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## Accountants' Report on Applying Specified Auditing Procedures

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### To the Members of Council of The Corporation of the Township of Georgian Bay

As specifically agreed, we have performed the procedures described in the attached Summary of Specified Auditing Procedures.

This engagement to apply agreed upon auditing procedures was performed in accordance with standards established by The Canadian Institute of Chartered Accountants. The sufficiency of these procedures is solely the responsibility of management and the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

The results of applying the specified procedures are noted in the attached Summary of Specified Auditing Procedures along with the related procedures. However, these procedures do not constitute an audit of the specific infrastructure projects. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is for use solely by Council and is not intended to be and should not be used by anyone else or for any other purpose.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Bracebridge, Ontario  
September 27, 2010

## Summary of Specified Auditing Procedures

As specifically agreed, we have performed the following procedures:

1. We obtained and reviewed the following funding agreements for infrastructure projects:

- i) CAF Funding - Community Adjustment Fund
- ii) G8 Funding
- iii) RInC Funding - Recreation Infrastructure Canada
- iv) NTC Funding - National Trails Coalition

2. We reviewed the process that was followed regarding the selection of suppliers to perform the work related to the above infrastructure projects. The request for proposals (RFP) provided to us are noted as follows.

i) CAF Funding - Community Adjustment Fund

Two RFPs were issued for projects that related to funding from the Community Adjustment Fund. The projects were awarded as follows:

- RFP 2009-19 to Quinan Construction Limited for the construction of the community services building; and
- RFP 2010-06 (replacing RFP 2010-02) to Sunshine Grounds Care for the Port Severn Park landscaping.

We were supplied with the evaluation criteria matrices for the above RFPs and the matrices appeared to be prepared in accordance with the criteria outlined in the RFPs.

Invoices in excess of \$5,000 from two other vendors, not selected by the above RFPs issued in 2009 or 2010, are noted as follows:

- MTN Communication Systems for \$5,350; and
- GH Stewart Construction for \$5,490.

ii) G8 Funding

Eight RFP's were issued that related to the G8 Funding Agreement. The projects were awarded as follows:

- RFP 2009-14 to Maddisons' Pond and Garden Centre (Maddisons) for the Port Severn entrance feature;
- RFP 2009-15 to ABC Recreation Ltd., with Maddisons as project manager, for the children's playground - Port Severn;
- RFP 2009-16 to ABC Recreation Ltd., with Maddisons as project manager, for the children's splash pad/water play area - Port Severn;
- RFP 2009-17 to ABC Recreation Ltd., with Maddisons as project manager, for the picnic pavilion - Port Severn;



Invoices in excess of \$5,000 from two other vendors, not selected by the above RFPs issued in 2009 or 2010, are noted as follows:

- Everflow for \$11,460; and
- Childon Corporation for \$6,250.

iii) RInC Funding - Recreation Infrastructure Canada

Seven RFPs were issued that related to the Recreation Infrastructure Canada Funding. The projects were awarded as follows:

- RFP 2010-01 to Quinan Construction Limited for the project management of the MacTier Arena RInC Project.

We were supplied with the evaluation criteria matrix for the above RFP and the matrix appears to be prepared in accordance with the criteria outlined in the RFP.

- RFP 2009-03 to Concept Kitchens for the Baxter Ward Community Centre (BWCC) kitchen renovation;
- RFP 2009-05 to Fred Hook Limited for heating for the MacTier Arena;
- RFP 2009-06 to Gym-Con Ltd. for gymnasium flooring and wall divider for the BWCC in Port Severn;
- RFP 2009-10 to Evolution Insulation for insulation for the BWCC in Port Severn; and

We were supplied with some of the hand-written notes related to the evaluation of the above four contracts. None of the notes indicated points being awarded based on the evaluation criteria as set out in the RFP nor how the winning bid was ultimately selected.

- RFP 2009-07 to Balm Beach House of Glass for facility windows replacement for the BWCC in Port Severn;
- RFP 2009-08 to Fred Hook Limited for air conditioning for the BWCC in Port Severn;

We were not supplied with any written evaluation of the above two contracts in accordance with the RFPs.

Invoices in excess of \$5,000 from two other vendors, not selected by the above RFPs issued in 2009 or 2010, are noted as follows:

- Black & McDonald Limited for \$34,115; and
- Barrie Equipment Sales Inc. for \$35,327.

