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Toronto 2015 Pan and Parapan American Games Organizing Committee Contribution Agreement Recipient Compliance Audit

Office of the Chief Audit Executive
Audit and Assurance Services Directorate

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List of Acronyms and Initialisms

BPvX	Business Plan version 2 or 3
CA	Contribution Agreement
IO	Infrastructure Ontario
MOU	Memorandum of Understanding
Pan/Parapan	Pan American and Parapan American
PCH	Canadian Heritage
TO2015	Toronto 2015 Pan and /Para Pan American Games Organizing Committee
VIK	Value in Kind

Executive Summary

Introduction

The Pan and Parapan American (Pan/Parapan Am) Games (Games) are a major international multisport event, held every four years for athletes of the 41 Pan American Sport Organization (PASO) countries and territories from the Americas and the Caribbean. Toronto and the Greater Golden Horseshoe region will host the 2015 Games, one of the largest multisport events ever hosted in Canada.

The Pan Am Games will be held July 10 to 26, 2015, and the Parapan Am Games will take place August 7 to 15, 2015. These Games will bring together 10,000 athletes, coaches and officials, taking part in 51 sports competitions in venues across 17 municipalities.

The Games involve the collaboration of a number of parties, including the Department of Canadian Heritage (PCH), the Toronto 2015 Pan and Parapan American Games Organizing Committee (TO2015), the Province of Ontario, the City of Toronto, the Canadian Olympic Committee, the Canadian Paralympic Committee, and other municipalities of the Greater Golden Horseshoe region from Oshawa to Welland to Minden Hills. The Government of Canada is providing significant support of up to \$500 million to ensure a successful Games in 2015.

An initial contribution agreement (CA) providing over \$18 million in funding to use towards the planning and design phase of the Capital Venue Plan was signed between TO2015 and PCH in March 2011.

A second contribution agreement (hereinafter referred to as the Contribution Agreement or CA) was signed between PCH and TO2015 in June 2012. This agreement provides a maximum of \$368,001,894 in funding from fiscal years 2012-2013 through 2015-2016 for assistance to host the Games. This funding is to be used for the acquisition, construction and renovation of facilities identified to host test events, training and competition for the Games. Based solely on financial information provided by TO2015, as of March 31, 2014 Canada's assistance, since project inception, represents 42% of total government assistance and 40% of total event costs for the Games. Given that the majority of operational expenses will be incurred in the last year leading toward the Games, the total events costs as well as contribution from other government bodies will increase which will reduce the Canada's portion of government assistance as well as total events costs.

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2013-2014 to 2015-2016, which was recommended by the Departmental Audit Committee and approved by the Deputy Minister in March 2013.

Audit Objectives and Scope

The objectives of this audit are to provide assurance on the following:

- that the funds disbursed by TO2015 under the terms and conditions of the Contribution Agreement are properly recorded, project-related, and eligible for Canadian Heritage funding;
- that TO2015 has complied with the terms and conditions of the Contribution Agreement, including all reporting requirements; and
- that TO2015 has put in place the recommendations from the first recipient compliance audit.

The scope of the audit includes the activities covered by the 2012-2016 CA between the Department of Canadian Heritage and TO2015; specifically, an examination of expenses incurred and reported to PCH by the Recipient from April 1, 2012 to March 31, 2014.

Key Findings

Based on evidence gathered through documentation and file review, observation, transaction testing, analysis and interviews, each of the audit criteria was assessed by the audit team and a conclusion for each audit criterion was determined.

