



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## 2013 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General's Office

<b>Date:</b>	February 7, 2014
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### SUMMARY

---

This report responds to a 2004 request from the Audit Committee that the Auditor General provide on an annual basis the “*value added of his department*”.

This report contains the Auditor General's estimate of the quantifiable financial benefits resulting from the work conducted by the Auditor General's Office during the five-year period from 2009 to 2013. Since 2009, total one-time and projected five-year cost savings and revenue increases are approximately \$223.1 million. The cumulative costs of operating the Auditor General's Office since 2009 have been \$19.4 million. In simple terms, for every \$1 invested in the Auditor General's Office the return on this investment has been approximately \$11.50.

The identification of cost savings and increased revenues is only one component of the role of the Auditor General. Equally important is the ongoing evaluation of internal controls, risk management, and governance processes. However, the benefits of audits of this nature are not quantifiable in financial terms.

### RECOMMENDATION

---

**The Auditor General recommends that:**

1. Council receive this report for information.

#### **Financial Impact**

The adoption of this report has no direct financial implication.

## **DECISION HISTORY**

This report entitled “2013 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General’s Office” was specifically requested by the Audit Committee in 2004. The Committee requested the Auditor General to provide on an annual basis the “*value added of his department by identifying:*”

- a. actual dollar savings to the City of Toronto;*
- b. potential savings to the City of Toronto;*
- c. at risk dollars to the City of Toronto; and*
- d. for non-identifiable dollar activities, the impact of the audit review on those items.”*

## **COMMENTS**

The Auditor General’s report entitled “2013 Annual Report Requested by the Audit Committee - Demonstrating the Value of the Auditor General’s Office” is attached as Appendix 1.

The report includes a brief overview of the individual audit reports and cost savings information. In addition to direct financial benefits, the report highlights non-financial benefits such as improved internal controls and efficiencies as a result of implementing audit recommendations.

## **CONTACT**

Jerry Shaubel, Director, Auditor General’s Office  
Tel: 416-392-8462, Fax: 416-392-3754, E-mail: [jshaubel@toronto.ca](mailto:jshaubel@toronto.ca)

Jane Ying, Senior Audit Manager, Auditor General’s Office  
Tel: 416-392-8480, Fax: 416-392-3754, E-mail: [jying@toronto.ca](mailto:jying@toronto.ca)

## **SIGNATURE**

---

Jeff Griffiths, Auditor General

99AGO 01

## **ATTACHMENT**

Appendix 1: 2013 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General’s Office

# **AUDITOR GENERAL'S REPORT**

**2013 Annual Report Requested  
By the Audit Committee**

**Demonstrating the Value of  
the Auditor General's Office**

**February 6, 2014**

---

**Jeffrey Griffiths, CPA, CA, CFE  
Auditor General**



---

# TABLE OF CONTENTS

---

<b>EXECUTIVE SUMMARY</b> .....	1
<b>1.0 BACKGROUND</b> .....	9
1.1 Annual Report Requested By the Audit Committee .....	9
<b>2.0 THE AUDITOR GENERAL’S OFFICE</b> .....	10
2.1 The Responsibilities of the Auditor General Under the City of Toronto Act .....	10
2.2 Professional Standards .....	12
2.3 Independent Quality Assurance Review of the Auditor General’s Office .....	12
2.4 Annual Compliance Audit.....	13
2.5 Annual Work Plan .....	14
2.6 Audit Recommendations .....	14
2.7 Audit Reports Requested By City Council, Agencies and Corporations .....	15
<b>3.0 DEMONSTRATING THE VALUE OF THE AUDIT FUNCTION</b> .....	16
3.1 Quantifiable Financial Benefits.....	16
3.2 2013 Reports With Non-Financial Benefits or Financial Benefits Not Determinable at the Time of Report Issuance .....	23
3.3 Previously Issued Reports With Cumulative Long-Term Financial Benefits ..	28
3.4 Previously Issued Audit Reports With Far Reaching but Unquantifiable Benefits.....	29
3.5 Benefits Resulting From Coordination with the Ontario Provincial Auditor General.....	32
<b>4.0 CONTINUOUS CONTROLS MONITORING</b> .....	33
<b>5.0 FRAUD AND WASTE HOTLINE</b> .....	36
<b>6.0 FOLLOW-UP ON IMPLEMENTATION OF AUDIT     RECOMMENDATIONS</b> .....	37
<b>7.0 EXTERNAL AUDIT COORDINATION</b> .....	39
<b>CONCLUSION</b> .....	40
Exhibit 1: Auditor General’s Office, Reports Issued in 2013 .....	42
Exhibit 2: Auditor General’s Office, Audit Reports, 2009 to 2012 .....	45
Exhibit 3: Auditor General’s Office, Specific Recommendations Relating to the Consolidation of Various Functions Throughout the City.....	48

---

## EXECUTIVE SUMMARY

---

### Annual Reporting By the Auditor General

***City Council  
requires  
Accountability  
Officers to report  
annually***

In 2009, City Council approved a report entitled “A Policy Framework for Toronto’s Accountability Officers”. The Policy Framework supports the appropriate balance of independence in the Officers’ decision making processes and accountability to Council for the management of their offices, and their performance in fulfilling their mandates. The specific requirement of the Policy Framework in regard to annual reporting to Council states that:

*“The officers will report annually to City Council on the activities of their office and discharge of their duties. Consistent with current practice, the Auditor General will report annually to City Council through Audit Committee on work conducted, savings achieved, and other matters.”*

***Auditor General  
provides various  
annual reports to  
Council***

Prior to the approval of the Policy Framework, the practice of the Auditor General has been to issue annual reports as follows:

- Auditor General’s Office - Benefits to the City of Toronto
- Annual Report - Fraud and Waste Hotline
- Auditor General's Status Reports on Outstanding Recommendations

In addition, the annual budget submission of the Auditor General’s Office contains significant financial and operational information on the administration of the Office.

***This report was  
requested by the  
Audit Committee  
in 2004***

In 2004, the Audit Committee requested that the Auditor General provide on an annual basis the “*value added of his department by identifying:*

- e. actual dollar savings to the City of Toronto;*
- f. potential savings to the City of Toronto;*
- g. at risk dollars to the City of Toronto; and*
- h. for non-identifiable dollar activities, the impact of the audit review on those items.”*

This report responds to the specific request of the Audit Committee.

## **The Responsibilities of the Auditor General Under the City of Toronto Act**

### ***City of Toronto Act and the Auditor General***

The *City of Toronto Act*, 2006, Section 177 provides for the appointment of an Auditor General. Under Section 178 of the *Act*, the Auditor General is:

*“responsible for assisting city council in holding itself and city administrators accountable for the quality of stewardship over public funds and for achievement of value for money in city operations.”*

### ***The Auditor General’s reviews may identify cost savings and revenue increases***

In fulfilling this mandate, the Auditor General performs various reviews of City divisions, agencies and corporations often identifying opportunities for cost savings or revenue increases. The cost savings or revenue increases may be one-time or ongoing.

### ***Recommendations relating to improving controls are important but benefits may not be quantifiable***

The identification of cost savings and increased revenues is only one component of the role of the Auditor General. Equally important is the ongoing evaluation of internal controls, risk management and governance processes in order to ensure that City resources are adequately protected. Recommendations relating to improving internal controls and the quality of stewardship over public funds are an important part of the Auditor General’s work. However, benefits from audit work of this nature may not be quantifiable in financial terms.

## **Return on Investment for the Office**

### ***Report identifies cost savings and revenue increases***

This report identifies estimated cost savings and revenue increases relating to audit reports issued during the five-year period from 2009 to 2013. Cost savings and revenue increases from audit reports issued prior to 2009 are not included in the current calculation of return on investment for the Auditor General's Office, even though these amounts are significant.

### ***Projected savings are for five years only***

As indicated previously, cost savings or revenue increases may be one-time or ongoing. For the purpose of this report, we have projected ongoing cost savings or revenue increases for a five-year time period only. In most cases, cost savings or revenue increases extend far beyond that time frame.

***Estimated \$11.50 savings for every dollar invested in the Auditor General's Office***

Since 2009, the one-time and projected five-year cost savings and revenue increases are approximately \$223.1 million. The total cost of operating the Auditor General's Office for the five years 2009 to 2013 has been \$19.4 million. Consequently, the return on every dollar invested in the Auditor General's Office was approximately \$11.50.

These savings are conservative. As indicated the savings only relate to reports issued since 2009 and are only extended for a five-year time period.

### **Financial Benefits Realized in 2013**

***Savings identified in 2013 totalled \$32.4 million for the next five years***

On a go forward basis, we estimate that the savings identified in 2013 will benefit the City over the next five years by a total of approximately \$32.4 million.

***Three 2013 audit reports have quantifiable financial savings at the time of report issuance***

Three performance audits completed in 2013 have financial benefits that could be quantified at the time of report issuance. These three audits are:

- City Accounts Payable – Payment Controls and Monitoring Require Improvement
- Emergency Medical Services – Payroll and Scheduling Processes Require Strengthening
- Toronto Water – Review of Construction Contracts

Other 2013 audits may result in financial benefits when the audit recommendations are implemented. However, the extent of the savings cannot be determined at this time and are not included in this report.

In addition to cost savings from reports issued in 2013, additional savings were reported by management in 2013 as a result of implementing recommendations contained in audit reports issued prior to 2013. These savings were undeterminable at the time the audit reports were issued and consequently were not included in previous annual reports.

*Two previously issued reports resulted in additional savings*

In 2013, additional savings were noted from two previously issued audit reports:

- Review of Wheel-Trans Services – Sustaining Level and Quality of Service Require Changes to the Program, 2012
- Toronto Community Housing Corporation- Procurement Policies Are Not Being Followed, 2010

In 2013, the Auditor General also issued six reports on the results of its continuous controls monitoring process.

Moreover, investigations of fraud related matters by the Auditor General’s Forensic Unit in 2013 identified one-time and annual cost reductions for the City.

Details of these audit reports/activities and cost savings and revenue increases in 2013 are provided in the body of this report.

#### **What The Report Does Not Include**

- **Cumulative Long Term Financial Benefits**

*The calculation of return on investment does not include savings realized before 2009*

The current saving estimates are based on audit reports issued between 2009 and 2013. Consequently, any ongoing savings identified by the Auditor General prior to 2009 are not included in the current saving estimates even though many of these savings are of continuing benefit to the City. For instance, our 2006 review of Toronto Fire Services identified cost savings of \$2 million per year, and our 2008 review of the Toronto Transit Commission's management of information technology projects identified annualized cost savings of \$1.7 million.



- **Non-Quantifiable Benefits**

**(1) Impact of Recommendations on Corporate Governance and Oversight**

*Improvements to corporate governance and customer services are important but difficult to quantify in financial terms*

Many of the Auditor General’s recommendations have not resulted in direct financial benefits but have led to improvements relating to:

- internal controls
- policies and procedures
- the use of City resources
- operational efficiencies
- financial reporting processes
- level of customer services
- avoidance of future costs.