Section 13 (m) of the procurement policy states: Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists, or where in depth knowledge of a specific critical situation or process at the Township is held by one vendor/consultant i.e. where one vendor or their product is far more advanced and /or experienced than others in the field and has historically outperformed all others in terms of value.

We were advised by the Manager of Parks, Recreation, and Facilities that a condenser was purchased from Black and MacDonald based on competitive quotes received from the Manager of the Bala Sports Centre in Muskoka Lakes Township, a neighbouring municipality. Bala was replacing their condenser at the same time. Bala had already released an RFP to obtain pricing on condensers from the limited suppliers that sell and install condensers. If The Township of Georgian Bay were to have released an RFP, bids would have been received from the same companies and the bids would have been identical based on the specific unit being purchased. The condenser was selected from Black and MacDonald based on the information received from Bala. The price of the unit with Black and MacDonald was confirmed before being purchased. A quote was requested, without their knowledge that Bala's pricing had already been seen, and the quote supplied was identical.

We were advised by the Manager of Parks, Recreation, and Facilities that an RFP was not executed for the kitchen equipment at the Baxter Ward Community Centre as per section 13(m) of the Township procurement policy. There are no proximal competitors for commercial kitchen equipment. The Treasurer/Acting Director of Administration and the Manager of Parks, Recreation, & Facilities approved the sole sourcing to Barrie Equipment Sales.

iv) NTC Funding - National Trails Coalition

Two RFP was issued that related to the National Trails Coalition Funding. The projects were awarded as follows:

- RFP 2009-12 to Morden Construction Incorporation for the School House Trail Development; and
- RFT 2010-15 to White Contracting & Barging for the boardwalk decking - School House Trail.

We were supplied with the evaluation criteria matrix for RFP 2009-12 and the matrix appeared to be prepared in accordance with the criteria outlined in the RFP.

For RFT 2010-15 a summary comparison of the tenders was provided with the lowest bidder selected. This RFP did not detail the evaluation criteria used for the selection process.

One other vendor with invoices in excess of \$5,000, not selected by the above RFPs issued in 2009 or 2010, is noted as Techno Metal Post Foundations (TMP) for total costs of \$58,900. We were advised the the consulting engineer researched helical pile contractors and found that they did not exist in the area. Therefore, TMP was sole sourced as per section 13(m) of the procurement policy. This was approved by the Treasurer/Acting Director of Administration and the Manager of Parks, Recreation, and Facilities.

3. We obtained a summary of the expenditures on each of the above infrastructure projects and reviewed supporting documentation for 1) evidence of service being received and 2) authorization related to all expenditures made to Horsepower, EverFlow and Maddisons and a random sample of expenditures made to other suppliers. We considered approval limits by position and credit card limits by position as detailed in sections 9.4 and 9.5 of the Township's procurement policy. We noted the following (all amounts noted excluded GST or HST unless otherwise noted):

i) CAF Funding - Community Adjustment Fund (general ledger account 3-4-6772-7629)

a. For the year ended December 31, 2009:

Of total expenditures of \$10,690, we sampled 2 invoices with a total cost of \$8,235.

One invoice was from Horsepower for \$6,476.

All the invoices indicated a service being provided and were authorized in accordance with the procurement policy.

b. For the seven months ended July 31, 2010:

Of total expenditures of \$1,007,094, we sampled 10 invoices with a total cost of \$979,227.

None of the invoices were from the above noted three vendors.

All the invoices indicated a service being provided. Authorizations were not in accordance with the procurement policy as follows:

- one invoice for \$15,191 (including GST) from Quinan Construction Limited was approved by a department head only; and
- one invoice for \$185,971 from Quinan Construction Limited had no indication of approval.

We also note the following which have been brought to the attention of the Deputy-Treasurer:

- HST was recorded in the general ledger on an invoice from Sunshine Grounds Care when only GST was charged. This results in GST paid being overstated and expenses understated by \$3,993. We have been informed by Jeff Lees that this has now been corrected.

ii) G8 Funding

a. For the year ended December 31, 2009:

Of total expenditures of \$587,695, we sampled 18 invoices with a total cost of \$558,499.