The audit team confirmed that:

- TO2015 has complied with the reporting requirements as well as the terms and conditions of the Contribution Agreement for the period April 1, 2012, to March 31, 2014.
- Funds disbursed to TO2015 under the terms and conditions of the Contribution Agreement included in the scope of the audit have been used for the intended purposes.
- The expenses incurred for the capital projects funded by the Department of Canadian Heritage were properly reported, project-related and eligible for Canadian Heritage funding.
- TO2015 has implemented action plans for each of the eight recommendations made in the first recipient compliance audit. Six recommendations have been fully addressed. One recommendation (the development of a volunteer policy) has been drafted and is in the process of being approved. Management is encouraged to ensure the timely completion and implementation of this policy to help ensure its readiness for securing and managing volunteers for the Games. One recommendation related to the documentation of the allocation methodology for soft costs (venue management costs) has not been completed, but based on independent third party reviews, the methodology adopted appeared reasonable and as such, the action item is considered to be complete.

Throughout the audit fieldwork, the audit team observed several examples of how controls within TO2015 have been properly designed and applied effectively. This resulted in several observed strengths which include:

- TO2015 has implemented a procurement policy which provides guidance and procedures regarding competitive procurement, non-competitive procurement, and approval authority.
- In addition to the procurement policy, TO2015 has implemented an Investment Policy Statement, an Official Languages Policy & Roll-out, and a Business Expenses and Travel Policy.
- Financial and Activity Reports were submitted by TO2015 in compliance with the terms and conditions of the Contribution Agreement. Monitoring of TO2015's compliance with the contribution agreement is done by the International Major Multisport Games (IMMG) Unit through regular reports as required in the CA, as well as Recipient Compliance Audits.

One area for improvement was identified through the audit, related to the completion of TO2015's business plan version 3 (BPv3) as required under the terms and conditions of the Contribution Agreement. As of the completion of the audit fieldwork, BPv3 was under development¹ to include more robust forecasts, at the request of PCH and the Province of Ontario in response to BP version 2 (BPv2). The completion of BPv3 with more complete and robust financial forecasts is a critical requirement to help ensure funding is sufficient and managed to provide all required services to host successful Games. It is recognized that the completion of the operational cost component is dependent upon the finalization of provincial plans, the timing of which is beyond the control of TO2015. A revised operational plan and budget is expected to be provided through BPv3 in October 2014.

Recommendation

- It is recommended that TO2015 complete its BPv3 within the timeframe specified in the second amendment to the Contribution Agreement and ensures that the operational costs are within the funding amounts agreed upon with the Province of Ontario while providing all required services to ensure the success of the Games.

Statement of Conformance

In my professional judgment as Chief Audit Executive, the audit conforms with the Internal Auditing Standards for the Government of Canada as supported by the results of the quality assurance and improvement program.

¹ TO2015 will provide three versions of its business plan, which is normal for a games cycle.

Audit Opinion

The capital project expenses incurred by TO2015 with respect to the Contribution Agreement for the period of April 1, 2012, to March 31, 2014, have been audited to ensure their compliance with the terms and conditions of the Contribution Agreement dated June 21, 2012. The preparation of project financial reports is the responsibility of the management of TO2015. The audit's team responsibility is to express an opinion on these project financial reports based on this audit.

The audit was conducted in accordance with Treasury Board Secretariat's *Internal Auditing Standards for the Government of Canada*. Those standards require that the audit team plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information.

In my opinion, the audited amount of \$330.5 million of the project costs presents fairly, in all material respects, the expenses incurred and allowable for the period of April 1, 2012, to March 31, 2014, under the terms and conditions of the Contribution Agreement.

Original signed by

Maria Lapointe-Savoie
Chief Audit Executive
Department of Canadian Heritage

Audit Team Members

Manager - Dylan Edgar
With the assistance of external resources

1 Introduction and Context

1.1 Authority for the Project

The authority for this audit is derived from the Multi-Year Risk-Based Audit Plan 2013-2014 to 2015-2016, which was recommended by the Departmental Audit Committee and approved by the Deputy Minister in March 2013.

1.2 Background

The Pan and Parapan American Games are a major international multisport event, held every four years for athletes of the 41 Pan American Sport Organization countries and territories from the Americas and the Caribbean. Toronto and the Greater Golden Horseshoe region will host the 2015 Games, one of the largest multisport events ever hosted in Canada.

