



Auditor General's 2020 Annual Report

Demonstrating the Value of the Auditor General's Office February 3, 2021

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Auditor General

**AUDITOR
GENERAL**

TORONTO

Auditor General's Message



The coronavirus pandemic brought unexpected challenges to the City and its residents. The City has shown incredible resilience in adapting to continuously changing circumstances in order to deliver vital programs and services.

Like much of the City, my Office quickly adapted to working remotely from the onset of the pandemic. Because of the temporary shortage of remote network connections early on, my staff initially worked during off-peak hours (before 9am and after 5pm) to preserve the limited available teleworking network capacity needed by essential services staff. We also supported the City's coronavirus response by redeploying three of my staff to an essential area in the City, and translating procurement documents on an emergency basis to help the City procure masks and other personal protective equipment for essential workers.

At the same time, we sped up the process of modernizing our systems in anticipation that working from home might become our new normal. We digitized our audit and recommendation follow-up processes, which streamlines our work and allows staff and auditees to share information seamlessly. And, our new Fraud and Waste Hotline complaint management system allows staff and members of the public to better provide information online, while maintaining anonymity. These initiatives allowed us to work effectively during the pandemic and strengthened our processes for the future as well.

This year also saw an important increase in my mandate: the Toronto Police Service and the Toronto Public Library Boards invited my Office to include the operations they govern in my City-wide risk and opportunity assessment. We used this assessment to inform and prioritize audits included in [my 2021 Work Plan](#). We have already started cybersecurity work at the Toronto Police Service and two key new projects are also getting underway.

Audits make a difference when recommendations are implemented. By taking action on our audit recommendations, the City has achieved savings of \$385.3 million since 2016. For every dollar invested in our Office, there was a return of approximately \$12.70.

In these pandemic times, the relevancy and timeliness of many of our past recommendations have been embraced, perhaps more than before. We've seen City staff leveraging our recommendations to maximize the benefit to both the City and to our taxpayers. For example, using vacant social housing units slated for revitalization to provide temporary emergency shelter for people experiencing homelessness.

My staff also continued to deliver on our core mandate: performing audits and investigations to protect public funds and ensure value for money is being achieved. This year our audit recommendations focused on:

- improving the cybersecurity of Toronto's water system
- improving contract management practices of winter road maintenance
- helping households needing financial assistance to purchase more affordable housing, and
- deterring those thinking about committing benefits fraud against the City.

Here are just some of management's acknowledgements on the work we did in 2020:

*"The Auditor General's team brought valuable insight to Transportation Services as we instituted a complex cultural shift across our very large division with wide-spanning responsibilities. **Their approach to program review, with a focus on continual improvement, has been critical to improving our business practices, our work culture, and our commitment to serving the residents of our city.**"*

Barbara Gray, General Manager, Transportation Services

*"...Toronto Water worked closely with your office to review and implement the critical Cyber Security measures recommended to further protect Toronto Water systems and infrastructure for Toronto residents. **The entire process was proactive and collaborative with an implementation that was both efficient and extremely effective. Our sincere thanks for your professionalism and support..**"*

Lou Di Gironimo, General Manager, Toronto Water

*"All of the **recommendations will help us focus more specifically, tying this program and the opportunity here to our affordable housing goals,** it will definitely result in operational improvements for us specifically **around record keeping, reporting and eligibility reviews, as well as more generally around oversight and our ability to meet targets...**"*

Abigail Bond, Executive Director, Housing Secretariat

I am proud to say Toronto continues to be recognized for leading practices on the international stage. In 2020, for example, our Office was awarded the **2019 Exemplary Knighton Award** by the Association of Local Government Auditors (ALGA) for our audit entitled the 'Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection'. The Exemplary Knighton Award is the highest award for local government audit reports in North America, and is the first time a Canadian audit office has won the Knighton Award at the highest level.

