



## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009

#### Item 1, Audit & Oper Rev Report No. 2 – Page 2

Activity, Reserve Activity and the operations of the Vaughan Public Libraries. The Financial Statement package includes separate financial statements for the Vaughan Public Libraries and the City Trust Funds. The Trust Fund Financial Statements are not consolidated with the City Financial Statements.

Also attached is the Confidential KPMG Audit Findings Report (Attachment 2, Mayor, Members of Council Only), the year-end corporate and departmental operating variance report (Attachment 3) comparing actual operating results to the 2008 annual operating budget. The Financial Information Return has been submitted to the Province on schedule including the MPMP schedules (Attachment 1A).

#### **Accounting for Tangible Capital Assets – Update**

Municipalities will be required to adopt the accounting and reporting recommendations of Public Sector Accounting Board (PSAB) regarding the accounting for municipal tangible capital assets. Capital assets consist of land, buildings, vehicles, equipment and infrastructure such as roads and water and wastewater assets. PSAB section 3150 requires municipalities to inventory and value all assets at their acquisition date, and amortize these assets over their useful life effective January 1, 2009. Currently, municipalities expense tangible capital assets in the year of acquisition. The City will need to adopt section 3150 in order to continue receiving an unqualified audit opinion on the Annual Financial Statements.

This change will be significant in terms of the identification of municipal assets, determination of their value and the remaining useful life of all the City's tangible Capital Assets. Reserves and Investments is co-ordinating the PSAB 3150 project and is assisting departments. To date, a draft tangible capital asset policy has been developed; departments have inventoried and valued tangible capital assets up to December 31, 2007. Reserves and Investments has purchased rights to a web based software "CityWide" that will hold the tangible capital asset inventory until departmental decisions are made on asset management systems. The next step is for Reserves and Investments to develop with individual departments change procedures to communicate annual additions and disposals of tangible capital assets to ensure continued PSAB 3150 compliance going forward.

#### **Additional Note Requirement- Segment Disclosure**

This year an additional note referred to as the segment disclosure note is required by the PSAB, section 2700. This note provides a further breakdown on the City's financial activities by fund and by operational component. It is based on the functional areas currently used in the City's financial statements. The additional financial information will assist readers of the financial statements to better understand the operations, complexities and financial resources required to govern and manage a diverse entity such as a municipality.

#### **2008 Financial Overview**

The City of Vaughan's 2008 Financial Statements demonstrate a continued strong position in many key financial areas that supports the Vaughan Vision 2020 strategic initiative for a financially sustainable future. These key areas include the City's reserve balances, investments in the Vaughan Hydro Corporations, user fees which continue to be a strong revenue base for the City, and the City's significant cash and investment levels as seen in Exhibit 1. This strong position is a result of Council's commitment to sound fiscal policies, including the adoption of fiscally responsible operating and capital budgets, the long range financial planning targets, establishment of new reserves and financial policies as required. Only through Council's ongoing support for these financial policies has the City been able to achieve this increased financial flexibility. This approach provides Council more control over increases in the municipal portion of the property tax rate, the timing and funding of capital projects now and into the future.

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The following will provide a financial overview with respect to:

- The Corporation's Consolidated Balance Sheet as at December 31, 2008. The Consolidated Balance Sheet includes the results of the operations of the City, water and wastewater operations, capital fund, reserves and Hydro Vaughan Corporations.
- Also included is the review of the City's 2008 Corporate and Departmental Operating Variance Report, Attachment 3.

