

Auditor General's 2019 Status Report on Outstanding Audit Recommendations for City Divisions in Infrastructure and Development Services

Date: June 10, 2019
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

The Auditor General's Office conducts an annual follow-up review to determine the implementation status of recommendations in previously issued audit reports. The results of the review are reported to City Council through the Audit Committee.

This report provides information regarding the implementation status of audit recommendations issued to City divisions in Infrastructure and Development Services. Our 2019 follow-up review included 53 outstanding recommendations from 12 audit reports issued between 2011 and 2017 for the following six City divisions:

- City Planning
- Fire Services
- Municipal Licensing & Standards
- Toronto Building
- Toronto Water
- Transportation Services

Our review verified that 15 recommendations (28 per cent) have been fully implemented and 37 recommendations (70 per cent) have been partially implemented and one recommendation (2 per cent) is no longer applicable.

Continued efforts to implement outstanding recommendations will provide additional benefits to the City such as cost savings, improved controls, and enhanced service delivery. The remaining 37 outstanding recommendations will be included in the next year's follow-up review together with the 21 recommendations included in audit reports issued to City divisions in Infrastructure and Development Services in 2018.

Detailed results of our follow-up review together with management comments and action plan are included in Attachments 1 through 3.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions in Infrastructure and Development Services during this year's follow-up review process.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendation in this report.

DECISION HISTORY

At the February 22, 2019 meeting, a motion was adopted by the Audit Committee requesting the Auditor General to report to the May 3, 2019 Audit Committee meeting on the outstanding audit recommendations which are of greatest concern to the Auditor General.

In response to the motion, the Auditor General presented a report entitled "*Auditor General's Response to the Audit Committee's Request on the Outstanding Audit Recommendations Which Are of Greatest Concern*" to the Audit Committee at its May 3, 2019 meeting. The report summarizes the outstanding recommendations issued to City divisions and is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132161.pdf>

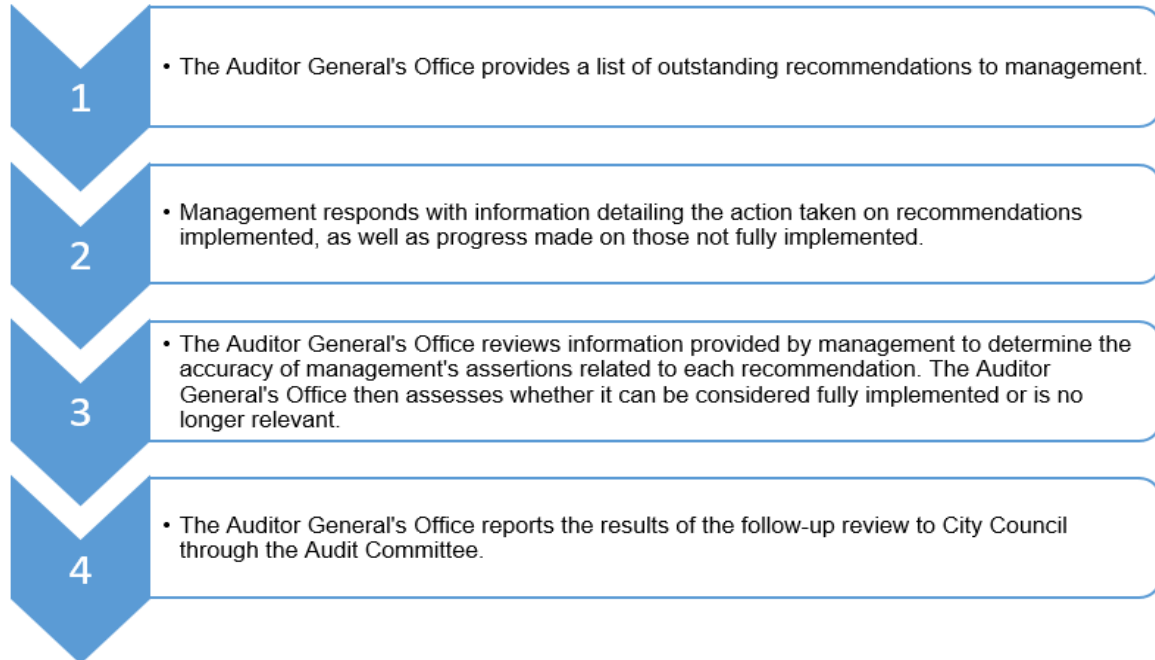
At the May 3, 2019 City Audit Committee meeting, a motion was made to "*Request the Auditor General to continue to bring forward to each meeting of the Audit Committee, a list of outstanding recommendations she considers to be a high priority*".

ISSUE BACKGROUND

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 actions to implement the recommendations. The Auditor General reports to the Audit Committee each year on the implementation status of outstanding recommendations.

