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June 12, 2017

Mr. Eric Sawyer, Chief Financial Officer
The City of Calgary
800 MacLeod Trail SE
Calgary, AB T2P 2M5

Dear Mr. Sawyer:

We have recently completed our audit of the consolidated financial statements of The City of Calgary ("The City") for the year ended December 31, 2016. During the course of our December 31, 2016 audit, we identified certain matters that may be of interest to Administration which have been summarized in this letter. These matters were not material in nature in the context of the financial statements taken as a whole and did not impact our ability to issue our audit report. The December 31, 2016 observations are included in Appendix A attached to this letter.

We have also included an update to matters identified during the fiscal 2015 and 2014 year-end audits, included as Appendix B and C, respectively. As was communicated in our update to the prior year management letter presented at the January 10, 2017 Audit Committee meeting, we note that Administration is in the process of implementing recommendations from the prior years' management letters relating to Tangible Capital Assets ("TCA") accounting balances and related processes. We support Administration's continued efforts to implement the recommendations that were issued in the prior years' management letters, as well as their broader initiatives established in the TCA Project Charter.

The following summarizes the management letter points included in Appendices A-C:

Year Identified	Title	Observation/Description	Status
2016	Contract review by business units	Business units may not have full awareness of contracts entered into by The City and resulting impact on the financial statements	New
2016	TCA – Reconciliation between LINDA and PSAM	Reconciliations between LINDA and PSAM are not performed on a regular basis	New
2016	Delay in depositing cheques	Cheques were not deposited on a timely basis	New
2015	Adoption and implementation of PS3260	The adoption of this new standard was incomplete	In progress

Year Identified	Title	Observation/Description	Status
2015	Adoption and implementation future accounting standards	Recommendation to plan the implementation of future accounting standards well in advance of adoption date which includes a detailed workplan	Addressed
2015 and 2016	Communication between business units and Corporate Financial Reporting	We observed situations where communication within the business units themselves and between the business units and the Corporate Financial Reporting team was unclear or lacking and in many cases was untimely	2016 – New 2015 – Addressed
2015	Major contract review by Corporate Financial Reporting	Corporate Financial Reporting should thoroughly review and fully understand the impact of any P3 agreements that were entered into by The City	Addressed
2015	Consolidation	Use of a spreadsheet for the consolidation	Addressed
2015	Implementation of new TCA policies	We recommend that Administration implement processes to regularly monitor the new TCA policies and processes application	In progress
2013-2015	Tangible Capital Assets	<ol style="list-style-type: none"> 1. Untimely review of WIP and accruals 2. Delay in hand-off of TCA assets between business units 3. TCA costing linked to asset management systems 4. Use of manual processes to account and record TCA transactions 5. Training of business unit personnel on TCA accounting and reporting matters 	#1-4 In progress #5 Addressed

The objective of a financial statement audit conducted in accordance with Canadian generally accepted auditing standards (“GAAS”) is to express an opinion on the fairness of the presentation, in all material respects, of The City’s financial statements for the year ended December 31, 2016 in accordance with Canadian public sector accounting standards (“PSAS”) and is not designed to identify all matters that may be of interest to Administration. Accordingly, an audit would not usually identify all such matters. This letter has been prepared to summarize our observations and recommendations regarding business issues, potential efficiencies and internal controls.

We designed our financial statement audit to provide reasonable, but not absolute, assurance of detecting material misstatements whether caused by error or fraud. As part of our examination, we reviewed and evaluated certain aspects of the systems of internal control over financial reporting to the extent we considered necessary in accordance with Canadian GAAS. The main purpose of our review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance that we could place on selected controls; it was not to determine whether internal controls were adequate for Administration’s purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The identification of weaknesses in internal control in an audit is influenced by matters such as our assessment of materiality, our preliminary assessment of the risks of material misstatement, the audit approach used and the nature, timing and extent of the auditing procedures conducted. For example, where we use a substantive approach for a particular financial statement assertion, we do not generally perform tests of controls, and where we do perform tests of controls we may vary the nature, timing and extent of our control testing from year to year. Accordingly, our understanding of The City’s controls is limited in nature.

Had we been requested to extend our testing of controls to additional financial statement assertions or to perform additional substantive testing beyond what we have judged to be necessary to obtain sufficient and appropriate evidence to support the content of our auditor's report, other matters of interest to Administration may have come to our attention. Accordingly, our audit should not be relied upon to identify all significant deficiencies. A significant deficiency is defined in the Canadian Auditing Standards Section 265 as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

This communication is prepared solely for the information and use of, as applicable, Administration, the Audit Committee, members of Council and others within The City. Further, this communication is not intended to be and should not be used by anyone other than these specified parties or summarized, quoted from or otherwise referenced in another "document" or "public oral statement". We accept no responsibility to a third party who uses this communication.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of our work. We would be pleased to discuss and/or clarify the matters included herein with you further should you wish to do so.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

cc: The Audit Committee of The City of Calgary

Appendix A - December 31, 2016 year-end observations

1. Contract review by business units

Year Identified - 2016

Observation:

The City enters into various contracts each year that have both operational and accounting and financial reporting implications. These contracts can be unique and can also include a number of complex underlying accounting treatments which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements are taken into consideration.

We noted that business units may not have a full awareness of existing contracts that are in place, that the business units may not fully understand the financial reporting implications of the existing contracts and that the business units may not be communicating existing contracts to Corporate Financial Reporting in a timely manner.

Recommendation:

We recommend that Finance review existing contracts to ensure any accounting and reporting implications of these contracts is assessed on a timely basis. If Finance is uncertain of the accounting and reporting implications or if the contract is unique or complex, it is recommended that Finance Leads or Financial Service Leads reach out to the Corporate Financial Reporting group. Further, if any new accounting and reporting implications are identified on existing contracts, Finance Leads or Financial Service Leads should communicate these matters to the Corporate Financial Reporting group.

Administration response:

Administration agrees with the recommendations. To strengthen The City's contract review and management process, the following actions will be considered by Finance:

- Develop and implement a work plan in 2017 to identify active agreements and establish a review timeframe;
- Meet on a quarterly basis to determine accounting treatments associated with complex transactions and agreements; and
- Investigate potential anomalies and present findings of confirmed accounting differences that have a significant financial impact on The City's financial results to the Audit Committee.