For example, the Auditor General issued two separate reports in 2011 pertaining to the Toronto Community Housing Corporation (TCHC). The reports have resulted in significant changes to the day-to-day operating environment at the TCHC. The benefits of certain of these changes have profound and far-reaching effects that cannot be quantified in financial terms.

In 2012, the Auditor General conducted a review of the TCHC’s oversight of subsidiaries and other business interests. While the extent of potential cost savings is not determinable at this time, the audit highlighted a number of fundamental issues in TCHC’s governance structure.

**(2) Impact of Divisional Recommendations Across the City and its Agencies and Corporations**

*City agencies and corporations may realize financial benefits when implementing recommendations addressed to City divisions*

Many audit reports contain recommendations pertaining to specific City divisions. However, the recommendations may also be relevant to the City’s agencies and corporations. Where one of our reports contains recommendations that in our view are applicable to other city entities, we recommend the report be forwarded to the City’s agencies and corporations in order to ensure that the issues raised are addressed by them where appropriate.

As these recommendations were not specifically directed to agencies and corporations, we have not attempted to determine the extent of any resulting benefits and cost savings at these other entities and consequently they are not reflected in this report. In some cases these savings are significant.

### **(3) Coordination with the Ontario Provincial Auditor General**

#### ***Close relationship with Provincial Auditor General***

The Auditor General has a close working relationship with the Provincial Auditor General and as such communication between both parties has led to financial benefits not only in Toronto but across Ontario. For example, when the City became aware of the suspected abuse of the Special Diet Allowance Program the City Auditor General discussed this matter with the Provincial Auditor General as the Program was provincially mandated and provided at a cost share basis between the Province and the City.

#### ***Significant reductions in program costs since the Province tightened the eligibility criteria***

The Provincial Auditor General subsequently reviewed the Program as part of his audit of Ontario Works and highlighted the issue of potential abuse of Special Diet Allowance in his 2009 annual report. This was followed by the introduction of new eligibility criteria for the Special Diet Allowance by the Province in 2010.

Since then the cost of the Program at the City has decreased significantly from \$65.9 million in 2009 to \$43.5 million in 2013. Over the four years from 2010 to 2013 the cost reductions totalled approximately \$76 million. Of this amount the Province saved approximately \$63 million, and the City saved approximately \$13 million.

#### **(4) Shared Services Review**

*Auditor General has for many years been promoting shared services*

The issue of the consolidation of various administrative and operational functions throughout the City and its agencies and corporations has been raised many times by the Auditor General. Opportunities for consolidation have been identified in the following areas:

- Financial information systems
- Information Technology
- Human Resources
- Procurement
- Legal Services
- Audit Services
- Accounting including payroll
- Fleet
- Real Estate Management

Specific recommendations made by the Auditor General relating to the consolidation of various functions throughout the City are provided in Exhibit 3 to this report.

To reiterate the importance and potential benefits of service consolidation, the Auditor General in November 2011 issued a report entitled "Previous Audit Reports – Common Themes and Issues".

*KPMG conducted shared services efficiency study*

KPMG LLP have recently completed a Shared Service Efficiency Study which identified cost savings in a number of areas. According to KPMG LLP, these savings ranged from \$60.4 million to \$66.9 million annually, of which \$47 million annual savings was expected from developing and implementing a City-wide labour relations and collective bargaining strategy.

However, we are of the view that these estimated savings are overstated but nevertheless are significant. The City Manager, in his May 2013 report entitled "Results of the Shared Services Study- City Agencies" regarding KPMG's estimated \$47 million annual savings, also indicated that he "...agrees that there are potential cost savings but is of the opinion that cost savings will likely be lower than the KPMG estimates."

The recommendations contained in Exhibit 3 were shared with KPMG.

*Opportunities for cost savings from shared services were not previously realized*

In regard to the potential for consolidation at the agency and corporation level, the response from senior management for the most part has revolved around City staff not having authority over operations at these entities. Consequently, for the most part, the City has adopted a “hands off” approach when dealing with its agencies and corporations in spite of the fact that there are significant opportunities for cost savings.

We appreciate that implementation of the audit recommendations frequently requires additional efforts by management and substantial changes to existing organizational structure and process. However, when the recommended changes are implemented, the City is likely to realize significant long-term savings. For instance, our audits of Toronto Community Housing Corporation (TCHC) have resulted in:

*Significant savings have been realized by TCHC after implementing audit recommendations*

- Annual savings of \$6 million by obtaining goods through City stores
- Annual savings of \$0.5 million from transferring TCHC’s fleet to the City

Timely implementation of audit recommendations, particularly those regarding consolidating functions/services, will result in significant savings to the City.

### **Proactive Risk Mitigation**

*Discussions held in relation to issues identified in the Charbonneau inquiry*

Finally, the Auditor General as part of his responsibility identifies potential and emerging risks. In this context, discussions have been held with the Auditor General from Montreal regarding proceedings at the ongoing Charbonneau inquiry. The Charbonneau Commission was established to review the awarding and management of public contracts in the construction industry. Information regarding proceedings at the inquiry has been shared with the Auditor General and follow-up discussions and meetings will take place with the Auditor General of the City of Montreal.

## Conclusion

The role of the Auditor General is not specifically to identify cost savings. However, this report demonstrates that cost savings identified through audits equate to \$11.50 for every dollar invested in the Auditor General's Office. Although cost savings are often a direct result of the work conducted by audit staff, of equal importance is the work conducted to safeguard City resources, address internal control weaknesses, and ensure proper use of public funds. It is also important to appreciate that certain non-financial audit reports have significant long-term benefits to the City.

## 1.0 BACKGROUND

### 1.1 Annual Report Requested By the Audit Committee

*Annual report requested by Audit Committee*

At its meeting of November 23, 2004, the Audit Committee:

*“requested the Auditor General to provide the value added of his department by identifying:*

- a. actual dollar savings to the City of Toronto;*
- b. potential savings to the City of Toronto;*
- c. at risk dollars to the City of Toronto; and*
- d. for non-identifiable dollar activities, the impact of the audit review on those items.”*

This report responds to that request and represents the Auditor General's annual update on the benefits to the City from the completion of various audits. Highlights of 2013 audit reports and related estimated savings to the City are included in this report.

*Cost savings estimates are based on a five-year period*

Estimates of cost savings provided in this report are based on audits performed during the five-year period from January 1, 2009 to December 31, 2013. The use of a five-year period for benefit estimates is consistent with the reporting of a number of large government audit organizations.

*Cost savings identified prior to 2008 are not included in the calculation of return on investment*

The calculation of return on investment does not include the cost savings generated by the Auditor General's Office from the date of amalgamation, January 1, 1998, through to December 31, 2008. The financial benefits relating to these years have previously been reported to Audit Committee and Council. For example, the 2008 report showing benefits derived from reports issued from 2004 to 2008 is available at:

[http://www.toronto.ca/audit/2008/audit\\_reports\\_benefits\\_to\\_city\\_staff\\_report\\_jan2008.pdf](http://www.toronto.ca/audit/2008/audit_reports_benefits_to_city_staff_report_jan2008.pdf)

## **2.0 THE AUDITOR GENERAL'S OFFICE**

### **2.1 The Responsibilities of the Auditor General Under the City of Toronto Act**

*Audit is an independent, objective process to improve governance and controls*

The audit process is an independent, objective assurance activity designed to add value and improve an organization's operations. The audit process assists in accomplishing this objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

*Auditor General reports to Council*

The Auditor General's Office was established in order to report directly to, and provide assurance strictly for, City Council. The *City of Toronto Act, 2006* did not change this role.

*Authority under the City of Toronto Act*

The *City of Toronto Act, 2006* provides the Auditor General with the authority to conduct financial, operational, compliance, information systems, forensic and other special reviews of City divisions and local boards (restricted definition). Local boards (restricted definition) means a local board other than the Toronto Police Services Board, the Toronto Public Library and the Toronto Board of Health. The Auditor General is able to conduct audits of these entities as long as the respective Boards approve of such audits.

Under Section 178 of the *Act*, the Auditor General is:

*“responsible for assisting city council in holding itself and city administrators accountable for the quality of stewardship over public funds and for achievement of value for money in city operations.”*

Specific responsibilities of the Auditor General are set out in Chapter 3 of the Toronto Municipal Code which includes:

***Divisional audit projects***

- Conducting audit projects identified by the Auditor General, or approved by a two-thirds majority resolution of City Council

***Fraud investigations***

- Conducting forensic investigations, including suspected fraudulent activities

***Manage the Fraud and Waste Hotline***

- Managing the Fraud and Waste Hotline Program, including the referral of issues to divisional management

***Audit of agencies and corporations***

- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations to City-controlled agencies and corporations
- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations upon request by the Toronto Police Services Board, Toronto Public Library Board and the Toronto Board of Health

***Oversee external audit contract***

- Overseeing the work and the contract of the external auditors performing financial statement/attest audits of the City and its local boards

***Coordination with Internal Audit Division***

- Coordinating audit activities with the City Manager's Internal Audit Division to ensure the efficient and effective use of audit resources
- Coordinating audit activities with internal auditors of the City's agencies and corporations

***Coordination with Accountability Officers***

- Coordinating activities with the City's three other Accountability Officers: the Ombudsman, the Lobbyist Registrar and the Integrity Commissioner

## **2.2 Professional Standards**

### ***Audits conducted in accordance with Government Auditing Standards***

The Auditor General's Office conducts its work in accordance with generally accepted Government Auditing Standards. These standards relate to:

- independence
- objectivity
- professional proficiency
- scope
- performance of work.

These standards require that the Auditor General plans and performs audits to obtain sufficient, appropriate evidence that provides a reasonable basis for the findings and conclusions based on audit objectives.

Audit staff are also bound by the standards and ethics of their respective professional organizations, which include the Chartered Professional Accountants Canada, the Certified General Accountants Association, the Society of Management Accountants, the Information Systems Audit and Control Association, the Association of Certified Fraud Examiners, and the Institute of Internal Auditors.

## **2.3 Independent Quality Assurance Review of the Auditor General's Office**

### ***Government Auditing Standards require an independent review***

Government Auditing Standards require that audit organizations performing audits in accordance with Generally Accepted Government Auditing Standards undergo an external independent quality assurance review every three years. The objective of a quality assurance review is to determine whether an audit organization's internal quality control system is in place and operating effectively. Such a review provides assurance that established policies and procedures and applicable auditing standards are being followed.

### ***Auditor General's Office received the highest rating possible in its third quality assurance review in 2012***

The Auditor General's Office underwent its third quality assurance review in 2012. No other audit office in Canada has undergone such a review. The Auditor General received an "unqualified opinion" for the review. An "unqualified opinion" is the highest rating possible and indicates that audit work is conducted in accordance with Generally Accepted Government Auditing Standards.