Four invoices were from Maddisons for a total cost of \$350,106. No service was indicated as provided as these were for a 50% deposit of the contract amount. We did not see the 50% deposit requirement in the quote provided to us. The policy requires approval by the CAO if over \$50,000. The invoices were approved by the Treasurer/Acting Director of Administration and therefore considered to be in accordance with the procurement policy as far as approval limits.

However, section 12.3 of the Township of Georgian Bay procurement policy states:

**Pre-Payment:** No pre-payment of all or part of any goods, services, equipment, or contract shall be made unless provision for same is included in the original purchase order, tender, quotation, or request for proposal.

The issuance of the above cheques to Maddisons was prohibited by Section 12.3 of the procurement policy and therefore was not in compliance with the policy.

Two invoices were from Horsepower for a total cost of \$8,379. A service provided was indicated on the invoices. There was no indication on one of the invoices for \$976 that it had been approved. The other invoice was approved by the Treasurer/Acting Director of Administration.

One invoice was from EverFlow for a cost of \$11,460. A service provided was indicated on the invoice. There was no indication that the invoice had been approved.

The remaining invoices sampled indicated a service being provided and were approved in accordance with the procurement policy.

b. For the seven months ended July 31, 2010:

We understand that May 2010 was a period of transition from the out-going Treasurer/Acting Director of Administration with the Manager of Planning being authorized as an Interim Signing Officer via by-law 2010-53 as of May 31, 2010. We are informed by Carolyn Tripp and Jeff Lees that the mayor verbally authorized the Interim Administration Management Team on May 17 in the interest of being able to continue on with normal business. The Manager of Planning, the Manager of Parks, Recreation, and Facilities and the Clerk were appointed as an Interim Administration Management Team via resolution C-124-2010 as of May 31, 2010. We note below invoices that the Manager of Planning approved in May prior to the by-law coming into effect but within the verbal approval provided by the Mayor for the transition period.

Of total expenditures of \$2,589,378, we sampled 31 invoices with a total cost of \$2,529,410.

Seven invoices were from Horsepower for a total cost of \$343,348. The invoices only indicated the location of a service provided but not what the service was. There was no indication on one of the invoices for \$606 that it had been approved. Two of these invoices were over \$150,000 each and approved by both the Manager of Planning and the Manager of Parks, Recreation, and Facilities in May 2010 (as noted above there was verbal approval from the mayor for these individuals to form an interim administration management team as of May 17). The other invoices were approved in accordance with the procurement policy.

One invoice was from EverFlow for a cost of \$2,680. A service provided was indicated on the invoice as well as approval by the Treasurer/Acting Director of Administration.

Of the remaining 23 invoices, we note the following:

- all invoices indicated a service provided;
- one invoice from Quinan Construction Limited for \$130,081 had no indication of approval;
- two invoices over \$15,000 each were approved by a department head only;
- two invoices over \$50,000 each were approved by both the Manager of Planning and the Manager of Parks, Recreation, and Facilities in May 2010 (as noted above there was verbal approval from the mayor for these individuals to form an interim administration management team as of May 17); and
- the remaining eighteen invoices were approved in accordance with the procurement policy.

We also note the following which have been brought to the attention of the Deputy-Treasurer:

- GST was recorded incorrectly on Maacon Construction progress draw #2 resulting in GST paid being overstated and expenses understated by \$1,276; and
- HST was recorded in the general ledger on two invoices from Sunshine Grounds Care when only GST was charged. This results in GST paid being overstated and expenses understated by \$2,882. We have been informed by Jeff Lees that this has now been corrected.

iii) RInC Funding - Recreation Infrastructure Canada

I. MacTier Memorial Arena Rehabilitation

a. For the year ended December 31, 2009:

Of total expenditures of \$172,679, we sampled 9 invoices with a total cost of \$162,115.

None of the invoices were from the above noted three vendors.

All the invoices indicated a service being provided. Authorizations were not in accordance with the procurement policy as follows:

- one invoice for \$2,093 from Thom Win Construction Ltd. had no indication of approval;
- three invoices for a total cost of \$99,183 from Black & McDonald Limited had no indication of approval; and
- one invoice for \$32,150 from Cimco Refrigeration Supply had no indication of approval.

b. For the seven months ended July 31, 2010:

Of total expenditures of \$194,372 we sampled 4 invoices with a total cost of \$191,199.

