

## **Toronto Parking Authority – 2018 Results of Follow-up of Previous Audit Recommendations**

**Date:** May 4, 2018

**To:** The Board of Directors of the Toronto Parking Authority

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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On an annual basis, the Auditor General reviews the implementation status of outstanding audit recommendations and reports the review results to the City Council through the Audit Committee.

This report provides the recommendation follow-up results for the following two Toronto Parking Authority (TPA) reports:

- Toronto Parking Authority – Phase 1: Audit of Real Estate Activities, 2015
- Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities, 2016.

Under the current interim TPA Board governance structure and operations, TPA real estate activity has been substantially curtailed. All transactions in-process and going forward are expected to be conducted pursuant to the new City-wide real estate model and amended authorities adopted by City Council. As this process continues to be in transition, we have deferred our follow-up review of the 13 recommendations made in our report "Toronto Parking Authority-Phase 1: Audit of Real Estate Activities" until next year.

Of the total 12 recommendations made in our report "Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities" assessed in the current follow-up process:

- two recommendations have been determined as fully implemented
- one recommendation has been reported by TPA management as no longer applicable
- nine recommendations remain not fully implemented.

## RECOMMENDATIONS

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The Auditor General recommends that:

1. The Board of Directors of the Toronto Parking Authority receive this report for information.

## FINANCIAL IMPACT

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There is no financial impact resulting from receipt of this report.

## DECISION HISTORY

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The results of the Auditor General's review of the "Toronto Parking Authority – Phase 1: Audit of Real Estate Activities" was presented to the Board of Directors of the Toronto Parking Authority on October 22, 2015, to the City's Audit Committee on October 23, 2015 and City Council on November 3, 2015. The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84756.pdf>

The results of the Auditor General's review of the "Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities" was presented to its Board of Directors on January 12, 2016 and to the City's Audit Committee on March 7, 2016. The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-90475.pdf>

The Auditor General conducts an annual follow-up review to determine whether management has implemented recommendations in audit reports issued. The follow-up review is part of the Auditor General's Annual Work Plan.

The follow-up of outstanding recommendations is required by Government Auditing Standards. Following up on outstanding recommendations from previous audit reports is important as it ensures that management has taken appropriate action to implement the recommendations. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

We conducted this follow-up 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.

## COMMENTS

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### Phase 1: Audit of Real Estate Activities

Under the current interim TPA Board governance structure and operations, TPA real estate activity has been substantially curtailed. All transactions in-process and going forward are expected to be conducted pursuant to the new City-wide real estate model and amended authorities adopted by City Council. Specifically, TPA transactions are now expected to follow the City's real estate processes and should be carried out with and approved by City Real Estate Services Division and/or CreateTO. As this process continues to be in transition, we have deferred our follow-up review of recommendations made in our report "Toronto Parking Authority-Phase 1: Audit of Real Estate Activities" until next year.

### Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities

This is the first follow-up review of the "Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities."

The follow-up review process requires that management provide the Auditor General with a written response regarding the implementation status of each audit recommendation. Where management indicates that recommendations have been implemented, audit work is conducted by audit staff to ensure the accuracy of management assertions. Where management indicates that recommendations have not been implemented, no audit work is performed and the audit recommendations are carried forward to the next follow-up audit. Where management indicates that recommendations are not applicable, audit staff review management's response and confirm management's assertion.

Table 1 represents the results of our current follow-up on audit recommendations of the Toronto Parking Authority.

**Table 1: Results of the Current Review**

Report Title	Total No. of Recs.	Results of Current Review		
		Fully Implemented	Not Fully Implemented	No Longer Applicable
Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities	12	2	9	1

In the current follow-up process, two recommendations were verified as fully implemented. These recommendations are listed in Attachment 1. Nine recommendations are not fully implemented and are listed in Attachment 2 with management comments indicating their action plans and time frames. These recommendations will be carried forward in the Auditor General's next follow-up review.