A written opinion letter and a management letter were issued by representatives from the Association of Local Government Auditors (ALGA), an independent professional body which conducts a significant number of quality assurance reviews throughout the U.S.

The 2012 External Quality Assurance Review and ALGA letters are available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.5>

***Quality assurance team provided positive commentary on the Office***

The external quality assurance report highlighted the areas where the reviewers believe the Auditor General's Office excels including:

- The extensive Risk Assessment process the Office conducts to develop the five-year risk assessment and audit plans. The process includes: detailed analyses of the criteria and overall consideration of past audit work.
- The audit staff has a strong set of certifications and qualifications and tackles complex audit topics.
- The organization of audit work papers and well-developed quality control process, including checklists and supervisory review at various steps help ensure audit standards are followed and audit quality is achieved.

## **2.4 Annual Compliance Audit**

***Annual audit completed by independent audit firm***

The Auditor General's Office is required to undergo an annual compliance audit by an external independent audit firm. The annual compliance report for the year ended December 31, 2012 was presented to the Audit Committee at its May 29, 2013 meeting. The report issued by Hilborn LLP the independent external auditor is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-58175.pdf>

The external auditors reviewed a sample of transactions and came to the conclusion that “*As a result of applying the above procedures, we found no exceptions to the adherence to the policies, procedures and delegated authorities as they applied to our test sample.*”

## **2.5 Annual Work Plan**

### ***Submits annual audit work plan to City Council for information***

On an annual basis, the Auditor General submits an audit work plan for the upcoming year to City Council for information. The 2014 Audit Work Plan was received by the City Council at its November 13-18, 2013 meeting. The work plan provides an overview of how resources allocated to the Auditor General's Office will be used in 2014.

The development of the work plan is the sole responsibility of the Auditor General and is not subject to approval by City Council.

The 2014 Audit Work Plan is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62630.pdf>

### ***Other factors impact work plan such as Hotline complaints and concerns of Council***

When selecting audit projects, the Auditor General attempts to balance audit work that will identify opportunities for cost reductions, increased revenues, enhanced efficiency and effectiveness of municipal services, and improvements in major control systems. Complaints received through the Fraud and Waste Hotline Program and concerns of City Council are also considered in selecting audit projects.

Finally, the extent of audit projects included in the annual work plan is also a function of available staff resources.

## **2.6 Audit Recommendations**

### ***Provided 778 recommendations the last five years***

Since amalgamation in 1998, the then City Auditor and the Auditor General have made over 2,000 audit recommendations. Over the five-year period from 2009 to 2013, the Auditor General has made a total of 778 audit recommendations to City divisions, agencies, and corporations.

### ***Recommendations take into account cost of implementation***

The Auditor General, in making audit recommendations, is cognizant of the cost benefit of implementing the recommendations. Careful consideration is given to ensuring that recommendations are relevant, practical and cost-effective. Consequently, there are few instances where management is in disagreement with the recommendations.

***How do audit recommendations benefit the City?***

Recommendations resulting from reviews, investigations and audits conducted by the Auditor General's Office have benefited the City of Toronto in a variety of ways. Audits have identified ways to:

- increase City revenues, develop new revenue streams, and reduce operating costs
- better manage or utilize City resources, including the management of public funds, personnel, property and equipment
- eliminate inefficiencies in management information systems, internal and administrative procedures, use of resources, allocation of personnel and purchasing policies.

Audits also assist management to:

- safeguard assets
- detect unauthorized acquisition, use or disposal of assets
- ensure compliance with laws, regulations, policies, procedures or generally accepted industry standards.

**2.7 Audits Requested By City Council or By Agencies and Corporations**

City Council may request the Auditor General to conduct reviews on areas of concern. Council has previously requested the Auditor General to conduct reviews of City sole source contracts and the filing of election financial statements by members of City Council.

***Reviews requested by the Toronto Police Services Board***

In addition, the Toronto Police Services Board has, in the past, requested a review of the police paid duty system and the police Integrated Records and Information System. In view of the potential for cost savings and cost avoidance, the Auditor General determined that both projects should be added to his Work Plan and completed the projects in 2011.

***2013 work plan amended to respond to Executive Committee's request***

More recently, the City's Executive Committee requested the Auditor General to consider undertaking an audit of the Sony Centre for the Performing Arts. In view of the significant funds involved, the Auditor General amended his 2013 work plan to include an audit of the Sony Centre redevelopment project. The audit is near completion with the related report expected to be presented to the Sony Centre's Board of Directors in March of 2014. The Board of Directors will subsequently forward the report to the City's Audit Committee.

### **3.0 DEMONSTRATING THE VALUE OF THE AUDIT FUNCTION**

#### **3.1 Quantifiable Financial Benefits**

*Audit Committee requested financial benefit information*

At the request of Audit Committee, we have estimated the extent of the quantifiable financial benefits resulting from the work conducted by the Auditor General's Office.

*Issued 89 audit reports and handled 3,489 complaints to the Hotline over the past 5 years*

From January 2009 through to December 2013, the Auditor General's Office completed 89 performance audits providing a total of 778 recommendations. The Office also handled 3,489 individual complaints to the Fraud and Waste Hotline over the same five-year period.

In addition, the Auditor General's Office implemented a new continuous controls monitoring process in 2012 and issued six reports on the results of the process in 2013.

*One benchmark of audit effectiveness is ratio of audit costs to cost savings*

In terms of measuring the effectiveness of an audit process, one of the benchmarks used by the audit profession is the ratio of audit costs incurred to the estimated savings generated.

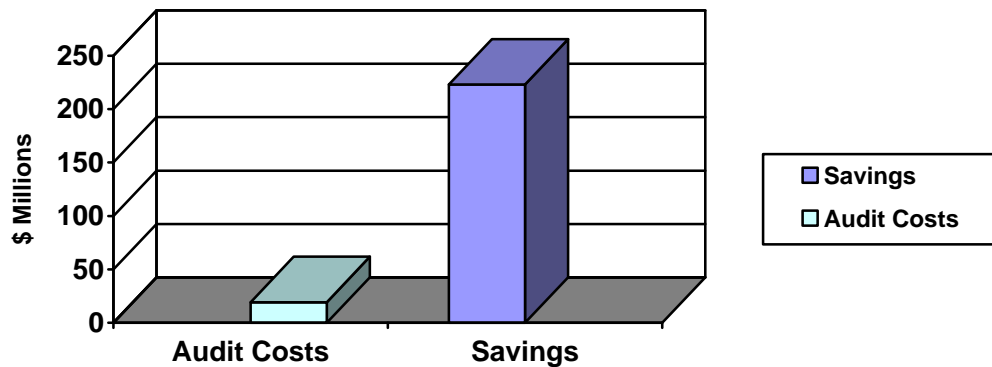
*Cost savings over last five years are approximately \$223 million*

A comparison of audit costs from 2009 to 2013 to the estimated potential savings is shown in Figure 1. Since 2009, the cumulative audit expenditure has been approximately \$19.4 million and the estimated cost reductions and revenue increases are approximately \$223.1 million. Many of the cost savings are ongoing and recur annually. The estimated cost savings are projected on a five-year forward basis only, even though the cost savings in most instances will extend beyond five years.

*Estimated \$11.50 return on investment for every \$1 invested in the Office*

In simple terms, for every \$1 invested in the Auditor General's Office the return on this investment has been approximately \$11.50.

**Figure 1: Five Year Estimated Savings Compared to Audit Costs 2009-2013**



*Cumulative savings by year from 2009-2013*

Figure 2 provides a summary of the one-time and five-year projected cumulative savings resulting from audit work conducted from 2009 through 2013.

**Figure 2: Summary - Cumulative One-Time and Projected Estimated Savings**

ESTIMATED SAVINGS \$000's						
Year of Savings	Year of Audit Report					
	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$	Total \$
2009	338					338
2010	335	443				778
2011	628	2,943	798			4,369
2012	922	4,943	21,629	5,747		33,241
2013	1,215	4,943	24,379	7,670	453	38,660
2014	1,537	4,943	25,079	7,570	5,227	44,356
2015		4,943	25,629	7,560	6,370	44,502
2016			26,079	7,920	6,565	40,564
2017				2,461	6,788	9,249
2018					7,041	7,041
<b>Total</b>	<b>\$4,975</b>	<b>\$23,158</b>	<b>\$123,593</b>	<b>\$38,928</b>	<b>\$32,444</b>	<b>\$223,098</b>

The specific audit reports and one-time and recurring savings realized in 2013 are listed in Figure 3 in the following order:

- Savings from audit reports issued prior to 2013
- Savings from audit reports issued in 2013
- Savings from investigation of fraud related matters

A brief explanation of each audit report and saving estimates are provided after Figure 3.

***Savings identified are conservative estimates***

The saving estimates are based on the amounts identified by management in implementing audit recommendations, or potential revenue increases or cost reductions identified in specific audits. In certain instances, the savings were projected based on a range of assumptions. In each case, the amounts listed in Figure 3 have been estimated conservatively.

It is not always possible to quantify all potential cost savings when audit reports are issued. Certain savings are only realized when management has fully implemented the audit recommendations in years subsequent to initial report issuance.

***Additional savings from two previously issued audit reports***

In 2013, additional savings were noted from two previously issued audit reports. These additional savings were not included in the Auditor General's previous annual reports, and are therefore added to the current year benefit estimates. Consistent with our method of accounting for recurring annual savings, the new savings identified are projected on a five-year forward basis. These audit reports and saving estimates are detailed in Figure 3.

**Figure 3: Estimated Savings (\$000's) Realized in 2013 From Reports Issued in 2013 or Prior Years**

	2013 One-time	2014 Recurring	2015 Recurring	2016 Recurring	2017 Recurring	2018 Recurring	Total
<b>Audit reports issued prior to 2013</b>							
Review of Wheel-Trans Services – Sustaining Level and Quality of Service Require Changes to the Program, 2012	(\$16)	\$1,059	\$2,218	\$2,416	\$2,639	\$2,892	<b>\$11,208</b>
Toronto Community Housing Corporation - Procurement Policies Are Not Being Followed, 2010	(\$270)	\$158	\$158	\$158	\$158	\$158	<b>\$520</b>
<b>2013 Audit reports</b>							
City Accounts Payable – Payment Controls and Monitoring Require Improvement	\$584	\$3,970	\$3,970	\$3,970	\$3,970	\$3,970	<b>\$20,434</b>
Emergency Medical Services – Payroll and Scheduling Processes Requires Strengthening	\$100	\$10	\$10	\$10	\$10	\$10	<b>\$150</b>
Toronto Water – Review of Construction Contracts	\$19						<b>\$19</b>
<b>Investigations of Fraud Related Matters</b>	\$36	\$30	\$14	\$11	\$11	\$11	<b>\$113</b>
<b>Total 2013 and 5-Year Savings</b>	<b>\$453</b>	<b>\$5,227</b>	<b>\$6,370</b>	<b>\$6,565</b>	<b>\$6,788</b>	<b>\$7,041</b>	<b>\$32,444</b>

The following section provides a brief overview of each of the reports in Figure 3 and the cost savings information.