2. *Tangible capital asset ("TCA")*

Year Identified - 2016

Observation:

During our 2016 year-end audit procedures, we noted that reconciliations between the LINDA system and PSAM system for land are performed only when there is a change in the status of the land (i.e. sale or division of land). However, through Administration's continuous refinement and improvement of The City's capital asset accounting and management systems, there were instances of duplication of land identified in 2016. These duplications resulted in prior period errors of \$8.6M which were included in the restatement of the December 31, 2015 balances. These duplications would have been identified on a timelier basis if frequent reconciliations between the LINDA system and PSAM were performed.

Recommendation:

We recommend that reconciliations of land be performed between the LINDA and PSAM systems on a regular basis.

Administration response:

Administration agrees with this recommendation. The City assigned a dedicated resource to start the reconciliation of land between the LINDA and PSAM systems beginning in Q3 2017 using a risk-based approach. The TCA Program will complete its review of the most complex land parcels by 2018 and the remainder of low-risk reconciliations will be completed by 2019. Significant accounting differences, once identified and confirmed through the TCA Program's investigation, will be communicated to the Audit Committee.

3. *Delay in depositing cheques*

Year Identified - 2016

Observation:

During our 2016 year-end audit procedures, we noted four cheques relating to the payment of permit applications for a total amount of \$3.7M which were received in October and December 2016 but not deposited into the bank until January 2017 were incorrectly shown on the year end bank reconciliation as an outstanding deposit. This error was corrected by Administration in the finalization of the year end financial statements. We understand that the delay in depositing these cheques was on oversight on the part of the project managers in the business unit. There is a risk that if cheques are not deposited on a timely basis that the cheques may be lost or upon deposit, the cheques may bounce or be stale dated. This may also increase the possibility of errors in the financial statements.

Recommendation:

All cheques received should be deposited in the bank within 1-2 business days. If cheques are held for longer than this timeframe, the Finance Lead and Finance Service Lead of the respective business unit should be notified.

Administration response:

Administration considers this to be an isolated situation. The City will continue to monitor and enforce the existing internal policy for cash that require cheques that are received to be deposited into the bank within 1-2 business days of receipt.

Appendix B - December 31, 2015 year-end observations – Update for 2016 year-end

1. Adoption and implementation of PS 3260 accounting standards

Year Identified - 2015

Observation:

The Public Sector Accounting Board issued *PS 3260 – Liability for Contaminated Sites* (“PS 3260”) in June 2010 and implementation by The City of this new accounting standard was required for the year ended December 31, 2015. This new standard establishes requirements on how to account for and report a liability associated with the remediation of contaminated sites owned by The City. The standard also defines which activities should be included in a liability for remediation, establishes the timing of this recognition, details the method of measurement and provides the requirements for financial statement presentation and disclosure.

We note that the adoption of PS 3260 was incomplete as at December 31, 2015, as a result of a formal policy not being established in relation to this standard as well as an incomplete review of all sites owned by The City.

We further note there was a lack of in-depth analysis of the accounting standard by the Corporate Financial Reporting team and information and analysis received from the Environmental & Safety Management (“ESM”) business unit and the Law department in regards to the adoption of this standard was not prepared on a timely basis.

There are several areas of judgment and interpretation within PS 3260 that require a formal policy to be established to appropriately address The City’s application and accounting treatment of these items. For example, The City is required to define its interpretation of productive versus non-productive use of a site and when The City is deemed to be responsible for contaminated sites. While Administration drafted a policy which was provided to Deloitte for review, the policy was not finalized and approved by Administration in fiscal 2015.

In addition, the ESM business unit had not completed a complete assessment of all City owned sites as at December 31, 2015 to determine if these sites were in scope of the requirements under PS 3260. The ESM business unit utilized a risk based approach to identify sites having a higher likelihood of contamination. Based on this risk based approach, 142 sites were identified as having a high risk of contamination. Of these 142 sites, Administration completed an assessment of 6 sites as at December 31, 2015, with the remaining 136 to be assessed in fiscal 2016. Based on discussions with Administration, as of March 2016, 52 of the 142 sites have been assessed under the new standard.

The incomplete adoption of the standard results in the potential for an unrecorded liability and possible misstatement of the financial statements at December 31, 2015, as was discussed in our year-end report presented on April 14, 2016.

Recommendation:

We recommend that a work plan be implemented to complete the implementation of PS 3260 during fiscal 2016. This work plan would outline the responsible parties, deadlines and required documentation.

We recommend that the draft policy be finalized and the policy include all required information, definitions and interpretations of PS 3260 requirements to ensure appropriate and complete application of the standard. Finally, the remaining 136 sites that were not assessed as at December 31, 2015 should be reviewed before the end of fiscal 2016.

Administration response:

Administration agrees with the recommendation to implement a work plan and to finalize and implement a policy for application of PS 3260. As per the recommendation, the previously assembled working group, comprised of Corporate Financial Reporting, Law department, UEP Finance, and ESM, will be reconvened to finalize the policy and procedures. This work will also take into consideration contemporary practices and policies. The procedures will outline the responsible parties, deadlines and required documentation. Corporate Financial Reporting, Law department, UEP Finance and ESM will also complete a comprehensive review of PS 3260 to confirm that all requirements of the standard have been met.

Prior to the end of fiscal 2016 ESM will complete the outstanding Detailed Environmental Site Reviews (DESR) for its higher risk sites (136 outstanding as at December 31, 2015) in accordance with the policy and procedures. Based on the initial DESR recommendations, further environmental assessment work may be required to better quantify and delineate the nature and extent of contamination. For sites that meet the five PS 3260 inclusion criteria, ESM will provide an estimate of the remediation costs to UEP Finance for the purposes of reporting a liability.

Administration update (January 2017):

Administration continues to agree with this recommendation. During 2016 a work plan was established between ESM, Law department, UEP Finance and Corporate Financial Reporting to ensure that the recommendations are met. A formal PS 3260 Liability for Contaminated Sites (GN-042) was approved in July 2016 and the remaining 136 sites have been assessed. Based on this review, no further liability has been identified.

