



AUDITOR GENERAL'S REPORT ACTION REQUIRED

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

Date:	June 9, 2014
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 2013 report on Fleet Services Division - Review of Various Equipment Maintenance Practices.

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 27 recommendations have been reported publicly.

The results of our review indicate management has not fully implemented fourteen outstanding recommendations made in reports by the Auditor General's Forensic Unit from January 1, 2007 to December 31, 2013.

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 23 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 2013 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, 2013.

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 relating to the Auditor General's Forensic Unit 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, 2013.

**Table 1:
Status of Recommendations issued from January 1, 2007 to December 31, 2013**

Status of Recommendations	As of December 31, 2013	As of December 31, 2012
Fully Implemented	13	8
Not Fully Implemented	14	7
Total	27	15
Fully Implemented as a percentage of total recommendations	48%	53%

As of January 1, 2012, various reports issued by the Auditor General's Forensic Unit contained a total of 15 public recommendations. An additional 12 recommendations were added during the current review period bringing the total to 27 recommendations made from January 2007 to December 2013.

While the results of our review indicate that the fourteen recommendations made have not been fully implemented as of December 31, 2013, management has advised that thirteen of the outstanding recommendations will be implemented by the third quarter of 2014.

Additional reports containing 23 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

RECOMMENDATIONS NOT FULLY IMPLEMENTED

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.	A decision was made to review the Fraud Prevention Policy and the Whistle Blower Protection policy as part of the development of the Toronto Public Service By-law. The City Manager report, entitled 'Strengthening Public Service Governance – A Public Service By-law for Toronto' http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.3 was adopted by City Council at its meeting on June 10 & 11, 2014. Council adopted recommendations that provide for the merging of the Fraud Prevention Policy and the Whistle Blower Protection policy into one combined policy, the Disclosure of Wrongdoing and Reprisal Protection policy. The report addresses the extension of the policy to the City's Accountability offices as well as to the City's Agencies and Corporations.

Division: City Manager's Office, Human Resources
Report Title: 2012 Annual Report on Fraud including the Operations of the Fraud and Waste Hotline
Report Date: January 28, 2012

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	City Council direct the City Manager to conduct a comprehensive review of the City's Fraud Prevention Policy. Such a review to incorporate: a. the provisions of the Whistle Blower Protection By-law b. the protocol for the reporting of fraud c. the extension of the Policy to City's Agencies and Corporations d. the extension of the Policy to include the City's Accountability Officers. The review and any revisions to the policy be completed by September 30, 2013.	A decision was made to review the Fraud Prevention Policy and the Whistle Blower Protection policy as part of the development of the Toronto Public Service By-law. The City Manager report, entitled 'Strengthening Public Service Governance – A Public Service By-law for Toronto' http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.3 was adopted by City Council at its meeting on June 10 & 11, 2014. Council adopted recommendations that provide for the merging of the Fraud Prevention Policy and the Whistle Blower Protection policy into one combined policy, the Disclosure of Wrongdoing and Reprisal Protection policy. The report addresses the extension of the policy to the City's Accountability offices as well as to the City's Agencies and Corporations.

Division: City Manager's Office

Report Title: Recommendations Made as a Result of Investigations Have Relevance throughout the City

Report Date: September 10, 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	City Council request the City Manager develop a process to communicate to Division heads and management of Agencies and Corporations, recommendations made by the Auditor General which are specific to individual Divisions, Agencies and Corporations but which generally have applicability to other entities throughout the City.	<p>In the 2nd quarter of 2014 the City Manager will send out one memorandum to Division Heads and Deputy City Managers, as well as one memorandum to Chairs and Administrative Heads, City Agencies and Corporations re: 'Recommendations Made as a Result of Investigations have Relevance Throughout the City'. The memorandums will provide links to relevant reports and highlight key recommendations to date. Management will be advised of our collective responsibility to implement relevant recommendations. The memos will also provide links to City policy's relevant to the administration of contract management and procurement.</p> <p>Communication will be ongoing through specific agenda items at regular meetings of Divisions, Agencies and Corporations.</p> <p>The City Manager's Office will develop relevant tools and materials to be made publicly available for all agencies and corporations by the first quarter of 2015.</p>
002	City Council request the City Manager communicate recommendations outlined in Appendix 1 to those Division heads and management of Agencies and Corporations to which the recommendations generally have applicability to.	<p>In the 2nd quarter of 2014 the City Manager will send out one memorandum to Division Heads and Deputy City Managers, as well as one memorandum to Chairs and Administrative Heads, City Agencies and Corporations re: 'Recommendations Made as a Result of Investigations have Relevance Throughout the City'. The memorandums will provide links to relevant reports and highlight key recommendations to date. Management will be advised of our collective responsibility to implement relevant recommendations. The memos will also provide links to City policy's relevant to the administration of contract management and procurement.</p>