### **Review of Wheel-Trans Services – Sustaining Level and Quality of Service Require Changes to the Program, 2012**

*Audit report included five recommendations to improve future procurement of contracted taxi service*

The 2012 audit report contained 22 recommendations, five of which were intended to improve future acquisition of contracted taxi service. Over 60 per cent of Wheel-Trans trips were delivered by contracted taxi at a cost of approximately \$33 million in 2011. Both the accessible and sedan contracts were expiring at the end of 2013.

The key audit recommended changes were as follows:

*Audit recommended seeking competitive bidding on prices and eliminating contractor bonus payments*

- Ensuring all future Requests for Proposal are designed to seek competitive bidding on price components
- Ensuring the monthly management fee is adequately structured to obtain the best overall value for the Toronto Transit Commission (TTC)
- Enhancing future procurement processes by retaining a Fairness Commissioner
- Replacing the contractor bonus entitlement with a financial penalty clause
- Ensuring contracted taxi drivers are aware of their rights and responsibilities

*Staff reported savings of approximately \$2.2 million per year for the new accessible taxi service contract*

At its January 28, 2014 meeting, the TTC Board authorized the award of 5-year contracts to four companies to provide accessible taxi service. Based on the staff report to the Board, staff have implemented the audit recommendations in the latest accessible taxi service procurement process, and reduced the annual contract costs by approximately \$2.2 million in the first year of the contract. Specifically, \$2.1 million annual savings will result from reducing the accessible taxi operator rate by \$0.30 per kilometer and re-structuring the monthly management fee, and \$159,000 annual savings from eliminating contractor bonus entitlement.

In calculating the estimated savings in Figure 3, only half of the first year contract cost reduction is realized for 2014 as the new contracts will be effective July 5, 2014. As well, the cost of retaining a Fairness Commissioner in 2013 has been deducted from the overall savings.

The staff report entitled "Procurement Authorization – Accessible Taxi Service Contract P34PN13755" to the Toronto Transit Board is available at:  
[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2014/January\\_28/Reports/Procurement\\_Authoriz.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2014/January_28/Reports/Procurement_Authoriz.pdf)

The audit report is available at:  
<http://www.toronto.ca/audit/2012/Wheel-Trans-Sustaining-Level-and-Quality.pdf>

### **Toronto Community Housing Corporation (TCHC) - Procurement Policies Are Not Being Followed, 2010**

***Audit recommended consolidating operations between the TCHC and the City***

The audit recommended that *"The Chief Executive Officer in consultation with the City Manager review areas where opportunities exist to consolidate or coordinate operations at the TCHC and the City in order to achieve cost savings. The Chief Executive Officer be required to report to the Board of Directors by September 30, 2011 on the results of these consultations. Further, the City Manager be requested to report to City Council at the same time."*

***Annual savings of \$158,000 from coordination of information technology infrastructure***

The Chief Financial Officer in consultation with the City Manager reviewed and identified areas where costs savings could be achieved. In the fourth quarter of 2012, TCHC moved certain of its computer system servers to a City location. The move required \$428,000 one-time expenses, but will reduce rental costs by approximately \$158,000 per year. The 2013 net expenditure was therefore \$270,000 (i.e. one-time moving expenses of \$428,000 offset by annual rental cost reduction of \$158,000).

The audit report is available at:  
<http://www.toronto.ca/audit/2011/procurement-feb25.pdf>



### **City Accounts Payable – Payment Controls and Monitoring Require Improvement, 2013**

The City processes over 500,000 invoices amounting to \$3.2 billion each year and has over 70,000 active vendors in the its database.

#### ***Audit recommendations to improve internal controls and purchasing practices***

This review focused on internal controls related to vendor account maintenance, vendor payments and related processes. The report included 12 recommendations. The majority of recommendations focused on strengthening controls over vendor account management and payments. Three recommendations were made to improve purchasing practices and controls.

#### ***Estimated potential savings of \$4 million per year by implementing audit recommendations***

The recommendations are due for follow-up in 2014 and a more accurate estimate of savings should be available at that time. However, it is our estimate that the recommendations when fully implemented will result in approximately \$4 million annual savings related to vendor discounts, timely processing of vendor credits, and consolidation of divisional purchases.

The \$584,000 in one-time savings represents the use of outstanding vendor credits to settle accounts payable. Had the vendor credits not been followed up, the City would have issued cheques to make the payments.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-55721.pdf>

### **Emergency Medical Services – Payroll and Scheduling Processes Require Strengthening, 2013**

Toronto Emergency Medical Services (EMS) Division is the City's sole emergency medical services provider. The Division is staffed 365 days a year, 24 hours a day, 7 days a week and maintains a fleet of some 200 emergency response vehicles. The Division employs approximately 1,200 staff including more than 900 paramedics.

***Audit objective was to assess controls over staff scheduling and payroll processes***

The 2013 EMS Division operating budget was approximately \$180 million. Salaries and wages account for \$147 million of the Division's budget. The objective of our review was to assess controls over EMS staff scheduling and payroll related processes.

***Ensuring timely adjustment of payroll variances can potentially result in a one-time recovery of \$100,000 and \$10,000 annual savings***

The implementation of the 12 recommendations contained in the report will improve controls over the administration and management of EMS scheduling, payroll and information technology processes. The audit identified the need for timely adjustment of payroll variances. Implementation of this one audit recommendation is expected to result in a one-time recovery of up to \$100,000, and \$10,000 per year on a go forward basis. The extent of cost savings resulting from implementing the remaining recommendations in the report is not determinable at this time.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62712.pdf>

### **Toronto Water – Review of Construction Contracts, 2013**

The objective of this review was to assess the extent to which management and administrative controls ensure the City's interest is protected, payments are accurate, and contract terms are enforced.

***Audit identified opportunities to improve contract management***

The review identified a number of areas where procedures could be further improved and controls strengthened to enhance contract management oversight.

These include the need to ensure:

- proper purchasing authority is in place;
- compliance with contract terms and provisions;
- adequate verification and validation is performed prior to payment; and
- contractor performance is evaluated.

***Audit recommended recovering \$18,800 from the contractor***

Addressing the 13 recommendations in the report will help Toronto Water improve the overall effectiveness and efficiency of managing city contracts. Management was also directed to recover from the contractor \$18,800 for material not received or for excess material not used.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-58417.pdf>

### **Investigations of Fraud Related Matters**

Details of cost savings and recoveries from 2013 investigations of fraud related matters will be provided in audit report entitled "2013 Annual Report on Fraud Including the Operations of the Fraud and Waste Hotline."

### **3.2 2013 Reports With Non-Financial Benefits or Financial Benefits Not Determinable at the Time of Report Issuance**

***Audit reports identify cost savings and non-financial benefits***

The purpose of any audit process is not specifically to identify cost reductions or revenue increases, although we often select audit projects with the intent of realizing such results.

***Better internal control and operational efficiencies may have no immediate or direct financial benefit***

Many of the recommendations by the Auditor General's Office have not resulted in direct financial benefits but have led to improvements relating to:

- internal controls
- policies and procedures
- the use of City resources
- operational efficiencies
- financial reporting processes
- level of customer services
- avoidance of future costs.

***Certain financial benefits are not determinable at the time of report issuance***

In addition, certain audit reports contain recommendations that can potentially lead to financial savings, but the extent of the savings is not determinable until the recommendations are implemented by management.

All audit reports issued in 2013 are on the Auditor General's web site:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=3954e03bb8d1e310VgnVCM10000071d60f89RCRD>

The following are examples of 2013 audit reports for which the benefits are either non-financial in nature or the financial benefits were not determinable at the time the reports were issued.

### **Municipal Grants – Improving the Community Partnership and Investment Program**

#### ***CPIP funding for various City community agencies***

The Community Partnership and Investment Program (CPIP), with a 2012 budget of \$47.2 million, provides three types of funding to a City-wide network of community agencies:

- Partnership funding – for specific programs to meet ongoing service demands
- Investment funding – for short-term limited activities and development of new initiatives
- Administration funding – supports the effective delivery of services and the accountability of City funding through community organizations.

#### ***Audit recommendations help ensure the best value for grant dollars and quality services to program participants***

The review identified areas of improvement for design, application assessment and performance monitoring for certain grant programs. With many program participants returning year after year, we recommended streamlining the grant application process freeing up staff time to put more focus on performance achievements of grant recipients. Monitoring of performance will help ensure that the City is receiving the best value for its grant dollars and that program participants are best served.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-55746.pdf>

**Financial Planning Analysis and Reporting System (FPARS) – A Large Scale Business Transformation/Information Technology Project**

*FPARS is a complex and large scale project*

The implementation of the City's Financial Planning, Analysis and Reporting System (FPARS) is a complex large scale information technology project. FPARS will significantly change the way the City collects and reports on financial and performance information. The estimated cost of FPARS as at the date of the audit report was in the range of \$70 million.

The objectives of the audit were to assess the adequacy of measures, controls and processes in place to ensure successful implementation of the project.

*Audit identified significant issues in project management*

The audit identified the following key issues:

- Lack of clear definitions of project costs, scope and requirements
- Deficiencies in project management including a lack of project ownership, uncooperative working relationships across City divisions, poor monitoring and reporting, and poor documentation practices
- Poor monitoring of consultant contracts and deliverables
- Lack of governance and oversight.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-58424.pdf>

**Auditor General's Hotline Investigation Report: Fleet Services Division – Review of Various Equipment Maintenance Practices**

*Review initiated by complaints to the Fraud and Waste Hotline*

This review was initiated as a result of a number of complaints received by the City's Fraud and Waste Hotline. Certain of the audit issues identified pertained to the City's street sweeping services while others had relevance to the Fleet Division as a whole. We also identified issues concerning the Transportation Services Division, responsible for the City's street sweeping services.

The audit provided nine recommendations and the key recommended changes were:

- Implementing performance measures to assess the ongoing effectiveness of the Street Sweepers Program
- Reviewing and evaluating the current management information system
- Reviewing the use of aftermarket parts in the maintenance and repair of all equipment, particularly street sweepers
- Reviewing the current scheduling process for the preventative maintenance of all equipment particularly the street sweepers
- Reviewing the process and criteria for the selection of vendors for major repairs
- Improving training of mechanics and street sweeper operational staff.

***Implementation of recommendations will strengthen controls and effectiveness of City Fleet maintenance***

The implementation of the recommendations will improve the overall effectiveness of the City's fleet maintenance practices over equipment and could result in cost savings.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62707.pdf>

### **Toronto Fire Services – Improving the Administration and Effectiveness of Firefighter Training and Recruitment**

The objective of this audit was to review training activities at Toronto Fire Services in order to identify opportunities for improving the management, administration and effectiveness of firefighter training and recruitment programs.