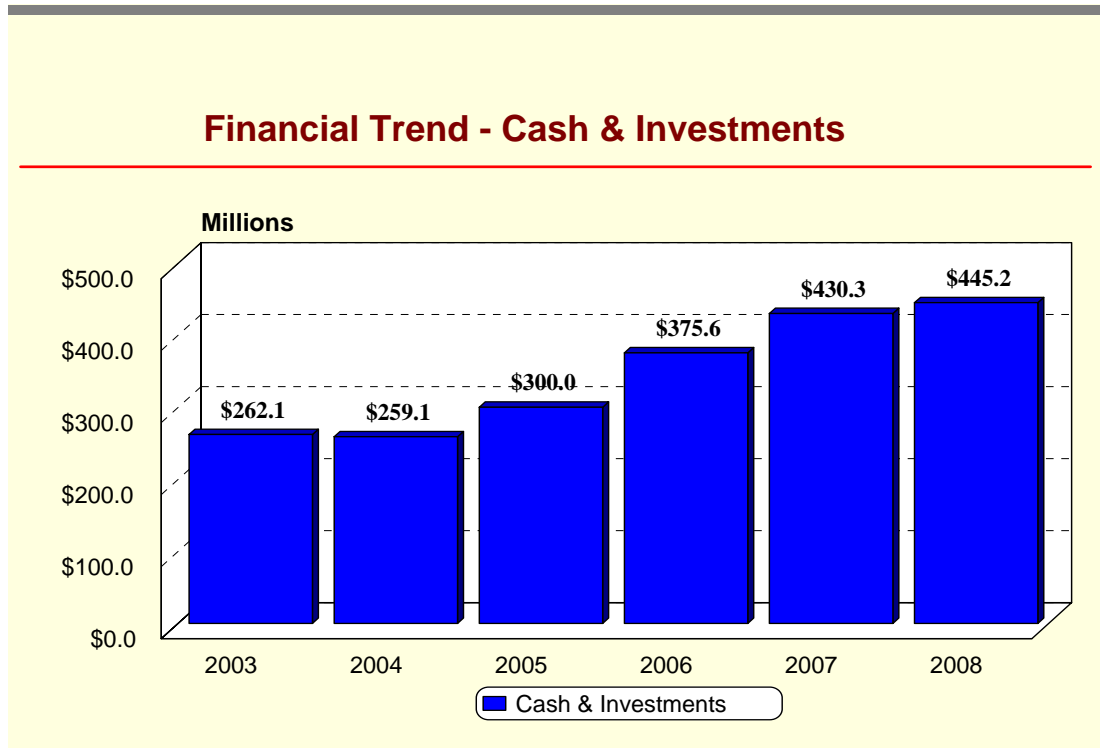
**2008 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**ASSETS**

Cash and Investments

The cash balance, including outstanding investments is \$445.2m (2007 \$430.3m) at the end of 2008. The cash balance consists of cash and equivalents of \$360.2m and investments over 90 days totalling \$85.0m. The following graph (Exhibit 1) illustrates the significant improvement and strength in the City's cash and investments positions over the past number of years.

**EXHIBIT 1**



Taxes Receivable

In 2008, taxes receivable totalled \$35.6m (\$37.8m 2007) a decrease of \$2.2 million. This significant decrease is attributable to a planned collection approach that is applied consistently and is sustained through out the year. The process includes regular mailings at strategic points during the year, business accounts not only receive collection letters but are also contacted directly by phone and a significant emphasis is placed on properties that enter the tax sale time frame of three years. A bench mark measurement used for property tax receivables is based on a

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percent to total levy. For 2008 there is a marked improved at 6.1% (6.8% 2007), indicating that property tax collections continue to be strong and the above strategy is working.

#### Water and Wastewater Receivable

In 2008, the water and wastewater receivables total \$10.9m (\$16.7m) a decrease of \$5.8m over 2007. The decrease is due to reduced billings due to excessive rainfall and changes in the City's joint services agreement with PowerStream that provides for the payment of water and wastewater billings on a month following basis.

#### Accounts Receivable / Other Current Assets

The City's accounts receivable totalling \$17.8m (2007 \$16.2m) comprise a wide range of monies owing from various levels of government, outside agencies, businesses, etc. More specifically, included in this figure are monies owing to the City for GST refunds, local improvements for various road or water works charged to property owners, fire call outs and other charges.

#### Investment in Hydro Vaughan Corporations

The Hydro Vaughan corporations consist of the Hydro Vaughan Holdings Inc., Vaughan Holdings Inc. (57% share of PowerStream), and Hydro Vaughan Energy Corporation, 1446631 Ontario Inc. The consolidation is based on the modified equity basis and is consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the city, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its Statement of Financial Activities with a corresponding increase or decrease in its investment asset account.

The City's investment in the Hydro Vaughan Corporations totals \$241.6m and is comprised of share capital of \$88.5m, notes receivable of \$93.9m, interest receivable of \$9.9m, accumulated earnings as at December 31, 2008 of \$38.5m and dividends/interest retained by Vaughan Holdings Inc. of \$10.8m.

### **LIABILITIES**

#### Accounts Payable and Accrued Liabilities

In 2008 the total current liability balance was \$75.4m (2007 \$85.0m) a decrease of \$4.6m. These City liabilities represent accrued and general liabilities to suppliers and contractors, outside agencies, other governments, as a result of operating, capital fund activity and legislative financial obligations to the region and school boards.

#### Employee Future Benefit Liability

These liabilities consist of post employment retirement benefits of \$38.3m (2007 \$33.6m), vacation pay entitlements \$3.0m (2006 \$2.5m), and Workers Safety Insurance Board (WSIB) \$0.2m. Post employee retirement benefits are based on an actuarial study and represent the retirement benefits that have accrued over the service life of the employees to-date but not yet paid. This liability is paid out as the work force retires. Council created a reserve for post employees retirement benefits as part of a financial strategy in 2002 and this reserve now totals \$6.9m. The vacation pay liabilities are earned during the course of employment and WSIB value is based on an actuarial study and both of these liabilities are fully funded.

