



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Inventory Controls Over Traffic Control Devices in Transportation Services Need to be Improved

Date:	April 25, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Audit Work Plan included a review of the controls implemented by Transportation Services to maintain an inventory of traffic control devices. The objective of this review was to assess if the Traffic Plant Installation and Maintenance (TPIM) unit, in Transportation Services, maintains effective controls to safeguard the inventory of traffic control devices.

This report contains nine recommendations along with a management response to each of the recommendations. The implementation of these recommendations will achieve effective inventory control, cost savings and ensure the safekeeping of the City's \$6.7 million worth of parts required to maintain or install electrical traffic signal devices.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to implement the corporate model for warehousing and distribution of materials, particularly with respect to the traffic control device inventory.
2. City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, ensure inventory control policies and procedures are documented.

3. City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to implement effective controls over the inventory of traffic control devices with consideration being given to using the SAP financial information system module currently being used by other City divisions.
4. City Council request the General Manager, Transportation Services, in consultation with the City Treasurer, to ensure the value of traffic control devices inventory is included in the City's financial records.
5. City Council request the General Manager, Transportation Services, to ensure physical counts of materials held in inventory are performed on a regular basis and that the information is used to ensure inventory data is accurate and controls are effective.
6. City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to develop and implement performance indicators and metrics for inventory management.
7. City Council request the General Manager, Transportation Services, in consultation with the Director, Purchasing and Materials Management, to consider alternative arrangements for the storage of the inventory of traffic control signal devices.
8. City Council request the Deputy City Manager and Chief Financial Officer to take appropriate action to identify City operations that maintain a significant level of inventory and review those operations to ensure adequate inventory controls are in place such as those identified in City's warehouse and stores business model as adopted by Council in the Corporate Warehouse/Stores Rationalization Project.
9. City Council request the City Clerk to forward this report to the City's major Agencies, Boards, Commissions and Corporations for consideration and appropriate action.

Financial Impact

The implementation of recommendations in this report will improve inventory controls over electrical traffic control devices. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

COMMENTS

The Traffic Plant Installation and Maintenance (TPIM) unit is part of Transportation Services Division. The unit is responsible for operating and maintaining the \$200 million infrastructure of traffic control devices in the City of Toronto.

TPIM maintains an inventory of parts in order to repair traffic signal devices in a timely manner or install new ones as required. The parts maintained in inventory range from miscellaneous items such as power adapters to more significant items such as three way traffic lights or electronic controller cabinets necessary at each intersection with a traffic light.

The total value of the traffic control devices inventory maintained by TPIM at the end of 2011 was approximately \$6.7 million.

Attached, as Appendix 1, is the Auditor General's report entitled "Inventory Controls Over Traffic Control Devices in Transportation Services Need to Be Improved." The report provides the results of the review conducted as part of the Auditor General's Work Plan. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

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SIGNATURE

Jeff Griffiths, Auditor General

10-TSD-02

ATTACHMENTS

Appendix 1: Inventory Controls Over Traffic Control Devices in Transportation Services Need to Be Improved

Appendix 2: Management's Response to the Auditor General's Review of Inventory Controls Over Traffic Control Devices in Transportation Services Need to Be Improved