Management has indicated that recommendation 11 is no longer applicable. The recommendation was for internal audit or independent finance staff to conduct counts of cash and coinage on hand on a surprise basis to ensure cash overages or shortages are detected and investigated on a timely basis. Management advises that the cost of an additional verification outweighs the benefit of the additional control. This full recommendation, together with management's comment, is listed in Attachment 3.

We will include the results of this follow-up review in a consolidated report to the City's Audit Committee in July 2018. The consolidated report will include a summary of our review of outstanding recommendations for all City Agencies and Corporations.

We express our appreciation for the co-operation and assistance we received from management and staff of the Toronto Parking Authority.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Toronto Parking Authority Audit Recommendations – Fully Implemented

Attachment 2: Toronto Parking Authority Audit Recommendations – Not Fully Implemented

Attachment 3: Toronto Parking Authority Audit Recommendation – No Longer Applicable

**TORONTO PARKING AUTHORITY AUDIT RECOMMENDATIONS – FULLY  
IMPLEMENTED**

**Report Title: Toronto Parking Authority Phase 2: Off-Street Controlled Facilities**

**Report Date: 1/12/2016**

<b>Rec. No.</b>	<b>Recommendation</b>
7	The Board of Directors request the Chief Executive Officer to implement appropriate controls over the safeguarding, issuance, and usage of monthly parking passes. Consideration be given to automating processes, controls and/or exception monitoring of the issuance and usage of monthly parking passes, where possible.
8	The Board of Directors request the Chief Executive Officer to periodically review change fund floats and ensure:  a. Change fund floats reflect operational needs and any adjustments to float requirements are approved by appropriate management in both Operations and Finance.  b. Approved changes are recorded immediately in financial systems.

## TORONTO PARKING AUTHORITY AUDIT RECOMMENDATIONS – NOT FULLY IMPLEMENTED

**Report Title: Toronto Parking Authority Phase 2: Off-Street Controlled Facilities**

**Report Date: 1/12/2016**

Rec. No.	Recommendation	Management Comments
1	<p>The Board of Directors request the Chief Executive Officer to clarify the rate setting benchmarks for long stay parking as set out in Toronto Parking Authority Policy Resolution 2-1 "Parking Rates – Off-Street Facilities". More specifically, consideration be given to clarifying or updating benchmarks for:</p> <ul style="list-style-type: none"> <li>a. Multipliers for day maximum rates</li> <li>b. Day maximum rates that may be applicable for long stay discretionary ("early bird") use and long stay non-discretionary use.</li> </ul>	<p>Policy 2-1 was amended and approved by TPA Board at its meeting of December 16, 2015 in response to this recommendation, to clarify the relationships between the benchmark multipliers and maximum day rates. However, the phrase "the inter-relationship between half-hourly, daily and monthly rates of the carpark" which refers to previous multiplier rules which are no longer in the policy was inadvertently included in the pre-amble to the 3 numbered Guidelines. The Policy will be further amended to remove this wording subject to the approval of the Board of Directors at an upcoming meeting.</p> <p>Timeframe: Q1-2019</p>
2	<p>The Board of Directors request the Chief Executive Officer to clearly communicate how long term parking rates align with the parking rate benchmarks (as set out in Toronto Parking Authority Policy Resolution 2-1 "Parking Rates – Off-Street Facilities") and document the factors which may impact the alignment of Toronto Parking Authority parking rates with the benchmarks.</p>	<p>These relationships as set out in amended Policy 2-1, and specific factors impacting alignment with the benchmarks, were documented and reported to the TPA Board in conjunction with the comprehensive 2017 Parking Rate Review. However, the analysis of the compliance of the rates to the guidelines was incomplete. This will be addressed in the 2018 comprehensive rate review. This practice will continue going forward.</p> <p>Timeframe: Q3-2018</p>
3	<p>The Board of Directors request the Chief Executive Officer, where possible, to:</p> <ul style="list-style-type: none"> <li>a. Implement automated interfaces between the parking revenue control system and the accounting system.</li> <li>b. Automate the recording and reconciliation of revenue generating transactions, collections, and deposits.</li> </ul>	<ul style="list-style-type: none"> <li>a. The implementation of comprehensive automated interfaces between revenue control and accounting systems will be incorporated as part of a larger project with other planned upgrade and automation of the TPA accounting system, scheduled for implementation through 2018.</li> <li>b. Interim automation interface procedures have been implemented where practical for recording and reconciliation of credit card revenue transactions.</li> </ul> <p>Timeframe: Q1-2019</p>
4	<p>The Board of Directors request the Chief Executive Officer to use system functionality, where possible, and analyze collected data to augment monitoring of exception transactions and events.</p>	<p>Manual exception management monitoring remains in effect, however, TPA has automated, where possible and financially practical, the capture of collected data to assist with audit, control and exception reporting. This review was made in consideration of the new accounting system implementation scheduled for</p>