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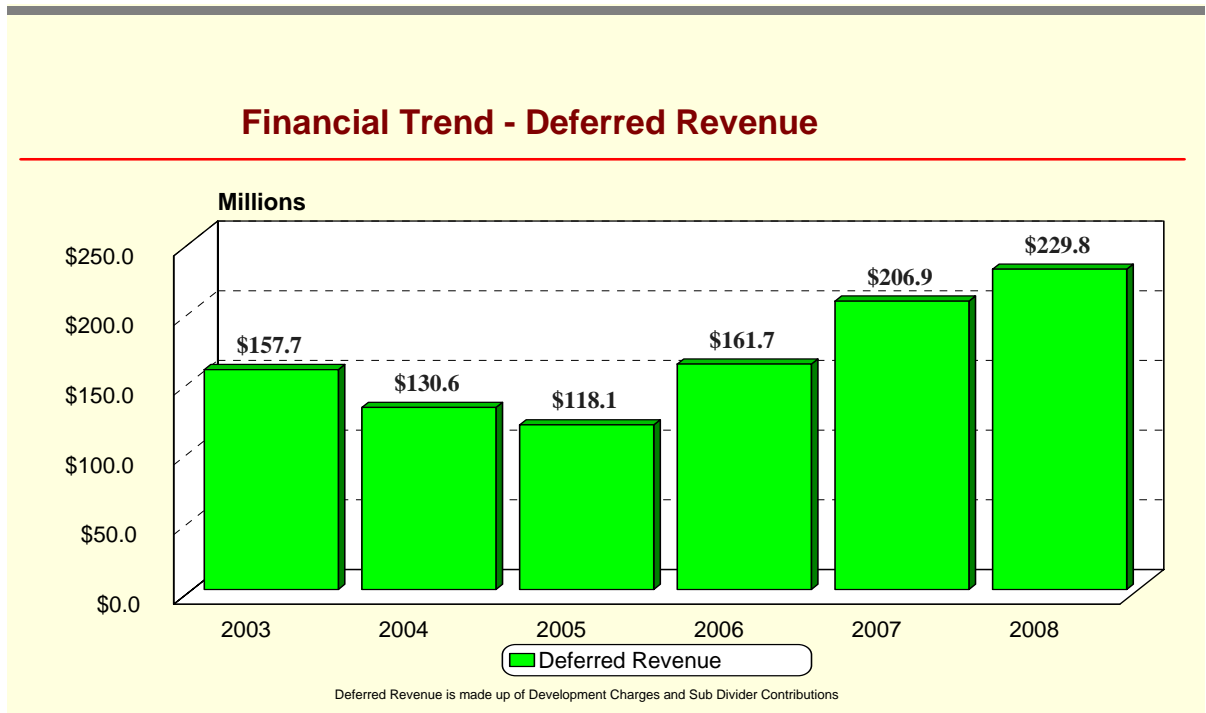
Deposits and Deferred Revenue

Deposits and deferred revenue total \$13.4m (2007 \$13.1m). This amount represents pre-paid funds held by the City for capital projects or various City services to be rendered in the future.

Deferred Revenue

Development charges and obligatory reserves in 2008 totals \$229.8m (2007 \$206.9m) an increase of \$22.9 million over 2007. This increase is a result of revenues from development charges, cash in-lieu receipts and contributions due to the Building Standards Act related to building permits and government grants. The majority of the increase is due to grants received from the Federal and Provincial governments. The grants applied for and received consist of the federal gas tax, provincial roads and bridge grant and investing in Ontario grant. The year-end funds on hand have not been adjusted for outstanding capital budgetary commitments.

**EXHIBIT 2**



Debenture and Other Debt

Long-term liabilities consist of debenture debt and other debt which totals \$52.0m (2007 \$58.5m) and consists mainly of sinking fund debentures. The 2008 decrease in debt is attributable to the pay down of debentures over the course of the year. The annual principal and interest payments required to services these liabilities are well within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing.

**MUNICIPAL FINANCIAL POSITION**

The Municipal Position represents the net financial position of the City made up of future financial obligations, fund balances for Operating, Capital, Reserves and equity in the Hydro Corporations. The municipal financial position in terms of the Balance Sheet is the difference between assets and liabilities. This net figure represents a municipality's ability to meet the current and future financial needs of the community.

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Amounts to be Recovered

These financial obligations are to be recovered in the future and total \$84.0m (2007 \$84.0m). The amounts to be recovered consist of:

Municipal Long Term Debt and Debentures	\$45.3 million
Post Employment Benefits	\$38.3 million
Accrued Debenture Interest	\$ 0.4 million

These amounts will be recovered from future revenues and the City's established reserves.

Current Fund

The current fund balance includes a carry forward for next year in the amount of \$2.5m as per the 2008 operating budget. Accrued interest on a note receivable from PowerStream reduces the balance by \$9.9m leaving a fund deficit of (\$7.4m). Under the PSAB standard, government business enterprises book dividend/interest on a cash basis only.

