

**Management’s Response to the Auditor General’s Review of  
Inventory Controls Over Traffic Control Devices in Transportation Services Need to Be Improved**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	<b>City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to implement the corporate model for warehousing and distribution of materials, particularly with respect to the traffic control device inventory.</b>	X			Transportation Services will immediately initiate the conversion of the existing system to the corporate model for warehousing and distribution by December 31, 2012.
2.	<b>City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, ensure inventory control policies and procedures are documented.</b>	X			Transportation Services and PMMD will review the operational needs of the traffic signal inventory and have inventory control policies and procedure documented by October 31, 2012. Migrate the existing system into the chosen information system. Policies and procedures to be documented through this process, but may be subject to edits as a result of PMMD AG report.

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3.	<b>City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to implement effective controls over the inventory of traffic control devices with consideration being given to using SAP financial information system module currently being used by other City divisions.</b>	X			Transportation Services to immediately start to assess the use of SAP as an effective inventory control to manage material. A decision on the inventory control system to be made by November 30, 2012.
4.	<b>City Council request the General Manager, Transportation Services, in consultation with the City Treasurer, to ensure the value of traffic control devices inventory is included in the City's financial records.</b>	X			In conjunction with recommendation #3 action plan/time frame, the assessment will commence immediately and financial records will be tracked at the time of entry.
5.	<b>City Council request the General Manager, Transportation Services, to ensure physical counts of materials held in inventory are performed on a regular basis and that the information is used to ensure inventory data is accurate and controls are effective.</b>	X			Continue with quarterly inventory counts and record in the management system that will be selected, by November 30, 2012. On-going.

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6.	<b>City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to develop and implement performance indicators and metrics for inventory management.</b>	X			Transportation Services to establish minimum, maximum, frequency of use performance indicators and implement the performance metrics of the management system, by December 31, 2012.
7.	<b>City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to consider alternative arrangements for the storage of the inventory of traffic control signal devices.</b>	X			Transportation Services has initiated consultation with PMMD. Alternative arrangements for material storage which may include City of Toronto Stores or offsite storage facilities to be examined by July 31, 2012.
8.	<b>City Council request the Deputy City Manager and Chief Financial Officer to take appropriate action to identify City operations that maintain a significant level of inventory and review those operations to ensure adequate inventory controls are in place such as those identified in City's warehouse and stores business model as adopted by Council in the Corporate Warehouse/Stores Rationalization Project.</b>	X			The Deputy City Manager and Chief Financial Officer will conduct a study across all City divisions to determine where inventory controls are required, determine the level of control required, and implement inventory control improvements where necessary. The study is to be completed by September 30, 2013 which will include an implementation schedule for those areas that have been identified as requiring improved inventory controls.

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9.	<b>City Council request the City Clerk to forward this report to the City’s major Agencies, Boards, Commissions and Corporations for consideration and appropriate action.</b>	X			Report will be forwarded to the major ABCs by June 30, 2012.