Auditor's response (based on November 2016 interim audit procedures):

Deloitte received the assessments of the remaining 136 sites during interim fieldwork. We will perform internal control and substantive procedures over the liability associated with the potential remediation costs during our year-end field work. We have received the finalized policy and will assess the policy against PS 3260 during the year-end fieldwork. We will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures):

Administration made significant progress in completing the adoption of this standard during fiscal 2016 and performed an initial assessment on all remaining 136 sites outstanding from the prior year. Deloitte reviewed the assessments of the remaining 136 sites during year-end fieldwork. A further analysis is required by ESM and Law department on 5 of these sites.

In addition, we recommend that ESM, Law department, UEP Finance and Corporate Financial Reporting meet on a monthly or quarterly basis to ensure that any new sites identified are assessed on a timely basis.

Administration update (June 2017):

Administration continues to agree with this recommendation. Administration established a Strategic Group, a PS 3260 Working Group, and a communication protocol to improve the implementation of The City's PS 3260 Administration Policy and Procedure.

The City will also monitor the business units' compliance with PS 3260 through:

- Development of an audit plan to identify sites to be reviewed in a given year; and
- Periodic discussions between ESM, UEP Finance, and Corporate Financial Reporting to share status of site reviews, as well as any associated impacts to the financial statements.

ESM and the Law department are in the process of performing further analysis of the five sites requiring further work to ensure the City continues to be compliant with PS3260 for fiscal 2017.

2. Adoption and implementation of new accounting standards

Year Identified – 2015

Observation:

We note that there are several new accounting standards required to be implemented by The City in upcoming fiscal years, some of which are highly complex and will be quite time consuming to adopt and which may impact a number of business units (e.g. PS 3450 - *Financial Instruments* ("PS 3450")). PS 3450 is required to be adopted for the year ending December 31, 2020. During the performance of our 2015 audit procedures, we noted adoption and implementation issues with PS 3260. There is a risk that similar issues could occur for the upcoming new accounting standards.

Recommendation:

We would strongly encourage Administration to commence the process of implementation of the new standards well in advance of the formal adoption date. We would recommend that a work plan be implemented for all new accounting standards which includes the roles/responsibilities of those business units and corporate financial reporting personnel, deliverables and key internal reporting deadlines to ensure the adoption of these standards is fully completed to meet the fiscal year-end implementation requirements. It would be highly beneficial to involve the Corporate Financial Reporting team with the applicable business units to ensure implementation of the new standard is complete and in accordance with the applicable standards.

Administration response:

Administration agrees with this recommendation. Corporate Financial Reporting, in collaboration with the external auditor, will continue to develop an on-going comprehensive work plan for new accounting standards required to be implemented in 2017-2020, by the end of fiscal 2016. This work plan will include an assessment of roles/responsibilities of business units and the Corporate Financial Reporting team, timelines of when each new standard will be assessed, as well as expected deliverables. Business unit engagement strategies such as training sessions will continue to be delivered in 2016 and beyond for accounting standards being implemented in the fiscal year.

Administration update (January 2017):

Administration continues to agree with this recommendation. Corporate Financial Reporting has developed a high-level timeline of when each new standard will be assessed and implemented throughout 2017 to 2020. Further details will be incorporated into the work plan on an on-going basis.

Auditor's response (based on November 2016 interim audit procedures):

We will review the Administration prepared high-level timeline and associated work plan(s) during our year-end field work and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures):

Deloitte has reviewed the high-level timeline prepared by Administration. Based on the implementation year for each standard, we expect Administration maintain communication with Deloitte on its detailed work plan and timeline for Deloitte review to ensure all timelines relating to the adoption of each standards are appropriately met. We will communicate with Corporate Financial Reporting on a timely basis to discuss the new standards and the adoption process. This recommendation has been satisfactorily addressed.

3. Communication between business units and Corporate Financial Reporting

Year Identified – 2016

Observation:

Certain business units did not provide Corporate Financial Reporting with sufficient information in order to assist the business units in making appropriate accounting entries. When Corporate Financial Reporting is assisting a business unit with a unique or complex transaction, the business unit should provide Corporate Financial Reporting with all information that is available regarding the transaction. For example, business units incorrectly utilized funding sources in previous years. As part of the December 31, 2015 restatement, this utilization of funding sources was corrected. However, as part of the audit, we noted many revisions to the amount to be corrected as business units had not provided Corporate Financial Reporting with all of the information required to make the correction.

Recommendation:

We recommend that when Corporate Financial Reporting is assisting a business unit with a unique or complex transaction, the business unit should provide Corporate Financial Reporting with all information that is available regarding the transaction.

Administration response:

Corporate Financial Reporting and the business units will continue to collaborate on an ongoing basis to ensure that relevant information is shared and assessed:

- Corporate Financial Reporting will continue to provide training in 2017 to Finance personnel; and
- Corporate Financial Reporting and Finance personnel will meet on a quarterly basis to discuss accounting treatments associated with complex transactions.

Year Identified – 2015

Observation:

The City's accounting and financial reporting processes require significant effort, coordination and communication between the business units and the Corporate Financial Reporting team. We observed many situations where communication within the business units themselves and between the business units and the Corporate Financial Reporting team was unclear or lacking and in many cases was untimely. We also note that there is inconsistency in the application of accounting standards at the business unit level. Finally, certain material agreements entered into by business units were not communicated to the Corporate Financial Reporting team on a timely basis. As such, there is a risk that policies and procedures are not implemented as intended or that material agreements are not accounted for appropriately or on a timely basis within the year-end financial statements.

This was evidenced by the following matters identified during our 2015 audit procedures:

- a. In the prior year we had communicated an observation relating to the timely removal of terminated employees from PeopleSoft. "Take 5" notices were sent to all business units in 2015, indicating the expectation of communication between the business units and Human Resources and/or Payroll Services of employee terminations as soon as the business unit was aware of an employee termination and in any event no later than the last day worked. However, based on our audit procedures performed in 2015, 6 out of 25 terminations selected for testing indicated that this communication was not completed by the applicable business unit within the timeframe outlined. Accordingly, the control to ensure timely removal of terminated employees has not been implemented nor is it operating effectively, as business units are not communicating employee terminations in a timely manner to Human Resources;
- b. Certain business units are unaware of the accounting and financial reporting implications relating to related authority and inter-entity transactions. For example, the Roads business unit did not appropriately account for transactions with Calgary Municipal Land Corporation ("CMLC"), as Roads was not aware that CMLC is a subsidiary of The City, which required the 2014 consolidated financial statements to be adjusted. The necessity of this knowledge at the business unit level is paramount to accurate financial reporting;
- c. Legal assessments and reviews by the Law department were not completed in a timely manner. For example, through the implementation of PS 3260, one of the factors that may have resulted in delays in the implementation of this new standard was the untimely review of the legal assessment relating to this standard by the Law department, which subsequently may have caused delays in the ESM business unit completing its part of the analysis, ultimately resulting in an impact on the Corporate Financial Reporting team and the overall implementation of this standard;
- d. The Recreation business unit implemented its own policy relating to betterments (TCA costs that are capitalized vs expensed) which is inconsistent with The City's TCA policy; and
- e. The Corporate Financial Reporting team was not engaged to review the public-private partnership ("P3") Agreement entered into by The City before it was finalized (refer to observation #4) on a timely basis by the applicable business unit.