Capital Fund

The Capital Fund balance represents a net position of those capital projects that are in progress or completed for which funding is pending, partially received or not in place at this point and projects that have been pre-funded. At the end of 2008 the unfinanced balance totalled (\$15.2m) (\$17.9m) 2007). The net decrease is attributable to revenues of \$41.9m mostly in development charges and transfers of \$36.7m from reserves and the current fund. Debentures relating to capital projects will be issued and received over the next few years which will further reduce the unfinanced portion.

City Reserves

Reserves are discretionary funds set up by Council and their use is not restricted. In 2008 reserves totalled \$202.0m (2007 \$204.4m) a decrease of \$2.4m. This decrease is primarily attributed to the drawdown of funds for the new city hall construction. The balance of the reserves grew as result of reserve policies that provide for the continued preservation of the City reserves for the future. The reserves earned bank interest totalling \$5.2m (\$7.5m 2007).

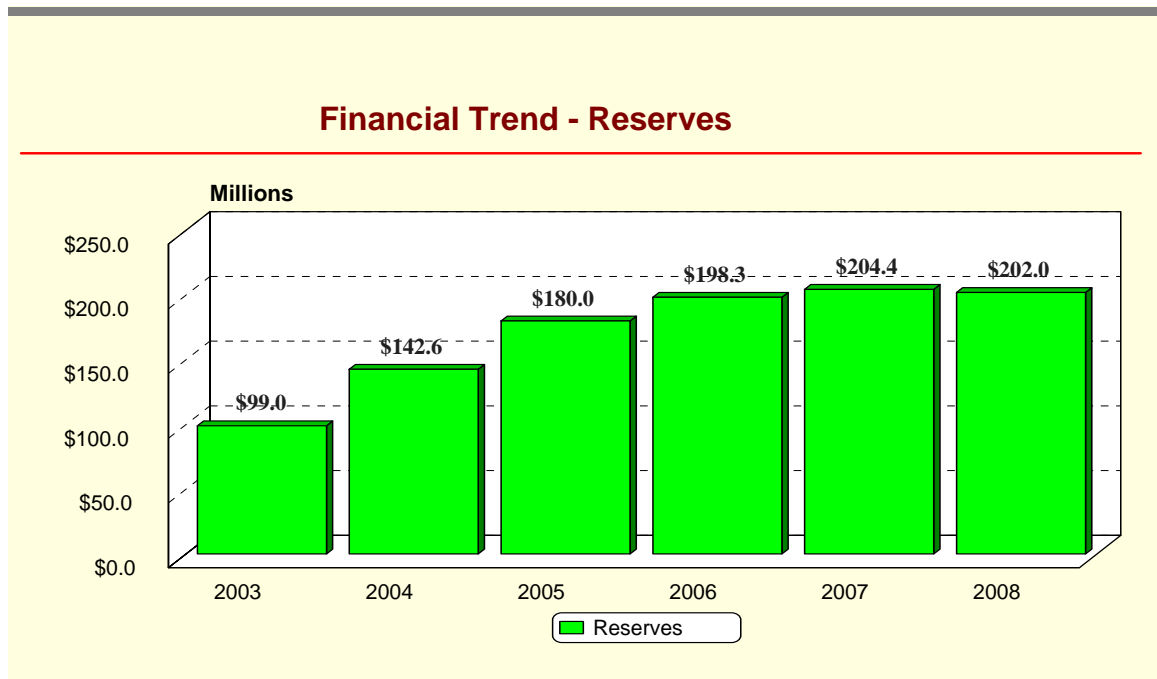
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Reserves continue to be steady as shown in Exhibit 3 below.

**EXHIBIT 3**



Without an adequate level of reserves, the municipality has limited alternatives but to raise the tax rate to fund unforeseen or extraordinary expenses, or when revenues decline. Reserves assist in moderating changes in the tax rate and are also established to provide adequate funding for the financial obligations and infrastructure requirements in the future.

The year-end funds on hand have not been adjusted for outstanding budgetary commitments. Reserve balances are expected to decline as these commitments are fulfilled.

Target - Discretionary Reserve Funds

The overall increase in reserves was possible as a result of Council's adoption of financial policies, including those that were approved in the Long Range Financial Planning Working Sessions. These policies and others will continue to contribute to the financial well being of the City as shown in 2008 results. However the policies must be reviewed continually to ensure they address all relevant issues each year.

Investment in Hydro Vaughan Corporations and PowerStream Inc.

