

**AUDIT OF  
THE TORONTO WATERFRONT REVITALIZATION  
INITIATIVE (TWRI) -  
MANAGEMENT ACTION PLAN**

**CIC - INTERNAL AUDIT & DISCLOSURES BRANCH  
DECEMBER 2005**

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## **1. BACKGROUND**

In January 2005, an audit of the Toronto Waterfront Revitalization Initiative was initiated by Human Resources and Skills Development Canada (HRSDC). At that time, the TWRI was under the responsibility of HRSDC. The objective of the audit of the TWRI was to provide assurance that the Toronto Waterfront Revitalization Corporation (TWRC) was in compliance with the terms and conditions of the Contribution Agreement. In December 2005, the audit was completed by HRSDC and a report was tabled.

The audit period covered activities of the TWRC from November 2001 to March 31, 2004 and included transactions pertaining to all of the five projects described in the Contribution Agreement. During this period, responsibility for the TWRI resided with Transport Canada (November 2001 to March 7, 2004) and HRSDC (March 8, 2004 to March 31, 2004).

The responsibilities of the Toronto Waterfront Revitalization Initiative (TWRI) were transferred to Citizenship and Immigration Canada (CIC) on February 3, 2005. Human Resources and Skill Development Canada commissioned this Audit and has accepted its findings. Citizenship and Immigration Canada has developed a Management Action Plan to address the findings of this report. The next section of this document presents this action plan.

## 2. MANAGEMENT ACTION PLAN

The table below provides the details of the management action plan to Internal Audit recommendations contained in the report produced by HRSDC.

IA RECOMMENDATIONS	CORRECTIVE MANAGEMENT ACTION PLANS	EXPECTED COMPLETION DATE	RC # & POSITION TITLE FOR PERSON RESPONSIBLE
<p>1. TWRC should re-allocate the unallocated corporate costs. The TWRI Secretariat should review the allocation method used. Once satisfied that the allocation method is sound and reasonable, TWRI Secretariat should ensure that none of the five projects have exceeded the expenditure limitations as set out in the Contribution Agreement. If TWRC decline to reallocate these costs, the Crown should proceed to recover the portion of unallocated corporate costs that has been paid to TWRC.</p>	<p>This issue is currently being addressed at the Inter –governmental Steering Committee (IGSC) table with the discussions/ negotiation of a Corporate cost Contribution agreement. The corporate costs in question will be reallocated via an agreed upon allocation model.</p>	<p>March 31, 2006</p>	<p>TWRI Secretariat Director</p>
<p>2. A schedule for project milestones and anticipated dates of achievement should be inserted into the Contribution Agreement, which would help to ensure work is completed within budget and according to plan. Furthermore, a cash flow forecast should be incorporated into the Contribution Agreement, which would help the TWRI Secretariat detail when the funding is required and to which category of expense the funding will go toward.</p>	<p>The current contribution agreement template utilized at CIC requires that the full approved proposal be appended to the contribution agreement that includes details of the activities and a work plan with detailed budget, timetable and expected results for each activity within the project. The TWRI Secretariat will ensure that this level of detail is included in the future amendment of Priority Projects Contribution Agreement.</p>	<p>March 31, 2006.</p>	<p>TWRI Secretariat Director</p>

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<p>3. The TWRI Secretariat should redefine the definitions of “indirect and overhead costs” in Schedule B of the Contribution Agreement. TWRI Secretariat may consider referring to Public Works and Government Service Canada’s Contract Cost Principles (Section DSS 1031-2) as a guideline in drawing new definitions.</p>	<p>The secretariat will refer to internal and external documentation to develop definitions of indirect and overhead costs. The definitions will be included in section 1.1 of the new contribution agreement.</p>	<p>March 31, 2006.</p>	<p>TWRI Secretariat Director</p>
<p>4. The TWRI Secretariat should ensure the Contribution Agreement allows for the incorporation of measurable objectives, which would allow the department to set ceiling amounts and milestones for each individual task within individual priority project levels. This would allow monitoring and facilitate progress evaluation and prevent over-spending on individual tasks performed within the four Priority Projects of the Contribution Agreement.</p>	<p>The current contribution agreement template utilized at CIC requires that the full approved proposal be appended to the contribution agreement and includes details of the activities and a work plan with detailed budget, timetable and expected results for each activity within the project. This level of detail allows CIC to ensure that costs for particular activities do not exceed the authorised amounts.</p> <p>The TWRI Secretariat will ensure that this level of detail is included in the future amendment of Priority Projects Contribution Agreement.</p>	<p>March 31, 2006.</p>	<p>TWRI Secretariat Director</p>
<p>5. Include a Financial and Progress Reporting Schedule similar to Schedule D of the Contribution Agreement Template (Developed in 2004) with TWRC to ensure all parties understand the due dates of the various reports.</p>	<p>The current contribution agreement template utilized at CIC has a detailed Section 5 - Payments and Reporting which was developed in conjunction with CIC Finance Branch to meet the expectation of the TB Policy on Transfer Payments.</p> <p>The TWRI Secretariat will ensure that this level of detail is included in the future amendment of Priority Projects Contribution Agreement.</p>	<p>March 31, 2006</p>	<p>TWRI Secretariat Director</p>