Recommendation:

We recommend that:

- a. All business unit supervisors follow The City's policy to inform Human Resources of terminated employees on a timely basis (e.g. prior to last day of work);
- b. Corporate Financial Reporting team hold information sessions with the Finance Leads and Finance Service Leads of all business units to provide clarification and further information regarding accounting matters;
- c. Accountability and adherence to deadlines and timelines be enforced. Administration should consider if it is possible for the Corporate Financial Reporting team to be granted authority to enforce deadlines related to the preparation of annual financial statements as well as other key financial reporting deadlines (i.e. – May periodicals), as well as any other matters (such as new accounting standards) that have a financial and reporting impact; and
- d. Administration formalize a process to ensure appropriate and timely communication between all parties. This could include a monthly meeting between all business unit finance leads, Corporate Financial Reporting team and other relevant stakeholders to discuss significant events, unusual transactions, new contracts entered into, operational overview and other new business that may have an overall financial reporting impact to The City as a whole.

Administration response:

Administration agrees with the recommendations. To strengthen overall communications throughout The City, the following actions will be considered:

- a. Administration notes that there are appropriate controls in place that address observation a, while timely communication of terminated employees was identified as an area for improvement, The City does have mitigating controls in place to ensure that terminated employees do not continue to receive salaries and wages. Employee status changes are monitored through the use of:
 - Biweekly reviews of employee action reports to eliminate terminated employees' scheduled time from the payroll system
 - Completion of randomized monthly audits by Human Resource specialists to confirm review of employee actions

Further, Administration reports that we are not aware of any overpayments made to terminated employees during fiscal 2015. Administration agrees that business unit supervisors should follow The City's policy to inform Human Resources of terminated employees on a timely basis. Administration will continue to monitor existing processes for changes in employee status and communicate any changes or clarification as needed to business units in the event that further action is required;

- b. Corporate Financial Reporting will continue to provide training in 2016 to Finance personnel that specifically addresses accounting treatment for intercompany transactions and related entities, as well as any changes to accounting and financial reporting standards. Consistent with current processes, Finance Leads and Finance Service Leads will be identified as key personnel that are required to attend the training sessions and presented materials will also be made available on The City's intranet for ease of access;
- c. Corporate Financial Reporting, UEP Finance, ESM and the Law department agree that it is important to have PS 3260 legal assessments and reviews completed in a timely manner. As part of the work plan identified in response #2, this working group will establish clear deadlines for the review and legal assessment by the Law department of PS 3260 sites to ensure completion of implementation of this standard;

- d. Administration recognizes the importance of accountability and adherence to deadlines and timelines for financial reporting purposes and the implementation of new accounting standards; the Chief Financial Officer will work with Administration to further enforce this recommendation;
- e. The Corporate TCA project is continuing to develop process improvements to increase the consistency of how TCA is reported and accounted for. The TCA project and program will communicate process changes, as well as the importance of complying with The City's TCA reporting policy through the use of internal communications and training sessions in fiscal 2016;
- f. Administration recognizes the importance of reviewing P3 agreements, as well as other significant contracts, to support annual financial reporting requirements. As will be discussed in Administration's response to observation #4, the Corporate Financial Reporting and Corporate & Innovative Financing group will involve relevant business units and corporate functions to develop a communications strategy in 2016 to ensure existing and future P3 agreements are reviewed and assessed on a timely basis; and
- g. Administration agrees that regular communication is important to ensure that the corporation is aware of financial reporting changes and impacts. As a result, the Corporate Financial Reporting team is considering new ways to improve the overall communication between business units and corporate functions:
 - The Corporate Financial Reporting team will continue to meet with business units and corporate functions in May, September and December 2016 to discuss operational and financial changes as required
 - A pilot TCA network is being developed by the Corporate TCA project to allow The City to exchange TCA best practices in 2016
 - Corporate Financial Reporting will continue to provide training and updates on a regular basis to business units throughout the year to ensure that accounting policies and standards are being consistently applied by all business units

Administration update (January 2017):

- a. Administration continues to agree that Department ID owners should advise HR of employee terminations as soon as they are aware an employee is leaving, and no later than the last day of work. While the risk of overpaying terminated employees exists, there are sufficient controls in place to mitigate the risk of overpayment to a very low level. As a result, Administration is willing to accept the associated risks;
- b. Corporate Financial Reporting held training sessions in May, September and December 2016 for each of the departments. Key personnel from each department attended these sessions and presentations specifically addressing the accounting treatments for intercompany transactions and related entities. This information has been made readily available to all staff;
- c. Please refer to response under recommendation 1;
- d. Administration continues to agree with this recommendation. The Chief Financial Officer will work with Administration to further enforce this recommendation;
- e. The Corporate TCA project continues to develop process improvements to increase the consistency of how TCA is reported and accounted for across the corporation. The TCA project has completed the review of the Buildings and Engineered Structures hierarchies during 2016 and have communicated these process changes and the importance of complying with The City's TCA reporting policy through various communications including monthly newsletters and training sessions in 2016;

- f. Corporate Financial Reporting engaged business units and the Corporate & Innovative Financing group throughout 2016 to review accounting treatments associated with both new and existing P3 agreements, as well as to request for additional information on significant contracts, if any were executed in 2016; and
- g. Refer to response 3b for Communication and Training with business units. A team of subject matter experts were established for specific TCA topics in 2016 where exchange of TCA best practices were shared.