***Audit highlighted the need for a multi-year strategic plan***

The review highlighted the need for a multi-year strategic plan to help guide Toronto Fire Services in managing training and recruitment resources more effectively and efficiently, while meeting its financial, operational, and legal obligations. Opportunities for improvement include the following:

***Specific improvement opportunities were identified***

- Developing a multi-year strategic plan for training
- Evaluating performance through the development of key performance indicators
- Enhancing operational efficiencies in training programs to reduce opportunity costs
- Improving compliance with training requirements, policies and procedures
- Improving training records management and functionality of the learning management system

***Audit recommendations help improve administration and effectiveness of firefighter training and recruitment process***

Addressing the recommendations in the report has the potential to improve the overall administration and effectiveness of firefighter training and recruitment processes at Toronto Fire Services. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62656.pdf>

**Toronto Employment and Social Services – Review of Employment Services Contracts**

***Audit reviewed contracts with agencies providing employment services***

This audit reviewed various agreements between Toronto Employment and Social Services Division (TESS) and a number of organizations providing services to prepare Ontario Works recipients for employment opportunities.

Specific objectives of the audit included ensuring compliance with legislative requirements and corporate policies and procedures, review of payments to providers for compliance with terms in service agreements, and assessing the effectiveness in achieving contract objectives established by TESS.

The key issues identified in this report were:

*Contracts were renewed even when performance objectives were not met*

- Most third-party agencies are not meeting contracted performance requirements
- Contract performance objectives have not been adjusted since 2005 to reflect changing economic circumstances and challenges
- Contracts are renewed annually despite providers not meeting performance objectives
- Long term outcomes of participants' employment status have not been evaluated
- Quality of referrals to employment activities needs to be improved
- More effective case management of employment assistance activities is required.

*Recommendations help improve contract management*

The implementation of recommendations contained in this report will improve controls over purchasing, contract management and payment processing. These improvements will contribute to Ontario Works recipients receiving the appropriate support to help them become and stay employed.

The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62705.pdf>

### **3.3 Previously Issued Reports With Cumulative Long-Term Financial Benefits**

*This report does not include savings realized before 2009*

The savings estimates included in this report are based on audit reports issued between 2009 and 2013. Consequently, any ongoing savings identified by the Auditor General prior to 2009 are not included in the current saving estimates even though many of these savings are of continuing benefit to the City.

Examples of pre-2009 reports and potential annual recurring cost savings are:



***Examples of recurring annual cost savings identified prior to 2009***

Hostel Operations Review, 2004	\$810,000
Management of Construction Contracts-Reconstruction Queensway Eastbound Lanes, 2006	\$2,000,000
Operational Review – Toronto Fire Services, 2006	\$2,000,000
Review of Police Training – Opportunities for Improvement, 2007	\$1,200,000
The Management of Information Technology Projects – Opportunities for Improvement, Toronto Transit Commission, 2008	\$1,700,000
Court Services Review – Toronto Police Service, 2008	\$900,000

Reports issued by the Auditor General from 2009 to 2013 are listed in Exhibits 1 and 2 of this report. All reports issued by the Auditor General can be viewed at:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=3954e03bb8d1e310VgnVCM10000071d60f89RCRD>

**3.4 Previously Issued Audit Reports With Far Reaching but Unquantifiable Benefits**

Certain audit reports issued prior to 2013 continue to have far reaching but unquantifiable benefits to the City. Examples of these audit reports are:

**Procurement Process Review – City of Toronto, 2003**

***Strengthened control over the City’s procurement practices***

The audit was prominent in the “Good Government” phase of the Toronto Computer Leasing Inquiry. The report contained 43 recommendations, certain of which have resulted in long-term cost savings and strengthened control over procurement practices in the City.

One of the recommendations pertained to the appointment of a Fairness Commissioner for the oversight of controversial or complex tenders (a recommendation which was reiterated by Madame Justice Bellamy in her 2005 report). The potential savings as a result of this particular recommendation are likely significant but not quantifiable.

The audit report is available at:

[http://www.toronto.ca/audit/reports2003\\_sub1.htm](http://www.toronto.ca/audit/reports2003_sub1.htm)

*Improvements to the reporting and processing of sole source purchases*

**Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement, 2009**

Implementation of the recommendations in this report have improved the sole source procurement process and assisted management in ensuring that all sole source purchases are reported accurately to Council, facilitate compliance with purchasing rules, and generate cost savings by minimizing non-competitive procurement.

This audit report is available at:

[http://www.toronto.ca/audit/2009/audit\\_report\\_may22.pdf](http://www.toronto.ca/audit/2009/audit_report_may22.pdf)

**311 Toronto – Full Potential For Improving Customer Services Has Yet To Be Realized, 2011**

*Significant improvements to 311 Toronto's customer services and staff absenteeism rate*

Implementation of recommendations in this 2011 audit report resulted in significant improvements in customer services and operational efficiency. Since the audit, 311 Toronto has significantly improved its call response capacity resulting in more calls being answered in a timely manner. The percentage of calls answered within 30 seconds has increased from 35 per cent in 2011 to 66 per cent in 2013. Equally important is the decrease in the percentage of calls that are answered after wait time longer than three minutes. This percentage has dropped from nine per cent in 2011 to two per cent in 2013. The unplanned absent days per year among full-time call centre staff has decreased from an average 22.9 days in 2011 to 16.2 days in 2012.

The 2011 audit report is available at:

<http://www.toronto.ca/audit/2011/311toronto-oct17.pdf>

The 2013 follow-up report on the implementation of audit recommendations is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59779.pdf>

**Facilities Management Division Energy Efficiency Office –  
Management of Energy Loans and Grants Funded By the  
Ontario Power Authority, 2011**

***Audit highlighted  
the need for  
claiming carbon  
credits***

The audit highlighted the need for increased diligence regarding claiming carbon credits. Carbon credits are the dollar value associated with reductions in greenhouse gas emissions.

At its May 2013 meeting, City Council adopted recommendations from a staff report entitled "Revised Carbon Credit Policy and Revenue Opportunities", and authorized the Chief Corporate Officer to:

Recommendation 4(b):

*"Negotiate and enter into agreements for the sale on voluntary markets of up to 50,000 tonnes of carbon dioxide equivalent offsets per year,..."*

***Sale of the City's  
carbon credits  
could generate up  
to \$500,000 yearly  
revenue***

Based on a potential price range from \$5 to \$10 per carbon credit, staff anticipated that the sale of up to 50,000 tonnes of carbon credits could generate \$250,000 to \$500,000 in revenues per year.

The staff report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.15>

At the time of report writing, the City's has not finalized any sales of marketable carbon credit and consequently the Auditor General's 2013 Benefits Report has not included any additional revenues from the sale of carbon credits. Revenues from the sale of carbon credits, once finalized and reported to City Council, will be included in future benefits reports.

The audit report is available at:

<http://www.toronto.ca/audit/2011/energy-loansmarch4.pdf>

### **3.5 Benefits Resulting From Coordination with the Ontario Provincial Auditor General**

#### ***Close working relationship with Provincial Auditor General***

The Auditor General has a close working relationship with the Provincial Auditor General and as such communication between both parties has led to financial benefits not only for Toronto but across Ontario. For example, when the City became aware of the suspected abuse of the Special Diet Allowance program, the City Auditor General discussed this matter with the Provincial Auditor General.

#### ***Potential abuse of the Provincial Special Diet Allowance Program***

Subsequently, the Provincial Auditor General reviewed the Special Diet Allowance program as part of his audit of Ontario Works and highlighted the issue of potential abuse in his 2009 annual report. This was followed by the introduction of new eligibility criteria for the Special Diet Allowance by the Province in 2010.

#### ***Program costs are shared between the Province and the City***

The Special Diet Allowance is a provincially mandated program intended to assist Ontario Works recipients to pay for extra food costs necessitated by specific medical conditions. The costs of the program were shared between the Province and the City of Toronto on a 80/20 basis in 2009, shifting gradually to 83/17 by 2013. The program is administered by Toronto Employment and Social Services (TESS) on behalf of the Ministry of Community and Social Services.

#### ***Significant reductions in program costs since Province tightened the eligibility criteria***

Since the introduction of new provincial eligibility criteria in 2010, the costs of the program have decreased significantly from \$65.9 million in 2009 to \$43.5 million in 2013. Over the four years from 2010 to 2013 the annual cost reductions totalled approximately \$76 million, of which the Province saved approximately \$63 million and the City saved approximately \$13 million.

#### ***A Toronto physician was investigated by the College of Physicians and Surgeons***

The Provincial Auditor General's report also led to an investigation of an individual physician's conduct by the College of Physicians and Surgeons of Ontario. In December 2012, the College found a Toronto physician guilty of professional misconduct related to his involvement with applications for the Special Diet Allowance. In January 2014, the College suspended the physician's license for six months and imposed other sanctions.

## 4.0 CONTINUOUS CONTROLS MONITORING

### *New audit monitoring process to identify financial transactions on an ongoing basis*

Continuous controls monitoring is a relatively new audit process that uses specialized data extraction software to identify, on an ongoing basis, financial transactions that warrant further examination. The objective of the Auditor General's Continuous Controls Monitoring Program is to provide management with periodic reports that assist in proactively monitoring financial transactions, detecting unusual expenses, and identifying areas where internal controls could be strengthened.

The Auditor General's Continuous Controls Monitoring process was first applied to analyze City employee overtime and other payroll related expenses in 2011. The process was extended in 2012 and 2013 to include periodic reviews of City staff absenteeism and Toronto Transit Commission (TTC) employee overtime, mileage, and meal allowance expenses.

### *Six reports were issued by the Auditor General in 2013*

In 2013, the Auditor General issued six Continuous Controls Monitoring reports pertaining to:

- City employee overtime and mileage expenses
- City staff absenteeism
- TTC employee overtime and related expenses

### **City Employee Overtime and Mileage Expenses**

Since implementing the process in 2011, there have been steady decreases in City overtime and mileage expenses until 2013 when the expenses rose slightly. Certain of the increase in overtime in 2013 likely relates to the severe weather related emergencies in the City. Figure 4 outlines the staff overtime and mileage payments from 2010 to 2013.

**Figure 4: Staff overtime and mileage payments (\$million), 2010 to 2013**

	2010	2011	2012	2013
<b>Overtime</b>	\$45.0	\$41.0	\$38.8	43.0
<b>Mileage</b>	\$4.2	\$3.9	\$3.4	3.4
<b>Total</b>	<b>\$49.2</b>	<b>\$44.9</b>	<b>\$42.2</b>	<b>46.4</b>

The two 2013 Continuous Controls Monitoring reports on City Employee overtime and mileage expenses are available at:

- Review of City Overtime and Mileage Expenses, January 21, 2013  
<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-55724.pdf>
- Six-month Review of City Overtime, Standby Pay and Mileage Expenses, August 6, 2013  
<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-62703.pdf>

### **City Staff Absenteeism**

*Continuous Controls Monitoring has been extended to include staff absences*

In 2013, the Auditor General extended the Continuous Controls Monitoring Program to include staff absences such as sick leave. Staff absences have a direct impact on divisional productivity and operating costs.

