanations to single source. In one instance, a contractor who had been awarded the second phase of a multi-phase project through an RFP was also subsequently retained as single sourced for phases 3 and 4 based on the prior involvement. It is acknowledged that it is usually advantageous for the City to engage the same contractor, given their knowledge of a project. However, it is even more important to ensure that a project uses a competitive purchasing process, whenever possible.</td>
<td>That a more quantifiable and comparable business case be made to support the decision to single source from vendors with which the City has developed a long standing relationship.</td>
<td>PW – Agreed. Public Works will provide additional documentation to quantify single source awards to long term vendors.</td>
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<td>That departments be required to fully develop long term needs at the outset of a project to allow procurement to be tendered as one large project rather than broken down into smaller ones for single sourcing.</td>
<td>PW – Agreed. On multi phase projects, Public Works will provide documentation that demonstrates the cost benefit analysis of awarding succeeding phases to the same vendor.</td>
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| 3. | Documentation for Single Source Procurement                                                   | That the Policy 11 single source procurement form and attachments contain adequate, detailed information to support the decision that it is more cost effective or beneficial to the City to use this procurement method. The development of a simple assessment tool by the Procurement Section to provide guidance to choosing the proper purchasing category and the proper documentation to support the procurement method should be considered. | PW – Agreed. Public Works will provide additional documentation to quantify single source awards that will support the decision that it is more cost effective or beneficial to the City to use this procurement method. Further, Public Works will provide input to the Procurement Section to assist in developing an assessment tool. Implementation Date - Q4 2011.  
P – Agreed. Procurement has updated the Policy 11 form as of May 26, 2011 to assist the client departments in selecting the correct purchasing category. Examples of sole and single source procurements have been included on the form. |

In nine (9) of fourteen (14) procurements sampled, it is Internal Audit’s opinion that the information provided on the Policy 11 request form was not detailed enough to demonstrate the cost effectiveness or greater benefit to the City. Details should explain why the purchase must be made through this non-competitive process.
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<td>1.</td>
<td>Procedures There are no written procedures outlining appeal processes for either an applicant operator deemed ineligible for a subsidy agreement with the City or for termination of an operator’s subsidy agreement due to non-compliance or for a client deemed ineligible for subsidy.</td>
<td>That procedures detailing the various appeal processes be written and distributed to staff, operators and clients.</td>
<td>Agreed. Business procedures for the appeal processes will be developed and distributed to staff, operators and clients. Procedures will be established for applicant operators, the termination of a subsidy agreement and for clients who are deemed ineligible for subsidy. The procedures will be completed and implemented by September 30, 2011.</td>
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<td>2.</td>
<td>Procedures applicable to the Domiciliary Hostel Program (DHP) do not include revision dates or the name of the individual making changes. There is no evidence of the review of the changes for accuracy. One procedure has been in draft format since July 2007. When there are no complete or updated written procedures to refer to, the employee currently carrying out the process relies on personal understanding and experience, which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</td>
<td>That procedures be reviewed annually by management to ensure that the documents are current. There should be evidence of this review (sign-off) from management and staff.</td>
<td>Agreed. All business procedures will be reviewed, updated and signed off by management annually using a standardized format. The new procedures will be reviewed with all staff annually and will be documented to support accountability. All Domiciliary Hostel Program (DHP) business procedures will be completed and implemented by September 30, 2011.</td>
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<td>3</td>
<td>Client Files and Database</td>
<td>That Case Managers be required (by way of a written procedure) to update client files and the RCF database with current income information at least minimally every twelve (12) months. The Manager should monitor adherence to this timeline by performing random file checks on a regular basis.</td>
<td>Agreed. A business procedure to support the annual review and updating of client files will be completed. A tracking system will be developed to ensure that all files are reviewed at least once every 12 months and that the Provincial system (if applicable) and/or the local Residential Care Facility (RCF) database are updated to ensure the accurate co-ordination of information. A business procedure and tracking tool will also be developed for regular file reviews by the manager. Both of the procedures will be completed and implemented by September 30, 2011.</td>
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The DHP reviews and updates client files with current information every 12 months or when a client’s income level changes. The Residential Care Facility (RCF) database is also updated.