The City has established corporations under the provisions of the Ontario Business Corporation Act and the City's ownership is as follows:

- Hydro Vaughan Energy Corporation; 100%
- Hydro Vaughan Holdings Inc; 100%
- 1446631 Ontario Inc; 100%
- Vaughan Holdings Inc. 100% (PowerStream Inc. 57%)

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Following is the investment in the above established corporations:

	2008 (Million)	2007 (Million)
<b>ASSETS</b>		
Current Assets	\$ 210.5	\$ 175.3
Capital Assets	445.7	429.4
Regulatory and Other Assets	27.9	28.9
Goodwill	33.0	33.0
Total Assets	717.1	666.6
<b>LIABILITIES</b>		
Current Liabilities	121.1	138.8
Consumer Deposits	12.2	11.7
Debenture Payable	97.5	96.9
Bank Loan	50.0	0
Promissory Note - Markham	74.2	72.5
Other Liabilities	26.5	23.0
Total Liabilities	381.5	342.9
Town of Markham's Proportionate Share - PowerStream	(94.0)	(90.0)
<b>Net Assets</b>	<b>\$ 241.6</b>	<b>\$ 233.7</b>

The City's net increase of \$7.9m in equity share is comprised of the following transactions: earnings from the Hydro Corporations of \$10.0m, interest earned on the PowerStream note receivable \$4.7m and reductions of equity due to dividends received \$5.0m, a partial repayment of the notes receivable \$1.5m and accrued interest on the note receivable of \$0.3m.

**Financial Information Return**

The Financial Information Return (FIR) was submitted to the Province on schedule May 29, 2009 including the Municipal Performance Measurement Program schedules. The comparative 2008 MPMP schedules 91 and 92 are on Attachment 1A.

The MPMP process has evolved over the past few years with the continued refinement of the methodology and measurement indicators by the Province. As a result it makes the comparison of MPMP year over year difficult. The service areas are General Government, Fire, Police, Transportation, Water, Wastewater, Solid Waste Management, Land Use Planning, Social Services and/or Recreation and Library.

The cost component of the measurements or numerator is derived directly from the Financial Information Return. The statistical information or denominator for the measures was obtained from information available from the appropriate City department. This report will be made available to the Public via the City's website.

**Relationship to Vaughan Vision 2020**

This report is consistent with and supports the Vaughan Vision 2020 strategic initiatives under Management Excellence that ensures financial sustainability.



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**Regional Implications**

There are no Regional Implications.

**Conclusion**

As a direct result of Council policies and Management's efforts, the financial resources of the municipality continue to improve.

Financial stability and strong reserve balances assists in creating the following:

- Financial flexibility for the municipality;
- Increased control over the municipal portion of the tax rate;
- Effective timing of capital projects;
- Generally sound municipal fiscal environment; and
- Positive awareness amongst the private sector, government and the community.

Notwithstanding the financial improvements that have been made, continued investment in the areas of buildings & facilities, roads, parks and other infrastructure must continue, to secure the City of Vaughan's financial future as outlined in Vaughan Vision 20/20.

**Attachments**

No. 1 - 2008 Consolidated Financial Statements and Trust Fund Statements (Available in Clerks Department)

No. 1A -Comparative MPMP schedules 91 & 92

No. 2 - Confidential KPMG Audit Findings Report (Mayor & Members of Council only)

No. 3 - Fourth Quarter Departmental Operating Variance Report for 2008

**Report Prepared by:**

Barry Jackson, CGA  
Director of Financial Services, ext. 8272

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 2, Report No. 2, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 30, 2009.

**2 INTERNAL AUDIT REPORT ON SENIOR MANAGEMENT TEAM EXPENSES (WITH COMMENTS ON THE MAYOR'S SUGGESTIONS WITH RESPECT TO EXPENSE POLICIES)**

The Audit and Operational Review Committee recommends:

- 1) That the recommendation contained in the following report of the City Auditor, dated June 29, 2009, be approved with thanks;
- 2) That the City Auditor, the City Manager, the Deputy City Manager/Commissioner of Finance and Corporate Services, in consultation with the appropriate staff, provide a report to the Audit and Operational Review Committee meeting in October in consideration of the recommendations set out in the City Auditor's Internal Audit of Senior Management Team Expenses; and
- 3) That the following deputations and written submission be received:
  - a) Reverend Jim Keenan, New Hope United Church, 9225 Jane Street, #1416, Vaughan, L6A 0J7; and
  - b) Mr. Richard Lorello, 235 Treelawn Blvd., P.O. Box 927, Kleinburg, L0J 1C0, and written submission, dated June 27, 2009.

**Recommendation**

The City Auditor recommends:

1. That the Internal Audit Report on Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies) be received.

**Economic Impact**

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit is committed to add value to all areas of City activity which are audited.

**Communications Plan**

This will be posted on the internet by the Corporate Communications department.

**Purpose**

1. To present to the Audit and Operational Review Committee, the Internal Audit Report on Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies).
2. To fulfill the requirement to produce a report on point 4 (Communication from Mayor Linda Jackson-Proposal for amendments to current city of Vaughan Expense Policies for Council and Staff) in the minutes of the Audit and Operational Review Committee meeting which was held on June 1, 2009.

