

## Status Update to Off-site Levy External Audit Recommendations

The following table summarizes the status of the recommendations for each observation category listed in the [Deloitte LLP Off-site Levy \(OSL\) Management Letter](#) (“management letter”), AC2021-1062. As such, please read this document in conjunction with the management letter. For a detailed update on each of the recommendations, please refer to the updates following the below table.

Observation Categories	Detailed Recommendations <sup>1</sup>		
	Recommendations Complete as of 2021 July 12 (4 total)	Recommendations Complete as of 2022 May 31 (4 total)	Recommendations Outstanding (4 total)
1. Off-site levies are not tracked within PeopleSoft on source jobs	<ul style="list-style-type: none"> <li>Comprehensive system for OSL</li> <li>Separate investment account</li> </ul>		
2. Manual process of tracking and reporting on off-site levy	<ul style="list-style-type: none"> <li>Finance continuity schedules</li> </ul>	<ul style="list-style-type: none"> <li>UDO System (Training)</li> <li>Investment income allocation</li> </ul>	<ul style="list-style-type: none"> <li>UDO System (Dashboard)</li> </ul>
3. Business Unit involvement in future projects and allocation of financing to existing projects		<ul style="list-style-type: none"> <li>OSL project identification</li> </ul>	<ul style="list-style-type: none"> <li>Financing sources/ application of financing</li> <li>OSL eligibility</li> <li>OSL rates</li> </ul>
4. Signed contracts for Developer Obligation Estimate and Developer Agreement amendments	<ul style="list-style-type: none"> <li>Signed agreements</li> </ul>	<ul style="list-style-type: none"> <li>Contract amendments</li> </ul>	

<sup>1</sup> Instances exist where improvements made address multiple recommendations. As such, some recommendations listed per the 2021 July 12 management letter have been combined in this document for a single status update.

## Status of Recommendations per Observation Category:

### 1. *Off-site levies are not tracked within PeopleSoft based on source jobs - Development Agreement, Development Obligation Estimate or Centre City Levy*

Administration's update as of 2021 July 12 as per [AC2021-1062](#):

See Attachment 2: Deloitte LLP Off-site Levy Management Letter.

Administration's update as of 2022 May 31:

Not applicable.

### 2. *Manual process of tracking and reporting on off-site levy*

Administration's update as of 2021 July 12 as per [AC2021-1062](#):

See Attachment 2: Deloitte LLP Off-site Levy Management Letter.

Administration's update as of 2022 May 31:

UDO System (Training):

- All users have been properly trained on the required processes to ensure accurate billing. A rigorous training program has been developed and implemented where a complete list of training tasks, including billing processes, are taught over the course of multiple training sessions, and training materials, including step-by-step instructions, are accessible to users. Questions asked during training sessions and the corresponding answers are also tracked in a document for users to access.

Administration believes this appropriately addresses the recommendation.

Investment income allocation:

- Investigations took place in Q4 2021 to identify solutions that ensure the blended yield rate is calculated in an accurate and consistent manner, however, no appropriate or viable off-the-shelf software was identified. As such, calculation spreadsheets were updated for Q1 2022 where parts of the process were automated to eliminate some of the manual entries where transposition and formula errors could occur. Other safeguards were also put in place, such as locking cells and formula checks to ensure completeness, accuracy, and consistency. The updated calculation spreadsheets are reviewed on a quarterly basis by individuals with appropriate knowledge of the underlying information.

Administration believes this appropriately addresses the recommendation.

UDO System (Dashboard):

- The UDO dashboard is in the process of being created which will detect misalignments between hectares on the master UDO job and the hectares used on assessment billings. These misalignments would be investigated to ensure that billing is accurate and complete. Due to resourcing constraints, the revised time to complete and implement the dashboard is Q3 2022. While the dashboard is in the process of being built, a compensating control has been put in place where manual reports are produced to detect any hectare misalignments and are investigated.

An update will be provided at a future date.

### 3. *Business Unit involvement in future projects and allocation of financing to existing projects*

Administration's update as of 2021 July 12 as per [AC2021-1062](#):

See Attachment 2: Deloitte LLP Off-site Levy Management Letter.

Administration's update as of 2022 May 31:

OSL project identification:

- Administration has completed numerous improvements around OSL project identification and approval processes based on the City Auditor Off-site Levy Annual Reporting Audit – AC2019-1241. Some improvements include creating an OSL project approval template and implementing a formal approval process for this template.

Administration believes these improvements appropriately address the recommendation.

Financing sources / application of financing:

- Per Administration's reply on 2021 July 12, Finance follows Capital Infrastructure Investment Principles to optimize financing sources. Finance will review the current process across departments once the new structure from the corporate realignment is operational and the new OSL Bylaw work is complete.

An update will be provided at a future date when the corporate realignment is operational and the OSL Bylaw work has been completed.

OSL eligibility:

- Per Administration's reply on 2021 July 12, Finance will review the current process across departments and develop more detailed eligibility criteria once the new structure from the corporate realignment is operational and the new OSL Bylaw work is complete.

An update will be provided at a future date when the corporate realignment is operational and the OSL Bylaw work has been completed.

OSL rates:

- The OSL Bylaw is currently under review and is anticipated to be complete in 2022. As part of this review, the underlying assumptions driving the levy rates are being reassessed and updated. Administration believes the bylaw work currently taking place will address the recommendation.

An update will be provided at a future date when the OSL Bylaw work has been completed.

**4. *Signed contracts for Developer Obligation Estimate and Developer Agreement amendments***

Administration's update as of 2021 July 12 as per [AC2021-1062](#):

See Attachment 2: Deloitte LLP Off-site Levy Management Letter.

Administration's update as of 2022 May 31:

Contract amendments:

- A template has been developed which lists amendments made, including assessable hectares, to the original signed agreement. This template is completed by the Infrastructure Strategist and is signed by The City and the Developer. The signed template is then attached as an addendum to the original signed agreement and uploaded into the UDO system for record keeping.

Administration notes this process has been implemented and believes this change appropriately addresses the recommendation.