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<p>6. Claim Form and Progress Report templates should be included as a Schedule in the Contribution Agreement. TWRC would be required to complete these templates with their financial and progress reports which would provide greater details on how the funding was spent and provide better linkages between the financial information and project progress.</p>	<p>The current contribution agreement template utilized at CIC includes a Schedule D Quarterly and Annual Progress Report guidelines for the proponent which was developed in conjunction with the Finance and Legal Branch at CIC to comply with the TB Policy on Transfer Payments.</p> <p>A review of the CIC TWRI Contribution Agreement will be performed to determine whether the enhanced Schedule D of the new contribution agreement template is sufficient or if cash flow, record of expenses and progress reporting forms be appended to the Contribution Agreement.</p> <p>The TWRI Secretariat will ensure that the required level of detail is documented and included in the future amendment of Priority Projects Contribution Agreement.</p>	<p>March 31, 2006.</p>	<p>TWRI Secretariat Director</p>
<p>7. The Contribution Agreement should also require that copies of TWRC General Ledger at the account summary level should be attached to the financial and progress reports.</p>	<p>The current contribution agreement template utilized at CIC has a detailed Section 5 – Payments and Reporting which was developed in conjunction with CIC Finance Branch. Specifically, this section requests that the proponent provide interim financial statements that includes a statement of financial position and a statement of operations that includes all revenues and costs incurred by the proponent for the Project. This level of detail is the same as attaching the general ledger to the claim form.</p> <p>The TWRI Secretariat will ensure that this level of detail is included in the future amendment of Priority Projects Contribution Agreement.</p>	<p>March 31, 2006</p>	<p>TWRI Secretariat Director</p>

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8. Any adjustments made to previous Requests for Interim Payments should be documented and explained in a report submitted to the Secretariat for review.	Additional discussions will take place with TWRC by March 31, 2006 on previous adjustments. The TWRI Secretariat will review the necessary documentation on previous interim payments and adjustments. In addition, the TWRI Secretariat has communicated to the TWRC that when an old fiscal year has been finalized and closed off it remains closed and can not be re-opened for adjustments.	March 31, 2006	TWRI Secretariat Director
9. It is recommended that the department examines and investigates those contracts valued at over \$75,000 that were awarded based on a non-competitive contracting method.	Additional discussions will take place with TWRC with the intent to have a written rationale on file for the non-competitive contracts. Any follow-up investigations will be completed and be documented in the project file.	March 31, 2006	TWRI Secretariat Director
10. Although it is understood that special circumstances may arise where the organization will be required to enter into agreements for over \$75,000 with third parties, awarding these contracts on a non-competitive basis does not comply with Clause 5.1 of the Contribution Agreement. Therefore, it is recommended that the department amend Clause 5.1 of the Contribution Agreement to require TWRC obtain departmental authorization for any future non-competitive procurements (except in circumstances as defined by the Treasury Board Secretariat Contracting Rules).	The contracting procedures clause is now Section 12 in the new contribution agreement template. The TWRI Secretariat will ensure that this clause is included in the Priority Projects Contribution Agreement and matches and is adhered to by TWRC.	March 31, 2006	TWRI Secretariat Director

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11. It is recommended that the secretariat examines and investigates the reasonability of trips made overseas.	Additional discussions will take place with TWRC with the intent to have a written rationale on file for all overseas travel. Any follow-up investigations will be completed and be documented in the project file.	March 31, 2006	TWRI Secretariat Director
12. TWRI Secretariat should amend the Contribution Agreement to define allowable travel. The new policy and guidelines should be compliant with the existing Treasury Board Travel Policy and departmental guidelines.	Documentation on Treasury Board travel policy was provided to the TWRC. The TWRC is in the process of formulating a travel policy. Future Contribution Agreements for the Priority Projects will contain a clause on allowable travel.	March 31, 2006	TWRI Secretariat Director