AUDITOR GENERAL'S REPORT
ACTION REQUIRED

TORONTO

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

Date:	June 10, 2011
To:	Audit Committee
From:	Auditor General
Wards:	All
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. On an annual basis the Auditor General reviews the implementation status of outstanding audit recommendations and reports the results of the review to Council through Audit Committee.

Management has made progress on implementing outstanding audit recommendations. Further, we noted that management continues to make progress on many recommendations not yet fully implemented.

Since July 1, 2005 the Auditor General has issued various reports containing a total of 512 recommendations. Since that time 16 of these recommendations have been identified by the Auditor General as no longer relevant. These recommendations are no longer relevant as reorganizations and changes in business practices and service levels have rendered them no longer applicable. Consequently, 496 of the 512 recommendations continue to have relevance.

The results of our review indicate management has fully implemented 391 or 79 per cent of the recommendations made by the Auditor General during the five year period from July 1, 2005 to June 30, 2010.

From a historical perspective, the Auditor General has issued 1052 recommendations since January 1, 1999. Management has fully implemented 90 per cent or 942 of the 1052 recommendations included in all audit reports issued since January 1, 1999. Continued efforts to implement outstanding 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.

Financial Impact

The recommendation in this report has no financial impact.

ISSUE BACKGROUND

In accordance with the Auditor General's 2011 Work Plan, we have completed a review of the implementation status of audit recommendations issued by the Auditor General's Office. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

On an annual basis, the Auditor General provides 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 Council through the Audit Committee.

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

Table 1 below contains cumulative results for all recommendations contained in reports issued by the Auditor General's Office during the five year period from July 1, 2005 to June 30, 2010.

Table 1: Status of Recommendations issued from July 1, 2005 to June 30, 2010

Status of Recommendations	As of June 30, 2010	As of June 30, 2009
Fully Implemented	391	321
Not Fully Implemented	105	81
No Longer Relevant	16	14
Total	512	416
Fully Implemented as a percentage of total recommendations	79%	80%

As of June 30, 2009, various audit reports issued by the Auditor General since July 2005 contained a total of 416 recommendations. An additional 96 recommendations were added during the current review period bringing the total to 512 recommendations made during July 2005 to June 2010.

The results of our review indicate that management has fully implemented 391 or 79 per cent of the 496 recommendations made by the Auditor General since July 1, 2005. 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 where reorganizations and changes in business practices and service levels have rendered them no longer applicable.

Listing of Outstanding Recommendations

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

Upon receipt of this report, 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 implemented.

In order to provide context for recommendations included in Appendix 1 to this report, a few examples of noteworthy recommendations implemented and not fully implemented are provided below.

Noteworthy Recommendations Implemented

1. <u>Controls over Parking Tags Need Strengthening – Revenue Services Division</u>

The Revenue Services Division has made significant progress in implementing audit recommendations. Revenue Services has implemented over 60 per cent or 8 out of 13 recommendations and actions are underway to implement the remaining outstanding recommendations.

The Auditor General recommended the Treasurer re-evaluate the criteria for discretionary cancellation of parking tags and that policies and procedures concerning the preparation, review and retention of documentation in support of these cancellations be developed. The Revenue Services Division developed Parking Tag Cancellation Guidelines that included new criteria for discretionary cancellations of parking tags and a formal review by supervisory staff. We have noted a consistent reduction of approximately 50 per cent in the number of discretionary cancellation of parking tags. The number of discretionary cancellations reduced to approximately 6,000 tags from over 12,000 tags cancelled in prior years. The amount of reduction in cancellations is estimated at $225,000.

The Auditor General also recommended that the Treasurer review the parking tag collection process, prioritise those receivables related to individuals and businesses that have accumulated a significant number of outstanding tags. The Revenue Services Division in coordination with Legal Services implemented a Provincial Offences Act tax rolling initiative that allows adding unpaid parking tickets to the property tax roll. So far, an amount of $55,000 worth of unpaid parking tickets have been added to the tax rolls of debtor owned properties in the City of Toronto. This amount is expected to increase in the future with the continued follow-up of the Revenue Services Division.

2. <u>Review of Children Services Division (Day Care Fees)</u>

The Auditor General's 2007 report relating to the Children Services Division recommended the division review the relative costs and benefits of the operating criteria for child care. An initial review of the benefits of the operating criteria validated their use and raised other issues for the division regarding staff responsibilities. The Children Services Division addressed these other issues through an organizational review which realigned certain staff responsibilities and resulted in cost savings of approximately $100,000 a year.

Noteworthy Recommendations Not Fully Implemented

1.   Management of Construction Contracts - Toronto Water

Our review of Toronto Water & Sewer Emergency Repair contracts in 2007 resulted in recommendations relating to strengthening work management processes including monitoring and documenting contractor performance issues.

Toronto Water completed development of a Contractor Performance Evaluation tool in early 2011. District Contract Services staff started using the new evaluation tool in April, 2011. We will review implementation of this tool in the next follow-up review scheduled in 2012.

2.   Management of Construction Contracts – Leaside Bridge Structure Rehabilitation Contract, Technical Services Division

This review resulted in recommendations relating to improving controls in administration of construction contracts. The Technical Services Division has implemented all recommendations with the exception of one that relates to the development of a policy for charging an administration fee for management of construction work relating to third parties. This work is often included in the overall project tendered by the City.

Technical Services Division has developed a draft third party engineering fee structure and a cost recovery policy for construction work administered by the City on behalf of third parties. This procedure requires review by the Deputy City Manager and Chief Financial Officer and approval by City Council. We have been advised that the division will seek Council approval in 2011.

Given the significant potential implications arising from the implementation of these recommendations, management should ensure these outstanding recommendations are addressed.

3.   Parks, Forestry and Recreation Capital Program – The Backlog in Needed Repairs Continues to Grow

The review noted that Community Councils were recommending that parkland levies be retained in a specific ward. Council approved policy requires that these levies be split equally between parkland acquisitions and parkland development and further between district and city-wide basis. We recommended that the City Clerk consult with the City Solicitor and consider requiring that Council be explicitly advised when a recommendation contravenes policy.

The City Clerk is of the opinion that our recommendation has been implemented since staff have an option to prepare a supplementary report in such circumstances. It is our opinion that, while Council is certainly able to deviate from policy, it is important that staff explicitly advise Council of circumstances where a recommendation before them is contrary to previously approved policy. Further, although this issue arose in relation to

parkland levies, our recommendation is meant to address any instances where Council approved policy is being contravened.

Recommendations Reported by Management as Implemented determined by Auditor General as Not Fully Implemented

During this year's follow-up process we noted that 28 percent or 35 out of 126 recommendations management reported as implemented were in fact not fully implemented. It is important that management perform adequate review of implementation status before reporting them as implemented. We do not conduct audit work on recommendations reported as not fully implemented. A significant amount of work is required to verify implementation of recommendations, and in circumstances where recommendations are obviously not implemented it is a significant waste of audit resources.

CONCLUSION

The results of this review indicate management continues to make strides in implementing outstanding audit recommendations. In order to improve the efficiency of the follow-up process management should ensure recommendations reported as implemented are adequately reviewed before reporting them to the Auditor General as fully implemented.

CONTACT

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SIGNATURE

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Jeffrey Griffiths, Auditor General
10-AAS-05

ATTACHMENTS

Appendix 1:   City Divisions, Public Recommendations – Implemented
                    City Divisions, Public Recommendations – Not Fully Implemented
                    City Divisions, Public Recommendations – No Longer Relevant