



MINUTES

AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

www.mississauga.ca

MONDAY, MAY 11, 2009

**COMMITTEE ROOM "B" – SECOND FLOOR, CIVIC CENTRE
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1**

Members Present

Councillor Carmen Corbasson (Ward 1)

Councillor Pat Mullin, Ward 2 (Chair)

Councillor Nando Iannicca, Ward 7

Mayor Hazel McCallion (*ex-officio*)

Staff Present

Janice Baker, City Manager and Chief Administrative Officer

Brenda R. Breault, Commissioner of Corporate Services and Treasurer

Martin Powell, Commissioner of Transportation and Works

Gary Kent, Acting Director, Finance

Sally Eng, Director, Internal Audit

Barbara Campbell-Graves, Supervisor, Accounting

Robin Uba, Audit Associate

Al Steinbach, Senior Internal Auditor

Raj Sheth, Manager, Facilities Planning & Development

Ken Owen, Director, Facilities & Property Management

Ed de Grosbois, Director of Business Services, Transportation and Works

Jeff Jackson, Director, Revenue and Materiel Management

Evelyn Eichenbaum, Legislative Coordinator, Office of the City Clerk

Others Present

Kevin Travers, Associate Partner, KPMG

Elizabeth Dos Santos, Audit Manager, KPMG

AUDIT COMMITTEE – MAY 11, 2009**CALL TO ORDER – 9:03 A.M.****DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST - Nil****MINUTES**

Minutes of the Audit Committee Meeting held on March 9, 2009

Approved as presented

Recommendation AC-0006-2009 (Councillor Iannicca)

MG.24

MATTERS CONSIDERED

1. Capital Projects Contracts Audit, Facilities & Property Management Division – Corporate Services Department

Report dated May 4, 2009 from the Director, Internal Audit with respect to the final audit report concerning Capital Projects Contracts Audit, Facilities & Property Management Division – Corporate Services Department.

Al Steinbach, Senior Internal Auditor, provided a PowerPoint overview of the audit criteria, process and recommendations. The audit found that the segregation of duties, supporting documentation and payment processing were issues with the subject projects which commenced prior to the Capital Maintenance Contract Audit (report issued in September 2007). As a result of management implementing the audit recommendations from that Audit, significant improvements were noted in the capital project which was started and substantially completed in 2008 and selected for this review. In the case of joint venture agreements, a specific time frame should be established for a final audit and reconciliation of project costs. Also, there is currently no vendor performance evaluation process in place and such criteria will be established by Materiel Management. Staff indicated that five of the seven audit recommendations would be in place by June 30, 2009.

Mayor McCallion inquired about a vendor performance policy that was established many years ago. Sally Eng, Director, Internal Audit, indicated that there is some provision to that effect in the purchasing by-law, but staff is not aware of a policy. Mayor McCallion expressed concern over the issues raised in the audit report and stressed the importance of abiding by policies once they are approved. Brenda Breault, Commissioner of Corporate Services and Treasurer, agreed that staff have to take action in identified areas and explained that significant improvements have been made since the audit began. More recent projects have experienced fewer issues.

RECOMMENDATION

That the report dated May 4, 2009 from the Director of Internal Audit with respect to final audit report – Capital Projects Contracts Audit, Facilities & Property Management Division – Corporate Services Department, be received for information.

RECEIVED

Recommendation AC-0007-2009 (Councillor Corbasson)
CA.15

2. 2008 Audit Findings Report

Report dated April 27, 2009 from the Commissioner of Corporate Services and Treasurer with respect to the 2008 Audit Findings Report.

Kevin Travers, Associate Partner, KPMG, spoke to highlights of the Audit Findings Report. Mr. Travers referred to the significant matters of contingent liabilities, investment in Enersource Corporation, tangible capital assets and segment disclosures.

The City should estimate contingent liabilities by management making an assessment on the value of potential future claims. Mr. Travers indicated that he believes the liabilities as recorded are reasonable.

