



**STAFF REPORT
ACTION REQUIRED
Confidential Attachment**

Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions

Date:	June 24, 2008
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reason for Confidential Information:	<ol style="list-style-type: none">1. This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.2. This report is about litigation or potential litigation that affects the City or one of its agencies, boards, and commissions.3. This report contains advice or communications subject to solicitor-client privilege.
Reference Number:	

SUMMARY

This report provides information regarding the implementation status of audit recommendations contained in various reports issued by the Auditor General to City divisions. The report is the third such annual report issued by the Auditor General related to follow-up on management efforts to implement outstanding recommendations.

Management has made significant progress on implementing outstanding audit recommendations. Further, we noted that management continues to make progress on many recommendations not yet fully implemented.

The results of our review indicate management has fully implemented 690 or 85 per cent of the 919 recommendations made by the Auditor General from January 1, 1999 to June 30, 2007.

Continued efforts to implement outstanding recommendations will provide additional benefit to the City through cost savings, additional revenue and enhanced service delivery.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.
2. City Council not authorize the public release of Attachment 1 – Confidential Information as this attachment contains confidential information relating to:
 - a. security of property belonging to the City or one of its agencies, boards, and commissions;
 - b. litigation or potential litigation that affects the City or one of its agencies, boards, and commissions; and
 - c. advice or communications subject to solicitor-client privilege.

FINANCIAL IMPACT

The recommendations in this report have no financial impact.

ISSUE BACKGROUND

In accordance with the Auditor General's 2008 Work Plan, we have completed a review of the implementation status of audit recommendations issued by the Auditor General's Office. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

On an annual basis, the Auditor General transmits a listing of outstanding audit recommendations to management. Management responds with information detailing the action taken on recommendations implemented as well as progress made on those not fully implemented.

The Auditor General reviews information provided by management to determine the accuracy of management assertions related to each recommendation. The results of this review are communicated to the Audit Committee. This review includes recommendations included in reports issued by the Auditor General from January 1, 1999 through June 30, 2007.

The results of this review relate only to City divisions reporting to the City Manager and do not include reports and recommendations relating to the City's agencies, boards and commissions. The status of recommendations related to agencies, boards and commissions is reported under separate cover.

COMMENTS

Results of the Auditor General's Review

Table 1 below contains cumulative results for all recommendations contained in reports issued by the Auditor General's Office from January 1, 1999 to June 30, 2007.

Table 1:

Percentage of Recommendations Implemented Since Inception of the Follow-up Process

Status of Recommendations	As of June 30, 2007	As of June 30, 2006
Fully Implemented	690	602
Not Fully Implemented	119	139
No Longer Relevant	110	102
Total	919	843
Fully Implemented as a percentage of total recommendations	85%	81%

As of June 30, 2006, a total of 843 recommendations were either fully implemented, not fully implemented or no longer relevant. An additional 76 recommendations were added during the current review period bringing the current period total to 919 recommendations.

The results of our review indicate that management has fully implemented 690 or 85 per cent of the 919 recommendations made by the Auditor General since January 1, 1999. The percentage shown for fully implemented recommendations is a percentage of total recommendations excluding those no longer relevant.

Recommendations no longer relevant relate to areas or programs that have changed in a manner that make the recommendation no longer applicable due to reorganization, modification, reduction or termination of service provided by the affected division.

Listing of Outstanding Recommendations

A complete listing of the recommendations implemented, not fully implemented and those no longer relevant is included in Attachments 1 and 2.

Confidential Attachment 1 contains confidential recommendations verified to be either fully implemented, not fully implemented or no longer relevant.

Attachment 2 contains public recommendations verified to be either fully implemented, not fully implemented or no longer relevant.

Upon receipt of this report, recommendations reported as implemented or no longer relevant will not be reported to Council in the future. All recommendations reported as not fully implemented will be included in subsequent follow-up reviews until fully implemented.

In order to provide context for recommendations included in the appendices to this report, a few examples of noteworthy recommendations implemented and not implemented are provided below.

Noteworthy Recommendations Implemented

1. Toronto Social Services - Recovery of Social Assistance Overpayments

Certain recommendations made in our audit suggested the development of performance measures and reporting requirements for overpayments and recoveries. Since the 2005 audit, Toronto Social Services has improved the management of overpayments through the development of technology solutions to improve the management and administration of overpayment reporting. Divisional senior management meetings regularly include a review of performance reports on overpayments and recoveries.

