



Board of Directors

931 Yonge Street
Toronto M4W 2H2

Page 1 of 6

The Board of Directors of the Toronto Community Housing Corporation met on Thursday, March 3, 2011 in the Main Floor Conference Room, 931 Yonge Street, Toronto at 8:37 a.m.

Directors in Attendance: David Mitchell, Chair
Councillor Maria Augimeri
Councillor Raymond Cho
Zahra Dhanani
Michelle Joseph
Greg Kalil
Dan King
Councillor Frances Nunziata
Carol Osler
Councillor John Parker
Sheerin Sheikh
Ronald Struys
Catherine Wilkinson

Also present: Keiko Nakamura, Chief Executive Officer
Mitzie Hunter, Chief Administrative Officer
Len Koroneos, Chief Financial Officer
Bronwyn Krog, Vice President and Chief Development Officer
Deborah Simon, Chief Operating Officer
Howie Wong, General Counsel and Corporate Secretary
Jeffrey Griffiths, Auditor General, City of Toronto
Jerry Shaubel, Director, Auditor General's Office, City of Toronto

Mr. David Mitchell, Chair, called the meeting to order, and Janice Lewkoski served as recording secretary.

DECLARATION OF CONFLICT OF INTEREST

The Chair requested members of the Board of Directors to indicate any agenda Item in which they had a conflict of interest, together with the nature of the interest. None were declared.

APPROVAL OF AGENDA

The agenda was approved as circulated.

IN CAMERA PROCEEDINGS

Motion carried **ON MOTION DULY MADE** by Ms. Carol Osler, seconded by Mr. Ron Struys, the Board of Directors unanimously resolved to meet “in camera” to discuss personnel matters.

PUBLIC PROCEEDINGS

Motions carried **ON MOTION DULY MADE** by Ms. Carol Osler, seconded by Ms. Sheerin Sheikh, the Board of Directors unanimously approved resumption of the public proceedings at 9:19 a.m. and the public meeting reconvened at that time.

ON MOTION DULY MADE by Ms. Sheerin Sheikh, seconded by Councillor Raymond Cho, the Board of Directors unanimously ratified the actions authorized during the “*in camera*” meeting.

DEPUTATIONS

The Chair polled for any depositions to be heard at the meeting.

The following individuals provided verbal depositions in relation to Item 1 – City of Toronto Auditor General’s Reports (together with management’s response):

- Connie Harrison
- Linda Coltman
- Silvina Hollinsworth
- Councillor Josh Matlow
- Magdalena Palma
- Tom Robson
- Wallace Simpson
- Antoniette Wassiyn
- Pam Smith
- Timothy Mackenzie
- Jackie Jackson
- Pat McKendry
- Beverly Smith

The Board directed staff to follow up on building issues noted during the deputations.

[ON MOTION DULY MADE by Ms. Catherine Wilkinson, seconded by Ms. Carol Osler, that the deputation matter raised in regards to 25 Mutual Street be addressed by staff.](#)

ON MOTION DULY MADE by Ms. Sheerin Sheikh, seconded by Councillor Maria Augimeri, the Board of Directors unanimously received the deputations for information.

ITEM 1 **CITY OF TORONTO AUDITOR GENERAL'S REPORTS (TOGETHER WITH MANAGEMENT'S RESPONSE)**

- **Controls over Employee Expenses Are Ineffective**
- **Procurement Policies and Procedures are Not Being Followed**

Motion carried The Board of Directors had before it the above-captioned reports from the City of Toronto Auditor General.

The Chair introduced the Auditor General, Jeffrey Griffiths, to present the reports.

In introducing the reports, the Auditor General noted that an audit is a constructive process, the purpose of which is not to highlight a company's accomplishments. He expressed his hope that the recommendations in the report would be accepted by the Board. He noted that subsequent to the reports being issued he has been asked whether his team had found any fraud at Toronto Community Housing. He report that his staff did not find any evidence of fraud during their review and that if any fraud had been found he would have reported it to the Board and the police.