The City has a 90% investment in Enersource Corporation and as of 2011, Enersource will be required to follow International Financial Reporting Standards and may see greater volatility in reported results if certain costs and revenues which are currently permitted to be deferred are required to be recognized within their statement of operations as incurred.

The 2008 audited financial statements of the City of Mississauga are the last ones to not reflect tangible capital assets. Mr. Travers fully expects that the City will be able to comply with the new reporting methods. Municipalities will also have to further disclose certain data by segment or business unit. Mr. Travers concluded by referencing other required statements included in the Audit Findings Report.

In response to questions from Audit Committee members, Mr. Travers noted that under PSAB, all obligations are required to be reported i.e. vacation needs to be reflected as a liability even if it is not likely to be settled until future periods. Mr. Travers also indicated that if the external auditor encounters any control weaknesses as a result of the external audit process, they make note of those in their report and communicate them to management and the audit committee.

RECOMMENDATION

That the Audit Findings Report, which includes the Independence Letter and Management Letter, issued by KPMG for the fiscal year 2008 for the City of Mississauga, be received for information.

RECEIVED

Recommendation AC-0008-2009 (Councillor Iannicca)
CA.25

3. 2008 Audited Financial Statements

Report dated April 27, 2009 from the Commissioner of Corporate Services and Treasurer with respect to the 2008 Audited Financial Statements for the City of Mississauga, City of Mississauga Public Library Board, Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area and Enersource Corporation.

RECOMMENDATION

That the 2008 Audited Financial Statements for the City of Mississauga, City of Mississauga Public Library Board, Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area and Enersource Corporation be approved.

APPROVED

Recommendation AC-0009-2009 (Councillor Iannicca)
FA.02

4. Accounts Receivable Collection Processes Audit

Report dated April 6, 2009 from the Director, Internal Audit, with respect to the Accounts Receivable Collection Processes Audit.

This report was originally included on the April 8, 2009 Council agenda, and was referred to this committee for consideration. Sally Eng provided a PowerPoint overview of the audit which focused on collection procedures.

Ms. Eng explained that miscellaneous accounts receivables consist of those related to false alarms and vehicle accidents attended by Fire and Emergency Services, cost-sharing for joint projects such as the Region, the Ministry of Transportation (MTO), and recoveries from third parties. As of December 31, 2008, the miscellaneous accounts receivables balance totalled \$12.7 million. The objective of the audit was to review the collection procedures of the Collections unit. This audit, due to its urgent nature, focused

on the collection procedures for invoices not paid as of March 24, 2009. Ms. Eng outlined the collection process of issuing notices and following up on the outstanding receivables. Follow-up did not take place with special customers such as the Region and the MTO for a period of time in 2008. Ms. Eng indicated that enhanced communication with the originating department and closer follow-up of issues is needed.

Ms. Eng referenced the corporate policy on charging interest coming into effect in 1998, yet to date, interest has not been applied to overdue invoices prior to being sent on collection. Additional work also needs to be undertaken concerning the policy for cancellation of invoices.

The corporate invoicing policy and Accounts Receivable Collection database were also addressed in the audit with additional assessment to be done in these areas. Ms. Eng noted that 15 recommendations were made to enhance oversight and monitoring. Some corrective measures have already been implemented, others will be implemented by June 2009 and the balance will be underway by Fall 2009. A comprehensive, cradle-to-grave accounts receivable audit is planned.

Mayor McCallion expressed her disappointment with the issues raised in the audit report and specifically the interest charging policy not being followed.

Councillor Corbasson raised a concern about Realty Services not charging certain groups such as Shriners and Port Credit BIA for utilities in their leased space, and asked staff to report back to the Audit Committee on this matter. Sally Eng noted that she will look at rental agreements but that may not form part of the next phase of the Accounts Receivable audit.