It was observed that 3 of 10 client files reviewed by Internal Audit had not been updated within the past 12 months. Also, 7 of the 10 clients’ information in the RCF database did not agree to the client files and the Service Delivery Model Technology (SDMT) database maintained by the Province. As a result, the client files and the RCF database do not contain current client income information.

Without the appropriate updating, client subsidy calculations may be wrong. The outdated RCF database cannot be used to generate statistics required by the Province and they must be compiled manually.
4. **Client ‘Total Income’**

Most clients of domiciliary hostels receive some income from sources such as Ontario Works, ODSP, private pensions, etc. ‘Total income’ is used to determine client eligibility for subsidy as well as the resident contribution towards the monthly billing paid to the operator. Depending on this ‘total income’ figure, the subsidy rate of $47.75 per day per client paid by the City and Province is reduced by amounts payable to the operator by the client.

The DHP has not defined ‘total income’ in a written procedure. It has not been determined if income sources such as additional benefits from OW or ODSP (i.e. transportation, special diet) should be included in the ‘total income’ and thus, in the calculation of the required client contribution.

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<td>Client ‘Total Income’</td>
<td>That the funds required to be included in the ‘total income’ calculation for resident contribution purposes be defined in a business procedure document in the DHP.</td>
<td>Agreed. A business procedure will be developed for the purposes of defining ‘total income’ for DHP applications by September 30, 2011. As a point of clarification, additional benefits such as Special Diet or Transportation Allowance are not defined as ‘total income’ by the Ontario Works Act and the Ontario Disability Support Program for the purposes of determining eligibility.</td>
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### COMMUNITY SERVICES – DOMICILIARY HOSTEL PROGRAM

**FEBRUARY 2011**

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| 5. | **Contract Administration**  
In a review of ten (10) operator files selected at random, the following deficiencies were noted:  
- 5 of 10 files did not contain current and signed subsidy agreement contracts. Four (4) had only copies of expired contracts and one (1) did not contain any contract. All operators continued to be paid.  
- 6 of the 10 files did not contain current business licenses specific for running a domiciliary hostel.  
- 7 of the 10 operators did not submit proof of insurance by the timeline specified in the terms of the standard contract.  
- 2 of the 10 files did not contain current proof of insurance.  
Without performing due diligence in obtaining signed contracts and ensuring operators comply with the terms of the contracts, the City is increasing its exposure and risk of liability. | That current subsidy agreement contracts be executed and copies placed in the appropriate operator files. Terms of the contract (such as proof of insurance, licenses, etc.) should then be enforced. Any non-compliance could result in non-payment of subsidies. | Agreed. A spreadsheet has been updated to list outstanding documentation for each RCF operator including expiry dates for subsidy agreement contracts, proof of insurance and business licenses.  
- 32 of 62 files have current subsidy agreement contracts  
- 40 of 62 files have current proof of insurance  
- 31 of 62 files have current business licenses  
Notification will be sent to the operators regarding outstanding proof of insurance and business license documentation.  
Contracts have been reviewed and revised by Corporate Legal Services and will be distributed to the operators who have outstanding contracts for a term ending May 2012.  
Contracts that are due in May 2011 will be for a term of 3 years, from June 2011 to May 2014.  
All contracts will be completed and on file by October 31, 2011. |
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<td>6.</td>
<td>PHIPA Compliance</td>
<td>That client consent forms (PHIPA requirement) be obtained from subsidy clients and stored, along with corresponding PHI, in secure filing cabinets.</td>
<td>Agreed. The Ontario Works Training and Program Review Unit is reviewing the PHIPA requirements as they pertain to DHP applications and the requirement for additional consent forms. A business procedure for the gathering of Personal Health Information for the DHP will be completed by December 31, 2011. Locks for the filing cabinets will be ordered and installed to ensure the safe storage of private information by May 15, 2011.</td>
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<td>The DHP does not consider itself to be a Health Information Custodian (HIC) as defined by PHIPA. However, during the course of the audit, it was noted that many of the client files contained Personal Health Information (PHI). These client files are stored in filing cabinets that are not locked at all times. Further, none of the files examined contained client consent forms for collection of PHI, as required under PHIPA.</td>
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<td>7.</td>
<td>Billing Adjustments &amp; Corrections</td>
<td>That written explanations be required for all corrections that are made by Case Managers on the monthly billings spreadsheets and operators' billings statements.</td>
<td>Agreed. A tracking sheet with a written explanation for all adjustments and overpayments is now in use.</td>
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<td>A sample of billings spreadsheets with Case Managers' line adjustments related to previous months and operators' billings statements that required corrections were reviewed. It was noted that all items tested (5 invoices with adjustments and 5 invoices with corrections) did not have any supporting documentation or written explanations to detail why the adjustment or correction was required. One adjustment resulted in a double payment to the operator. The adjustment that was submitted by and paid to the operator had been already paid in the previous month.</td>
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<td>8.</td>
<td>Documenting the reason for the adjustments provides a proper paper trail to ensure the changes are valid and justified. All adjustments and corrections that were tested had been reviewed by the Program Manager. The lack of supporting documentation and/or explanations makes the Manager’s review less effective.</td>
<td>That the Program Manager require a written explanation and/or supporting documentation to be included with the monthly billings packages from Case Managers that are provided for review.</td>
<td>Agreed. A tracking sheet with a written explanation for all adjustments and overpayments is now in use. Reviews are completed by the Manager on a monthly basis.</td>
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<td>9.</td>
<td>Overpayments made to operators are not tracked by Domiciliary Hostel Program Management (i.e. dollar amount of receivables). Tracking overpayments will reduce the risk of not recovering monies owed to the City by operators.</td>
<td>That overpayments be reported by Case Managers to the Program Manager and that a listing of overpayments (amounts receivable) be maintained and reviewed on a regular basis. Overpayments should be recovered from the following month’s subsidy payment to the operator.</td>
<td>Agreed. A tracking sheet with a written explanation for all adjustments and overpayments is now in use. Reviews are completed by the Manager on a monthly basis. Both the collection of overpayments and adjustments have been instituted by means of the tracking sheet. This will ensure that no duplicate payments will be made.</td>
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<td>10</td>
<td>Discharged Clients</td>
<td>That the Case Managers ensure the discharge dates (especially those occurring at month end) are properly recorded on the billing statements. The Case Managers should ensure operators are not receiving a subsidy for the client’s discharge date.</td>
<td>Agreed. All staff have been reminded to document the discharge date on appropriate billings. A business procedure concerning discharged clients will be completed and implemented by September 30, 2011.</td>
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The operator is not eligible for a subsidy payment for the day of a client’s discharge, as per the contract.