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
002	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.	<ul style="list-style-type: none"> • In accordance with implementation of Recommendation #001, the reports and information Manulife provides to the City semi-annually for claims involving fraud and suspected fraud, 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 • PPEB will consult with PMMD thru Q3 and Q4 of 2014 to implement a performance measurement evaluation. <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. <p>To be Completed by: December 2014</p>

Division: Fleet Services

Report Title: Auditor General's Investigation Report: Fleet Services Division - Review of Various Equipment Maintenance Practices

Report Date: August 31, 2013

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	City Council request the Chief Corporate Officer, in consultation with the General Manager, Transportation Services Division, to review the City's street sweeping performance measurement processes and where applicable develop appropriate measures. Such a process be developed in order to measure the ongoing effectiveness of the City's street sweeping services, as well as identify areas	<p>Transportation Services in consultation with Fleet Services will review street sweeping performance measurement and develop a process to measure effectiveness in 2014.</p> <p>In 2003 and 2004, baseline data on roadway and roadside air quality was collected in each of the four operating districts of the City that used mechanical street sweepers at the</p>

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	<p>which require attention. Areas which should be addressed would include, but not limited to, air quality, tonnage of debris collected and equipment downtime. Such an evaluation be reported to City Council as required in 2006.</p>	<p>prevailing time. It was to have been used to compare against air quality after acquisition and implementation of new regenerative air sweepers. These studies were scheduled to be conducted over 2006 and 2007; however, due to resource constraints the work was postponed.</p> <p>It is now intended to proceed with this comparative testing and evaluation so that it is initiated in 2014.</p> <p>Other performance measures to be evaluated are: tonnage of sweepings collected, level of service achievement and equipment reliability.</p>
002	<p>City Council request the Chief Corporate Officer to review and evaluate the current management information system to ensure it is meeting the needs of all staff but in particular senior management.</p>	<p>Scheduled to be implemented by end of June 2014 (as per the original response to the Auditor General's report).</p>

003	<p>City Council request the Chief Corporate Officer to review the use of aftermarket parts in the maintenance and repair of all equipment, particularly street sweepers. Such a review include an analysis of original savings, frequency of parts replacement, quality, comparisons of maintenance costs, and warranty considerations.</p>	<p>Scheduled to be implemented by end of June 2014 (as per the original response to the Auditor General's report).</p>
004	<p>City Council request the Chief Corporate Officer to review the current scheduling process for the preventative maintenance of all equipment particularly the street sweepers. Wherever possible all maintenance be conducted in accordance with the manufacturer's specifications.</p>	<p>Scheduled to be implemented by end of December 2014 (as per the original response to the Auditor General's report).</p>
005	<p>City Council request the General Manager, Transportation Services Division, to ensure that all daily maintenance required to be completed by each operator is completed. Evidence of such maintenance be required. If necessary an appropriate level of training be provided.</p>	<p>Transportation Services operators have been conducting daily maintenance of the Tymco street sweepers, however, records are not routinely completed. Documentation of daily maintenance will now be required and recorded by a supervisor to ensure that it is performed properly and tracked.</p> <p>Training for operators was provided in 2007 by the distributor of the Tymco sweepers (The Equipment Specialist) using "Tymco DST-6 Dustless Sweeping Technology Operator's Manual 2006; updated March 7, 2007". Refresher training was provided</p>

		<p>periodically by supervisors in subsequent years when needed.</p> <p>Intact refresher training for operators and supervisors is being arranged through the distributor (The Equipment Specialist) to again ensure that the sweepers are being optimally operated and maintained.</p>
006	City Council request the Chief Corporate Officer to review the process and criteria for selection of vendors contracted to ensure repairs are completed by vendors with the necessary expertise.	Scheduled to be implemented by end of June 2014. (as per the original response to the Auditor General's report).
007	City Council request the Chief Corporate Officer, in consultation with the General Manager, Transportation Services Division, to review the current processes for the redeployment of underutilized vehicles. Such a process ensure the allocation of underutilized equipment to higher volume locations throughout the City.	Transportation Services in consultation with Fleet Services will review the utilization and present condition assessment of the Tymco sweepers by the end of April 2014. Such assessment would determine a strategy for enhancing the lifespan of the sweepers through agreement on any necessary major repairs and/or replacement when necessary to promote reliability and long life. Emphasis will be placed on ensuring that high volume locations are provided with reliable equipment.
008	City Council request the Chief Corporate Officer to review the training program at Fleet Services Division to ensure adequate training is provided to mechanics.	Scheduled to be implemented by end of March 2014 (as per the original response to the Auditor General's report).
009	City Council request the Chief Corporate Officer to review all fleet related reports issued by the Auditor General's Office in order to ensure that recommendations continue to be effectively implemented.	Scheduled to be implemented by end of March 2014 (as per the original response to the Auditor General's report).