Auditor's response (based on November 2016 interim audit procedures):

- a. We have started our internal control and substantive procedures during the interim field work. We made 15 selections of terminated employees and verified they were removed from the PeopleSoft system in a timely manner and that compensation was not remitted to these individuals subsequent to their termination date. We will select an additional 10 terminated employees during the year-end field work and will report any significant deficiencies or errors to Administration and the Audit Committee upon completion;
- b. During our year-end audit procedures we will obtain the training session materials and attendance records for the May, September and December 2016 sessions. Furthermore, related authority and inter-entity transactions are included within the year-end fieldwork audit scope. We will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit;
- c. Please refer to response under recommendation 1;
- d. We will hold discussions with Administration during our year-end field work and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2016 year-end audit;
- e. Please refer to response under recommendation 7;
- f. We have received Administration's review and analysis of the P3 agreements for the organics composting facility and transit facility. We have provided Administration with comments on the P3 agreements and the analysis of the accounting treatment prepared by Administration. We expect to complete this review during the year-end field work. We will also review the significant contract implementation process as part of our year-end field work. We will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit; and
- g. During our year-end audit procedures we will obtain the listing of subject matter experts and review the materials from the TCA best practices session(s). We will also perform internal control and substantive procedures over the TCA balance during our year-end field work and will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures):

- a. We made 25 selections of terminated employees in 2016 and verified they were removed from the PeopleSoft system in a timely manner and that compensation was not remitted to these individuals subsequent to their termination date;
- b. We obtained the training session materials and attendance records for the May, September and December 2016 sessions. We noted that the training sessions in December 2016 included information on the accounting treatment for intercompany transactions and related entity transactions;
- c. Please refer to the update under Appendix B recommendation 1;

- d. We held discussions with Administration during our year-end field work and noted throughout the audit an increase in the business units' accountability and adherence to deadlines and timelines for financial reporting purposes. Business units met the deadlines set by Corporate Financial Reporting including the external auditor 48 hour response time. In regards to the implementation of new accounting standards, please refer to the update under Appendix B recommendation 2;
- e. Please refer to the update under Appendix B recommendation 7;
- f. Please refer to the update under Appendix B recommendation 4;
- g. We obtained the listing of subject matter experts and reviewed the materials from the TCA best practices sessions held in May, September and December. We also performed internal control and substantive procedures over the TCA balance during our year-end field work.

Based on our procedures performed, recommendations a-g identified in the prior year have been satisfactorily addressed.

4. Major contract review by Corporate Financial Reporting

Year Identified - 2015

Observation:

The City has started to enter into significant contracts that have both operational and accounting and financial reporting implications. During 2015, The City entered into its first P3 relating to The City Composting Facility Project. While the contract itself was effective June 2015, a complete accounting and financial reporting analysis had not been completed by the Corporate Financial Reporting team and related business unit prior to finalizing the contract itself or during the finalization of the 2015 year-end financial statements. Since the contract commenced in June 2015 and the facility was in early stages of construction, the impact on the 2015 year-end financial statements was limited and not material. However, as construction progresses, the agreement terms and milestones established in the agreement related to The City's obligations become increasingly complex, and accordingly the impact on the 2016 and 2017 year-end financial statements may be material.

We further note that P3 agreements are a fairly recent type of arrangement for The City. These agreements are unique (no two P3 agreements are the same) and may include many different types of arrangements (e.g. design, build, maintain and finance) and can also include a number of complex underlying accounting treatments which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements are taken into consideration. As there is currently no specific accounting standard under PSAS which provides accounting and financial reporting guidance, an entity is required to complete its own analysis specific to the agreement entered into in conjunction with existing accounting standards.

Recommendation:

We recommend a complete and thorough analysis be completed of the P3 agreement entered into by The City during fiscal 2015 to determine the full impact on future fiscal year ends impacted by the agreement. A complete analysis would include establishing a team of both operational and Corporate Financial Reporting personnel to review the terms of the P3 agreement to fully comprehend the accounting and financial reporting matters as well as establish set deadlines for the completion of the review, preparation of related documentation and analysis of the agreement to determine the accounting and financial reporting implications.

We also understand through discussions with Administration that there may be similar P3 agreements being entered into in the upcoming years. We recommend that a member of the Corporate Financial Reporting team be involved in all major contracts to ensure that there is a complete understanding of the accounting and financial reporting implications. An in-depth review and analysis of the accounting and reporting implications should be completed prior to the finalization of these contracts.

Finally, we recommend that Administration consider implementation of a policy or process whereby all significant contracts/agreement having a financial reporting impact are stored on a shared folder or database to be easily accessed by either the Corporate Financial Reporting team or relevant business units, as applicable.

Administration response:

Administration agrees with this recommendation. Corporate Financial Reporting will meet with the Corporate & Innovative Financing group on a quarterly basis to obtain updates about P3 arrangements and develop a comprehensive work plan in 2016 to:

- a. Strategize the assessment of each P3 agreement; and
- b. Identify corporate functions and business units that will need to be consulted as part of Administration's analysis.

Corporate Financial Reporting will review the 2015 P3 agreement for the organics composting facility by August 2016 to determine the appropriate accounting and financial reporting treatments. P3 agreements will be reviewed on a timely basis in 2016 and subsequent fiscal years, if needed. Administration will also encourage cross sharing of information between business units and the Corporate Financial Reporting team to ensure that relevant agreements are reviewed and Administration will further evaluate the current process for accessibility of all significant contracts/agreements that have a financial reporting impact.

Administration update (January 2017):

Administration continues to agree with this recommendation. Corporate Financial Reporting has met with the Corporate & Innovative Financing group in 2016 on a quarterly basis and obtained new and existing P3 arrangement updates. Corporate Financial Reporting completed the review of the P3 agreement for the organics composting facility in August 2016, as well as the P3 agreement for the transit facility in November 2016. Business units will continue to be advised to contact Corporate Financial Reporting in the event a significant contract, such as a P3 agreement, is proposed or executed.

Auditor's response (based on November 2016 interim audit procedures):

We have received Administration's review and analysis of the P3 agreements for the organics composting facility and transit facility. We have provided Administration with comments on the P3 agreements and the analysis of the accounting treatment prepared by Administration. We expect to complete this review during the year-end field work. We will also review the significant contract implementation process as part of our year-end field work. We will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures):

We completed our review and analysis of the P3 agreements for the organics composting facility and transit facility. We have reviewed and concur with the accounting treatment analysis for each of the agreements prepared by Administration. Based on our procedures performed this recommendation has been satisfactorily addressed.