Two instances were noted in Internal Audit’s sampling where the operator received payment for the discharge date of the client. The discharge was not being properly tracked by either the operator or the Case Manager.

Three instances were noted where a discharge occurred at the end of a month and it was not documented on the current billings statement by the operator. It was also not documented in the following month’s statement.

It is difficult for a Case Manager to accurately calculate the appropriate amount of subsidy that is to be paid if the operator does not document the date of discharge on the billing statements that they submit to the DHP.
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<td>11</td>
<td>Transportation Costs</td>
<td>That specific details be documented as to the reasons DHP clients are receiving the transportation amounts that they are being provided. These details should be reviewed and updated every 12 months at a minimum or as client circumstances change.</td>
<td>Agreed. File reviews are currently being conducted on all residents receiving transportation allowance to ensure documentation is recorded properly. There are 440 RCF cases currently receiving transportation. The RCF case managers are working with the Special Supports Team to identify the cases in question. It can be a lengthy process in dealing with ODSP, which are the majority of the cases. All files will be reviewed by December 31, 2011. Reviews will be conducted annually. A business process review is underway by the Strategic Services Division of the Community Services Department with the objective of streamlining and increasing internal efficiencies in the delivery of transportation assistance to Domiciliary Hostel residents. The review and recommendations will be completed by August 31, 2011.</td>
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In addition to receiving subsidy for room and board, clients may be eligible to receive transportation assistance. In 2010, transportation costs for domiciliary hostel clients amounted to over $312,000.

The Case Managers review each client’s situation and determine if they will be provided with transportation costs (i.e. bus tickets, bus passes, DARTS or taxis).