The Auditor General presented the following highlights of his findings from the two reports:

Procurement Policies and Procedures are Not Being Followed:

- the auditors found extensive single-sourcing and split purchasing and found that only 10% of procurement went through the Strategic Procurement Unit
- the auditors found the procurement policies to be appropriate but the corporation needs to control whether the policies are being followed
- the Auditor General recommended that procurement decisions should be reviewed and staff should be directed to use the Strategic Procurement Unit for all procurement

Controls Over Employee Expenses Are Ineffective:

- the expenses showed lack of common sense and lack of respect for taxpayer money

-
- expenses paid do not represent value for money

The Auditor General listed the next steps will be for the reports to be submitted to the City of Toronto's Audit Committee and City Council. The Auditor General will return to Toronto Community Housing in one year for review and follow up.

ON MOTION DULY MADE by Ms. Sheerin Sheikh, seconded by Mr. Ron Struys, the Board of Directors unanimously resolved to:

- 1) thank the Auditor General for his and staff's tireless work and clear and concise report;
- 2) receive the reports of the Auditor General dated December 7, 2010;
- 3) record its complete agreement with all the 41 Recommendations of the Auditor General;
- 4) instruct staff to provide the Auditor General the incomplete and or missing information noted in the reports;
- 5) include a status report on the implementation of these recommendations as part of its quarterly performance;
- 6) instruct staff to prepare reports for presentation to the Audit Committee of Toronto City Council, detailing
 - a. all inappropriate employee expenses, mitigation and recovery efforts and internal control measures instituted to strengthen controls and ensure complete cessation of such activities;
 - b. all significant inappropriate procurement activities, measures instituted to ensure compliance with Procurement Policy and Procedures resulting in not only value for money but also accountability and transparency.

In reply to a question from the Board, the Auditor General explained the findings regarding two contracts noted in the media:

- the sole-source contract from China did not represent a full and thorough comparison of prices for the goods ordered
- the unit refurbishment contract was an unsolicited bid which did not involve comparison pricing.

In response to a question from the Board regarding the timing for his audit follow-up, the Auditor General noted that it is normal practice to conduct a follow-up review in one year to give management time to implement measures and for the implementation to take effect.

In response to a query from the Board regarding whether staff expenses should be posted online, the Auditor General noted that this suggestion is best directed to management.

In response to a query from the Board as to whether a forensic audit is warranted, the Auditor General noted that forensic audits are expensive and is not warranted at this time.

In response to a question from the Board, the Auditor General noted that, as with other audits, the findings are from a sampling of records reviewed. The Auditor General's 2011 work plan includes a further audit of Toronto Community Housing Corporation in other areas, including vehicle expenses, use of consultants, etc.

In response to a question from a Board member posed to the Auditor General regarding whether the Board should subject the CEO to a one-year probation, the Chair ruled the question to be out of order as personnel matters are a Board matter.

In response to a question from the Board, the Auditor General recommended the Board establish an effective Audit Committee with members having an auditing background.

In response to a question from the Board regarding how much of the procurement issues were related to infrastructure funding, the Auditor General explained that this was not part of their review.

In reply to a question from the Board, the Auditor General reported that management provided the level of cooperation that was expected of them.

The Chief Executive Officer, Keiko Nakamura, presented management's response to the reports, highlighting that all recommendations have been accepted by management. She reviewed a number of controls that were established in 2010 and actions taking place in 2011.

The CEO noted that there have been a number of actions taken in response to the Auditor General's report, including:

- employee terminations, suspensions and investigations

- litigation for recovery
- expenses must be approved by Executives
- all physical purchasing cards have been cancelled
- in April, Toronto Community Housing will launch an ethics hotline and education initiative
- a senior procurement manager will be hired
- new procedures will apply to Toronto Community Housing's subsidiaries

The CEO apologized to residents and emphasized that tenants come first at Toronto Community Housing. She committed to getting good value for money and continuing to work to improve homes for tenants.

The Board thanked the CEO for her response and leadership.

In response to a question from the Board, Ms. Nakamura reported that the new senior procurement manager will report directly to the CEO.

The Board emphasized the importance of communicating to tenants.

The Chair thanked the Auditor General and his team for their work and announced the resignations of the 7 citizen Board members. He noted that the Board cannot effectively work when the mayor is unreachable for constructive dialogue.

On behalf of the Board, the Chair noted their sincere appreciation to Keiko Nakamura for her leadership and personal integrity and thanked the executive team and all of Toronto Community Housing staff for their ongoing commitment to people who live in our communities. The Chair expressed to the Toronto Community Housing residents and communities, the Board's pleasure in serving them.

ADJOURNMENT

The meeting adjourned at 10:47 a.m.

Secretary

Chair