2. Technical Services – Management of Construction Contracts (various reports)

We noted improvements in construction contract management processes. These include development of a comprehensive Field Services Manual, revisions to the Capital Works Project and Procurement Manual, and development of a warranty tracking database. Further, we noted documentation included in inspection reports has significantly improved.

We also noted recovery of amounts from contractors resulting from overpayments reported in our report on the reconstruction of Queensway Eastbound Lanes and the Leaside Bridge rehabilitation.

3. Purchasing and Materials Management Division - Selection and Hiring of Professional and Consulting Services Review

This audit included a recommendation approved by City Council related to the need for a formal consultant performance evaluation process. The recommendation called for regular monitoring of consultant performance. Further, the recommendation provided that upon project completion a consultant performance evaluation be conducted, documented and available for review by relevant City staff for review when considering consultants for future projects.

A new form was piloted by the former Works and Emergency Services staff from 2003 to 2005 for evaluating consultant performance on City projects with fees in excess of \$50,000. In the meantime, the Purchasing and Materials Management

Division had developed an RFP template, contract management checklists, and had regularly reminded divisional staff to document consultant performance through training and meetings.

In 2006 City Council approved a management report which recommended a policy that the Division Head, in consultation with Legal Services and the Purchasing and Materials Management Division, report to the appropriate Standing Committee and Council on an “as required” basis when certain poor performing consultants, contractors or suppliers should be suspended from bidding on City contracts for a period of one year. The same report also concluded that the need for a consultant performance evaluation system is not warranted in view of significant staff resources required to maintain the system and other existing contract management procedures that require evaluation of vendor performance throughout the contract and at its conclusion.

Results of our follow-up review and discussions with staff show that evaluation of consultant performance is not always documented, and there is no formal process such as a corporate database for Purchasing staff to track information communicated from City divisions on problem consultants. We were advised by the Purchasing and Materials Management Division and divisional management that informal processes and procedures have been established and that information on under-performing consultants is available. According to management, a consultant’s past performance is considered prior to awarding a new contract. Given management’s assertion and the fact that this issue has been reported to Council, we are classifying this recommendation as implemented.

Noteworthy Recommendations Not Fully Implemented

1. Facilities and Real Estate – Maintenance and Administrative Controls Review

In this audit, we noted the City's current corporate governance model provides for decentralized control of City building operations with the Facilities and Real Estate Division and 12 City divisions sharing landlord responsibility for City-owned buildings. As a result, the Facilities and Real Estate Division does not have an overall governance role in ensuring legislative standards are complied with in other City divisions. The current decentralized model also results in inconsistent policies, procedures and standards for building maintenance and cleaning operations. Among consequences of the current decentralized model and services arrangements are:

- Lack of City-wide priority setting for building repairs;
- No assurance of compliance with facility maintenance standards;
- Lack of timely repairs to buildings and facilities;
- Multiple contracts for the same service;
- Lack of effective monitoring and control of building maintenance and cleaning costs;

- Lack of coordinated planning for building maintenance;
- Lack of accountability; and
- Increased risk and liability.

According to management, the City's Facilities Governance Review is currently underway and results expected in 2008.

2. Facilities and Real Estate – Maintenance and Administrative Controls Review

All City-owned leases are not yet incorporated into the SAP Leasing module implemented by the Facilities and Real Estate Division in April 2007. As a result, there is not a complete corporate inventory of leases for City-owned property.

3. Fire Services - Operational Review

Our review in 2006 identified a number of opportunities for ensuring adequate maintenance of fire vehicles and the need for more effective delivery of existing fire prevention inspection services.

During this follow-up process, we determined that the division has made slow progress in enhancing the fleet maintenance program. Management advised that a number of new initiatives are in progress. These initiatives include the drafting of divisional standard operating guidelines, implementation of the new M5 System and formalizing warehouse operation by participating in the warehouse rationalization project. Completion of these projects in 2008 will provide a more structured approach to more effective maintenance of fire vehicles.

Progress in addressing audit concerns in fire prevention inspection services is also slow. Specifically, the Unit still lacks an information system that provides accurate and reliable data for compiling an accurate property inventory list for scheduling inspections.

CONTACT

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SIGNATURE

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Auditor General

08-AAS-05

ATTACHMENTS

Attachment 1 - Confidential Information:

Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions – Confidential Recommendations

Attachment 2:

City Divisions, Public Recommendations – Fully Implemented

City Divisions, Public Recommendations – Not Fully Implemented

City Divisions, Public Recommendations – No Longer Relevant