

**Presentation to the Audit Committee
on February 10, 2020
Agenda Item AU5.2**

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TORONTO

2019 Annual Report Demonstrating the Value of the Auditor General's Office

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Presentation Overview

1. 2019 Highlights

2. Outcomes:

- Non-quantifiable benefits and impacts
- Management taking action
- Return on investment & savings

2019 Highlights



TTC Fare Evasion



Social Housing Wait List



Cybersecurity



Electronic Billing



Tree Maintenance



Fleet: Asset Management



Other Reports

14 Audits, Investigations, Reviews plus Other Reports

211 Recommendations

\$11.5 Return on Investment (2015-2019)



TTC Fare Equipment



Social Housing Revitalizations



Fleet: Vehicle Downtime



Contract Change Management



Social Housing Eligibility



Fleet: Underutilized Vehicles



Investigations / Reviews

2019 Highlights

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Some of the 2019 highlights from the Toronto Auditor General's Office. Read the full Annual Report here: <https://bit.ly/2uipbXN>

Video Link: <https://youtu.be/607oQKJMpIM>

Types of Benefits and Impacts

Non-Quantifiable

More effective
operations

Better customer
service

Improved internal
controls & security

Better governance

Quantifiable

Operating cost
reductions

Cost avoidance

New/increased
revenue streams

Better manage
public funds



2019 Report Highlights: Action Taken Since Our Audits

TTC has taken immediate action and provided an action plan to its Board

Action taken since our audit:

Since our audit was published, the TTC has reported² that, amongst other initiatives, it has:

- Addressed issues with crash gates being open during staff breaks
- Stopped their planned distribution of promotional child PRESTO cards
- Strategically deployed enforcement resources based on data analytics, which led to a 39 per cent increase in fare evasion fines issued compared to charges during the same time last year
- Conducted a review of all subway station entrances to determine which are high risk for illegal entry
- Implemented a wide-ranging public awareness campaign on fare evasion called "Smile! You're on fare evader camera", using stills and video clips from our audit. One example can be found at: <https://www.youtube.com/watch?v=iP1lpFibQP8>.

Management has reported⁴

accuracy of the centralized waiting

- working with providers to fill vacancies more expediently by reducing the number of offers it takes a housing provider to fill a vacancy
- working with TCHC to ensure that rentable vacant units are promptly posted to the centralized waiting list
- working towards ensuring applicants that qualify as a priority group are granted the appropriate priority status

of steps being taken in

contract crew Global
nation on a sample basis

- Investigating a large sample of contractors' work records to compare against GPS report records
- Performing management reviews on samples of all quality assurance work completed by forepersons
- Performing unannounced site inspections
- Standardizing the sampling and inspection requirements of crews' performance inspections to detect anomalies
- Implementing live GPS access to certain vendors that allows for real-time tracking and greater oversight of contract crews and their locations
- Initiating GPS installation in City vehicles to allow for better oversight of internal crews

Prioritizing Affordable Housing and Access to RGI Assistance



- **Moving Forward Together:**
Opportunities to Address Broader City Priorities in TCHC Revitalizations
- **Opening Doors to Stable Housing:**
An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing
- **Safeguarding Rent-Geared-to-Income Assistance:**
Ensuring Only Eligible People Benefit

Common theme: Working as one to achieve City-wide objectives and outcomes

Common theme: Modernizing processes, integrating technology, and leveraging data

Authority and Oversight of Corporate Services



Fleet Services

- Lengthy Downtime Requires Immediate Attention
- Stronger Corporate Oversight Needed for Underutilized Vehicles
- Stronger Asset Management Needed



Information & Technology

- Establishment of City Wide Cyber Security Breach Incident Management Procedures Required (Supplementary Report)
- Cyber Safety: A Robust Cybersecurity Program Needed to Mitigate Current and Emerging Threats

Improving Monitoring and Management of Contracts



- Review of Urban Forestry: Ensuring Value for Money for **Tree Maintenance Services**

- Engineering and Construction Services Phase Two: Construction **Contract Change Management** Controls Should Be Strengthened



- Review of Toronto Transit Commission's Revenue Operations: Phase Two - **PRESTO/TTC Fare Equipment** and PRESTO Revenue



Common theme: Strengthening oversight and accountability for contract outcomes

Management is Taking Action

Safeguarding RGI Assistance



Action taken since our audit:

For example, one housing provider has reported that preliminary investigative action has resulted in multiple ineligible households vacating RGI units.

Moving Forward Together

Action taken since our audit:

For example, the revitalization plan for TCHC's Don Summerville Apartments will add 100 new affordable rental apartments in addition to replacing social housing units and building new market rental apartments and condos.



Cyber Safety



Action taken since our audit:

For example, implemented enhanced password rules for City staff and established a Chief Information Security Officer position to establish a business-aligned cyber strategy, advise on and manage cyber risks, and mature the existing cyber posture.

