Board Meeting #487
Mar. 27, 2015
Item # 9.2

Date: March 27, 2015
Date Last Updated: March 28, 2014

To: **Chair and Board of Governors**
From: **President**

Subject **MONITORING REPORT – EL-2f Asset Protection**

The President shall not allow corporate assets to be unprotected, inadequately maintained nor unnecessarily risked.

I hereby present the monitoring report on our Executive Limitations policy "Asset Protection" according to the schedule set out. I certify that the information contained in this report is true and represents compliance with all aspects of the policy unless specifically stated otherwise.

The President shall not:

1. **"Allow the organization, Board members, staff, and volunteers to be uninsured against theft, fire, and casualty losses to a prudent replacement value and against liability losses."**

I interpret "prudent" and "appropriate" to mean coverage is consistent with industry standards for Colleges.

Evidence:
The College is part of a consortium of 20 colleges, which joined forces to purchase insurance in 2012 that resulted in changing from Marsh Canada Inc. to Aon Reed Stenhouse Inc. (AON), effective 2013.

Aon had advised that our coverage is similar to the other Ontario Colleges at a high level. Attached is a summary of the College's 2014-2015 insurance coverage—see "Appendix A."

We added cyber/privacy liability coverage to our 2014-15 policy. International travel to areas of the world posing such threats as identified by the Government of Canada, are not to be undertaken.

I report compliance.

2. **"Subject facilities and equipment to improper wear and tear or insufficient maintenance."**

I interpret "adequate" to mean sufficient to support safe operations and to avoid foreseeable accidents or losses.

Evidence:

The Thunder Bay campus has maintenance staff of one Director of Facilities Services , two electricians, and two millwrights who are responsible for preventative maintenance of buildings. Additional staff plus contractors are dedicated to facilities renewal/ renovation, cleaning and maintenance services. Instructional and office equipment are maintained under service contracts.

Maintenance in the Facilities Services Department is undertaken in a proactive manner facilitated though the use of a computerized maintenance management system (i.e. "Maintenance Connection"). A computerized building system is maintained to verify the extent of the College's deferred maintenance, which is estimated at $20.6 million dollars.

Colleges Ontario, in conjunction with MTCU, is investing in deferred maintenance systems for colleges across Ontario to update deferred maintenance estimates and to assist in planning to deal with the large maintenance backlog in colleges.

Capital funds for 2014-15 are allocated through the:

- Facilities Renewal Program (FRP) for the maintenance, repair, and renovation of existing facilities: $219,900;
- College Equipment and Renewal Fund (CERF) to acquire and renew instructional equipment and learning resources: $203,800;
- Capital out of Operating (COO) to supplement annual capital improvements: $135,000;
- Apprenticeship Enhancement Fund (AEF) to purchase new equipment or upgrade shops: $205,238.

In the fall of 2014, we received a draft "facility condition report" (1000+ pages) from VFA Canada, which provides detailed replacement and renewal cost information for all College facilities. Priorities for spending MTCU's Facilities Renewal Funding are based on the VFA report.

In January 2013, there was a malfunction of an on-site gasoline pump that caused a limited spill. The matter was reported to the Ministry of the Environment (MOE) and the Technical Standards and Safety Authority (TSSA). The College has complied with all instructions of the MOE, TSSA and our insurer. The related underground tank was removed in January 2014; also, TSSA asked that the surrounding soil, contaminated by decades of pump operation, be removed in the summer of 2014. This is now complete.

Fire Safety Plans are being revised to reflect the most recent recommendations provided by the local fire service, including practices for special events; the use of combustible recycling containers; and school decorations.

I report compliance.

3. "Unnecessarily expose the organization, its Board, or staff to claims of liability."

I interpret "unnecessarily" to mean that reasonable processes are in place to foresee areas of risk and to avoid/mitigate claims.

