



STAFF REPORT ACTION REQUIRED

Auditor General's Office - Forensic Unit Status Report On Outstanding Recommendations

| | |
|--------------------------|-----------------|
| Date: | June 11, 2010 |
| To: | Audit Committee |
| From: | Auditor General |
| Wards: | All |
| Reference Number: | |

SUMMARY

The Auditor General implemented a process for follow-up on recommendations made in audit reports and advised City Council of this process at its meeting of July 2005.

In addition to recommendations made in audit reports, the Auditor General's Office makes recommendations in the context of its operation of the City's Fraud and Waste Hotline Program. In 2010, the Auditor General implemented a formal follow-up process for recommendations made as a result of investigative work conducted, special reviews, or as part of the annual report on Fraud and Waste Hotline activity.

This report provides information on the follow-up process and 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.

The Auditor General will follow-up directly with management on the status of implementation of recommendations made in the context of reviews which were reported directly to Senior divisional and Executive management.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive this report for information.

Financial Impact

Although financial benefits from implementation of this process are anticipated, it is not currently feasible to project cost savings, revenue generated or estimate anticipated qualitative benefits from the implementation of the follow-up process.

ISSUE BACKGROUND

In 2005, the Auditor General implemented a follow-up process for recommendations made in audit reports issued by the Auditor General, as a result of audits conducted pursuant to his annual work plan.

In 2010, a similar process was implemented for recommendations made as a result of investigative work or special reviews conducted in the context of the Auditor General's Operation of the City's Fraud and Waste Hotline Program.

The Auditor General's Office has administered the Fraud and Waste Hotline Program since its inception in 2002. In July 2005, a separate Forensic Unit was established within the Auditor General's Office dedicated to the operation of the Hotline Program. The Forensic Unit is responsible for conducting and coordinating investigations or special reviews directed at the detection of fraud, waste and wrongdoing involving City resources, and reporting on the activity of the Hotline Program. In this context, the Auditor General's Office may make recommendations which management is responsible for addressing.

COMMENTS

An inventory of recommendations made in the context of the Auditor General's operation of the Fraud and Waste Hotline Program has been compiled for recommendations made since 2007 and will be the subject of the follow-up process implemented in 2010.

This process is similar to that implemented in 2005 for recommendations made in audit reports.

Description of the Follow-up Process:

The following provides a brief description of the process which has been implemented in 2010.

- (a) Auditor General's report, including recommendations, is submitted to divisional management.

- (b) The 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.
- (c) The appropriate division official then provides a written status report to the Auditor General.
- (d) 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.
- (e) The Auditor General prepares a summary report to the Audit Committee and City Council.

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

CONCLUSIONS

The Auditor General's report entitled "Auditor General's Office - Forensic Unit Status Report on Outstanding Recommendations" is attached as Appendix 1. The report provides 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.

CONTACT

Carmelina Di Mondo, Director, Forensic Unit, Auditor General's Office
Tel: (416) 397-7625, Fax: (416) 392-3754, E-Mail: cdimond@toronto.ca

Laurie Hodder, Senior Investigator, Forensic Unit, Auditor General's Office
Tel: 416-392-0142, Fax: (416) 392-3754, E-Mail: lhodder@toronto.ca

SIGNATURE

Jeffrey Griffiths
Auditor General

ATTACHMENTS

Appendix 1: Auditor General's Office - Forensic Unit Status Report On Outstanding Recommendations