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#### **Background - Analysis and Options**

The audit was a special request by the City Manager and was not included in the 3 year risk-based Internal Audit Work Plan which was approved by the Audit and Operational Review Committee.

For transparency, independence and objectivity, the Chair of the Audit and Operational Review Committee was consulted during the audit.

The City Auditor was also asked to comment on the Mayor's proposal to Expense Policies.

As a result of the special request, the Terms of Reference were developed for this audit.

1. The Terms of Reference of this audit were as follows:
  - 1.1. To review Senior Management Team expenses of American Express Credit Cards, Petro Canada Fuel Cards, 407 ETR, City fuel pumps, leased vehicles, cellular phones, wireless communications, membership fees, professional development and sundry expenses for 2008.
  - 1.2. To determine (1) if current procedures conform with City's current "policies/procedures" (where available) and (2) the adequacy of expenditure controls.
  - 1.3. To determine if current policies/procedures can be more clearly defined and if so, to make recommendations.
  - 1.4. Where no policies exist, to make recommendations where considered appropriate.
  - 1.5. To comment on the Mayor's proposal to Expense Policies.

The internal audit report is provided as an attachment.

The report includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations.

#### **Relationship to Vaughan Vision 2020**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

#### **Regional Implications**

Not applicable

#### **Conclusion**

Overall, although there were opportunities for improvement as noted in the audit report, other areas were found to be operating effectively in terms of internal controls, corporate governance and risk management.

The audit did not reveal any significant issues. There were no missing receipts for 2008 credit card payments and the auditor did not observe any abuse of taxpayers' funds.

In a number of instances there were no/inadequate written policies for City staff to follow, although there were undocumented procedures in place. The procedures and practices changed over time according to the needs of the rapidly growing City. The auditor has made

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recommendations in areas where policies could be developed/improved and where it was considered appropriate, and has provided additional information from policies of other municipalities and regions within the Greater Toronto Area. The development of recommended policies for the City will further (1) improve internal controls (2) improve the quality of performance in carrying out assigned responsibilities (3) result in the department/operation operating more effectively and efficiently.

**Attachments**

Report on Internal Audit Report of Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies.).

**Report prepared by:**

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 3, Report No. 2, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 30, 2009.

**3**

**COUNCIL EXPENSE POLICY**

**The Audit and Operational Review Committee recommends:**

- 1) **That the recommendation contained in the following report of Regional Councillor Rosati, dated June 29, 2009, be approved;**
- 2) **That a policy review process be built into this review in order to ensure that all policies are kept up-to-date; and**
- 3) **That the following deputations and written submission, be received:**
  - a) **Reverend Jim Keenan, New Hope United Church, 9225 Jane Street, #1416, Vaughan, L6A 0J7; and**
  - b) **Mr. Richard Lorello, 235 Treelawn Blvd., P.O. Box 927, Kleinburg, L0J 1C0 and written submission dated June 27, 2009.**

**Recommendation**

Regional Councillor Gino Rosati recommends:

- 1) That Council approves a comprehensive review of Council Budget Expenditure Policy.
- 2) That such review be undertaken by the City Auditor in consultation with the senior management and the Audit and Operational Review Committee.
- 3) That a report be brought forward in the fall with the possible implementation date of the policy for January 1<sup>st</sup>, 2010.
- 4) That such review includes items as outlined in this report.

**Contribution to Sustainability**

N/A

**Economic Impact**

None that can be identified at the present time

**Communications Plan**

This process will be posted on the internet and will be part of the Corporate Communication Department

**Purpose**

The purpose is to update the present Council Expense Policy.

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#### Item 3, Audit & Oper Rev Report No. 2 – Page 2

#### **Background - Analysis and Options**

An update of Council Expense Policy is appropriate at this time, particularly considering recent events questions raised by many members of the public on a number of issues in particular the Mayor's Audit Report which also contains a number of recommendations that should form part of this review. In addition the review should include the following;

- 1) Council Expense Allowance is included in Bylaw 251-2005 (Attached) This allowance has been in effect since the mid 1980's and has never been updated. Expense Allowance should be reviewed and just like mileage should be allowed on a flat fee per month or alternatively by claiming such expenses in a revised and updated format.
- 2) The expense allowance permitting members of council to charge the respective budget for attending functions or providing advertising in outside organization's publications should also be reviewed and updated. For instance if we receive solicitation to purchase tickets for a particular event by a particular charity or social group, when such represents a general invitation that includes members of council where tickets are offered for sale. And when a member of council chooses to attend or advertise, should such cost be paid by the City if it is not official business?
- 3) Further the meaning of "official business of the city" should be defined with clarifications as to what is included and what is not.
- 4) Use of cell phone should also be better clarified.
- 5) This review should begin immediately and should include for the City Auditor to develop recommendations which would be in keeping with common business practice as well as taking into account a comparisons analysis with neighboring municipalities.
- 6) It is anticipated that a preliminary report should come forward in September and finalized by October or November for possible implementation in January 2010.
- 7) The mileage expense allowance should be reviewed and allowed to continue as one option. Should a member of Council however choose the other option of claiming the actual mileage, the present practice should be discontinued, instead a detailed mileage claim report must be submitted.
- 8) The total reimbursement of the 407 expenses for member of council should be discontinued but allowed to be included in the mileage expenses.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the priorities previously set by Council and is also in keeping with the Ten Top Priorities set out by Council.

