



**STAFF REPORT
ACTION REQUIRED
Confidential Attachment**

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

Date:	June 1, 2007
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reason for Confidential Information:	<ol style="list-style-type: none">1. This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.2. This report is about litigation or potential litigation that affects the City or one of its agencies, boards, and commissions.3. This report contains advice or communications subject to solicitor-client privilege.
Reference Number:	

SUMMARY

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

Management has made significant progress on implementing outstanding audit recommendations. Further, we noted that management has made progress on many recommendations not yet fully implemented. The results of our review indicate that management has fully implemented 602 or 81 per cent of the 844 recommendations made by the Auditor General since January 1, 1999.

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

RECOMMENDATIONS

The Auditor General recommends that:

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

FINANCIAL IMPACT

The recommendations in this report have no financial impact.

ISSUE BACKGROUND

In accordance with the Auditor General's 2007 Work Plan, we have completed a review of the implementation status of audit recommendations issued by the Auditor General's Office. This review was conducted in accordance with generally accepted government auditing standards and was designed to provide reasonable assurance that management has adequately implemented recommendations included in audit reports issued through June 30, 2006.

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

The Auditor General reviews information provided by management to determine the accuracy of management assertions related to each recommendation. The results of this review are communicated to the Audit Committee. This review includes recommendations included in reports issued by the Auditor General from January 1, 1999 through June 30, 2006.

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

COMMENTS

Results of the Auditor General's Review

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

Table 1 below contains cumulative results for all recommendations contained in reports issued by the Auditor General's Office from January 1, 1999 to June 30, 2006.

Table 1:

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

Status of Recommendations	As of June 30, 2006	As of July 31, 2005
Fully Implemented	602	405
Not Fully Implemented	140	175
No Longer Relevant	102	91
Total	844	671
Fully Implemented as a percentage of total recommendations	81%	70%

As of July 31, 2005 a total of 671 recommendations were either fully implemented, not fully implemented or no longer relevant. An additional 173 recommendations were added during the current review period bringing the current period total to 844 recommendations.

The results of our review indicate that management has fully implemented 602 or 81 per cent of the 844 recommendations made by the Auditor General since January 1, 1999.

The percentage shown for fully implemented recommendations is a percentage of total recommendations excluding those no longer relevant. Recommendations no longer relevant relate to areas or programs that have changed in a manner that make the recommendation no longer applicable due to reorganization, modification, reduction or termination of service provided by the affected division.

Listing of Outstanding Recommendations

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

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

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

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

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

Noteworthy Recommendations Implemented

1. Telecommunications Audit – Pooling of Cell Phone Airtime Minutes

This audit included a recommendation related to evaluating cellular service plans and selecting the most cost effective plan including pooling of accounts to share common airtime minutes.

The division evaluated service plans and related airtime minutes with a service provider which resulted in a common pooling of airtime minutes. This service plan reduced the overall per minute billing rate and resulted in a savings of approximately \$200,000 during 2006.

2. Hostel Operations Review - Community and Neighbourhood Services

One of the recommendations in this report required City staff to make subsidy claims, retroactive if possible, for personal needs allowance provided in-kind for residents of shelters. Although provincial directives allow the City to claim up to \$116 per month for personal needs provided either in cash or in-kind, only cash payments are being claimed for subsidy. At the time of our report, we estimated that additional annual net subsidy revenue in the range of \$536,000 to \$991,000 could be claimed for in-kind personal needs allowance items.

In January 2007, Hostel Services submitted a retroactive claim to the Province for the years 2003 to 2005 for approximately \$3.2 million and is awaiting feedback on the invoice from the Province. Staff is currently undertaking steps to process subsequent claims which could generate additional subsidy revenue of about \$1 million annually if approved by the Province.

3. Payroll Processing Review - Phase One

This audit included a recommendation for management to review specific on-line system controls currently available through SAP. The recommendation also called for implementation of other on-line system controls identified during the course of the review.

Additional on-line system controls have been put in place to prevent payroll input errors, as well as to ensure compliance with human resource policies. For example, one non-union employee category is entitled only to lieu time at straight time for overtime worked. On-line payroll controls now ensure that non-union employees are not paid overtime and that lieu time is recorded at straight time rather than time and one half.

Noteworthy Recommendations Not Fully Implemented

1. Contract Management Procedures – Transportation Services Division

Our review in 2000 identified that district offices applied different contract management policies and procedures of the former municipalities. We recommended the establishment of a quality assurance program, as well as project inspection and quality assurance guidelines and standards for managing contracts in four district offices.

During this follow-up process, we determined that the division has made progress in standardizing inspection and contract management procedures. Staff continues to complete an Inspection and Testing Manual which includes guidelines and standards for tracking and testing materials delivered, documenting inspection results, staff training needs, and other procedures necessary for ensuring consistency and effectiveness in managing contracts.

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

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

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

According to management, the City's Facilities Governance Review is currently underway and results are expected in December 2007.

3. Telecommunications Audit – Cell Phone Usage Reports

This report included a recommendation for management to ensure consistent distribution of cell phone usage reports. Management's ability to review and control misuse, abuse or incorrect billing of cell phone charges is impaired by the inability to access meaningful cell phone usage information. According to management, implementation of the Telecommunication Expense Management System (TEMS) is expected by July 2007. Implementation of this system remains outstanding. When fully implemented, cell phone usage reports will be regularly available to users.

CONTACT

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SIGNATURE

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Auditor General

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ATTACHMENTS

Attachment 1 – Confidential Information:
Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions – Confidential Recommendations

Attachment 2:
City Divisions, Public Recommendations – Fully Implemented
City Divisions, Public Recommendations – Not Fully Implemented
City Divisions, Public Recommendations – No Longer Relevant

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