The Pan Am Games will be held July 10 to 26, 2015, and the Parapan Am Games will take place August 7 to 15, 2015. These Games will bring together 10,000 athletes, coaches and officials, taking part in 51 sports competitions in venues across 17 municipalities. The 2015 Games also serve as an Olympic and Paralympic Games qualifier for a number of Olympic sports and all 15 Paralympic sports leading up to the 2016 Olympic and Paralympic Summer Games in Rio de Janeiro, Brazil.

The Government of Canada is a major funding party in delivering successful Games in 2015. These Games provide an opportunity to showcase Canadian sport excellence and create shared and lasting sport legacies for Canada, Ontario, the City of Toronto, and the Greater Golden Horseshoe region.

The Games involve the collaboration of a number of parties, including the Department of Canadian Heritage, Toronto 2015 Pan and Parapan American Games Organizing Committee (TO2015), the Province of Ontario, the City of Toronto, the Canadian Olympic Committee, the Canadian Paralympic Committee, and other municipalities of the Greater Toronto Area. The Government of Canada is providing significant support of up to \$500 million to ensure a successful Games in 2015.

A first contribution agreement providing a total of \$18.1 million in funding to use towards the planning and design phase of the Capital Venue Plan was signed between Toronto 2015 Pan/Parapan American Games Organizing Committee and PCH in March 2011.

A second contribution agreement was signed between PCH and TO2015 in June 2012. This agreement provides a maximum of \$368 million in funding for fiscal years 2012-2013 through 2015-2016 for assistance to host the Games. This funding is to be used for the acquisition, construction, and renovation of facilities identified to host test events, training, and competition for the Games. Furthermore, the funding may not exceed 35% of total costs and 50% of total government assistance to host the Games. Based solely on financial information provided by TO2015, as of March 31, 2014 Canada's assistance,

since project inception, represents 42% of total government assistance and 40% of total event costs for the Games. Given that the majority of operational expenses will be incurred in the last year leading toward the Games, the total events costs as well as contribution from other government bodies will increase which will reduce the Canada's portion of government assistance as well as total events costs.

In addition to the Contribution Agreement with PCH, TO2015 has multiple agreements in place with other parties to support the successful implementation and delivery of the Games including:

1 Memorandum of Understanding between TO2015 and the Ontario Infrastructure and Lands Corporation:

A Memorandum of Understanding (MOU) was signed between the TO2015 and the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario or IO) on May 5, 2010. In accordance with this MOU, IO will be the Project Manager responsible for the delivery of the large sports venues required for the delivery of the Pan/Parapan Am Games as specified in the Multiparty Agreement. As such, IO will among other things: lead all procurement required for the projects; lead the project management coordination and contract management; advise TO2015 in the negotiation of facilities agreements; and lead in the provision of overall project procurement coordination, transaction management services and contract negotiation. An amendment to this MOU was made in December 2012 to specify the total management fees allowed to be charged by IO for this initiative.

2 2015 Pan/Parapan American Games Multiparty Agreement:

A Multiparty Agreement (MPA) was signed between the Government of Canada, the Province of Ontario, the City of Toronto, the Canadian Olympic Committee, the Canadian Paralympic Committee, and the Ontario 2015 Pan/Parapan Am Games Bid Corporation (BidCo). Toronto 2015 Pan and Parapan American Games Organizing Committee subsequently assumed all BidCo obligations and signed on to the MPA via a joinder agreement. The MPA sets out, among other things, the responsibilities, tasks and contributions of each of the parties including the anti-doping requirements, cultural programming, Official Languages, sponsorship policies, recognition policies, broadcast coverage, intellectual property, protocol and ceremonial requirements, and legacy issues such as the disposal of assets.

2 Objective

The objectives of this audit were to provide assurance on the following:

- that the funds disbursed by TO2015 under the terms and conditions of the Contribution Agreement are properly recorded, project related, and eligible for Department of Canadian Heritage funding;
- that TO2015 has complied with the terms and conditions of the CA, including all reporting requirements; and
- that TO2015 has put in place the recommendations from the first recipient compliance audit (conducted in December 2012).