In accordance with the Auditor General's 2019 Work Plan, we have completed a review of the implementation status of audit recommendations issued to City divisions in Infrastructure and Development Services.

Figure 1: Key Steps in the Recommendation Follow-Up



We conducted this performance 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.

Recommendation follow-up results for divisions in Community and Social Services and the City Manager's Office were reported to the May 3, 2019 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132157.pdf>

A consolidated report on recommendation follow-up results for City agencies and corporations will be submitted to the June 28, 2019 Audit Committee meeting.

Recommendation follow-up results for City divisions in Corporate Services, the Chief Financial Officer and Treasurer, the Auditor General's Forensic Unit, and the consolidated year-end status report will be submitted to the October 25, 2019 Audit Committee meeting.

COMMENTS

The 2019 follow-up review included a total of 53 outstanding recommendations for City divisions in Infrastructure and Development Services. Management reported that 20 recommendations have been fully implemented. However, based on our review, we determined that five of those recommendations have not been fully implemented

because the steps undertaken or the extent of the improvement did not fully address the issue or the intent of the recommendation. Management agreed with our assessments and will undertake additional actions to fully implement these recommendations in the future.

While a number of the recommendations have not been fully implemented, City divisions in Infrastructure and Development Services have undertaken a considerable amount of work to implement the recommendations.

We recognize that recommendations in recently issued audit reports may need more time to be fully implemented. We also recognize that some of the recommended changes require significant system or process changes, hence necessitating a longer period for full implementation. However of the 37 not fully implemented recommendations, 16 are outstanding from the audit reports issued between 2011 and 2014. The long term outstanding recommendations together with management comments and action plan are included in the Attachment 2.

Table 1: Status of Outstanding Recommendations as of December 31, 2017

Infrastructure and Development Services	Total No. of Recs.	Results of 2019 Follow-up Review			
		Outstanding Recommendations	Fully Implemented	Not Fully Implemented	No Longer Applicable
City Planning	7	1	0	1	0
Fire Services	32	8	3	5	0
Municipal Licensing & Standards	26	16	3	12	1
Toronto Building	22	7	0	7	0
Toronto Water	8	8	0	8	0
Transportation Services	22	13	9	4	0
Total	117	53	15 (28%)	37 (70%)	1 (2%)

The fully implemented recommendations are included in Attachment 1. Recommendations that are not fully implemented, together with management's comments and action plan are included in Attachment 2. The recommendation that is no longer applicable is included in Attachment 3.

Table 2 summarizes the implementation status of recommendations issued by the Auditor General's Office to City divisions in Infrastructure and Development Services from inception (January 1999) to December 31, 2017.