5. Consolidation

Year Identified - 2015

Observation:

The City's consolidated financial statements include the consolidation and elimination entries relating to four funds (operating, capital, tangible capital asset and the reserve fund) and 10 related entities as noted below:

- Attainable Homes Calgary Corporation
- Calgary Convention Centre Authority
- Calgary Municipal Land Corporation
- Calgary Parking Authority
- Calgary Public Library Board
- Calhome Properties Ltd.
- Calgary Economic Development Ltd. (CED)
- Calgary Film Centre Ltd. a subsidiary of CED
- Calgary Arts Development Authority Ltd. (CADA)
- cSPACE Projects a subsidiary of CADA

Currently, Administration uses a spreadsheet to prepare The City's consolidated financial statements, which includes approximately 108 elimination and consolidation entries resulting in a very complex consolidation exercise. The use of spreadsheets for a highly complex consolidation is not a best practice, as the use of a spreadsheet inherently increases the risk of errors relating to formulas, calculations or simple human error (unintentional deletion or incorrect data entry) which may go undetected by the preparer or reviewer.

Recommendation:

We recommend that Administration implement an automated process relating to the preparation of the consolidated financial statements. For example, a dedicated consolidation information technology software should be utilized (i.e. SAP, Hyperion).

Administration response:

Administration agrees with this recommendation. Currently, there are sufficient internal controls in place in completing the consolidation, however, Corporate Financial Reporting will review the current consolidation process in 2016 for additional improvements and consider the available options for the implementation of an automated process for the future. Corporate Financial Reporting recognizes that given the nature and size of The City, including its related authorities, an automated process for the consolidation would result in efficiencies. Corporate Financial Reporting will leverage knowledge from across

the corporation, External Auditor's and Software Vendors to ensure that an effective and efficient solution is achieved to satisfy the need for an automated consolidation process by the end of fiscal 2017.

Administration update (January 2017):

Administration continues to agree with this recommendation. During 2016, Corporate Financial Reporting reviewed the current consolidation process and made improvements to the current process for the 2016 year-end. Corporate Financial Reporting will continue to work on available options for an automated consolidation process.

Auditor's response (based on November 2016 interim audit procedures)

We will perform internal control and substantive procedures on a test basis on the consolidation during our year-end field work and will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures)

We performed internal control and substantive procedures on the consolidation on a test basis during our year-end field work. As we have noted, the consolidation is a very complex exercise and an automated process would not only make the process more efficient for Administration but also eliminate the potential for unintentional errors. Administration is currently looking into implementing an automated process for consolidation. This recommendation has been satisfactorily addressed.

6. Implementation of new tangible capital asset ("TCA") policies

Year Identified - 2015

Observation:

The City implemented a new policy and process for accounting for machinery and equipment during 2015. Administration has plans to revise the remaining TCA policies and process within the next few years as part of the TCA Project Charter. Accordingly, there is a risk that the new processes are not implemented consistently across all business units.

Recommendation:

We recommend that Administration implement processes to regularly monitor the new TCA policies and application. These processes would include establishing a team to review the TCA policies and instituting a process whereby this team randomly completes spot checks of the adoption and implementation of the business unit's application of the new TCA policies.

Administration response:

Administration agrees with the recommendation. In 2016, changes to the TCA reporting policy will be:

- a. Reviewed and monitored by Corporate Financial Reporting and business units during interim and annual reporting periods;

- b. Reinforced using on-going training sessions provided by the Corporate TCA project and Corporate Financial Reporting to key personnel in both Operations and Finance; and
- c. Validated by Corporate Financial Reporting using newly developed system controls.

The above processes and controls will be used for all asset categories that are examined by the TCA project.

Administration update (January 2017):

- a. Corporate Financial Reporting has reviewed and monitored the application of the TCA reporting policy throughout the year for May and September and will monitor for December;
- b. On-going training sessions are held with both Operations and Finance during the year; and
- c. Newly developed system controls validated and ensured the appropriate application of the updated TCA reporting policy. For instance, Administration used system-generated reports to identify and investigate unusual transactions.

Auditor's response (based on November 2016 interim audit procedures):

We held regular discussions with Administration during the year regarding the new TCA policies implemented. We have started our internal control and substantive procedures for the new TCA policies and newly developed system controls during the interim field work and will complete these procedures during the year-end field work. In addition, during our year-end audit procedures we will obtain the training session materials and attendance records for the 2016 sessions. We will report any significant deficiencies or errors to Administration and the Audit Committee upon completion of the 2016 year-end audit.

Auditor's update (based on 2016 year-end audit procedures):

We held regular discussions with Administration during the year regarding the new TCA policies implemented in 2016 (Buildings and Engineered Structures). We performed our internal control and substantive procedures for the new TCA policies implemented and newly developed system controls during our year-end field work. We also obtained the training session materials and attendance records for the 2016 sessions held in May, September and December. We will continue to hold regular discussions with Administration as Administration implements new TCA policies in 2017 for other asset categories.

Administration update (June 2017):

Administration continues to agree with this recommendation. The City's newly formed TCA reporting team will also review TCA transactions to ensure they are compliant with the updated TCA policies and processes using the TCA costing system. Development and implementation of The City's policies and processes for the remaining asset categories are expected to be completed by 2019 based on Administration's response to 2016's MLP #2.