3 Scope

The scope of the audit included the activities covered by the 2012-2016 CA between the Department of Canadian Heritage (PCH) and TO2015. Specifically it involved an examination of expenses incurred and reported to PCH by the Recipient, TO2015, from April 1, 2012, to March 31, 2014, which totaled over \$363 million in venue development activities. Of the \$363 million, \$193.8 million has been attributed to the Government of Canada. These activities consist of construction and renovation projects, for a total of 32 venues. Of the 32 venues, 10 are managed by Infrastructure Ontario (IO), seven are managed by partner municipalities, 13 are managed internally by the TO2015 Infrastructure and Project Management team, one is managed by the University of Toronto and one consists of Canadian Sport Institute Ontario (CSIO) equipment.

The following table provides an overview of the total venue expenditures as of March 31, 2014, and total expenditures examined through the audit.

Venue Managed By:	Total Expenses Managed for the Period (in millions)	% of Total Expenses	Total Expenses Tested (in millions)	% Testing Coverage*
Infrastructure Ontario	\$334.5	92%	\$317.5	95%
Municipalities	\$25.3	7%	\$11.2	44%
TO2015	\$1.2	0.3%	\$0.4	33%
University of Toronto	\$0.1	0.0%	\$0.0	0%
CSIO Equipment	\$0.6	0.2%	\$0.1	20%
Discontinued Projects	\$1.3	0.5%	\$1.3	100%
Total	\$363	100%	\$330.5	91%

* Calculated as total expenses tested divided by total expenses managed for the period.

4 Approach and Methodology

All audit work was conducted in accordance with Treasury Board Secretariat's *Internal Auditing Standards for the Government of Canada* and *Policy on Internal Audit*.

Audit criteria identify the standards against which an assessment is made and form the basis for the audit work plan and conduct of the audit. Audit criteria are specific to each audit's objectives and scope. The detailed audit criteria for the audit objectives for this recipient audit are provided in Appendix A and were developed with specific reference to the Contribution Agreement.

The audit methodology included:

- A review of documentation provided by PCH, TO2015 and Infrastructure Ontario, including the Contribution Agreement, policies and procedures, and other documentation of relevance to the terms and conditions of the CA;
- Substantive testing of a sample of expenses related to capital venue projects;
- Interviews with representatives of TO2015;
- Communication with the representatives of Sport Canada's Hosting Program and Federal Secretariat Division;
- Review of a sample of documentation provided by TO2015 to the International Major Multisport Games (IMMG) Unit, including Interim Activity Reports, cash flow, business plan versions and financial statements; and,
- Analyzing information obtained through documentation review and interviews.

For each specific capital venue project included in the scope of the audit (including the projects managed by IO), the direct project expenses were audited based on a substantive audit approach.

In accordance with the above and based on the size of the projects and the number of accounting transactions included in the total project costs audited, it was determined that judgmental sampling be used to test the expenses. This judgmental sampling methodology was designed to cover: the total period under review; a sample from all types of expenses; a proportionate amount of the expenses incurred under each specific venue project; and to provide sufficient audit coverage of project expenses eligible for the PCH contribution. This sampling resulted in 91% coverage of the total expenses reported by TO2015 for the period under review and included 181 expense transactions.

The audit field work was performed from July 7 to 31, 2014, at the Department of Canadian Heritage (National Headquarters) and at TO2015's premises in Toronto, Ontario.

5 Findings and Recommendations

This section presents detailed findings and the related recommendation for the audit. The findings are based on a combination of the evidence gathered through the examination of documentation, analysis, transaction testing, and interviews conducted for each of the audit criteria. Appendix A provides a summary of all findings and conclusions for each of the criteria assessed by the audit team.

The audit team identified one opportunity for improvement, resulting in one recommendation. Details of the audit's observations and recommendation are provided below.