Evidence:
Ontario Colleges were awarded Project and Innovation Funding by MTCU in November 2013 to develop a recognized best practice/common approach to Integrated Risk Management (IRM). The goal was to develop an approach that could be applied within the post-secondary education sector along with a toolkit to support the implementation of risk management. MNP was contracted to lead the project, which Confederation has adopted.

As directed by the Audit Committee (and the Board), IRM "risk "foci" and mitigation strategies have been added to EL Reports, effective September 2014.

I report compliance.

4. "Receive process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards."

I submit this is clear and requires no further interpretation.

Evidence:

The Board-appointed auditors perform a review of the college's system of internal checks and controls. Their review did not result in the identification of any weaknesses that would materially affect the financial statement disclosure. The auditors did identify some minor items in their May 28, 2014 management letter that were discussed with Audit Committee in May 2014. At the Audit Committee meeting on November 19, 2014, a follow up of actions taken was presented to the Committee and auditors. All of the auditor's recommendations had been addressed and actioned upon. The outstanding items not completed, but still in progress at that time were the following:

- Accounts Receivable Aging – a detailed review of the aged balances and allowance for doubtful accounts to ensure adequate allowances have been determined for potentially uncollectable balances. Throughout the year, the Accounting staff have continued to review the aged balances. The next steps are to employ resources to follow up with collection on accounts. This is still in progress.

- Accounts Payable Control Account and Sub-ledger historical differences – the AP control accounts were reconciled back to the inception of Banner, and differences identified. At this time, only a few discrepancy adjustments remain.

In November 2014, the auditors presented their audit plan to the Audit Committee and management for the year ending March 2015. The audit plan is the auditor's report to the Audit Committee outlining the terms of the audit engagement, the proposed audit strategy and the level of responsibility assumed by the auditors under Canadian Auditing Standards (CAS).

I report compliance.

5. "Allow intellectual property, information or files to be exposed to loss, improper access or significant damage, or operate without maintaining records in accordance with a records retention schedule approved by legal counsel."

I interpret "loss or significant damage" to mean irrecoverable loss or damage.
Compliance will be demonstrated when generally accepted principles of secure information management are followed.

Evidence:

The College has implemented the recommendations, to the extent feasible, made by Dell Canada's Assessment of College IT operations: implementation of performance monitoring tools, redirecting resources to a second database administrator, higher Internet bandwidth to meet increasing demand, development and implementation of a comprehensive Disaster Recovery Plan, development and implementation of a College Strategic IT Plan.

The College has developed a Records Retention and Destruction policy, which has been reviewed by our legal counsel and financial auditor.

The College follows generally accepted principles of information management, including:

- Operation of an industry standard computing facility distributed between the McIntyre and Shuniah buildings. Features include controlled access to limited staff, backup emergency generator power supplies, redundant server facilities, regular backups of all central servers, and offsite storage of backup media;

- Implementation of a document electronic imaging and archiving solution with the College's Banner ERP system. The solution has allowed for improved document/record storage, security, and protection within the College;

- Continued policy and operating practice reviews related to Intellectual Property, Freedom of Information / Protection of Privacy, Information Collection and Retention.

See also Appendix C: IRM Report for Information Technology

I report compliance.

6. **"Invest funds or hold operating capital in instruments or vehicles inconsistent with MTCU policies, or without consideration of rate of return, value at maturity and cash flow needs**."

I interpret this to mean that investments (defined as funds not required in the short term) will be managed professionally to maximize return, value and to meet cash-flow needs.

Evidence:

All College investments comply with MTCU policy Directives for Investments. The College's endowment funds are held in vehicles approved by the Trustees Act for public donations or the Financial Administration Act for government contributions. All College operating funds are held in either an interest bearing current account or GIC's as per the Financial Administration Act and compliance is verified by external financial auditors.

