



TORONTO STAFF REPORT

April 9, 2002

To: Toronto Public Library Board

From: City Auditor

Subject: Toronto Public Library – Review of Year-end Spending, Fleet Maintenance, Use of Consultants and Budgets for Maintenance and Repairs

Purpose:

To report on the results of the review of Toronto Public Library's year-end spending, fleet maintenance, use of consultants and budgets for maintenance and repairs, as requested by the Budget Advisory Committee.

Financial Implications and Impact Statement:

There are no financial implications arising from the adoption of this report.

Recommendations:

It is recommended that:

- (1) the Toronto Public Library Board adopt the City Auditor's recommendations included in Appendix I of this report;
- (2) the City Librarian report back to the Audit Committee by September 30, 2002, on the action taken and estimated timelines to implement the City Auditor's recommendations included in Appendix I of this report;
- (3) this report be forwarded to the Audit Committee for information.

Background:

The Budget Advisory Committee, during its review of the Toronto Public Library Operating and Capital Budgets, requested the City Auditor to report to the Budget Advisory Committee on the following:

- (a) end of year spending;
- (b) fleet maintenance and usage;
- (c) management structure;
- (d) use of consultants throughout the Library Programs; and
- (e) use in Capital and Operating budgets for maintenance and repair programs.

Subsequent to this request, the Audit Committee approved the recommendations of the City Auditor's report entitled "Disposition of Additional Audit Projects and Impact on 2001 Work Plan." This report included the recommendation that items (a), (b), (d), and (e) be added to the Audit Work Plan and further, that the review of the Public Library's management structure be referred to the Chief Administrative Officer.

Comments:

The Toronto Public Library operates 101 facilities across the City and maintains a fleet of 45 vehicles. The Library's 2001 gross operating budget was \$122.7 million consisting of staffing costs of \$89.7 million (73 percent), Library materials of \$13.5 million (11 percent) and other expenditures of \$19.6 million (16 percent). Its 2001 gross capital budget was \$12 million comprising of \$6.9 million for previously approved projects and \$5.1 million for new projects.

The objectives of our review were to assess whether:

- (1) year-end expenditures are reasonable;
- (2) adequate procedures exist to ensure that fleet is properly maintained and used with due regard to economy, efficiency and effectiveness;
- (3) the procurement and use of consultants are in accordance with appropriate policies and procedures;
- (4) maintenance and repair costs are charged in the appropriate operating or capital budgets; and
- (5) payments relating to fleet, consultants and maintenance and repairs are made in accordance with appropriate policies and procedures and recorded in the proper accounts.

The review included interviews with staff of the Toronto Public Library and City Finance and Corporate Services Departments; and review of relevant policies, procedures, processes and records covering the year ended December 31, 2001. A summary of our significant findings and recommendations are outlined in Appendix I of this report.

In late 2001, the Library enhanced its policies and procedures to provide more consistency with City policies, particularly with respect to engaging consultants. In this report, we have included deficiencies evident in the early part of 2001 and, where appropriate, indicated areas where our work found subsequent enhancements to controls and procedures. The following is a commentary on each of the areas reviewed.

End of Year Spending

An analysis of the Library's average monthly spending pattern indicated a general upward trend in expenditures during the last quarter of the year. Library staff explained that the increase is consistent with the operational requirements of the Library. Generally, the level of activity for library services tends to be higher in the first and last quarter of the year when schools, colleges and universities are in full session. In addition, subscription renewals for Library materials are generally made during spring and fall.

A review of the 2000 year-end liabilities indicated that they included committed capital project costs that would normally not be considered as liabilities for accounting purposes since the goods or services had not yet been received and the Library had no legal obligation to pay. Library staff explained that the capital costs were recorded to reflect the total costs committed to the projects. The recording of such costs is inappropriate and has now been discontinued. A further review of the 2001 year-end liabilities indicated that proper accounting practices have now been followed. In addition, no unusual year-end spending was noted.

Fleet Maintenance and Usage

The Toronto Public Library maintains a fleet of 45 vehicles consisting of vans, cube vans, bookmobiles and light trucks used for transporting books and maintenance staff and equipment. The 2001 vehicle repairs and maintenance costs total over \$200,000, of which approximately 70 percent is paid to the City for services received from City facilities, 15 percent to external garages and 15 percent for rental costs, vehicle washes and other general costs.