5.1 *Eligibility of Funding*

The results of the audit identified that venue-related expenses incurred by TO2015 for the period under scope were properly recorded and eligible, as defined by the Contribution Agreement.

Analysis

The Contribution Agreements specify that the Government of Canada will contribute up to \$386.1 million towards eligible expenditures related to infrastructure projects. The agreements define eligible expenditures as hard costs, soft costs and contingency.

Capital Expenses

For the period extending from April 1, 2012, to March 31, 2014, TO2015 reported a total of \$363 million in venue development activities. Of this \$363 million, \$193.8 million had been attributed to the Government of Canada. As stated previously, these activities consist of construction and renovation projects for a total of 32 venues. Of the 32 venues, 10 are managed by Infrastructure Ontario (IO), seven are managed by partner municipalities, 13 are managed internally by the TO2015 Infrastructure and Project Management team, one is managed by the University of Toronto and one consists of Canadian Sport Institute Ontario equipment.

The audit team's review of supporting documentation for a total of \$330.5 million in venue development expenses, representing 91% of total venue expenses for the period under review, confirmed that expenses were properly reported by TO2015, were project-related and eligible under the terms and conditions of the Contribution Agreement.

TO2015 Venue Management Costs:

As agreed upon in the Contribution Agreement, TO2015 is allowed to allocate capital venue management costs (soft costs) to the total cost of venues. For the period under scope, TO2015 had reported a total of \$3.7 million in capital venue management costs (soft costs) including salaries, IO management fees and consultant fees. These costs are required to be allocated to each venue on a monthly basis based on a percentage pre-determined by the Director of Capital Projects and the Director of Planning. According to the Director of Capital Projects, these allocation percentages were reviewed in October 2012 and again in April 2014. Through the audit, the team examined a sample of three allocation entries for a total of \$860,723 (or 23% of reported costs). This review concluded that these costs were consistent with the definition of eligible costs in the Contribution Agreement.

Infrastructure Ontario (IO) Management Fees:

As noted above, 10 of the 32 projects are currently managed by IO. These projects account for 92% of the total venue-related expenses for the period under review. An MOU signed by TO2015 and IO in May 2010 defines the roles and responsibilities of both parties. Following a recommendation from the first recipient compliance audit, an amendment to the MOU was signed in January 2013, backdated to be effective as of December 2012. The amendment specifies an allowable management fee of \$6.3 million exclusive of any costs incurred for external advisors and any ancillary costs to be charged by IO. Although the MOU did not document the methodology of the fee calculation, a third party review noted that there were no specific risks with the methodology through which the allowable fee was determined. The audit team's analysis of a sample of invoices from IO totalling \$3.5 million confirmed that fees invoiced by IO were consistent with the MOU as well as the amendment.

Interest Income:

Surplus funds are deposited in a Canadian Investment Account. In 2013-2014, TO2015 reported \$378,000 in interest earned on the Venue Development Fund. As such, the contribution of each party was appropriately reduced to reflect this income.

Value in Kind (VIK):

Under the Contribution Agreement, VIK expenses are to be recognised when earned and incurred. Although these expenses are not reimbursable under the Contribution Agreement, they must be considered to determine the total proportion of expenses the Government of Canada will contribute to the event (maximum of 35% of total event costs) as well as total public funds (maximum of 50%). TO2015 has implemented procedures to account for VIK expenses. In the course of the audit fieldwork, the team noted that VIK goods or services had been acquired for sponsorship arrangements; however none had been received related to capital projects.

5.2 Compliance with Terms and Conditions

The audit team found that TO2015 has complied with the terms and conditions of the Contribution Agreement. However, a final version of the business plan has not yet been completed and approved.

Analysis

Under the terms and condition of the Contribution Agreement, TO2015 is bound to a number of conditions regarding Official Languages requirements, recognition of the Government of Canada's contribution to the Games, sound management, conflict of interest and reporting requirements.

