

**AUDIT  
AT A GLANCE****WHY THIS AUDIT MATTERS**

In 2017, TTC spent approximately \$448,000 on its employee reward and recognition programs, \$1.2 million on external and internal training, and \$247,000 on travel. The implementation of these reward and recognition programs and management of employee expenses require considerable staff effort. It is important to ensure these programs and management of expenses are effective and efficient in achieving their intended purposes.

**BACKGROUND**

TTC reimburses employees for expenses incurred from conducting TTC related business. These include expenses from travel, conferences, hospitality, etc. These purchases can be paid via the Purchase Card (PCard), cheque request or petty cash. Our 2017 audits of TTC's procurement and accounts payable functions identified potential issues with certain PCard purchases, including some of a questionable nature given that TTC is funded by taxpayer dollars. This area was included as part of this audit. During the planning phase of this audit we expanded the scope to also include TTC's reward and recognition programs. TTC recognizes its employees for length of service, retirement, safe worker/operator, and zero injuries without lost time, as well as excellent performance.

**BY THE NUMBERS**

- \$1 million – total cost of reward and recognition programs including \$601,000 2018 budget plus \$422,000 of administration costs
- Over 1,200 non-TTC staff receive free transit passes representing lost revenue of \$2 million per year
- 15,500 employees are provided with free transit passes; providing free passes to employees appears to be an industry norm
- 5,849 active pensioners are provided with a free lifetime transit pass

***Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs*****What we found****Areas Where TTC Does Well:**

TTC has a fairly comprehensive rewards and recognition program for its employees and places a high value on recognizing the contributions of employees, particularly related to length of service and safety.

TTC has implemented internal reviews of Purchase Card (PCard) purchases and increased communication to staff of policy requirements following our 2017 audits of TTC's procurement policies and practices and Accounts Payable functions.

**Areas That Need Improvement:**

- TTC has not evaluated its reward and recognition programs and does not know if they are effective in achieving their goals.
- The cost of some of TTC's recognition programs appear to be on the high side compared to other transit and government organizations surveyed.
- There are control weaknesses and opportunities to improve efficiencies in TTC's recognition programs, mainly in the safety related programs.
- In particular, active gift cards valued at \$50,000 for the Zero Injury awards are stored in an open box of a TTC closet, for which at least five staff have keys. The gift cards are not tracked or reconciled.
- Certain work units that received the Zero Injury awards do not seem to be of high safety risk such as Central Information System, Graphic Services, Supervisory Control and Data Acquisition.
- Over 1,200 non-TTC staff, mostly contractors, receive a free transit pass and many do not appear to need this pass. There are also control weaknesses in the issuance of these passes.
- Six out of 70 items tested in our judgemental audit sample were of a questionable nature that require further clarification in TTC policy, including 407 ETR charges, parking fines, and flowers for sick staff.
- Two main areas of non-compliance with policies for employee expenses were: lack of adequate supporting documentation and the level and timing of approval.
- Fourteen (14) out of 60 items tested for PCards and travel lacked adequate supporting documentation.
- Six out of 49 external training requests were not approved prior to the course being taken and four out of 20 travel items did not have the required CEO's approval for travel outside of Canada.
- TTC policies related to employee expenses need to be further strengthened, particularly for allowable travel expenses, refreshments, and petty cash.

**How Recommendations will Benefit TTC**

Implementing the 20 recommendations will help TTC to improve the effectiveness, value, and fairness of its employee reward and recognition programs, as well as the controls and efficiencies of these programs. It will also strengthen TTC policies for employee expenses and improve TTC employees' understanding of and the compliance with those policies. Some cost savings could be achieved if transit passes are no longer provided to those non-TTC staff who do not require them for daily work on the TTC systems.