Rec. No.	Recommendation	Management Comments
		<p>2018 and parking equipment vendor's proposed new revenue collection system enhancements.</p> <p>Timeframe: Q1-2019 and ongoing</p>
5	<p>The Board of Directors request the Chief Executive Officer to periodically review and update standard operating procedures for off-street operations to ensure they reflect current practices and expected controls.</p>	<p>A complete comprehensive update of SOPs for the operation of controlled carpark facilities, focusing on Attendants was undertaken in 2017. The new SOPs are used to train new staff and refresh existing staff. A regular program of review and update of SOP's is underway and is ongoing. Supervisor SOPs will also be completed in 2018 and distributed to the Supervisor team.</p> <p>Timeframe: Q4-2018</p>
6	<p>The Board of Directors request the Chief Executive Officer to implement a structured program of reviews and surprise audits to monitor adherence to the standard operating procedures.</p>	<p>Although ad hoc reviews and surprise audits continue to be carried out, a structured program is under development, with target completion end of 2018.</p> <p>Timeframe: Q1-2019</p>
9	<p>The Board of Directors request the Chief Executive Officer to develop and implement formal reconciliation procedures which address the responsibilities of supervisors, the Manager of Attended Facilities, and finance staff for managing and safeguarding the various change fund floats.</p>	<p>Standardized change fund float reconciliation procedures have been updated to improve management and safeguarding of funds. Full deployment of the new procedures is scheduled for Q4 2018</p> <p>Timeframe: Q4-2018</p>
10	<p>The Board of Directors request the Chief Executive Officer conduct a periodic review of the physical security of cash/coinage handling and implement any necessary enhancements.</p>	<p>TPA has addressed all material cash handling security risks. As part of TPA's on-going cash handling review, further security measures are expected to be fully implemented by Q3 2018</p> <p>Timeframe: Q3-2018</p>
12	<p>The Board of Directors request the Chief Executive Officer, in consultation with the Board's Finance and Audit Committee, to review the role and mandate for the Internal Audit function. Such review to determine whether the Internal Audit function be required to:</p> <ul style="list-style-type: none"> <li>a. Preserve independence and objectivity, transferring all operational duties to other Toronto Parking Authority personnel</li> <li>b. Conduct audits or issue reports in accordance with or guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.</li> </ul>	<p>Although operational and financial duties have been segregated and TPA's Audit Committee approved the use of a professional services audit firm to conduct this activity, a services statement of work remains to be drafted. Services will be retained once the financial system and the new TPA governance structure are place.</p> <p>Timeframe: Q1-2019</p>

**TORONTO PARKING AUTHORITY AUDIT RECOMMENDATION – NO LONGER APPLICABLE****Report Title: Toronto Parking Authority Phase 2: Off-Street Controlled Facilities****Report Date: 1/12/2016**

<b>Rec. No.</b>	<b>Recommendation</b>	<b>Management Comments</b>
11	The Board of Directors request the Chief Executive Officer to ensure that internal audit or independent finance staff conduct counts of cash and coinage on hand on a surprise basis. Such counts be reconciled with the general ledger or another independent financial record to ensure cash overages or shortages are detected and investigated on a timely basis. Results should be retained as evidence of review.	TPA has updated procedures and implemented additional controls for a cost effective alternative solution.