The Case Manager is supposed to update the client’s file with the transportation costs that will be provided to the client and their justification. The information is forwarded to the Special Supports group who is responsible for administering the transportation process. Special Supports maintains a Master Transportation Listing and prepares the monthly package of transportation tickets/passes for distribution to each hostel.

A sample of five clients was reviewed (for bus tickets & bus passes only) from the Master Transportation Listing. The information on the Master Listing was compared to the Case Managers’ client files. All five files did not have sufficient detail to support the quantity and reason for distributing the tickets and passes to the clients.

Without detailed documentation in the client files, the City could be distributing excess transportation tickets and bus passes to clients at the hostels and incurring unjustified costs.
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<td>12.</td>
<td>Transportation provided through the Medical Special Needs Transportation (MSN) program is not always recorded in the client files and is not included in the Master Transportation list maintained by the Special Supports group. The current process does not provide assurance that duplication of payment between the MSN program and the Special Supports group.</td>
<td>That MSN transportation be recorded in the client files and that the Master Transportation List be updated accordingly. The Case Managers and Special Supports group should verify there is no duplication of transportation costs provided to the client.</td>
<td>Agreed. There are challenges to recording MSN transportation for ODSP clients. A request to the Province’s local ODSP office to notify RCF case managers when there is an approval of MSN transportation has been denied due to its own workload issues. Another request will be made in an effort to resolve this issue by September 30, 2011.</td>
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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues, risks and inefficiencies and can address them appropriately.

Access Security-RCF Database
1. The RCF Database (one of the main databases utilized in the DHP), does not periodically prompt users to change their passwords. Additionally, it was noted that the password configuration is not pre-set (i.e. a password is required with a minimum number of characters, with a mix of uppercase and lowercase characters, along with numbers and special characters).

It is recommended:
That passwords be required to be changed regularly by staff. Also, the password configuration on the RCF database should be changed to require a pre-set password that contains the characteristics noted above.

Management Response:
Agreed. The City’s Information Services Division has been contacted to determine whether there is capability in the RCF database to implement this recommendation. No decision has been made at this time.

Reporting
2. Currently the database that is used in the DHP (RCF Database) provides a limited amount of management reports that can be used to support workflows in the DHP. The creation and use of the following reports would prove useful to the administration in the DHP.

   a. Client Update Report: A report that would use the “Form 1 Last Updated” field in the RCF Database to generate a list of clients whose information has not been updated within the last 12 months. This report would provide information to Case Managers about which client files require updates.

   b. Clients that turn 65: Most clients have a change in income when they turn 65. A report that lists clients that are turning 65 in the next 6 months would enable Case Managers to provide better and more timely assistance to clients completing applications for Canada Pension Plan and Old Age Security. In addition, Case Managers would be able to improve the tracking of the clients’ changing incomes.
It is recommended:
That the DHP consider creating the reports noted above in order to better support program workflows.

Management Response:
Agreed. A request has been made to the City’s Information Services Division to create the above two reports. No date has been established for the production of the reports.

Billings Process
3. It was noted that there is a billings module that is contained in the current RCF Database that is currently not utilized by the DHP. This module essentially generates a standard billings spreadsheet for an individual domiciliary hostel operator. The use of a standard spreadsheet would reduce the occurrence of input errors and out of date information being used in the monthly billing process. Additionally, the use of the module could provide some relief for the current time pressures that are experienced during the monthly billings process.

It is recommended:
That the DHP consider using the RCF Database billings module as a part of their monthly billings process workflow.

Management Response:
Agreed. However, until confidence in the RCF database is restored, there is an inability to implement this recommendation. The Division is working with the City’s Information Services Division to ensure reliability in the database. No date has been established for this implementation.

Subsidy Referral Form
4. A “Subsidy Referral Form” is completed and is sent to the Case Manager from the operator. The Case Manager assesses the client’s information to determine if he/she is eligible for a subsidy. It was noted that the “Subsidy Referral Form”, that is also listed in the DHP procedure documents, is not used on a consistent basis.

It is recommended:
That the DHP determine if there is a need for this form and either ensure that it is used consistently (if required) or eliminate it and change the procedure requirements accordingly.

Management Response:
Agreed. The Subsidy Referral Form is a tool for use by the operators and is optional. The new business procedures will clarify the use of the form and will be completed by December 31, 2011.