Our Short Term Investments of operating funds are usually in a combination of high yield accounts and GICs to maximize our investment income. The maturities of investments are matched to the College's cash flow needs. The February 28, 2015 Balance Sheet identifies $5.0 million in short-term investments. This balance fluctuates with the cash flow timing of operating grants, large contract training agreements and capital project funding and disbursements. The $5.0 million short-term investments are allocated according to the Short-Term Investment Policy of the BOG.

An Endowment Committee consisting of staff, a governor and an external public member provides overview and direction to the investment advisor, and the Endowment Fund is managed in accordance to the terms outlined in the Endowment Fund Statement of the Investment Policy.

The Endowment Fund ($8.1 million as of March 15, 2015) is managed by RBC Dominion Securities. The investment advisor reported a fund performance of 10.58% for the twelve months ending December 31, 2014. Communications between the investment advisor and the Endowment Committee have become more frequent.

I report compliance

7. **"Compromise the independence of the Board's audit or other external monitoring."**

I submit this is clear and requires no further interpretation.

Evidence:

The Board's Audit Committee consisting of Governors, the President and Senior Finance staff has acted as a Board interface with the external financial auditor, Grant Thornton LLP. The auditors meet at least twice per year with the Audit Committee to present their plan for the current year and subsequently to receive the results of the financial audit and the related financial statements. The auditors are required to report on any conflict of interest to the Audit Committee. The Audit Committee meets 'in camera' with the auditors to provide an opportunity for auditors to comment to the Audit Committee without management present. There were no conflicts of interest expressed by the auditors at the Audit Committee's May 28, 2014 meeting.

The President and senior Finance staff attest in a representation letter, drafted by auditors per audit standards, that we have reported all financial information and not knowingly withheld any information relevant to the preparation of the financial statements.

Other external monitoring and auditing reports are provided to the Ministry of Training, Colleges and Universities, which ask for financial information, enrolment data and key performance indicators from the College. We also comply with Revenue Canada, Ministry of Transport and other regulatory reporting requirements. There have been no reported instances of any compromise to the independence of the audit or other external monitoring.

The Canadian Institute of Chartered Accountants (CICA) Handbook requires that the annual audit of the College financial statements examine closely the college's internal controls as an integral part of the reliability of the statements, see item 4 above. There were no significant items that would compromise the independence of the Board's audit.

I report compliance.

8. "Set tuition fees."

I interpret this to recognize that the Tuition and Ancillary Fees Reporting Operating Procedure under the Minister's Policy Directive states "that the college is responsible for ensuring that tuition and ancillary fees for all programs of instruction and courses operated by the college have been approved by the Board of Governors."

Evidence:

The Board of Governors approved the tuition and ancillary fees for 2015-2016 at their January 23, 2015 meeting. The College has complied with direction from the Ministry on the legislative framework relating to tuition and ancillary fees.

I report compliance.

9. **"Make a single purchase or commitment of greater than $1,000,000. Splitting orders to avoid this limit is not acceptable."**

I interpret this to mean that the President may not make a commitment (i.e. individual purchase order or invoice) that would result in a financial expenditure of greater than $1,000,000 per year. The routine commitments identified in the Boards approved Purchasing Spending Authorization Limits Practice, ch2-s2-06, (inventory purchases for ancillary operations, Sun Life employee benefit remittances, Revenue Canada payroll remittances, utilities, taxes and postage meter) would continue to be excluded.

Evidence:

A computer listing of individual vendors that were approved or paid greater than $1 million in the last year identified 3 items (other than routine payroll remittances): SUCCI student activity fee payments, a short-term investment transfer from RBC to Scotia Bank (as per the Short-Term Investment Policy of the BOG) and a payment to Lakehead University for the collaborative nursing program.

As part of their financial review, our financial auditors looked at each purchase over their established materiality limit, which typically is slightly higher than $1,000,000. The auditors raised no concerns from this materiality review.

I report compliance.

MOTION:

THAT we accept Report EL2f – Asset Protection, showing full compliance with a reasonable interpretation of the policy.

Respectfully submitted,

D. Jim Madder
President