



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

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

Date:	May 30, 2016
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 that were publicly reported through Audit Committee. These recommendations were made in the context of the annual Fraud and Waste Hotline reports and other special reviews conducted.

The Auditor General issued reports related to the operation of the Fraud and Waste Hotline Program. Since January 2007, a total of 30 recommendations have been reported publicly. Twenty-three of them had been implemented before 2015. Recommendations may also have been made to management staff in the context of individual allegation which resulted in investigation reports. The implementation status of confidential recommendations is communicated directly to the City Manager.

In relation to the 30 recommendations, the Auditor General verifies information provided by management to determine the validity of management assertions related to each recommendation. The results of this review are communicated to Council through Audit Committee.

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

Continued efforts to implement outstanding recommendations will provide additional benefits 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 Program, conducting and coordinating investigations, or reviews directed at the detection of fraud, waste and wrongdoing involving City resources. In this context, the Auditor General may make recommendations that management is responsible for addressing.

In accordance with the Auditor General's 2015 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, 2015.

COMMENTS

This report is the sixth 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 that 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 Forensic Unit 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, 2015.

**Table 1:
Status of Recommendations Issued from January 1, 2007 to December 31, 2015**

Status of Recommendations	As of December 31, 2015	As of December 31, 2014
Fully Implemented	25	23
Not Fully Implemented	5	6
Total	30	29
Fully Implemented as a percentage of total recommendations	83%	79%

As of January 1, 2015, various reports issued by the Auditor General’s Forensic Unit contained a total of 29 public recommendations. An additional recommendation was added during the current review period, bringing the total to 30 recommendations made from January 2007 to December 2015.

The results of our review indicate that five recommendations made have not been fully implemented as of December 31, 2015.

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.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler, Auditor General

ATTACHMENT

Appendix 1: Recommendations Not Fully Implemented

RECOMMENDAIONS 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, Strengthening Public Service Governance – A Public Service By-law for Toronto including the definition of wrongdoing and details on the wrongdoing and details on the wrongdoing framework.</p> <p>The City Manager will report to Executive Committee at its September 2016 meeting providing an update on the implementation of the Toronto Public Services By-law including the management framework to address misconduct.</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	<p>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.</p>	<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 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. • Reports have been received at the end of 2014 and in September 2015 (for the period ending June 30, 2015) • PPEB, in consultation with Purchasing and Legal, have included provisions in the RFP for a new Benefits Carrier to include a measurement for fraud prevention and detection to be included in the annual performance evaluation of the Carrier • The RFP was issued on January 11, 2016 and closed February 18, 2016 • The new Benefits Carrier contract will be effective January 1, 2017 <p>To be Completed by: December 31, 2016</p>

RECOMMENDATIONS NOT FULLY IMPLEMENTED

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
005	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.	Implementation of the 'Street Sweeper Pre-Trip' Inspection form was postponed until April 2016 subsequent to the reversal of direction provided by Ministry of Transportation (MTO) that street sweepers would be subject to Commercial Vehicle Operator Registration (CVOR). The initiative to subject street sweepers to CVOR requirements has been deferred by MTO until 2017. Transportation Services' operators have been re-trained on pre-trip inspection and proper use of the 'Street Sweeper Pre-Trip' Inspection form. This process will be completed by November, 2016 at the end of the current sweeping season.

RECOMMENDATIONS NOT FULLY IMPLEMENTED

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
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 ensure the allocation of underutilized equipment to higher volume locations throughout the City.</p>	<p>In the December 9, 2015 Council adopted report, Street Sweeper Evaluation Results and Operational Considerations (PW9.13) dated October 21, 2015, http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PW9.13 a replacement plan for the aging fleet of street sweepers was provided.</p> <p>Procurement for approximately 12 non-mechanical street sweepers will be initiated in 2016 and approximately 14 mechanical-type of street sweepers in 2017, at a total cost of \$5.8 million. Procurement process for new sweepers is still ongoing and first delivery of new units is not expected until early 2017 at the earliest with 100% of the new units not expected until July-August, 2017. Process to manage underutilization of new sweepers is yet to be developed. Transportation Services is committing to a review of utilization every two sweeping seasons followed by redistribution of high/low usage units between districts. This cannot be implemented until at least the 2019 sweeping season given the condition of the existing sweeper fleet and the requirement that all districts receive an allotment (approx. 3 per district) of the replacements to be received in 2017 which will result in high utilization for all new units. Usage of the newly delivered street sweepers to be monitored for first two years to determine if a redistribution plan is required contingent on any business practices that may evolve prior to 2019 such as outsourcing, downsizing of internal staff, sweeping level of service adjustments, etc. The monitoring process will be complete and a redistribution plan in place by April, 2019.</p>

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: City Manager’s Office, Human Resources
Report Title: 2014 Annual Report on Fraud including the Operations of the Fraud and Waste Hotline
Report Date: February 9, 2015

No.	Recommendation	Management’s Comments and Action Plan/Time Frame
001	City Council request the City Manager to report in Q4 2015 on the implementation progress of the Toronto Public Service By-law including details about the management framework, tracking and reporting of employee misconduct as part of the new Disclosure of Wrongdoing provisions.	The City Manager will report to the September 2016 Executive Committee meeting providing an update on the implementation of the Toronto Public Service By-law including the management framework related to misconduct.