#### **Regional Implications**

NIL

#### **Conclusion**

The policy should be revised with the context or the recent report of the external audit on the Mayor's expense, and update current practices with a clear and well defined policy with all the normal check and balances to ensure equity, accountability and transparency.

#### **Attachments**

- 1) Bylaw 255-2001
- 2) Expense guideline for neighboring municipalities.
- 3) Policy # 03.19 with reference to expense approval for the City Manager and for the Mayor
- 4) Policy No. 01.14 Council Budget/Expenditure Policy

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**Report prepared by:**

Regional Councillor Gino Rosati

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 4, Report No. 2, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 30, 2009.

**4            CAPITAL PROJECTS QUARTERLY REPORT ENDING DECEMBER 31, 2008**

**The Audit and Operational Review Committee recommends that the recommendation contained in the following report of the Director of Reserves & Investments, dated June 29, 2009, be approved:**

**Recommendation**

The Director of Reserves & Investments in consultation with the Deputy City Manager/Commissioner of Finance & Corporate Services recommends:

That this report be received for information purposes.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

There is no economic impact as all capital projects have been previously approved by Council and the reserve continuity schedule is for information purposes only.

**Communications Plan**

Not Applicable.

**Purpose**

The purpose of this report is to provide the Audit and Operational Review Committee with a quarterly update on the financial status of all approved capital projects and reserve balances.

**Background - Analysis and Options**

The Reserves and Investments department is responsible for:

- managing capital processes on an ongoing basis to provide departmental management with the information to ensure that their projects are completed within their approved budgets
- ensuring the appropriate approvals are obtained if circumstances determine additional funding is necessary
- maintaining reserve and reserve fund balances to ensure required funding is available to finance all approved capital projects
- providing financial updates to Budget Committee and Council

The attached quarterly report provides an update on the financial status of all approved and active capital projects and reserve balances.

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at December 31, 2008. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to December 31, 2008 and is not an indication of the



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percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at December 31, 2008 and provides the following analysis:

- there are 344 open capital projects with a capital budget value of \$408 Million
- to date approximately 55% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$185 Million
- 131 projects were closed in 2008 releasing funding for future projects (funding returned to the original funding source)

Reserves staff together with the operational departments reviewed all active capital projects listed as at December 31, 2008 to determine which capital projects could be consolidated and/or closed. A complete list of closed capital projects in 2008 is provided as Attachment 3.

Attachment 2 provides the Reserves Continuity Schedule as at December 31, 2008. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

#### **Relationship to Vaughan Vision 2020**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

#### **Regional Implications**

Not Applicable.

#### **Conclusion**

The capital and reserves quarterly reports provide Budget Committee with the financial status of all approved capital projects and reserve balances. The Budget to Actual Status Report and Reserves Continuity Schedule provide point in time information to provide assurance of ongoing management of approved capital projects and the reserves required to fund them.

#### **Attachments**

Attachment 1 – Budget to Actual Status Report by Department as at December 31, 2008  
Attachment 2 – Continuity Reserves & Reserve Fund Schedule as at December 31, 2008  
Attachment 3 – List of Capital Projects Closed in 2008

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009**

Item 5, Report No. 2, of the Audit and Operational Review Committee, which was adopted, as amended, by the Council of the City of Vaughan on June 30, 2009, as follows:

*By approving the confidential recommendation of the Closed Session meeting of June 30, 2009.*

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5 **REPORT ON INVESTIGATION INTO  
UNAUTHORIZED DISCLOSURE & DISTRIBUTION OF CITY DOCUMENTS**

The Audit and Operational Review Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, dated June 29, 2009, be approved;
- 2) That the Terms of Reference be extended to provide Ben Soave Associates Inc. (BSA) the opportunity to make recommendations to City of Vaughan staff with respect to this matter; and
- 3) That the presentation and confidential report of Ben Soave Associates Inc., be received.

**Recommendation**

The City Manager recommends:

1. That appropriate action be taken where the Employee Code of Conduct is found to have been breached;
2. That a process be implemented to ensure staff regularly review their responsibilities under the City's relevant confidentiality policies; and
3. That policies relating to confidentiality and disclosure of corporate documents be reviewed and the Commissioner of Legal and Administrative Services and City Solicitor report back with any recommended revisions.