Three invoices were from Horsepower for a total cost of \$13,935. The invoices only indicated the location of a service provided but not what the service was. The invoices were approved in accordance with the procurement policy.

The other invoice was from Quinan Construction Ltd. as progress draw number 1 and approved in accordance with the procurement policy.

II. Baxter Ward Community Centre Rehabilitation

a. For the year ended December 31, 2009:

Of total expenditures of \$306,101, we sampled 20 invoices with a total cost of \$271,991.

Four invoices were from Horsepower for a total cost of \$40,581. The invoices only indicated the location of a service provided but not what the service was. There was no indication on two of the invoices for a total cost of \$33,423 that they had been approved. The other invoices were approved in accordance with the procurement policy.

One invoice from EverFlow for \$3,568 indicated a service provided of "material and labour at Baxter Hall". No approval was noted on this invoice.

Of the remaining 15 invoices, we note the following:

- all invoices indicated a service provided;
- two invoices for a total cost of \$40,000 from Evolution Insulation had no indication of approval, one having an email attached from a department head saying the Treasurer/Acting Director of Administration approved the invoice;
- one invoice for \$35,327 from Barrie Equipment Sales Inc. had no indication of approval;



- one invoice for \$62,870 from Gym-Con Ltd. had no indication of approval;
- one invoice for \$27,975 from Fred Hook Limited was approved by a department head only; and
- one invoice for \$6,243 from Balm Beach House of Glass had no indication of approval.
- one invoice for \$1,482 from Concept Kitchens, paid by credit card, was within the spending limits in accordance with the procurement policy for credit cards.

b. For the seven months ended July 31, 2010:

There was only one invoice paid in this period for \$188. A service provided was indicated on the invoice and the invoice was approved in accordance with the procurement policy.

iv) NTC Funding - National Trails Coalition

a. For the year ended December 31, 2009:

Of total expenditures of \$179,928, we sampled 5 invoices with a total cost of \$174,284.

None of the invoices were from the above noted three vendors.

All the invoices indicated a service being provided. Authorizations were not in accordance with the procurement policy as follows:

- two invoices for a total cost of \$171,910 from Morden Construction Inc. were approved by a department head only; and
- one invoice for \$1,300 from Jones Consulting had no indication of approval.

b. For the seven months ended July 31, 2010:

Of total expenditures of \$71,700 we sampled 3 invoices with a total cost of \$70,475.

None of the invoices were from the above noted three vendors.

All the invoices indicated a service being provided. Authorizations were not in accordance with the procurement policy as follows:

- two invoices for a total cost of \$58,900 from TMP Foundations were approved by a department head only (one with "as per Brenda" written on it).

4. We obtained information on credit card purchases made with the above noted 3 suppliers and reviewed the invoices supporting the purchases for evidence of approval, service provided and that within the spending limits of the procurement policy as it related to credit cards. We noted the following (all amounts noted excluded GST or HST unless otherwise noted):

i. Horsepower and EverFlow

No credit card purchases with these suppliers.

ii. Maddisons

a. For the year ended December 31, 2009:

We noted 17 credit charges during the year and reviewed the invoices and note the following:

- a service provided was indicated on each invoice;
- all invoices were for amounts less than \$15,000; and
- all were within the spending limits in accordance with the procurement policy for credit cards; and

b. For the seven months ended July 31, 2010:

We noted 2 credit charges during the period and reviewed the invoices and note that a service provided was indicated on each invoice and both were within the spending limits in accordance with the procurement policy for credit cards.

5. We obtained the budget for each of the infrastructure projects that were approved by Council July 29, 2009 in by-law 2009-76.
6. We were provided with resolution CSSC-59-2009R forming the Project Implementation Team (PIT) but we were not provided with any terms of reference, other than "in accordance with the procurement policy", for the PIT.
7. We were provided with and reviewed the PIT minutes for meetings from December 16, 2009 to June 8, 2010. We were not provided with any minutes for meetings held from the date of team set up by Council on August 31, 2009 to December 15, 2009. Our comments above address whether the projects were implemented in accordance with the procurement policy. Since we were not provided with any further terms of reference, we cannot further comment on whether the mandate as laid out in the terms of reference was followed.