Table 2: Status of Recommendations Issued from Inception to December 31, 2017

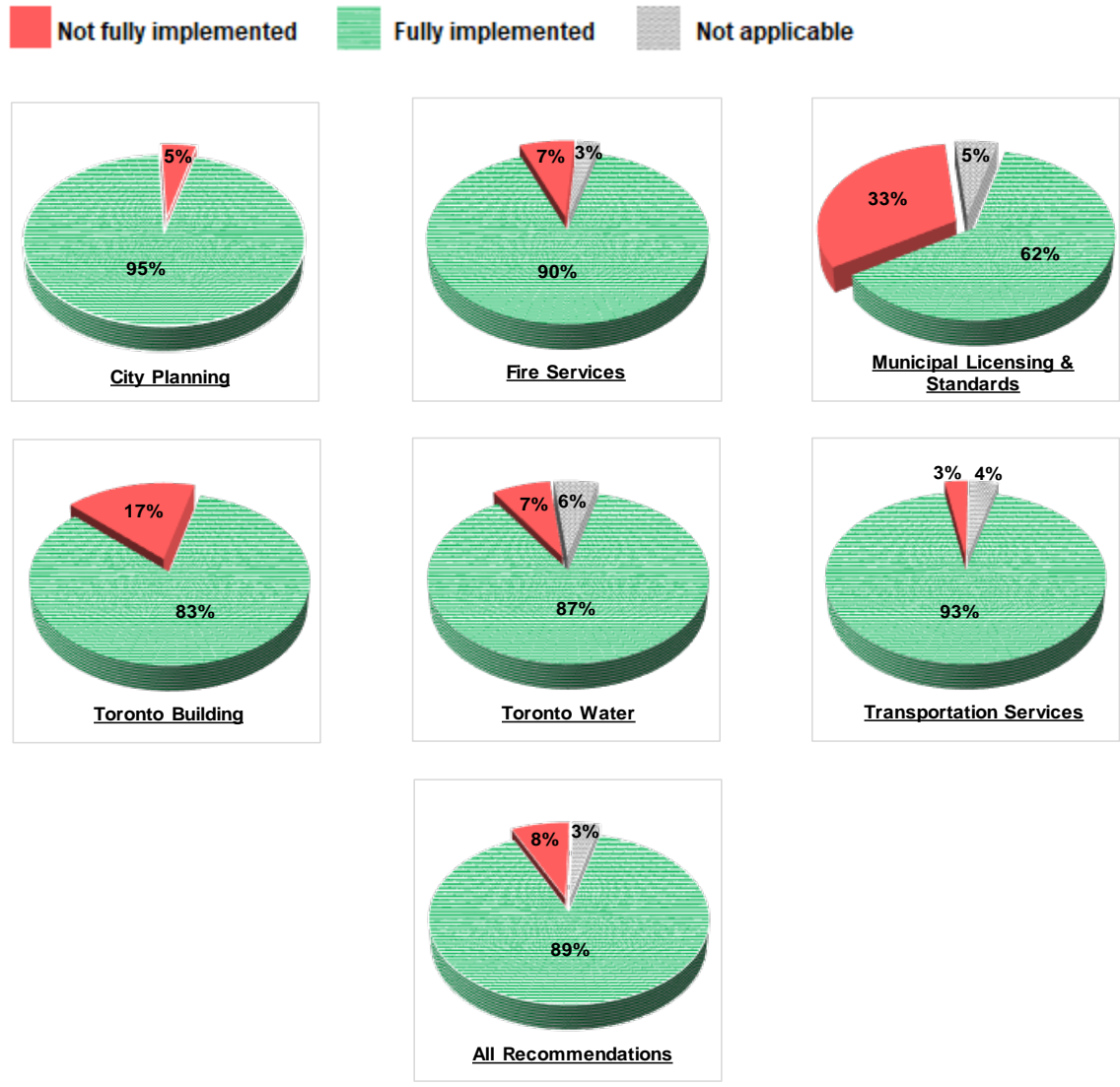
Infrastructure and Development Services	Total No. of Recs.	Fully Implemented	Not Fully Implemented	No Longer Applicable
City Planning	22	21	1	0
Engineering & Construction Services*	36	36	0	0
Fire Services	72	65	5	2
Municipal Licensing & Standards	37	23	12	2
Solid Waste Management Services*	41	39	0	2
Toronto Building	42	35	7	0
Toronto Water	108	94	8	6
Transportation Services	138	129	4	5
Total	496**	442 (89%)	37 (8%)	17 (3%)

*These divisions were not included in the 2019 follow up review because all the recommendations have been implemented.

**Total number of recommendations excludes recommendations from Investigation reports.

The percentage of implementation status for City divisions in Infrastructure and Development Services included in 2019 follow-up review and the overall implementation status for City divisions in Infrastructure and Development Services from inception to December 31, 2017 are illustrated in Figure 2.

Figure 2: Recommendations Implementation Status by City Divisions in Infrastructure and Development Services included in the 2019 follow up review and the Overall Implementation Status for City Divisions in Infrastructure and Development Services from Inception to December 31, 2017



In response to the Audit Committee's request at its May 3, 2019 meeting, this report also summarizes the high-priority outstanding recommendations, such as those that could potentially result in significant cost savings, and avoid health and safety, or reputation risks to the City after implementation.

The high-priority outstanding recommendations from audit reports issued to City divisions in Infrastructure and Development Services between 2011 and 2014 were included in the audit report presented to the Audit Committee at the May 3, 2019 meeting highlighting the outstanding audit recommendations that are of the greatest concern to the Auditor General. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132161.pdf>

High Priority Outstanding Recommendations

City Planning - Community Benefits Secured Under Section 37 or 45 of the Planning Act, 2011*

The 2011 audit report contains seven recommendations to improve the administration of community benefits secured under Sections 37 and 45 of the Planning Act. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2011/au/bgrd/backgroundfile-37765.pdf>

Over the years, management has fully implemented six recommendations and one recommendation continues to be outstanding. This recommendation relates to ensuring that cash and non-cash benefits secured since amalgamation have been received and the uncollectable benefits have been reported to Council. Management action plan and expected implementation time are included in Attachment 2.

Toronto Building Division - Building Permit Fees, Improving Controls and Reporting, 2012*

The 2012 audit report contains 11 recommendations related to the administration of building permit fees. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2012/au/bgrd/backgroundfile-45269.pdf>

The division has implemented eight out of 11 recommendations. The remaining three outstanding recommendations relate to permit fee rate determination, Service Level Agreements with key divisions and building permit fee reporting requirements.

During the current follow-up review, management reported that the three outstanding recommendations have not been fully implemented. Management comments and action plan are included in Attachment 2.

Implementation of the remaining recommendations may result in additional cost savings and improved management controls.