The analysis results for 2012 staff absences were provided to management in May 2013. Two Continuous Controls Monitoring reports on staff absences were presented to the Audit Committee in 2013. The audit reports are available at:

- Review of City Staff Absenteeism, March 14, 2013  
<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-58406.pdf>
- Review of City Staff Absenteeism, May 31, 2013  
<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59791.pdf>

*Instances of unusual sick and bereavement leaves were identified and reported to management staff for further investigation*

The key report findings were:

- 677 City employees received sick leave pay from 30 to almost 100 per cent of their annual salary in 2012 ranging from 500 to over 1,800 hours of sick time.
- 13 employees took bereavement leave exceeding 80 hours. City policy provides employees with bereavement leave entitlement of four days for non-union members and five days for union members on the passing of a family member as defined in the City's Human Resources policy.

The Auditor General will conduct further analysis on 2013 data to identify changes to staff absences and related costs. Results of the 2013 analysis will be provided to management and reported to the Audit Committee in 2014.

### **Toronto Transit Commission (TTC), Overtime, Mileage Expenses and Meal Allowance**

#### ***Two reports on TTC employee overtime and other payroll related expenses in 2013***

Since 2012, the Auditor General's Office has been providing reports to the TTC Board on employee overtime and other payroll related expenses. The Auditor General issued two Continuous Controls Monitoring reports on TTC overtime and other payroll related expenses in 2013.

The audit reports are available at:

- TTC Employee Overtime and Related Expenses, March 21, 2013  
<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59277.pdf>
- Six-Month Review of Employee Overtime and Related Expenses, August 15, 2013  
[http://www.ttc.ca/About\\_the\\_TTC/Audit\\_Committees/Audit\\_Committee\\_Meetings/2013/October\\_25/Reports/AUDIT\\_REPORT\\_AGS\\_CON.pdf](http://www.ttc.ca/About_the_TTC/Audit_Committees/Audit_Committee_Meetings/2013/October_25/Reports/AUDIT_REPORT_AGS_CON.pdf)

#### ***2013 first 6-month employee overtime has increased compared to 2012***

In 2012, the total overtime expenses decreased by \$5.5 million, a reduction of approximately 8 per cent compared to 2011. However, this trend has reversed in that there has been an increase of 15 per cent in overtime during the first six months of 2013 compared to the first six months in 2012.

In response to our analysis results, TTC management staff indicated that for most part the overtime incurred in the first six months of 2013 were justified. However, in certain areas, it is apparent that staff absenteeism was a factor for increased overtime. It is our intent to expand the Continuous Control Monitoring Program in 2014 to include TTC employee absenteeism.

Results of our further analysis on TTC overtime and related payroll expenses will be provided to the Audit Committee in 2014.

## 5.0 FRAUD AND WASTE HOTLINE

*Prevention and detection are key to managing risk of fraud and other wrongdoing*

The Auditor General's Office has been administering the Fraud and Waste Hotline Program since its inception in 2002. The Hotline Program is part of the City's strategy to manage the business risk of fraud and other wrongdoing. Prevention and detection remain key components in managing this business risk which results in direct financial losses and indirect costs such as additional management resources to investigate and correct wrongdoing.

*643 complaints were received in 2013*

In 2013, the Program received 643 complaints, a seventeen per cent decrease from the number of complaints in 2012. A number of complaints received in 2013 included at least two or more allegations. As a result, approximately 1,000 allegations were processed by the Program staff.

Complaint activity may increase or decrease because of the dynamic nature of a hotline program and as a result of various factors. For example, activity may peak following coverage of an audit report or incidents of fraud in the media. For example, in 2011, there was a peak in complaints in response to various high profile reports issued regarding Toronto Community Housing Corporation (TCHC) by the Auditor General's Office. However, over the past two years the number of complaints received has decreased with the introduction of an independent audit process and complaint hotline by TCHC.

*Program has both financial and non-financial benefits*

Ultimately, the effectiveness of the Hotline Program does not depend on the number of complaints reported in any given year, but on the action taken to investigate, manage and reduce the risk of fraud.

While the financial benefits of the Program have been highlighted in Section 3, it is important to recognize the non-financial benefits:

*Non-financial benefits of the Hotline*

1. The resolution of complaints leads to improvements relating to internal controls, policies and procedures and mitigates potential misuse of City resources.



2. Collecting, monitoring and analyzing complaint data helps in identifying trends that may point to more systemic problems, address risks and make action oriented recommendations to management. For example, in 2013 the Auditor General issued a report entitled "Auditor General's Hotline Investigation Report: Fleet Services Division - Review of Equipment Maintenance Practices". The report was the result of investigative work conducted in response to a number of complaints received through the Hotline. The report contained nine recommendations to help improve the City's fleet maintenance practices over equipment, and was presented to the Audit Committee in October 2013.
3. The Hotline Program allows employees and the public to report complaints anonymously. This encourages the reporting of wrongdoing to help detect and prevent losses to the City.
4. The Hotline Program is a key component in deterring fraud or wrongdoing by increasing the probability of being detected.

While these non-financial benefits to the City are significant, it is not possible to quantify their value.

## **6.0 FOLLOW-UP ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

### ***Benefits of auditing depend on implementation of audit recommendations***

The responsibility of the Auditor General's Office in regard to audit recommendations is to present accurate and convincing information that clearly supports the recommendations made. It is management's responsibility to implement the recommendations. Benefits of auditing only come from the implementation of audit recommendations.

Further, City Council is responsible for ensuring that agreed upon recommended changes and improvements occur. The Auditor General assists Council in exercising this responsibility through an annual recommendation follow-up process.

***The Auditor General verifies recommendations are implemented and reports results to the Audit Committee***

The Auditor General's Office conducts a systematic follow-up of recommendations made to City divisions, agencies and corporations. The follow-up of recommendations is an annual process incorporated in the work plan. On an annual basis, the Auditor General forwards a list of outstanding audit recommendations to management. Management responds with information detailing the actions taken on recommendations implemented. The Auditor General verifies, to the extent necessary, information provided by management and communicates results of the review to the Audit Committee.

The implementation status of audit recommendations is summarized below.

**Implementation Status of Audit Recommendations for City Divisions**

***City divisions have implemented 74 per cent of the Auditor General's recommendations***

The results of the 2013 follow-up review indicate that management has fully implemented 74 per cent or 340 of the 459 recommendations made by the Auditor General during the five-year period from July 1, 2007 to June 30, 2012. Management are taking steps to implement the balance of the recommendations.

During the 2013 follow-up process we noted that 19 per cent or 23 out of 122 recommendations management reported as implemented were not fully implemented based on our assessment. During each annual follow-up process, a significant amount of audit and division resources are used in the verification process. To ensure effective use of resources, it is important that management perform adequate review of implementation status before reporting a recommendation as fully implemented.

The 2013 follow-up review entitled "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions" is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59779.pdf>

## **Implementation Status of Audit Recommendations for City Agencies and Corporations**

*City agencies and corporations have implemented 71 per cent of the Auditor General's recommendations*

The Auditor General also follows up on the status of audit recommendations made to City agencies and corporations. The results of the 2013 review indicate that City agencies and corporations have implemented 71 per cent or 118 of the 167 recommendations made by the Auditor General during the five-year period from July 1, 2007 to June 30, 2012. The 2013 follow-up review entitled "Auditor General's Status Report on Outstanding Audit Recommendations for City Agencies, Boards and Commissions" is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59780.pdf>

## **Implementation Status of Recommendations Made by the Auditor General's Office as Part of the Operation of the City's Fraud and Waste Hotline Program**

*Management has implemented 53 per cent of the Auditor General's recommendations made as part of the City's Fraud and Waste Hotline Program*

Since January 2007, the Auditor General has issued various reports highlighting issues identified by the Fraud and Waste Hotline Program. Since that time a total of 15 recommendations have been reported publicly. The results of the 2013 follow-up review indicate that management has fully implemented 53 per cent or eight of the 15 recommendations made by the Auditor General from January 1, 2007 to December 31, 2012. As well, an additional 12 recommendations were made to management staff in the context of confidential investigation reports and these recommendations have been fully implemented. The 2013 follow-up review report entitled "Auditor General's Office – Forensic Unit Status Report on Outstanding Recommendations" is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59789.pdf>

## **7.0 EXTERNAL AUDIT COORDINATION**

*Management of external auditor contract*

The Auditor General's responsibilities include the management, coordination and oversight of the external attest audits of the City, its agencies and corporations, as well as the Boards of Management of Community Centres and Committees of Management for Arenas.

The current contract for external audit services for the City and its major agencies and corporations ends with audit for the year ending December 31, 2014. The process to engage an auditor for the next five year period will begin in the fall of 2014 and it is expected that a recommendation for the external auditor will be presented to Audit Committee early in 2015.

The external auditor for the City Arenas, Community Centres and Miscellaneous Entities (Heritage Toronto, Yonge-Dundas Square, the Toronto Atmospheric Fund and the Clean Air Partnership) for the years 2013 to 2017 was approved by City Council in November 2012.

---

## CONCLUSION

---

***Tenth annual report***

This report, requested by the Audit Committee, is the tenth such annual report. By its nature, many of the amounts categorized as cost savings or revenue reductions are estimates. However, these estimates are conservative.

***Estimated \$11.50 savings for every dollar invested in the Office***

Based on our analysis, over the five-year period commencing January 1, 2009, the estimated potential savings to the City are approximately \$223.1 million compared to a cumulative audit expenditure of nearly \$19.4 million. In simple terms, for every \$1 invested in the audit process the return on this investment has been approximately \$11.50.

The audit process is not designed with the sole purpose of identifying cost reductions or revenue increases. Many of the recommendations issued by the Auditor General's Office have led to strengthened internal controls, improvements to policies and procedures, better management and use of City resources, and improvements to operational efficiency.

***Achievement of savings and improved efficiency depends on efforts by management and City Council***

Auditing by itself does not directly produce these benefits. Management is responsible for implementing the recommendations and City Council is responsible for ensuring that agreed upon changes and improvements occur. To assist Council in exercising this responsibility, the Auditor General's Office conducts an annual follow-up to determine the implementation status of audit recommendations.

The Auditor General's 2014 Audit Work Plan contains a balance of audit work to help improve management controls, accountability, and effectiveness and efficiency of City operations and services.