RECOMMENDATION:

That the report dated April 6, 2009 from the Director of Internal Audit, with respect to the Accounts Receivable Collection Processes Audit, be received for information.

RECEIVED

Recommendation AC-0010-2009 (Councillor Iannicca)
CA.15

5. Accounts Receivable and Collections

Report dated April 6, 2009 from the Commissioner of Corporate Services and Treasurer with respect to information on the Collections Unit, the collections processes, size and composition of receivables portfolio and collections results.

This report was originally included on the April 8, 2009 Council agenda, and was referred to this committee for consideration.

RECOMMENDATION:

That the Report dated April 6, 2009 from the Commissioner of Corporate Services and Treasurer with respect to Accounts Receivable and Collections, be received for information.

RECEIVED

Recommendation AC-0011-2009 (Councillor Corbasson)
FA.11

6. Infoplace Ticket Centres Ltd.

Report dated May 6, 2009 from the Commissioner of Corporate Services and Treasurer with respect to Infoplace Ticket Centres Ltd. (Infoplace) and the current status of the bankruptcy proceedings.

In response to questions from Mayor McCallion, Martin Powell, Commissioner of Transportation and Works, indicated that in 2003, the Transit Division made a change to the procedures concerning billing and collection of funds for transit tickets sold by Infoplace. This change came about due to security issues related to cash handling, and was replaced by a cheque system. Because Infoplace's cheque had to come from their head office, and the cheque couldn't be ready in time for the transaction, the invoicing responsibility moved to the Finance Division. In reviewing the situation, there should have been consultation with the Legal Division and communication should have been established concerning non-payment of invoices. Brenda Breault indicated that billing took place on a weekly basis, and as monitoring of unpaid invoices was not classified by company, the issue did not come to light earlier. Mayor McCallion suggested that collection procedures should vary depending on the type of business being conducted. Brenda Breault noted that a surety should have been in place when dealing with assets such as transit tickets.

RECOMMENDATION:

That the Report of the Commissioner of Corporate Services & Treasurer dated May 6, 2009 and entitled Infoplace Ticket Centres Ltd., be received for information.

RECEIVED

Recommendation AC-0012-2009 (Councillor Corbasson)
FA.11

7. Accounts Receivable Collections Process Audit Departmental Update on Actions Taken

Report dated May 6, 2009 from the Commissioner of Corporate Services and Treasurer with respect to actions taken by staff to address the findings in the Accounts Receivable Collection Processes Audit report.

Janice Baker, City Manager, expressed concern over this serious situation and stated that this organization has never shied away from internal audit. From time to time within this complex environment, things will go wrong, but staff hold themselves accountable and move quickly to rectify those issues.

Councillor Iannicca expressed concern over how the situation is perceived by taxpayers.

RECOMMENDATION:

That the Report dated May 6, 2009 from the Commissioner of Corporate Services and Treasurer entitled Accounts Receivable Collections Process Audit – Departmental Update on Actions Taken, be received for information.

RECEIVED

Recommendation AC-0013-2009 (Councillor Iannicca)
CA.15

8. Date of Next Meeting: September 28, 2009 at 9:00 a.m., Committee Room “B”

CLOSED SESSION

Committee moved into closed session at 10:20 a.m. to deal with a subject pertaining to personal matters about an identifiable individual including municipal or board employees, pursuant to Subsection 239 (2) of the *Municipal Act, 2001*, as amended. (Mayor McCallion)

In Camera Item # 35 Update on Infoplacé

Questions were raised about staff involvement and processes in place regarding Mississauga Transit ticket sales to Infoplacé. An overview of events and decisions leading to the City’s loss was provided by staff. Discussion ensued about disciplinary actions and procedural changes that have taken place since the Infoplacé bankruptcy. Committee members made suggestions about further review of current processes and resources. Staff ensured that current reviews will cover these areas.

Committee moved out of closed session at approximately 11:11 a.m.

ADJOURNMENT – 11:12 A.M.