

SUBJECT: U-PARK ENTERPRISES LTD - CONTRACT AMENDMENTS

RECOMMENDATION:

A. THAT the Board amend the contract with U-Park Enterprises Ltd as follows:

- i. THAT U-Park deliver to the Board, within 45 days of the end of each 6 month period, audited statements of actual revenue collected, from January 1, 1998 to the expiry of the current agreement on June 12, 2000.**
- ii. THAT the audits be carried out, at U-Park's expense, by an independent Certified General Accountant or Chartered Accountant acceptable to the Board.**
- iii. THAT the audit reports be unqualified and in the form recommended by the Canadian Institute of Chartered Accountants for such an engagement.**
- iv. THAT the audit reports be supplemented by a management letter prepared by the auditor, identifying and commenting on any internal control weaknesses regarding the collection, reporting and remitting of revenue and, if no such weaknesses are identified, the audit report be supplemented by a letter from the auditor in which this is indicated.**

B. THAT no legal rights shall be created by the passage of these resolutions and none shall arise hereafter except by the signing of the contemplated document.

BACKGROUND

U-Park Enterprises Ltd was awarded the contract as operator of the Board's pay parking lots in June, 1995. In late 1995, a former employee of U-Park approached the City with allegations that there had been under reporting and under remitting of revenues owing to the Board under this contract, primarily during the period June to December, 1995, the initial months of the contract.

The Board requested U-Park to provide it with assurances that these allegations were untrue, and that the controls and procedures regarding its collection procedures, and its accounting and reporting systems, were adequate. In addition, the Board requested details of what the actual

collections were.

U-Park retained Arthur Andersen, Chartered Accountants, to assist them in responding to the Board's request. The Board retained KPMG, Chartered Accountants, as its advisors in dealing with this issue.

DISCUSSION

Both company's investigations were inconclusive with respect to the allegations and how much revenue was actually collected. What was determined, however, were incidents of poor record-keeping during the first six months of the contract.

During the investigations both U-Park and the Board sought legal advice in order to try and resolve the main issues.

Following discussions between the parties, a settlement proposal was presented to U-Park by the Board. It provides for audits of actual revenues collected to be carried out by independent accountants for each 6 month period, starting with the period commencing January 1, 1998, until the expiry of the contract. These audits are to be carried out at U-Park's expense. The audit reports must be unqualified, and supplemented by management letters prepared by the auditor, identifying and commenting on any internal control weaknesses regarding the collection, reporting and remitting of revenues, or else indicating that none were identified.

U-Park has agreed to these proposed settlement terms. It has advised staff of a firm of Chartered Accountants to carry out the audits and they are acceptable to perform this function.

JUSTIFICATION

Given the inconclusive nature of the findings of both Arthur Andersen and KPMG, the Board's priority in settling this issue should be to ensure that current and future revenues are being properly reported and remitted. The proposed settlement should contribute to this desired outcome.

Prepared by:
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