**AUDITOR GENERAL'S OFFICE  
Reports Issued in 2013**

**2013 Audit Reports**

- Emergency Medical Services - Payroll and Scheduling Processes Require Strengthening
- Toronto Employment and Social Services - Review of Employment Services Contracts
- Local Road Resurfacing - Improvements to Inspection Process Required to Minimize Incorrect Payments to Contractors
- IT Service Desk Unit - Opportunities for Improving Service and Cost-Effectiveness
- Toronto Fire Services - Improving the Administration and Effectiveness of Firefighter Training and Recruitment
- Auditor General's Hotline Investigation Report: Fleet Services Division - Review of Various Equipment Maintenance Practices
- Local Road Resurfacing - Contract Management Issues
- Toronto Water - Review of Construction Contracts
- Financial Planning Analysis and Reporting System (FPARS) - A Large Scale Business Transformation/Information Technology Project
- Reliable Data is Needed for Effective Fleet Management
- Municipal Licensing and Standards, Investigation Services Unit – Efficiencies Through Enhanced Oversight
- Appraisal Services Unit - Opportunities for Improving Economy, Efficiency and Effectiveness
- Municipal Grants – Improving the Community Partnership and Investment Program
- City Accounts Payable - Payment Controls and Monitoring Require Improvement
- Electronic Data - Standardizing Data Formats Across City Information Systems

### **2013 Continuous Controls Monitoring Reports**

- Continuous Controls Monitoring Program - Toronto Transit Commission, Six-month Review of Employees Overtime and Related Expenses
- Continuous Controls Monitoring Program - Six-month Review of City Overtime, Standby Pay and Mileage Expenses
- Continuous Controls Monitoring Program–Review of City Staff Absenteeism
- Toronto Transit Commission Employees Overtime and Related Expenses - Continuous Controls Monitoring
- Continuous Controls Monitoring Program - Review of City Staff Absenteeism
- Continuous Controls Monitoring Program – Review of City Overtime and Mileage Expenses

### **2013 Annual Reports**

- Auditor General's Office - 2014 Budget
- 2014 Audit Work Plan
- Auditor General's Status Report on Outstanding Audit Recommendations for City Agencies and Corporations
- Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions
- Auditor General's Office - Forensic Unit Status Report on Outstanding Recommendations
- 2012 Annual Report on Fraud Including the Operations of the Fraud and Waste Hotline
- 2012 Annual Report Requested by the Audit Committee – Demonstrating the Value of the Auditor General's Office

### **2013 Other Reports**

- Toronto Community Housing Corporation - Update on Audit Recommendations - October 15, 2013
- Amendments to the 2013 Audit Work Plan
- Recommendations Made as a Result of Investigations Have Relevance throughout the City
- Implementation of Recommendations in Audit Report "311 Toronto - Full Potential For Improving Customer Services Has Yet To Be Realized"

- Deferral of the Auditor General's Review of the Police Collection of Demographic Data
- Status of Audit Work Plan - Review of Wheel-Trans Services
- Follow-up of Previously Implemented Audit Recommendations
- Audit Request by the City's Executive Committee - Sony Centre for the Performing Arts
- Toronto Community Housing Corporation - Results of Follow-up of Previous Audit Recommendations
- Delay in Issuing Audit Report Relating to the Financial Planning Analysis and Reporting System (FPARS)
- Auditor General's Office Operating Budget - Response to City Council's Request



**AUDITOR GENERAL'S OFFICE  
Audit Reports, 2009 to 2012**

**2012 Audit Reports**

- Toronto Building Division – Building Permit Fees, Improving Controls and Reporting
- Review of Controls Over Procurement and Payment Functions at TCHC Subsidiary: Housing Services Inc.
- Review of Coordinated Street Furniture Contract – Public Realm Section, Transportation Services Division
- Toronto Community Housing Corporation - The City and Toronto Community Housing Corporation Needs to Strengthen its Oversight of Subsidiaries and Other Business Interests
- Toronto Community Housing Corporation Fleet Management – Lack of Central Oversight Has Led to Control Deficiencies
- Continuous Controls Monitoring – Review of Employee Overtime and Mileage Reimbursements
- Front Yard and Boulevard Parking – Improvements Needed to Enhance Program Effectiveness
- Review of the Energy Retrofit Program at Community Centres and Arenas
- Review of The Management of the City's Divisional Accounts Receivable
- Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved
- Review of Reporting on Use of Consultants
- Improving Reporting and Monitoring of Employee Benefits
- Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes
- Toronto Transit Commission Employees Overtime and Related Expenses – Continuous Controls Monitoring
- Continuous Controls Monitoring Program – Review of City Overtime and Mileage Expenses
- Parks, Forestry and Recreation Division - Review of the Management of the City's Golf Courses
- A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar Project
- eCity Initiative – Improvements Needed in Governance, Management and Accountability
- City Stores: Maximize Operating Capacity to Be More Efficient
- Toronto Employment and Social Services – Income Verification Procedures Can Be Improved

- Review of Wheel-Trans Services – Sustaining Level and Quality of Service Requires Changes to the Program

### **2011 Audit Reports**

- 311 Toronto – Full Potential For Improving Customer Service Has Yet To Be Realized
- Toronto Police Service, Police Paid Duty – Balancing Cost Effectiveness and Public Safety
- The Deep Lake Water Cooling Project – Total City Costs and Benefits Need to be Reported
- Toronto Animal Services – License Compliance Targets Need to be More Aggressive
- Review of Infrastructure Stimulus Funding – Opportunities Exist to Improve Controls over Construction Projects
- Toronto Police Service, Parking Enforcement Review
- Continuous Controls Monitoring – Employee Overtime
- Remote Access to the City's Computer Network – The Management of the Process Requires Improvement
- Toronto Police Service – Review of the Integrated Records and Information System
- Red Light Camera Program - Although Red Light Cameras Have Contributed to a Reduction in Accidents, Opportunities Exist to Improve Financial Results and Program Effectiveness
- Disposal of Digital Photocopiers – Protection of Sensitive and Confidential Data Needs Strengthening
- Transportation Services – Review of Winter Maintenance Services
- City Planning Division – Community Benefits Secured Under Section 37 or 45 of The Planning Act
- Facilities Management Division Energy Efficiency Office - Management of Energy Loans and Grants Funded by the Ontario Power Authority
- Toronto Environment Office – Review of Administration of Environmental Grants
- Governance and Management of City Computer Software Needs Improvement
- Previous Audit Reports – Common Themes and Issues
- Protecting Whistleblowers from Retribution

### **2010 Audit Reports**

- Controls Over Parking Tags Need Strengthening
- Toronto Zoo Construction Contracts Review – Tundra Project
- The Auditor General's Second Follow-up Review on the Police Investigation of Sexual Assaults

- Governance and Management of City Wireless Technology Needs Improvement
- Parks, Forestry and Recreation Division – Controls Over Ferry Service Revenue Need Strengthening
- Insurance and Risk Management Review
- Parks, Forestry and Recreation – Review of Internal Controls at the East York Curling Club
- Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions
- Police Training, Opportunities for Improvement Toronto Police Service – Follow-up Review
- Review of the City SAP Competency Centre
- Administration of Municipal Land Transfer Tax, Revenue Services Division
- Administration of Development Funds, Parkland Levies and Education Development Charges
- Employee Expenses Practices – Toronto Community Housing Corporation
- Procurement Policies and Procedures – Toronto Community Housing Corporation
- Review of the Management and Funding for Inactive Landfill Sites
- Controls Over Concession Agreements at Parks, Forestry and Recreation Need Strengthening

### **2009 Audit Reports**

- Review of Management and Oversight of the Integrated Business Management System (IBMS)
- Parks, Forestry and Recreation - Capital Program - The Backlog in Needed Repairs Continues to Grow
- Review of Disposal of Surplus IT Equipment – Security, Environmental and Financial Risks
- Toronto Parking Authority Pay and Display Parking Operations – Review of Revenue, Expenditures and Procurement Practices
- Process for Non-Competitive Procurement (Sole Source) Needs Improvement
- Effectively Managing the Recruitment of Non-Union Employees in the Toronto Public Sector
- City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program
- Review of Information Technology Training
- Payment of Utility Charges

**AUDITOR GENERAL'S OFFICE**  
**Specific Recommendations Relating to the Consolidation of Various Functions Throughout the City**

**Reports issued from 2009 - 2011**

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
Toronto Police Service – Review of the Integrated Records and Information System, August 2011	2.	The Chief of Police review the composition of all Information Technology Steering Committees with a view to including qualified City staff. The Chief develop specific criteria to determine when such a process should occur.
Toronto Community Housing Corporation – Procurement Policies and Procedures Are Not Being Followed, February 2011	1.	The Chief Executive Officer in consultation with the City Manager review areas where opportunities exist to consolidate or coordinate operations at the TCHC and the City in order to achieve cost savings. The Chief Executive Officer be required to report to the Board of Directors by September 30, 2011 on the results of these consultations. Further, the City Manager be requested to report to City Council at the same time.
Toronto Environment Office – Administration of Environmental Grants, January 2011	1.	The City Manager review the City's various environmental grant programs to ensure they are structured and managed as efficiently and effectively as possible. The results of the review, along with any recommendations, be reported to Executive Committee.
Governance and Management of City Computer Software, January 2011	1.	The City Manager provide clarification to City divisional management regarding the role and responsibility of the Chief Information Officer as the single point of authority for managing City-wide and division-specific software.
	2.	The City Manager, in consultation with the Chief Information Officer and the City's Agencies, Boards, Commissions and Corporations, review the need for the development of closer coordination in the acquisition and management of software. Closer coordination with the Agencies, Boards, Commissions and Corporations has the potential for significant cost savings.
Governance and Management of City Wireless Technology Needs Improvement, April 2010	2.	The Chief Information Officer ensure measures to provide a consultative and collaborative role on wireless projects undertaken by City Agencies, Boards and Commissions are implemented.

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
Toronto Zoo Construction Contracts Review – Tundra Project, March 2010	2.	The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, take appropriate steps to ensure that: <ul style="list-style-type: none"> <li>a. The Zoo's standard templates for call documents and agreements are compared periodically with City call documents</li> <li>b. Relevant City clauses are adopted where appropriate</li> </ul>
Payment of Utility Charges, November 2009	9.	The Executive Director of the Facilities & Real Estate Division take appropriate steps to minimize duplication of energy consumption review efforts performed by City staff on behalf of City agencies such as the TTC and the Toronto Community Housing Corporation.
	11.	The City Manager forward this report to the City's major Agencies, Boards and Commissions in order to ensure that the issues raised in this report are addressed by them where appropriate.

### Reports issued from 1998 - 2008

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
Audit of City Performance in Access, Equity and Human Rights Goals, October 2008	8.	The City Manager, in consultation with the City's Agencies, Boards, Commissions and Corporations, consider creating a consolidated Human Rights Office Web page for receiving human rights or harassment related complaints or enquiries concerning services and practices of the City's Divisions, Agencies, Boards, Commissions and Corporations.
Fleet Review – Toronto Police Service, September 2008	3.	The Chief of Police review projected costs of acquiring an automated fuel system. Factors such as staff related cost savings, the use of the City's existing pricing arrangements for installing fuel monitoring devices and the City's IT system support should be evaluated and included in the project's business case for review by senior management and the Toronto Police Services Board.
Disaster Recovery Planning for City Computer Facilities, April 2008	1.	The City Manager develop a formal disaster recovery planning and preparedness protocol with the Agencies, Boards and Commissions. The protocol should ensure coordination, collaboration and communication related to computer facility disaster recovery planning and preparedness.