Appendix C - December 31, 2014 year-end observations – Update for 2016 year-end

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
1	Tangible Capital Assets Untimely review of capital project costs, accruals and work in progress	2013 - 2015	<p>In 2013, we noted "to ensure that the project costs, accruals and work in progress are accounted for on a timely basis, we recommended the implementation of a formalized process to review capital expenditures and reconciliations throughout the year versus at the end of the year, which will reduce the amount of review of capital projects at year-end when business unit personnel are focused on other financial reporting finalization matters".</p> <p>2016 Update: In 2014, 2015, and 2016, we noted that some business units are still reviewing this information quarterly or semi-annually. We also noted that some business units are still analyzing WIP on a project versus an invoice level. For 2016, the net error of TCA WIP is not material. We held regular discussions with Administration during the year regarding the new TCA policies implemented. We tested the implementation of the revised Buildings and Engineered Structures TCA policies. We will continue to test the TCA processes implemented by Administration as they are put into action.</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> • All business units review project costs, accruals and work in progress on the same frequency (monthly) to ensure consistency across business units and to further ensure that all capital expenditures are accounted for appropriately to avoid a review of a significant volume of projects and TCA costs close to year-end; and • We recommend that work in progress analysis should be completed on an invoice level and not a project level. <p>2016 Update: We continue to recommend the above noted recommendations.</p>	<p>Administration agrees with this recommendation. During 2014, Administration had set up a TCA Project team to develop a comprehensive strategy and work plan with the goal of comply, simplify, and consistency. As part of the work plan, the root causes of TCA reporting are being investigated and analyzed.</p> <p>Currently, all Business Units review capital projects during the year however the determination of the appropriate solution to be applied consistently will need to be assessed as part of the TCA Project.</p> <p>Administration update (January 2017)</p> <p>Administration continues to agree with this recommendation. The TCA Program is designing process improvements and system enhancements to better support identification and tracking of capital costs.</p> <p>Administration update (June 2017)</p> <p>Administration continues to agree with this recommendation.</p> <p>The newly established TCA reporting team will review costs at an invoice level each month using the TCA costing system.</p>	<p>Capital project review process to be assessed during 2015 and the decision of the appropriate process to be implemented will be made in 2016.</p> <p>Administration update (January 2017)</p> <p>The TCA Program completed its assessment of the capital project review process in Q3 2016. As a result, process improvements will be implemented in 2017.</p> <p>Administration update (June 2017)</p> <p>The TCA Program will continue to develop and implement process improvements in 2017.</p>	<p>City Treasurer, Director of Finance</p> <p>In progress</p>

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
2	Tangible Capital Assets Untimely review of capital project costs, accruals and work in progress	2013 - 2015	<p>In 2013, we communicated in our observation that "There is, at times, a significant delay in "hand-off" of TCA assets between business units".</p> <p>2016 Update: We are working with Administration on their progress on developing a consistently applied and simplified TCA policy regarding the hand-off of TCA assets between business units. We will continue to test the TCA processes implemented by Administration as they are put into action as well as perform substantive procedures over the TCA balance.</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> • Business units formalize the timing and process of "hand-off packages" between business units. This would require enhanced communication between business units and implementation of formal processes to review project status on an on-going basis throughout the project's life cycle. A timeline of when reviews should occur should be formalized; • An automated process be implemented to account for transfer of TCA assets between business units; and • A review of all transfers should be completed on a monthly basis as part of an overall TCA checklist for completeness and accuracy. <p>2016 Update: We continue to recommend the above noted recommendations.</p>	<p>Administration continues to agree with this recommendation. During 2014, Administration had set up a TCA Project team to develop a comprehensive strategy and work plan with the goal of comply, simplify, and consistency. As part of the work plan, documentation of the process of "hand-off packages" between business units starting in Q3, 2015.</p> <p>Administration update (January 2017)</p> <p>Administration continues to agree with this recommendation. The TCA Program is designing process improvements and system enhancements to better support identification and tracking of capital costs for hand-off packages between business units.</p> <p>Administration update (June 2017)</p> <p>Administration established a new TCA reporting team that will be responsible for:</p> <ul style="list-style-type: none"> • Collaborating with business units to complete hand-off of TCA on a timely basis; and • Using the new TCA costing system to automate a portion of the hand-off process, as well as reviewing costs for accuracy before they are transferred to other business units. 	<p>Capital project review process to be assessed during 2015 and the decision of the appropriate process to be implemented will be made in 2016.</p> <p>Administration update (January 2017)</p> <p>The TCA Program completed its assessment of the capital project review process in Q3 2016. As a result, process improvements will be implemented in 2017.</p> <p>Administration update (June 2017)</p> <p>The TCA Program will continue to develop and implement process improvements in 2017.</p>	<p>City Treasurer, Director of Finance</p> <p>In progress</p>

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
3	Tangible Capital Assets Untimely review of capital project costs, accruals and work in progress	2013 - 2015	<p>In 2013, we communicated in our observation that "Accurate TCA accounting and reporting relies, in some areas, on engineering drawings and other related information. We observed that the Geographic Information System ("GIS") asset registry contains the original data related to the quantities recorded for many Roads and Parks assets".</p> <p>2016 Update: In 2014, 2015 and 2016, we noted that some business units still rely on the LINDA system to identify any donated land in the year. The information within the LINDA system initiates with the developer, which at times may be a lengthy process. Therefore, recording of these donated assets may not be occurring in a timely manner such that assets could be recorded in the incorrect fiscal period.</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> • TCA accounting and reporting be linked to invoice costing, as opposed to asset management systems; • The business units investigate improvements that can be made to the land donation process to minimize the delay in uploading of these assets into The City's accounting records; and • An alternative source of determining when disposals occur should be vetted. <p>2016 Update: We continue to recommend the above noted recommendations.</p>	<p>Administration continues to agree with this recommendation. Understanding the benefit of TCA linked to an invoice costing tool, this will be assessed by Administration.</p> <p>Administration agrees with this recommendation and will be looking into further process control improvements to ensure timely recording of land donations.</p> <p>Administration update (January 2017)</p> <p>Administration continues to agree with this recommendation and continues to make process improvements including:</p> <ul style="list-style-type: none"> • Implementation of systematic and rational disposal calculation methods for Buildings and Engineered Structures • Development of the TCA Costing System solution • Establishment of a subject matter expert team for the improvement of the donated land process with solutions to be implemented <p>Remaining asset categories (land, land improvements, and vehicles) will be investigated in 2017 for process improvement opportunities.</p> <p>Administration update (June 2017)</p> <p>Administration continues to agree with this recommendation and is making progress, which include:</p> <ul style="list-style-type: none"> • Implementation of the TCA costing system in April 2017; • Implementation of the policies and processes for land improvements in Q2 2017; and • Review of policies and processes that affect the reporting of land and vehicles. <p>Further actions to be taken by Administration is also noted in MLP #2 of Appendix A.</p>	<p>The invoice costing tool review will be assessed during 2015 and a decision of the appropriate invoice costing tool will be made in 2016.</p> <p>Process improvement controls in relation to donated land to be identified in 2015.</p> <p>Administration update (January 2017)</p> <p>The TCA Program will continue to refine its process improvements in 2017 for its remaining asset categories (land, land improvements, and vehicles).</p> <p>The TCA program is on schedule to implement the TCA Costing System in April 2017.</p> <p>Administration update (June 2017)</p> <p>The TCA Program implemented the TCA Costing system in April 2017.</p> <p>Further process improvements to the remaining asset categories (land and vehicles) will continue to be made in 2017.</p>	<p>Finance Manager, Corporate Financial Reporting</p> <p>In progress</p>