Sound Management:

TO2015 has implemented a number of policies and processes to support the sound management of its resources. Key policies include TO2015's Procurement Policies and Procedures, Investment Policy Statement, Official Languages Policy & Roll-out, and Business Expenses and Travel Policy, among others. The Procurement Policies and Procedures document provides guidance and defines expected procedures regarding competitive procurement, non-competitive procurement, and approval authorities.

An employee handbook provides policies and procedures to be used as a reference tool and as working guidelines. The handbook includes guidance on expected standards of conduct, including conflict of interest, code of conduct, whistleblower and workplace harassment and violence guidelines.

Official Languages Requirements:

In addition to a formal Official Languages Policy, TO2015 has other procedures in place to meet the Official Languages requirements outlined in the Contribution Agreement. In the audit team's review of a sample of communications material as well as information available on the TO2015 web site (www.toronto2015.org), it was noted that material was consistently available in English and French, as well as Spanish.

Standard contracts incorporating specific clauses around Official Languages are used to help ensure that sponsors also adhere to Official Languages requirements. Based on the team's review of a sample of contracts with contractors as well as sponsors of the Games, it was confirmed that clauses were included to recognise the Official Languages requirements associated with the Games.

Recognition of Canada's Contribution:

In audit team's review of communication materials issued by TO2015 as well as TO2015's website, recognition of Canada's Contribution was duly noted. In addition, Sport Canada (SC) has implemented an Event Assessment Tool for public events to assist in monitoring TO2015's compliance with the requirements to recognize the Government

of Canada's contribution to the Games.

Reporting Requirements:

The audit team's review of reports submitted by TO2015 to PCH confirmed that Activity as well as Financial Reports had been submitted in compliance with the terms and conditions of the Contribution Agreement.

As required by the Contribution Agreement, TO2015 provided BPv2 in August of 2013 (three versions of the business plan will be submitted). Acceptance of BPv2 was deferred by the Minister of State (Sport), primarily due to uncertainty around the operational costs for the event and the potential impact on Canada's reputation as a host for major international games, in light of the significant assistance provided to these Games by PCH. Acceptance is deferred until presentation of a revised operational plan and budget, to be included with BPv3, due in October 2014.

TO2015's operating plans are dependent upon the finalization of provincial plans, the timing of which is beyond the control of the organization. BPv3 is expected to include more robust financial forecasts. The forecasting of reasonable and valid operating costs is a critical factor in ensuring sufficient operating funding will be available for all required services for a successful Games.

Recommendation

- It is recommended that TO2015 complete its BPv3 within the timeframe specified in the second amendment to the Contribution Agreement and ensures that the operational costs are within the funding amounts agreed upon with the Province of Ontario while providing all required services to ensure the success of the Games.

5.3 Recommendations from the 2012 Recipient Compliance Audit

The audit team noted that TO2015 has taken actions to respond to all recommendations identified in the first Recipient Compliance Audit.

Analysis

The first Recipient Compliance Audit was completed in December 2012. A total of eight recommendations were made to TO2015. A Management Action Plan (MAP) was completed in February 2013 and updated in February 2014 by the Hosting Program and Federal Secretariat Division (HPFSD) in response to each recommendation.

Recognition of Canada's Contribution:

As noted above, in the audit team's review of communication materials issued by TO2015 as well as TO2015's website, recognition of Canada's Contribution was duly noted. In addition, Sport Canada (SC) has implemented an Event Assessment Tool for public events to assist in monitoring TO2015's compliance with the requirements to recognize the Government of Canada's contribution to the Games.

Communication and Official Languages Policies:

A formal Official Languages Policy was completed and submitted by TO2015 in August 2012 and accepted by PCH on February 28, 2014. A communication plan was also submitted by TO2015 in the second quarter of fiscal year 2012-13 but was not accepted by PCH Communications Branch. In February 2014, PCH acknowledged the fact that a formal Communication Plan had not been submitted. However, based on advice received from the PCH Communications Branch, HPFSD was satisfied with the communication-related information provided through different sources, including BPv2, and confirmed that the requirement of the Contribution Agreement related to the communication plan had been met.