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
Employee Benefits Review, October 2007	1.	The Director, Pension, Payroll and Employee Benefits, in consultation with senior management representatives of the City's Agencies, Boards and Commissions, review and consider the cost-effectiveness of expanding the current City of Toronto benefits umbrella to include other City of Toronto Agencies, Boards and Commissions.
Review of the Administration of Leases on City-owned Property, July 2006	5.	The City Manager take appropriate steps to implement the lease management function of the SAP Real Estate Module for all City leases, including those administered by the Parks, Forestry and Recreation Division. Unless there are compelling reasons to the contrary, the future development of alternative management information systems be discontinued.
	20.	Deputy City Manager and Chief Financial Officer upgrade the SAP financial information system to automatically produce standard collection reminder letters as soon as possible. When this functionality is implemented, all City Divisions responsible for the billing and collection of accounts receivable be required to use it to create timely reminder notices for all overdue accounts and such notices be sent out on a regular basis.
Operational Review – Toronto Fire Services, January 2006	3.	The Fire Chief and General Manager review the appropriateness of establishing a new video production unit within Professional Development, Training and Mechanical Maintenance. Such a review take into account the resources currently available within the Public Information and Media Communications Unit of Staff Services and Communications as well as the potential availability of resources elsewhere in the City.
	7.	The Fire Chief and General Manager review the cost and benefits of introducing handheld computing equipment in the fire prevention inspection process. Such an analysis to include the costs of original capital investment plus increased efficiency gains. In conducting this review, the Fire Chief and General Manager ensure coordination with both Toronto Public Health and the Toronto Police Service.
	25.	The Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, explore the costs and benefits of designating Fleet Services as the primary provider of maintenance and repair services for Toronto Fire Services' light vehicle fleet.

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
Maintenance and Administrative Controls Review - Facilities and Real Estate, September 2005	1.	<p>The City Manager review the current Corporate governance structure of Facilities and Real Estate and building maintenance service arrangements and determine the extent of resources allocated to building maintenance functions in all City divisions, with a view to:</p> <ul style="list-style-type: none"> <li>(a) evaluating the feasibility of centralizing ownership, control and accountability of City buildings and integrating all building maintenance operations and related funding within the Facilities and Real Estate Division; and</li> <li>(b) reporting to the Policy and Finance Committee by July 2006. Such report to include the following: <ul style="list-style-type: none"> <li>(i) proposed organizational structure to integrate all building maintenance services;</li> <li>(ii) costs and benefits of such change;</li> <li>(iii) roles and responsibilities of the Facilities and Real Estate Division and all City-user divisions;</li> <li>(iv) impact on the operating and capital budgets of the Facilities and Real Estate Division and all other City divisions;</li> <li>(v) recommended action, including specific timelines for implementation; and</li> <li>(vi) direct consultation with City divisions.</li> </ul> </li> </ul>
Review of the Enterprise Case and Occurrence Processing System (eCOPS) Project, April 2005	6.	<p>The Chief of Police and the City's Deputy City Manager and Chief Financial Officer develop an ongoing protocol and working relationship in order to ensure that:</p> <ul style="list-style-type: none"> <li>- technology developments do not occur in isolation from each other;</li> <li>- technology developments are in accordance with the long term objectives of both organizations; and</li> <li>- the purchase of any computer hardware and software is co-ordinated.</li> </ul>

Report Title	Rec. No.	Recommendation
Fleet Operations Review – Phase Two, April 2005	26.	<p>City Council direct that this report be forwarded to those City organizations who separately manage their own fleet operations, including Emergency Medical Services, Fire Services, Toronto Police Service, Toronto Library Board, Toronto Zoo and Exhibition Place, in order to ensure that issues raised are addressed by them where appropriate. These organizations be required to report back to the first 2006 meeting of the Audit Committee in connection with the results of their review, specifically addressing:</p> <ul style="list-style-type: none"> <li>(a) garage operations;</li> <li>(b) maintenance and repairs by private repair shops;</li> <li>(c) fleet management information systems; and</li> <li>(d) parts inventory controls.</li> </ul>
Telecommunication Services Review, January 2005	1.	City Council direct that this report be forwarded to all major City Agencies, Boards and Commissions. These entities be required to review the recommendations in this report to determine whether or not they have relevance to their operations and report to the November 2005 meeting of the Audit Committee on the results of their reviews, including any action taken or proposed;
Payroll Processing Review (Phase One), October 2004	1.	City Council direct that this report be forwarded to the City’s Agencies, Boards and Commissions in order to ensure that issues raised in this report are addressed by them, where appropriate. The City’s Agencies, Boards and Commissions be required to report back to the Audit Committee at its meeting of July 11, 2005, in connection with the results of their review;
The Migration of the SAP Financial and Human Resources/Payroll System to the City’s Agencies, Boards and Commissions, October 2004	1.	It is recommended that the Chief Administrative Officer initiate a process whereby all information technology acquisitions throughout the City, including the Agencies, Boards and Commissions, are effectively planned and coordinated. Such a process take into account the potential of establishing a corporate governance model which provides the appropriate level of authority for initiating, coordinating and approving technology investments at the City’s Agencies, Boards and Commissions. If appropriate, the Chief Administrative Office be required to propose changes to legislation to ensure that such a process takes place. The Chief Administrative Officer report back to Audit Committee for its July 11, 2005 meeting in regard to this matter.
Toronto Maintenance Management System Application Review, March 2004	1.	City Council direct that this report be forwarded to all City Departments, Agencies, Boards and Commissions. These entities be required to review the recommendations in this report to determine whether or not they have relevance to their operations and take appropriate action where necessary;



Report Title	Rec. No.	Recommendation
Economic Development, Culture and Tourism Department – Review of Receivables Relating to Parks and Recreation Operations and the Review of Revenue and Cash Controls Relating to the Parks and Recreation Division, North and South Districts, March 2004	1.	The Commissioner, Economic Development, Culture and Tourism review all reports issued by the Auditor General’s Office relating to cash controls and accounts receivable management and ensure that all recommendations are appropriately addressed.
	2.	City Council direct that those recommendations relating to the management of accounts receivable be forwarded to City Commissioners and Senior Executives of City Agencies, Boards and Commissions in order to determine whether or not the recommendations contained in this report have applicability to their respective organizations. Where appropriate, such recommendations be implemented immediately.
Oracle Database Review – Security Controls and Other Issues, December 2003	1.	City Council direct that this report be forwarded to all City Departments, Agencies, Boards and Commissions. These entities be required to review the recommendations in this report to determine whether or not they have relevance to their operations and report to the July 2004 meeting of Audit Committee on the results of their reviews including any action taken;
Fleet Operations Review – Phase One, November 2003	1.	<p>City Council direct that this report be forwarded to those City organizations who separately manage their own fleet operations including the Toronto Police Service, Emergency Medical Services Division and Fire Services Division in order to ensure that the issues raised in this report are addressed by them where appropriate. These organizations be required to report back to the October 2004 meeting of the Audit Committee in connection with the results of their review, specifically addressing:</p> <ul style="list-style-type: none"> <li>(a) fuel site use and management, including: <ul style="list-style-type: none"> <li>(i) daily fuel reconciliation procedures and administration; and</li> <li>(ii) compliance with Ontario’s Technical Standards and Safety Act fuel site inspections by the Technical Standards and Safety Authority;</li> </ul> </li> <li>(b) vehicle procurement, utilization and disposal activities;</li> <li>(c) fleet safety activities; and</li> <li>(d) initiatives to minimize the environmental impact of respective fleets;</li> </ul>

<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review, April 2003	14.	<p>The Commissioner of Corporate Services and the Chief Financial Officer and Treasurer, be required to develop a long-term City-wide strategic plan relating to the future direction of the SAP information system. This long term strategic plan recognise the principles contained in the eCity vision. The major objectives of such a plan be to investigate ways to maximise the return on the City’s investment in SAP. Such a plan to include the appropriate staffing of a centrally administered Competency Centre along with a process to address the need to:</p> <ul style="list-style-type: none"> <li>- work with departments to identify and prioritise the roll out of SAP modules</li> <li>- available to City operating departments;</li> <li>- work with departments to coordinate the implementation and integration of major information systems;</li> <li>- work with departments to identify and prioritize management information needs;</li> <li>- identify best practices to improve the level of SAP information systems functionality;</li> <li>- enforce the corporate standards established for SAP information systems development, maintenance and use; and</li> <li>- assist Agencies, Boards and Commissions in the roll out of SAP information systems.</li> </ul>
Selection and Hiring of Professional and Consulting Services Review, June 2001	15.	<p>In view of the fact that the recommendations contained in this report may be relevant to the City’s Agencies, Boards and Commissions, the General Manager of each of these entities be required to report to their respective Boards by August 31, 2001 on such recommendations and their applicability in relation to their operations. In addition, the respective Boards be requested to forward such reports to the City Audit Committee;</p>
Management Controls: A Basic Departmental Responsibility, March 2001	2.	<p>The General Managers of each of the Agencies, Boards and Commissions, be required to report to their respective Boards by June 30, 2001, on the processes in place to ensure appropriate ongoing evaluation of internal administrative controls and the implementation of revised controls where necessary;</p>

Report Title	Rec. No.	Recommendation
	4.	Staff assigned to various Agencies in a management control support role, be instructed to utilize the Financial/Internal Control Checklist prepared by the City Auditor's Office and provided as Appendix 1 as a part of their ongoing review process.
1998 Management Letter Summary - Community Centres and Arenas, August 1999	1.	As part of its mandate the recently structured ABC Reduction Task Force should, on a priority basis, review the governance of all community centres and arenas in the City. The objective of such a review process should include the integration and streamlining of all duplicated activities.
	2.	The Chief Financial Officer and Treasurer immediately initiate a plan to provide the appropriate support for the accounting needs of all community centres and arenas. The preparation of specific timetables, year end working paper and reconciliation requirements should be incorporated into this support.
	3.	City Finance staff should prepare standardized written policies and procedures for all community centres and arenas. Where possible and appropriate, these policies and procedures should be consistent with those of the City.
	5.	The Chief Financial Officer and Treasurer give consideration to the standardization of all accounting systems at each of the community centres and arenas. In the longer term, all accounting should be done centrally using the City's new SAP accounting system.
	6.	The Chief Financial Officer and Treasurer, in consultation with City Legal Services, review the present arrangements relating to the organization of each separate non-profit charitable corporation within each community centre. Arrangement should be made to immediately separate the accounting function of the non-profit organizations from those of the centre. Monthly financial reporting, as well as year end financial reporting, should be conducted separately.
	7.	The Chief Financial Officer and Treasurer be required to review all annual financial statements of arenas in order to determine the extent of funds owed to the City. The Chief Financial Officer and Treasurer be required to collect all surplus funds owed to the City on an annual basis.