PA7.1

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Toronto Parking Authority – 2019 Results of Follow-up of Previous Audit Recommendations

Date: May 31, 2019
To: Board of Directors, Toronto Parking Authority
From: Auditor General
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report deals with a proposed or pending acquisition of land by the Toronto Parking Authority Board.

SUMMARY

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

This report provides the implementation status of recommendations contained in the following four audit reports issued to the Toronto Parking Authority (TPA):

- 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
- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority, 2016
- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2, 2017

As of December 31, 2017, there were 30 outstanding recommendations from audit and investigation reports issued to TPA between 2015 and 2017.

Thirteen recommendations arise from the Auditor General's 2015 audit of real estate activities. Although the recommendations are still relevant, as a result of the adoption of the City-wide real estate model, TPA no longer carries out real estate transactions on an independent basis. The TPA, CreateTO, and City Real Estate Services continue to

work together to evolve the processes for acquiring, selling and/or developing TPA lands.

Given the extent of changes being made to TPA real estate operations, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions to confirm that the recommendations have been implemented. Therefore, the Auditor General has decided that the 13 audit recommendations will no longer be included in her annual follow up process. After all process changes have been completed, the Auditor General will consider whether to include a new audit in her future audit work plans.

Again, these recommendations remain relevant and should be considered by TPA, CreateTO, and City Real Estate Services as they continue to work together to implement the City-wide real estate model.

Of the remaining 17 outstanding recommendations, our review verified that eight recommendations have been fully implemented, seven recommendations have been partially implemented, and two are no longer applicable.

We express our appreciation for the co-operation and assistance we received from management and staff during this year's follow-up review process.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board of Directors of the Toronto Parking Authority direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it pertains to a proposed or pending acquisition of land by the Toronto Parking Authority Board.

FINANCIAL IMPACT

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

DECISION HISTORY

The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it ensures that management has taken appropriate action to implement the recommendations from previous audit reports. The Auditor General reports to the Board of Directors and the City's 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 the TPA. We will include the results of this follow-up review in a consolidated report to the City Audit

Committee in June 2019. The consolidated report will include a summary of our review of outstanding recommendations for all City Agencies and Corporations.
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.

The previous Auditor General's follow-up reports on TPA audits are available at:

https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117950.pdf
https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105101.pdf

COMMENTS

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.

Toronto Parking Authority - Phase 1: Audit of Real Estate Activities, 2015

The Auditor General's 2015 report entitled "Toronto Parking Authority - Phase 1: Audit of Real Estate Activities" included 13 recommendations to strengthen the control framework governing TPA's real estate activities.

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

In May 2017, City Council approved a new real estate delivery model that centralizes real estate activities on a City-wide basis. Going forward, all real estate transactions are expected to be conducted pursuant to the new City-wide real estate model and amended authorities adopted by City Council.

TPA no longer carries out real estate transactions on an independent basis. The TPA, CreateTO, and City Real Estate Services are working together to evolve the processes for acquiring, selling and/or developing TPA lands (surface parking lots and parking garages). Given the extent of changes being made, the Auditor General would need to conduct an entirely new audit to be able to have a reasonable basis to form conclusions. Therefore, the Auditor General has decided that the 13 recommendations from the audit of real estate activities will no longer be included in her annual follow up process. After all process changes have been completed, the Auditor General will consider whether to include a new audit in her future work plans.

Nonetheless, these recommendations remain relevant and should be considered by TPA, CreateTO, and City Real Estate Services as they continue to work together to implement the City-wide real estate model. The recommendations are included in Attachment 3.

Other Audits and Investigations from 2016-2017

Table 1 outlines the current assessment results of the remaining 17 outstanding recommendations issued to the Toronto Parking Authority in previous audit and investigation reports. Our review verified that eight recommendations have been fully implemented, seven recommendations have been partially implemented, and two are no longer applicable.

Table 1: Results of 2019 Follow-up review

Report Title	Total No. of Recs.	Results of 2019 Review			
		New or Outstanding Recs. from Last Follow-up Review	Fully Implemented	Not Fully Implemented	No Longer Applicable
Toronto Parking Authority Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities Off-Street Controlled Facilities, 2016	12	9	5	4	0
Auditor General's Observations of a Land Acquisition at Finch Avenue and Arrow Road by the Toronto Parking Authority, 2016	2	2	0	0	2
Auditor General's Observations of a Land Acquisition at Finch Avenue and Arrow Road by the Toronto Parking Authority - Part 2, 2017	6	6	3	3	0
Total	**20**	**17**	**8 (47%)**	**7 (41%)**	**2 (12%)**

The recommendations we verified as fully implemented during our current follow up process are included in Attachment 1. The recommendation that are not fully implemented together with management's comments and action plan are included in Attachment 2. The recommendations that are no longer applicable are included in Confidential Attachment 1.

Noteworthy 2019 Follow-up Review Results

The Auditor General was requested to review a pending property acquisition at Finch Avenue West and Arrow Road by the TPA. The Auditor General's observations in relation to this transaction were covered in two reports:

- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority, 2016**.** This report is available at:

  https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97675.pdf

- Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2, 2017**.** This report is available at:

  https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105389.pdf

This is our first follow-up review of the recommendations made in these reports.

The 2016 audit report contains two confidential recommendations. During the current follow-up review, we assessed that both recommendations are no longer applicable.

The 2017 audit report, contains six recommendations, three recommendations were assessed as fully implemented during the current follow-up review. These recommendations are included in Attachment 1. Management's efforts are underway to implement the remaining three recommendations related to amendments to the TPA by-law, updating of governance and procedural policy and training for Agency boards. Management's comments and action plan are included in Attachment 2.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: Toronto Parking Authority Audit Recommendations - Fully Implemented

Attachment 2: Toronto Parking Authority Audit Recommendations - Partially Implemented

Attachment 3: Toronto Parking Authority, Phase 1: Audit of Real Estate Activities, 2015 Audit Recommendations

Confidential Attachment 1: Toronto Parking Authority Confidential Recommendations - No Longer Applicable