



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Auditor General's Office – Forensic Unit Status Report
on Outstanding Recommendations**

Date:	June 3, 2015
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report provides information regarding the implementation status of recommendations made by the Forensic Unit of the Auditor General's Office which were publicly reported through Audit Committee. These recommendations were made in the context of annual Fraud and Waste Hotline reports or other special reviews such as the 2013 report on Fleet Services Division – Review of Various Equipment Maintenance Practices.

Recommendations may also be made to management staff in the context of confidential investigation reports. The implementation status of confidential recommendations is communicated directly to the City Manager.

On an annual basis, the Auditor General reviews information provided by management to determine the accuracy of management assertions related to each recommendation. The results of this review are communicated to Council through the Audit Committee.

Since January 2007, the Auditor General has issued various reports related to its operation of the Fraud and Waste Hotline Program. Since that time, a total of 29 recommendations have been reported publicly. As well, an additional 23 recommendations were made to management staff in the context of confidential investigation reports and have been fully implemented.

The results of our review indicate management has not fully implemented six outstanding recommendations made in public reports by the Auditor General's Forensic Unit.

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

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive this report for information.

Financial Impact

The recommendation in this report has no financial impact.

ISSUE BACKGROUND

The Auditor General's Forensic Unit is responsible for the operation of the Fraud and Waste Hotline and conducting and coordinating investigations or reviews directed at the detection of fraud, waste and wrongdoing involving City resources. In this context, the Auditor General's Office may make recommendations which management is responsible for addressing.

In accordance with the Auditor General's 2014 Work Plan, we have completed a review of the implementation status of recommendations made by the Auditor General in reports issued by the Forensic Unit, Auditor General's Office from January 1, 2007 through December 31, 2014.

COMMENTS

This report is the fifth annual report issued by the Auditor General related to the follow-up on management efforts to implement outstanding recommendations relating to the Auditor General's Forensic Unit which were publicly reported through Audit Committee.

Description of the Forensic Unit Follow-up Process:

The following provides a brief description of the process.

- (a) All recommendations are recorded in a database maintained by the Auditor General. On an annual basis, the Auditor General notifies the City Manager and/or the appropriate divisional management representative, in writing, of all outstanding recommendations.
- (b) The appropriate division official provides a written status report to the Auditor General.
- (c) Upon notification that action has been taken to implement a recommendation, the Auditor General takes the necessary steps to verify that action has been taken.

(d) The Auditor General prepares a summary report to Audit Committee.

Our review process verifies recommendations management believes they have fully implemented. We do not conduct audit work on recommendations not yet fully implemented.

Table 1 below contains results for publicly issued recommendations made by the Auditor General's Office in the context of reviews conducted as part of its operation of the Fraud and Waste Hotline Program from January 1, 2007 to December 31, 2014.

Table 1:
Status of Recommendations issued from January 1, 2007 to December 31, 2014

Status of Recommendations	As of December 31, 2014	As of December 31, 2013
Fully Implemented	23	13
Not Fully Implemented	6	14
Total	29	27
Fully Implemented as a percentage of total recommendations	79%	48%

As of January 1, 2014, various reports issued by the Auditor General's Forensic Unit contained a total of 27 public recommendations. An additional two recommendations were added during the current review period bringing the total to 29 recommendations made from January 2007 to December 2014.

While the results of our review indicate that six recommendations made have not been fully implemented as of December 31, 2014, management has advised that four of the outstanding recommendations will be implemented by the third quarter of 2015.

Additional reports containing 23 recommendations that have been fully implemented were made to management staff in the context of confidential investigation reports and have not been reported to Audit Committee. On a go-forward basis, the Auditor General intends to forward these recommendations to Audit Committee as a confidential report.

CONCLUSION

This report provides updated information on the implementation status of recommendations made by the Auditor General in special reviews which were publicly reported through Audit Committee, as well as those made in the annual hotline reports.

A complete listing of the recommendations not fully implemented is included in Appendix 1.

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SIGNATURE

Beverly Romeo-Beehler, Auditor General

ATTACHMENT

Appendix 1: Recommendations Not Fully Implemented

APPENDIX 1

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: City Manager’s Office, Human Resources
Report Title: 2013 Annual Report on Fraud including the Operations of the Fraud and Waste Hotline
Report Date: February 5, 2014