In 2001, the Toronto Public Library began using the services of the City's Fleet Management Services for preventive vehicle maintenance services and repairs. Library staff has expressed concerns regarding Fleet Management Services sending vehicles to external garages, resulting in longer vehicle downtime and more costs for rental vehicles. Where Fleet Management Services cannot accommodate the needs of the Library, the Library takes the vehicles to external garages that may also be used by the City. However, there are no City-negotiated rates established for the service of Library vehicles at these external garages. As a result, the possibility exists that costs may not be optimized.

It would be appropriate that the Library request Fleet Management Services to negotiate City-rates at external garages for services on Library vehicles that cannot be accommodated by Fleet Management Services. In such cases, Fleet Management Services could authorize the Library to take its vehicles directly to approved external garages.

Use of Consultants

The Toronto Public Library hires external consultants to provide technical, architectural, legal and information technology services. The Library's past practice for the selection of architects involved the selection from a pre-qualified list of vendors at pre-approved rates. Library staff indicated that the selection of an architect from the pre-qualified list for a specific project is based on criteria such as previous experience with the particular project or projects similar in

nature. Although our review showed that architects used in 2001 were included in the approved pre-qualified list, there was no written documentation as to how the final decision for selecting the particular architect was made.

In our review of the contracts with architects, no maximum dollar limits are stipulated in the contracts. It was also noted that architect's fees totalling over \$250,000 for one project were not approved by the Board. According to Library staff, as mentioned above, architects are paid based on pre-approved rates, which are a fixed percentage of the construction costs. Since the construction costs are not known until the construction tender is awarded, the exact dollar amount for architect fees is not known at the time the architect is selected for a project. Therefore, no dollar maximum is provided for architect fees in the contract. The past policy used for the selection of architects also did not include Board approvals for the selected architects.

Commencing October 2001, the Toronto Public Library has provided training to staff on its purchasing policy and procedures, including the new process for the selection and hiring of consultants in line with the City's policy. Library staff indicated that the process of selecting architects from a pre-qualified list has now been discontinued. A review of a recent project undertaken in the latter part of 2001 indicated that staff has started implementing the new policy on the selection and hiring of consultants. We understand that a standard contract for architects is currently being developed by City Legal for the Toronto Public Library.

In our review of consulting expenditures, we noted some inconsistency in the recording of consulting costs. For example, architectural fees for one project were recorded in three different accounts. According to Library staff, when six new consulting account categories were implemented in the middle of 2001, as per City guidelines, a number of adjustments were made to re-allocate the costs. However, there was some confusion in the classification of costs to the various categories. Further adjustments were made during the year-end process to correct the re-allocations. We have subsequently reviewed the 2001 year-end report on consulting expenditures and it appears to conform to the new City guidelines.

Operating and Capital Budgets for Maintenance and Repairs

The Toronto Public Library maintains 101 locations and the 2001 capital budget included \$2.3 million for multi-branch programs for roofing (\$525,000), flooring (\$210,000), painting (\$525,000), shelving (\$500,000) and building systems (\$525,000). Generally, capital budget items represent major replacement or repair costs that could extend the life of the asset. It was noted that some minor repair costs such as roof patches, which could be considered as routine maintenance and repair work and would normally be funded from the operating budget, were charged to the multi-branch capital programs. According to Library staff, these small charges related to the temporary fixes prior to the major repairs. Although the amounts noted were not significant, the charging of routine maintenance and repair work to the capital budget could result in a deferral of expenses over a number of years. In addition, while the City provides instructions for the preparation of the capital budget, there are no written guidelines on the dollar limits or nature of expenditure for an individual project to be included in the multi-branch capital programs.

Conclusions:

At the request of the City's Budget Advisory Committee we reviewed selected aspects of the Toronto Public Library's operations and noted various areas of these operations which could be improved. Since the time this report was requested, staff of the Library has implemented changes to improve controls and procedures at the Library. For example, in the latter part of 2001, the Toronto Public Library provided training to staff with respect to its revised purchasing policy and procedures. Staff has now started to implement the new procedures, especially relating to the selection and hiring of consultants. Opportunities for further improvements exist in certain areas and are summarized in Appendix I of this report.

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List of Attachments:

APPENDIX I: Toronto Public Library - Summary of Observations, Recommendations and Management Comments

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