Volunteer Policy:

TO2015 management has drafted a Volunteer Policy that is currently awaiting approval, with a target completion date of September 2014. Although the training of volunteers is not expected to begin until January 2015, management is encouraged to expedite the finalization and approval of this policy to help ensure its readiness for securing and managing volunteers for the Games.

Capital Management Cost Methodology:

TO2015 has noted that it does not intend to formally document the methodology for the allocation of capital management costs (soft costs) to specific venues. However, a third party review commissioned by TO2015 confirmed that capital management costs had been allocated appropriately. As noted previously, based on the audit team's review of a sample of three allocations of capital management costs, no ineligible costs were observed.

IO Management Fees:

An amendment to the original MOU (May 2010) between IO and TO2015 was completed in January 2013, with an effective date of December 12, 2012. The amendment specifies a total allowable value of \$6.3 million, exclusive of any costs incurred by external advisors and any ancillary costs, for IO's project management fee. However, the amendment does not define the methodology used for the fee calculation nor the method for allocating these fees to each venue. A third party review commissioned by HPFSD

has determined that there were no significant risks associated with this lack of definition, as the management fee is monitored on a quarterly basis for unusual variances.

Risk Management:

A Vice-President of Enterprise Risk Management (ERM) was hired in the first quarter of fiscal year 2012-2013 and an ERM framework was developed, approved by the TO2015 Board and accepted by HPFSD based on findings from a third-party review.

Investment Policy:

An Investment Policy was approved by the TO2015 Board of Directors and accepted by HPFSD.

Records Maintenance:

An Enterprise Resource Planning process was implemented in February 2013 and ledger accounts by venues and sub-categories have been implemented. The audit team's examination of the ledger and transaction testing confirmed that expenses are recorded by venue and sub-categories.

Appendix A – Audit Criteria

The conclusions reached for each of the audit criteria used in the audit were developed according to the following definitions.

Numerical Categorization	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	<ul style="list-style-type: none"> • well managed, no material weaknesses noted; and • effective.
2	Controlled	<ul style="list-style-type: none"> • well managed, but minor improvements are needed; and • effective.
3	Moderate Issues	<p>Has moderate issues requiring management focus (at least one of the following two criteria need to be met):</p> <ul style="list-style-type: none"> • control weaknesses, but exposure is limited because likelihood of risk occurring is not high; • control weaknesses, but exposure is limited because impact of the risk is not high.
4	Significant Improvements Required	<p>Requires significant improvements (at least one of the following three criteria need to be met):</p> <ul style="list-style-type: none"> • financial adjustments material to line item or area or to the department; or • control deficiencies represent serious exposure; or • major deficiencies in overall control structure. <p>Note: Every audit criteria that is categorized as a “4” must be immediately disclosed to the CAEE and the subjects matter’s Director General or higher level for corrective action.</p>

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn.

Audit Objective 1: The funds disbursed by Toronto 2015 Pan and Parapan American Games Organizing Committee under the terms and conditions of the Contribution Agreement are properly recorded, project-related and eligible for Department of Canadian Heritage funding.			
Criteria #	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
1.1	Funding provided by PCH has been applied to the eligible expenditures as described in the agreement and in accordance with the definition of eligible costs set out in the agreement.	1	<ul style="list-style-type: none"> Review of a sample of transactions demonstrated that funds have been applied to eligible expenses as described in the Contribution Agreement.
1.2	Funds were disbursed and allocated within the time frame of the contribution agreement.	1	<ul style="list-style-type: none"> Review of a sample of transactions demonstrated that funds have been applied to eligible expenses and are within the proper timeframe. Accruals of venue costs are completed on a monthly basis.
1.3	TO2015 maintains sufficient supporting documentation for all disbursements and these are readily available for audit by PCH. Adequate archiving procedures are in place to ensure that all pertinent records and accounting information will be readily available for future audits, in accordance with the agreement.	1	<ul style="list-style-type: none"> All supporting documentation required for audit purposes was provided. TO2015 has implemented a documentation retention policy. Clause in contracts includes the right to documentation for audit purposes.
1.4	Funds transferred between expenditures sub-categories and	1	<ul style="list-style-type: none"> Review of funds transfers demonstrated that changes of 15% or more of budget