No.	Recommendation	Management’s Comments and Action Plan/Time Frame
002	<p>City Council direct the City Manager, in consultation with the Auditor General to report, prior to the adoption of any proposed Disclosure of Wrongdoing Framework, on:</p> <p>a. Details of the proposed Disclosure of Wrongdoing Framework, including the definition of wrongdoing, to be included in the proposed Public Service By-law.</p> <p>b. Details of the formal management framework designed to govern the handling of employee misconduct that does not meet the proposed definition of wrongdoing to be included in the proposed Public Service By-law including the administration, tracking, disposition and public reporting of such misconduct.</p>	<p>The City Manager report, entitled 'Strengthening Public Service Governance – A Public Service By-law for Toronto' was adopted by City Council at its meeting on June 10 & 11, 2014. The report was drafted in consultation with the Auditor General and included details of the Disclosure of Wrongdoing Framework, including the definition of wrongdoing included in the Public Service By-law.</p> <p>http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.3</p> <p>The report also provided details on the formal management framework to govern the handling of employee misconduct that does not meet the definition of wrongdoing included in the Public Service By-law. It also addressed the administration, tracking, disposition and public reporting of such misconduct.</p> <p>Further details on the management framework will be included in the report coming forward in Q4 2015 on the implementation progress of the Toronto Public Service By-law (pending Council approval of the report entitled "2014 Annual Report on Fraud Including the Operations of the Fraud and Waste Hotline".</p>

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: Pension, Payroll and Employee Benefits

Report Title: Improving Reporting and Monitoring of Employee Benefits (Manulife)

Report Date: June 12, 2012

No.	Recommendation	Management's Comments and Action Plan/Time Frame
002	City Council request the Director, Pension Payroll and Employee Benefits, give consideration to the formal documentation of an annual evaluation of the benefit administrator performance as it relates to prevention, detection and investigation of benefit fraud including fraud related to the receipt of Long Term Disability benefits.	<ul style="list-style-type: none"> • PPEB, Labour Relations, Employee Health and Legal are continuing to work with Manulife to review and implement LTD claims management processes and reporting tools in an effort to enhance the adjudication and monitoring process to ensure employees return to work as soon as possible and prevent any fraudulent activity. • Have implemented a process where Manulife provides the City with statistical data and reports related to suspected and actual incidents of benefit fraud by employees. These reports are provided following June 30 and December 31 of each year. • PPEB, in consultation with Purchasing and Legal, will work with Manulife to include a measurement for fraud prevention and detection to be included in the annual performance evaluation of the Carrier. • PPEB will consult with PMMD thru Q3 and Q4 of 2015 to implement a performance measurement evaluation. <p>To be Completed by: December 2015.</p>

Division: Fleet Services

Report Title: Auditor General's Investigation Report: Fleet Services Division - Review of Various Equipment Maintenance Practices

Report Date: August 31, 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	City Council request the Chief Corporate Officer, in consultation with the General Manager, Transportation Services Division, to review the City's street sweeping performance measurement processes and where applicable, develop appropriate measures. Such a process be developed in order to measure the ongoing effectiveness of the City's street sweeping services, as well as identify areas which require attention. Areas	Transportation Services has completed the on-street performance testing of both a mechanical and regenerative-air street sweeper. These tests were completed in September 2014 and staff are currently analyzing and summarizing data for both the pick-up efficiency and the PM10 and PM2.5 efficiency with a final report expected by mid-February of 2015.

No.	Recommendation	Management's Comments and Action Plan/Time Frame
	<p>which should be addressed would include, but not limited to, air quality, tonnage of debris collected and equipment downtime. Such an evaluation be reported to City Council as required in 2006.</p>	
004	<p>City Council request the Chief Corporate Officer to review the current scheduling process for the preventative maintenance of all equipment particularly the street sweepers. Wherever possible, all maintenance be conducted in accordance with the manufacturer's specifications.</p>	<p>Fleet Services has completed full inspection of all street sweepers.</p> <p>Current preventive maintenance schedules have been updated and implemented.</p> <p>Same will be done for all other types of equipment. Target completion for sweepers is Q1 2015, and all other equipment Q3 2015.</p>
005	<p>City Council request the General Manager, Transportation Services Division, to ensure that all daily maintenance required to be completed by each operator is completed. Evidence of such maintenance be required. If necessary an appropriate level of training be provided.</p>	<p>Transportation Services will implement a formal process for retention of daily records and documentation of daily maintenance by end of Q2 2015.</p> <p>Transportation Services will co-ordinate intact refresher training, to be delivered by the distributor, by the end of Q2 2015.</p>
007	<p>City Council request the Chief Corporate Officer, in consultation with the General Manager, Transportation Services Division, to review the current processes for the redeployment of underutilized vehicles. Such a process ensures the allocation of underutilized equipment to higher volume locations throughout the City.</p>	<p>Transportation Services is currently in the process of reviewing options for the replacement of the existing Tymco sweeper fleet which has reached the end of its lifecycle. This review to be completed by the end of Q2 2015. A process to manage underutilization will be incorporated as part of the implementation of the review outcomes.</p>