*High Priority Recommendations as highlighted in the Auditor General's report entitled: *"Auditor General's Response to the Audit Committee Request on the Outstanding Audit Recommendations Which are of Greatest Concern"*

Toronto Building - Improving the Quality of Building Inspections, 2014*

The 2014 report contains 11 recommendations to improve the quality of building inspection services, assist the division in complying with legislative requirements and ensure City-wide practices are consistent with established policies and procedures. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-67006.pdf>

The division has implemented seven out of 11 recommendations. The remaining four outstanding recommendations relate to improving controls related to inactive permits and outstanding violations, ensuring compliance with inspection documentation standards and improving quality assurance process over inspection practices. During the current follow-up review, management reported that the four outstanding recommendations have not been fully implemented. Management comments and action plan are included in Attachment 2.

Improving the Tendering Process for Paving Contracts, 2016

Detection of Warning Signs for Potential Bid Rigging Should be Strengthened, 2017

The Auditor General's review of paving tendering practices resulted in two reports.

The 2016 audit report contains seven recommendations to improve the tendering process for road resurfacing contracts. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94704.pdf>

Transportation Services has undertaken substantial work in redesigning business processes and updating applicable policies and procedures for contract management. During our current follow-up review we assessed that management has fully implemented five out of six recommendations.

The 2017 audit report contains six recommendations to ensure a fair and competitive procurement environment. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-102119.pdf>

This is our first follow-up review of the recommendations made in this audit. Our review determined that management has implemented 4 out of 6 recommendations.

*High Priority Recommendations as highlighted in the Auditor General's report entitled: *"Auditor General's Response to the Audit Committee Request on the Outstanding Audit Recommendations Which are of Greatest Concern"*

The implementation of the outstanding recommendations will result in additional cost savings and improved management controls. Management comments and action plan are included in Attachment 2.

A Review of Municipal Licensing and Standards Division's Management of Business Licences (MLS), 2017

Part One: Licence Issuance, Inspection and Complaint Investigation Functions

Part Two: Licensed Holistic Centres

Part Three: Eating Establishments and Nightclubs

The objective of the 2017 audit was to assess the effectiveness and efficiency of business licensing as well as by-law enforcement operations. The results of the review are contained in three reports as follows:

- Part One provides an overview of MLS's licensing and enforcement functions
- Part Two focuses on MLS's licensing and enforcement activities regarding holistic centres
- Part Three focuses on licensed eating establishments potentially operating as unlicensed nightclubs

The reports are available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-108170.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-108173.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-108176.pdf>

The three reports contain a total of 13 recommendations. This is our first follow-up review of the recommendations made in this audit. The division has implemented three out of 13 recommendations. The remaining ten outstanding recommendations relate to:

- Strengthening controls over the issuance of business licenses
- Improving the proactive inspection and the complaint investigation processes
- Review of the existing legal framework and regulatory requirements relating to the holistic centres, and re-assessment of merits of relying on approved professional holistic associations (PHAs) to govern the holistic practitioners
- Review of the City's licensing and zoning by-laws relating to eating establishments and nightclubs

During the current follow-up review, management advised that they are reviewing all applicable by-law provisions and standard operating procedures related to the enforcement framework. Staff also indicated that they are developing a new case management system that will have the platform to monitor and track complaints and investigations.

In response to recommendations related to the holistic centres, management advised that the outcomes of a comprehensive by-law review including a review of the legislative framework governing the holistic centre and body-rub parlour industries were reported to the General Government and Licensing Committee on May 21, 2019. Staff proposed

a series of approaches to enhance the oversight and enforcement of the industries, in particular, removing the requirement for holistic centre licensing, including the requirement for PHAs, and to address the issue of holistic centres providing unauthorized services. The Committee amended staff recommendations and directed staff to report back in Q4 2019.

Management comments and action plan are included in Attachment 2.

CONCLUSION

Among the 53 recommendations included in the 2019 follow-up review, we verified that 15 recommendations (28 per cent) have been fully implemented and 37 recommendations (70 per cent) have been partially implemented and one recommendation (2 per cent) is no longer applicable. This report also summarizes the high-priority outstanding recommendations from three audit reports issued to City divisions in Infrastructure and Development Services between 2011 and 2014.

Management continues to make progress in implementing outstanding audit recommendations. The outstanding audit recommendations will be included in the next year's follow-up review.

CONTACT

Syed Ali, Audit Director, IT & Strategy, Auditor General's Office
Tel: 416 392-8438, Fax: 416-392-3754, E-Mail: syed.ali@toronto.ca

Angela Rafalovich, Audit Manager, Auditor General's Office
Tel: 416-397-4622, Fax: 416-392-3754, E-Mail: Angela.Rafalovich@toronto.ca

SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: City Divisions in Infrastructure and Development Services - Audit Recommendations Fully Implemented

Attachment 2: City Divisions in Infrastructure and Development Services – Audit Recommendations Not Fully Implemented

Attachment 3: City Divisions in Infrastructure and Development Services - Audit Recommendations No Longer Applicable