



AUDITOR GENERAL'S REPORT ACTION REQUIRED

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

Date:	June 5, 2013
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 which were publicly reported through Audit Committee. These recommendations were made in the context of annual Fraud and Waste Hotline reports or other special reviews such as the 2012 report on Improving, Reporting and Monitoring of Employee Benefits.

On an annual basis, 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 Audit Committee.

Since January 2007, the Auditor General has issued various reports related to its operation of the City's Fraud and Waste Hotline Program. Since that time a total of 15 recommendations have been reported publicly.

The results of our review indicate management has not fully implemented seven outstanding recommendations made in reports by the Auditor General's Forensic Unit from January 1, 2007 to December 31, 2012.

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

As well, an additional 12 recommendations were made to management staff in the context of confidential investigation reports and have been fully implemented. The implementation status of confidential recommendations is communicated directly to the City Manager.

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 and conducting and coordinating investigations or reviews directed at the detection of fraud, waste and wrongdoing involving City resources. In this context, the Auditor General's Office may make recommendations which management is responsible for addressing.

In accordance with the Auditor General's 2012 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, 2012.

COMMENTS

This report is the fourth annual report issued by the Auditor General related to the follow-up on management efforts to implement outstanding recommendations which 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 recommendations made by the Auditor General’s Office in the context of reviews conducted as part of its operation of the City’s Fraud and Waste Hotline Program from January 1, 2007 to December 31, 2012.

Table 1: Status of Recommendations issued from January 1, 2007 to December 31, 2012

Status of Recommendations	As of December 31, 2012	As of December 31, 2011
Fully Implemented	8	8
Not Fully Implemented	7	4
Total	15	12
Fully Implemented as a percentage of total recommendations	53%	67%

As of January 1, 2011, various reports issued by the Auditor General's Forensic Unit contained a total of 12 public recommendations. An additional three recommendations were added during the current review period bringing the total to 15 recommendations made from January 2007 to December 2012.

While the results of our review indicate that the seven recommendations made have not been fully implemented as of December 31, 2012, management has advised that all of the seven outstanding recommendations will be implemented by the third quarter of 2013.

Additional reports containing 12 recommendations were made to management staff in the context of confidential investigation reports and have not been reported to Audit Committee. All of these recommendations have been implemented.

CONCLUSION

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 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.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

ATTACHMENT

Appendix 1: Recommendations Not Fully Implemented

ATTACHMENT 1

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: City Manager’s Office, Human Resources

Report Title: 2006 Annual Report on the Status of Fraud and Related Matters,
Including Operation of the Fraud and Waste Hotline Program

Report Date: March 8, 2007

No.	Recommendation	Management’s Comments and Action Plan/Time Frame
001	<p>The City Manager give consideration to accelerating the introduction of a formal ongoing ethics education program to all City staff which emphasizes the following:</p> <ul style="list-style-type: none"> ▪ the role of staff in the prevention and detection of fraud; ▪ the responsibilities of staff in reporting incidents of allegations of fraud or wrongdoing; ▪ the importance of protecting employees who report allegations of fraud or wrongdoing; ▪ the importance of recognizing, avoiding and communicating conflict of interest situations; and ▪ the consequences of reporting incidents of fraud or wrongdoing which are frivolous or vexatious. <p>In developing such a program, consideration should be given to delivering the program through the City’s intranet.</p>	<p>Formal training has been developed that includes guidance to all staff on ethics education including emphasizing the role of staff in the prevention and detection of fraud, the responsibilities of staff in reporting incidents of allegations of fraud or wrongdoing, the importance of protecting employees who report allegations, the importance of avoiding conflict of interest, the consequences of reporting frivolous and vexatious complaints. In addition, consideration was given to deliver the program through the City’s intranet which is aligned with HR's Learning Strategy and ongoing eLearning Initiative. E-Learning modules have been created, however, not all employees have access to a computer and, therefore, some employees will be receiving tailgate training sessions.</p> <p>The 'Doing It Right – Supporting and Ethical Workplace' Campaign http://insideto.toronto.ca/doing_it_right/index.htm has been launched including a City Wide communication strategy, web site with all relevant policies.</p> <p>Three e-learning modules have been developed on TPS Mission Values and Ethics, Conflict of Interest and Fraud, Waste and Whistle Blowing.</p> <p>The first Module was launched on November 15, 2012 and all employees must complete the webinar or a tailgate session (not all employees have access to a computer) by March 31, 2013.</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
		The Conflict of Interest eLearning Module shall be launched on April 2, 2013, and the Fraud and Waste Module will be launched in September 2013.