Improving Controls and Achieving Savings



TTC Revenue Operations:

- Phase One – Fare Evasion and Fare Inspection
- Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue



For Action

2020 TTC and Wheel-Trans Operating Budgets

Date: December 16, 2019
To: TTC Board
From: Interim Chief Financial Officer

TTC Passenger Ridership & Revenues: 2019 Projected to 2020

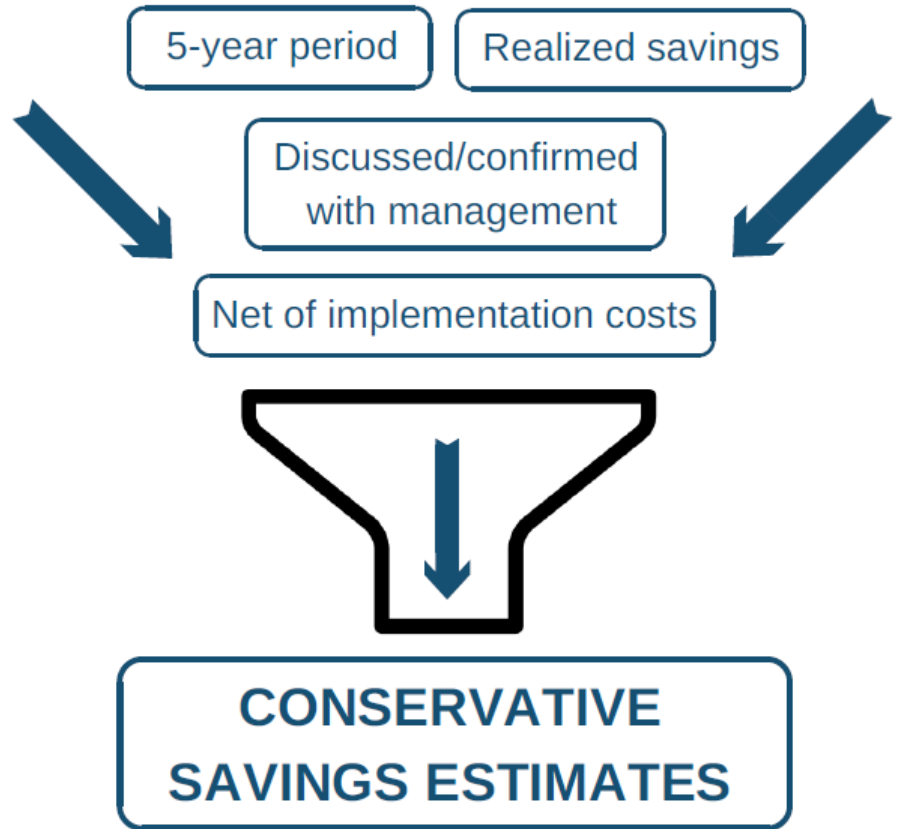
Millions	Ridership	Total \$
2019 Projected Passenger Revenues	525.3	1,181.4
2020 Budget Adjustments		
Prior Year Impact:		
Full Year Effect of April 1, 2019 Fare Increase	(0.2)	10.0
March 1, 2020 Fare Increase	(1.1)	32.8
Base Changes:		
2020 Employment & Economic Growth (~1%)	5.5	12.4
Discount Double Fare (Agreement ends March 31, 2020)	(0.4)	(1.1)
2020 Revenue Protection Initiatives	4.3	10.2
Other (Average Fare and Event adjustments)	0.1	0.5
2020 Budgeted Passenger Revenue	533.5	1,246.2

The 2020 budget is constructed on a 1% revenue ridership increase driven primarily by local employment and economic growth, contributing 5.5 million rides and recovery of a further 4.3 million rides from revenue protection initiatives. The TTC's \$10.2 million revenue impact represents almost 17% of the Auditor General's \$60.7 million estimated evasion related revenue losses. While we cannot predict the final year-end recovery, the estimated 2020 outcome is predicated on targeting multiple opportunities and pain points (see below) and will pay dividends now and beyond 2020.

Revenue Protection Initiatives

The TTC's evasion strategy incorporates the results of the Auditor General's Feb. 2019 Report into its Fare Evasion and Fare Inspection. The TTC, as with other large transit agencies, is increasingly focused on managing a more open system e.g. all-door boarding, proof of payment requirements. The TTC is increasing

Realized Savings: Underlying Principles



Return on Investment

Based on Costs & Savings for 2015-2019



Office Costs
\$27.6M



Total Savings
\$318.8M



\$1



\$11.5

Savings Achieved in 2019

		Total (in \$000s)	Annual Report Pg #
1	Community Benefits Secured Under Section 37 or 45 of the Planning Act – March 2011	25,795	23
2	Improvement Needed in Managing the City’s Wireless Telecommunication Contracts – June 2018	3,764	24
3	Audit of Water Billing and Collection – Phase II: Part 1 – Incorrect Vacant Land Status Properties Reduces City's Property Tax Revenue – October 2016	1,680	25
4	Audit of Water Billing and Collection – Phase I: Overdue Water Account Collections Require Strengthening – February 2016	130	26
5	SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – April 2003	770	27
6	Review of Wheel-Trans Services – Sustaining Level and Quality of Service Require Changes to the Program – December 2012	185	28
	2019 Cost Recovery and Loss Prevention	314	29
Total One-time and Recurring Savings		\$ 32,638	

In 2019, we identified one-time and five-year projected savings of approximately \$32.6 million

What's Not Included in Realized Savings

1. 2020 budgeted revenue increases and costs savings included, but not yet verified



2. Management action on recommendations is underway, but savings or avoided costs not yet quantified



3. Increased revenues or cost savings identified by Auditor General's Office, but not yet verified with management



Recap – Our Impact

1. Return on Investment of \$11.5 (2015 to 2019)
2. We are delivering value
3. Management is moving forward to address recommendations



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