**Contribution to Sustainability**

Not applicable.

**Economic Impact**

Not applicable.

**Communications Plan**

Human Resources will undertake a process to ensure staff regularly review their responsibilities under the Employee Code of Conduct particularly in regard to maintaining confidentiality of corporate information and documents. Corporate Communications has prepared key messages related to this report.

**Purpose**

To report on findings and make recommendations following completion of the investigation into the inappropriate disclosure and distribution of City documents.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009

Item 5, Audit & Oper Rev Report No. 2 – Page 2

#### **Background – Analysis and Options**

In November 2008 the City became aware that certain City of Vaughan documents had been inappropriately disclosed and distributed. The documents in question consist of cheques and internal backup documentation.

The security of City property and assets, which includes documents, is in the public interest and is of the utmost importance. The inappropriate and unauthorized disclosure and distribution is a serious concern.

#### **Cheques Handling Procedures Changed**

When the breach of this security first became apparent, administration conducted an internal review of the current cheque signing and handling processes. This review resulted in changes to the administrative procedures for the handling and signing of cheques requiring manual signatures.

#### **Unauthorized Disclosure Investigated by External Investigator**

Subsequent to the internal review, the City Manager was directed by Council to undertake an investigation. To determine the origin of the unauthorized disclosure, an external professional investigator was sought. Ben Soave Associates Inc. was selected following a Request for Proposals to conduct an independent investigation into the matter of the unauthorized disclosure which had occurred.

The purpose of the investigation was to determine who copied the documents in question; who disclosed them; to whom, how, when and why they were disclosed. In addition to examining all relevant documentation, the investigation included interviews of staff, elected officials, members of the public, and members of the media.

The Report on the Investigation into the Unauthorized Disclosure & Distribution of City of Vaughan Documents, by Ben Soave Associates Inc. dated June 19, 2009, is provided to the Audit and Operational Review Committee under separate cover, as it is Strictly Private and Confidential. Notwithstanding the public interest around this highly publicized issue, the City is obligated to protect the personal privacy of identifiable individuals and as such the Report will not be publicly available.

Administration will undertake a process to ensure staff regularly review their responsibilities under the Employee Code of Conduct particularly in regard to maintaining confidentiality of corporate information and documents. Staff will also be reviewing policies relating to confidentiality and disclosure of corporate documents, and will report back in the event revisions are appropriate.

Where it is found that the Employee Code of Conduct has been breached, appropriate action will be taken.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

Not applicable.

#### **Regional Implications**

Not applicable.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009**

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**Conclusion**

As a result of the internal review of cheques handling and signing procedures, the processing of cheques requiring manual signatures has been modified. Following the BSA investigation, it is appropriate that administration undertake a review of policies relating to confidentiality and disclosure of corporate documents, and report back with any recommendations. A process should be implemented to ensure staff regularly review their responsibilities in this regard.

**Attachments**

None

**Report prepared by:**

Michael DeAngelis

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009**

Item 6, Report No. 2, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 30, 2009.

**6                    INTERNAL AUDIT OF BUILDING AND FACILITIES- STATUS UPDATE**

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated June 29, 2009:

**Recommendation**

The City Auditor recommends:

That this report be received for information.

**Economic Impact**

There is no economic impact as a result of this information.

**Communications Plan**

This will be posted on the internet by the Corporate Communications department.

**Purpose**

To provide information on the status of the Audit of Building and Facilities.

**Background - Analysis and Options**

The audit of Building and Facilities was scheduled to be done in the three year audit work plan. In addition, as a result of the unauthorized disclosure and distribution of City of Vaughan documents (cheques and backup), the City Manager directed the audit to be commenced as soon as possible. The scope of the audit was expanded and it also included specific review of the years 2004 to 2008.

At this point, the audit of Buildings and Facilities is well in progress and is anticipated to be concluded shortly. A report is expected to be brought forward to the next Audit and Operational Review Committee in the fall.

**Relationship to Vaughan Vision 2020**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

**Regional Implications**

Not applicable

**Conclusion**

The Audit of Building and Facilities is currently on-going and in the advanced stages. The Audit Report will be presented to the Audit and Operational Review Committee in the fall.

**Attachments**

N/A

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009**

Item 6, Audit & Oper Rev Report No. 2 – Page 2

**Report prepared by:**

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 30, 2009**

Item 7, Report No. 2, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 30, 2009.



**7**

**NEW BUSINESS – AUDIT WORK PLAN**

**The Audit and Operational Review Committee recommends that the City Auditor present to the Audit and Operational Review Committee a modified Work Plan, in the Fall of 2009, together with an appropriate schedule of committee meetings, for committee review and approval.**

The foregoing matter was brought to the attention of the Committee by Regional Councillor Ferri.