Division: City Manager's Office, Human Resources

Report Title: 2010 Annual Report - Fraud and Waste Hotline Program

Report Date: January 18, 2011

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	The City Manager ensure ethics training, as recommended by the Auditor General in the 2006 and 2009 Annual Fraud and Waste Hotline reports, include guidance to all staff on what constitutes retribution and the importance of protecting employees who report allegations of wrongdoing.	<p>Formal training has been developed that includes guidance to all staff on what constitutes retribution and the importance of protecting employees who report allegations of wrongdoing.</p> <p>A) The 'Doing It Right –Supporting and Ethical Workplace' Campaign http://insideto.toronto.ca/doing_it_right/index.htm has been launched including a City Wide communication strategy, web site with all relevant policies.</p> <p>B) Three mandatory sequential e-learning modules have been developed for all staff:</p> <ol style="list-style-type: none"> 1) TPS Mission Values and Ethics, 2) Conflict of Interest 3) Fraud, Waste and Whistle Blowing. This module addresses management's responsibility to protect employees who report allegation from retribution. <p>The first Module was launched on November 15, 2012 and all employees must complete the webinar or a tailgate session (not all employees have access to a computer) by March 31, 2013. The Conflict of Interest eLearning Module shall be launched on April 2, 2013, and the Fraud and Waste Module will be launched in September 2013.</p>

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: City Manager's Office, Human Resources

Report Title: Protecting Whistleblowers from Retribution

Report Date: January 24, 2011

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	The City Manager, in consultation with the City Solicitor and Executive Director, Human Resources, take immediate action to provide guidance and reinforce staff's awareness of the Whistleblower Protection provisions in the Fraud Prevention Policy.	The 'Doing It Right' Communications campaign http://insideto.toronto.ca/doing_it_right/index.htm includes Fraud Waste and Whistleblower Protection information and a e-learning module which will be launched in September 2013 .
003	The City Manager give consideration to directing management to notify the City Manager of instances where proposed action against an employee may contravene the Whistleblower Protection afforded under the Fraud Prevention Policy.	The 'Doing It Right' Communications campaign http://insideto.toronto.ca/doing_it_right/index.htm includes Fraud Waste and Whistleblower Protection information and a e-learning module which will be launched in September 2013 . The Fraud Waste and Whistleblower Protection module addresses the responsibilities of managers to protect Whistleblowers.

Division: City Manager's Office, Human Resources

Report Title: 2011 Annual Report on Fraud including the Operations of the Fraud and Waste Hotline

Report Date: February 3, 2012

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	The City Manager take appropriate action to review the Fraud Prevention Policy to ensure it is up to date, consistent with the 2011 Whistle Blower Protection By-law and clearly articulates that employees have the option to report complaints directly to the Auditor General's Office, without having to first notify their immediate manager.	Staff have been working on the revised Fraud Policy and are currently in the final stages of consultation with the Auditor General's office to ensure revisions meet the needs of all stakeholders. The revised Fraud Prevention Policy will go forward to Executive Committee for approval in the early fall, 2013.

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
001	<p>City Council request the Director Pension Payroll and Employee Benefits, in consultation with the City Solicitor, to formally request the City’s benefit administrator to provide statistical data and reports related to suspected and actual incidents of benefit fraud by employees and/or their dependants that have been investigated by the benefit administrator.</p>	<p><u>Statistical and Reporting Information</u></p> <ul style="list-style-type: none"> • On September 25, 2012 the City wrote to Manulife to formally request statistical data and reports related to suspected and actual incidents of benefit fraud (see September 25th letter attached) • Pension, Payroll and Employee Benefits (PPEB) is working with Legal, and Manulife to provide enhanced statistical data and improve the provision of information provided to the City for claims involving fraud and suspected fraud • Manulife has reviewed their systems capabilities and privacy compliance requirements and provided the City with draft samples of reports they can provide • PPEB met with Manulife on February 21, 2013 to review and discuss these reports • Manulife is now reviewing the further requests of the City and will report back by March 15, 2013 • For additional details on actions being taken, please see attached document titled “Enhancing Data, Monitoring & Reporting – Benefits & LTD” • To be completed by: September, 2013

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"> • The reports and information provided by Manulife in accordance with Recommendation #001, above, will form the basis of the evaluation • PPEB, in consultation Purchasing and Legal, will work with Manulife to include a measurement for fraud prevention and detection to be included in the annual performance evaluation of the Carrier <p><u>LTD Claims Management</u></p> <ul style="list-style-type: none"> • In addition, PPEB, Labour Relations, Employee Health and Legal are working with Manulife to review the current 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 • For additional details on actions being taken, please see attached document titled “Enhancing Data, Monitoring & Reporting – Benefits & LTD <p>• To be Completed by: September, 2013</p>