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
4	Tangible Capital Assets Untimely review of capital project costs, accruals and work in progress	2013 - 2015	<p>In 2013, we communicated in our observation that we noted "Errors with disposals not being recorded in the fiscal year in which they occurred, donated assets are not being recorded and double counting of land as both TCA and land inventory". During our 2014 audit procedures, we noted that items may be resultant from the use of manual spreadsheets, which would be rectified with the implementation of an automated system to track the related assets.</p> <p>2016 Update: In 2014, 2015 and 2016, we noted that TCA accounting is still a manual process. We will review the implementation and related processes / policies relating to the invoice costing system once implemented in 2017.</p>	<p>With the implementation of the various recommendations noted relating to TCA accounting and processes, these errors and issues identified will be resolved.</p> <p>2016 Update: We continue to recommend the above noted recommendation.</p>	<p>Administration continues to agree with this recommendation. During 2014, Administration had set up a TCA Project team to develop a comprehensive strategy and work plan with the goal of comply, simplify, and consistency.</p> <p>Administration update (January 2017)</p> <p>Administration continues to agree with this recommendation. In 2016, Administration implemented an automated disposals process for Buildings and Engineered Structures and investigated process improvements, which will support TCA reporting that will be automated in 2017.</p> <p>The TCA program's TCA Costing system will be implemented by April 2017.</p> <p>Administration update (June 2017)</p> <p>Administration continues to agree with this recommendation.</p> <p>The City's TCA costing system was successfully implemented in April 2017. The TCA Program is also continuing its process and policy improvement work to further support the TCA costing system.</p>	<p>Capital project review process to be assessed during 2015 and the decision of the appropriate process to be implemented will be made in 2016.</p> <p>Administration update (January 2017)</p> <p>The TCA program is on schedule to implement the TCA Costing System in April 2017.</p> <p>Administration update (June 2017)</p> <p>The TCA Program will collaborate with Deloitte to complete the system implementation audit in 2017.</p>	<p>City Treasurer, Director of Finance</p> <p>In progress</p>

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
5	Tangible Capital Assets Training	2013 - 2015	<p>In 2013, we recommended that "In order to ensure that there are consistent policies throughout The City and that key personnel in the TCA process have the appropriate knowledge of TCA policies and procedures, we recommend the following be considered by business units in conjunction with the corporate finance group in relation to training:</p> <ul style="list-style-type: none"> • Schedule training sessions multiple times throughout the year to be flexible with business unit schedules and increase attendance; • Encourage or provide a mechanism (for example, regular meetings) for cross-sharing of information between business units so best practices and lessons learned are communicated throughout the business units; • Increase technical TCA training for operations personnel and project managers responsible for categorizing TCA expenditures and identification of TCA at the project level; and • Simplify TCA processes into overall flow charts and step by step guidance so that new personnel can easily and accurately pick up TCA reporting responsibilities". <p>2016 Update: During our year-end audit procedures we obtained the training session materials and attendance records for sessions held during 2016. We also obtained the listing of subject matter experts and reviewed the materials from the TCA best practices session(s) and reviewed the process flow charts. We performed substantive procedures over the TCA balance during our year-end field work.</p>	<p>We recommend that:</p> <ol style="list-style-type: none"> 1 - Scheduled training sessions continue to occur multiple times throughout the year to be flexible with business unit schedules and increase attendance. This will allow for business units to pose questions relating to unusual transactions at these events and will ensure that new accounting for TCA transactions are completed in a consistent manner across the Organization; 2 - A mechanism for cross-sharing of information between business units is developed so best practices and lessons learned are communicated throughout the business units; 3 - An increase in technical TCA training for operations personnel and project managers responsible for categorizing TCA expenditures and identification of TCA at the project level is completed; and 4 - A simplification of the TCA processes into overall flow charts and step by step guidance so that new personnel can easily and accurately pick up TCA reporting responsibilities is developed. 5 - A mechanism for business unit personnel be developed so that any uncertainties or questions relating to treatment of TCA transactions may be addressed during touch point meetings scheduled at regular times throughout the year between key business unit and finance team personnel. 	<p>Administration continues to agree with this recommendation with points 1 and 5. Scheduled training sessions will continue to occur multiple times throughout the year to be flexible with business unit schedules and ensuring the appropriate level of attendance. Communication will also be developed to ensure business unit personnel have a mechanism to ask for clarification relating to treatment of TCA.</p> <p>With regards to points 2, 3 and 4 these items will be addressed as part of the overall TCA Project capital project review with the goal of comply, simplify, and consistency.</p> <p>Administration update (January 2017)</p> <p>Administration continues to agree with the recommendations.</p> <p>With regards to points 1 and 3, Administration has and will continue to provide on-going training and communications to key business unit personnel. All business units are also granted access to The City's intranet where presented materials are kept.</p> <p>With regards to point 2, 3 and 4, a team of subject matter experts were established for specific TCA topics in 2016 where exchange of TCA best practices are shared. As part of the process improvement analysis, process flow charts have also been developed.</p>	<p>Q4 2015</p> <p>Capital project review process to be assessed during 2015 and the decision of the appropriate process to be implemented will be made in 2016.</p> <p>Administration update (January 2017)</p> <p>Improvements for TCA training and communications were implemented in 2016 and will be monitored by Administration in 2017.</p> <p>Process improvements will continue throughout 2017 and onwards.</p>	<p>Finance Manager, Corporate Financial Reporting</p> <p>City Treasurer, Director of Finance</p> <p>Complete</p>

#	Observation Title	Year Identified	Observation	Recommendation	Administration Response	Completion Timeline	Process Owner / Recommendation Status
				2016 Update: Based on our procedures performed this recommendation has been satisfactorily addressed.	With regard to point 5, clear communications have been established where there is one point of contact per department for all questions related to TCA. Establishment of one point of contact was communicated using the intranet and informal communication channels, such as internal meetings.		
6	Item to be presented in camera						