	categories, as defined in the Contribution Agreement.		had been approved by PCH.
1.5	The terms and conditions of the partnership agreements entered into by TO2015 with outside third parties (including Infrastructure Ontario) are in compliance with the Contribution Agreement.	1	<ul style="list-style-type: none"> Contracts include clauses to ensure compliance with the terms and conditions of the CA.
1.6	Adequate competitive procurement policies and procedures have been implemented.	1	<ul style="list-style-type: none"> A procurement policy has been implemented that promotes competitive procurement.
Audit Objective 2: Toronto 2015 Pan and Parapan American Games Organizing Committee has complied with the terms and conditions of the Contribution Agreement, including all reporting requirements.			
Criteria #	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
2.1	Project Activity and Financial Reports provided to PCH are prepared in accordance with the requirements of the Contribution Agreement.	1	<ul style="list-style-type: none"> Project Activity and Financial reports are provided to PCH on a quarterly basis. Reports are in the proper format and provide the information as required.
2.2	TO2015 has implemented Administrative and Financial Management Policies and Procedures and reviews them on a regular basis.	3	<ul style="list-style-type: none"> A number of policies have been implemented, including Procurement Policies and Procedures, Investment Policy Statement, and Business Expenses and Travel Policy among others. The completion of BPv3 is expected to be delivered in October 2014. This plan requires more robust forecasts, at the request of

			the Department and the Province to help ensure that operating costs are within the agreed upon budgets, and provides all the necessary services to help ensure the success of the games.
2.3	TO2015 has implemented policies and procedures (communication policy) to ensure adequate recognition of the federal funding in compliance with the CA.	2	<ul style="list-style-type: none"> Although a formal communication policy has not been implemented, processes have been implemented to help ensure the Government of Canada's contribution is recognized.
2.4	TO2015 has implemented mechanisms and processes to track, account and report on Value In-Kind (VIK) contributions received for the capital projects to ensure compliance with the CA.	1	<ul style="list-style-type: none"> TO2015 has implemented processes to record and report on VIK transactions.
2.5	TO2015 has implemented an adequate Official Language Policy to ensure compliance with the CA. TO2015 has implemented proper procedures (including a communication policy) to ensure adequate communication in both Official Languages.	1	<ul style="list-style-type: none"> An Official Language Policy is in place. Contracts with third parties include clauses to help ensure that services are provided in both Official Languages.

Audit Objective 3: TO2015 has put in place the recommendations from the first recipient compliance audit.			
Criteria #	Audit Criteria	Conclusion	Examples of Key Evidence / Observation
3.1	Management has implemented the recommendations identified in the previous recipient audit.	2	<ul style="list-style-type: none"> • Management Action Plan has been implemented to respond to all eight recommendations from the first recipient compliance audit. • As of the writing of this report, a Volunteer Policy had been drafted but not yet approved.

Appendix B – Management Action Plan

Project Title: Toronto 2015 Pan/Para Pan American Games Organizing Committee Contribution Agreement Recipient Audit

Management Action Plan			
5.1			
Recommendations	Actions	Who	Target Date
<ul style="list-style-type: none"> It is recommended that TO2015 complete its BPv3 within the timeframe specified in the second amendment to the Contribution Agreement and ensures that the operational costs are within the funding amounts agreed upon with the Province of Ontario while providing all required services to ensure the success of the Games. 	<p>Agreed. Complete V3BP by the specified date.</p> <p>Working with the Province of Ontario to cover any shortfall in the budget targeting to have their approval by October 31, 2014.</p>	<p>Director, Planning and Analysis</p>	<p>Oct 31, 2014</p>