As I enter my seventh and final year as the Auditor General, I extend sincere gratitude to my staff and the City of Toronto. It takes an empowered professional audit team working to make a difference in the lives of Torontonians, the leadership of City Council, and a public service committed to continuous improvement to achieve the results we have seen year over year. Toronto is fortunate to have had all three elements in these six years that I have been the City of Toronto's Auditor General.

Finally, I would personally like to express my appreciation for the City staff who have worked tirelessly to keep City programs and services running through these challenging times. I have every confidence that Toronto will emerge from the pandemic stronger than ever.

Sincerely,

Beverly Romeo-Beehler, FCPA, FCMA, CFF, ICD.D, JD, B.B.A.
Auditor General

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Our Mission, Mandate, and Team

Mission

To be recognized as a leading audit organization, respected for excellence, innovation and integrity, in supporting the City of Toronto as a world-class organization.

Mandate

Under Section 178 of the *City of Toronto Act, 2006*, the Auditor General is “*responsible for assisting city council in holding itself and city administrators accountable for the quality of stewardship over public funds and for achievement of value for money in city operations.*”

The Auditor General’s Office is independent of management and has the authority to conduct performance audits including reviews of financial controls, operations, and information system security. The Office also conducts investigations and other special reviews of City divisions, and certain City agencies and corporations. Exhibit 1 contains more details about our background, responsibilities and authority under the *City of Toronto Act, 2006*.

Our Team

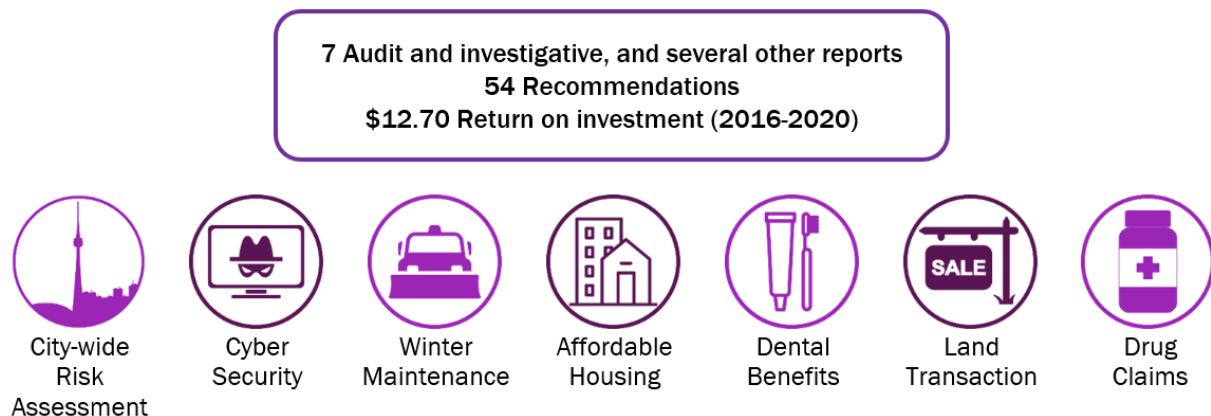


Our diversity strengthens the Office and enriches the work we do.
We are honoured to serve the City of Toronto.

2020 Highlights

The Toronto Municipal Code requires that we report annually to City Council on the activities of our Office, including the savings achieved. On top of our usual audit and investigation reports, we also initiated our City-wide risk and opportunities assessment. This is an extensive exercise we conduct every five years to inform our future Audit work plans.

Here's a snapshot of what we achieved in 2020:



This annual report demonstrates our value to the City by reporting the quantifiable financial and non-quantifiable benefits resulting from our audits and investigations. The total one-time and projected five-year savings realized in 2020 was \$83.7 million. For every dollar invested in our Office, there was a return of approximately \$12.70. This is discussed in more detail in the Impact of Auditor General Recommendations section in this report.

Equally important are the non-financial benefits from Auditor General recommendations. A number of our 2020 reports will lead to strengthened internal controls, improved policies and procedures, better management and use of City resources, increased operational efficiency, better customer service, and increased detection and prevention of serious safety and security issues. For example, we made recommendations aimed at:

- Helping households needing financial assistance to purchase more **affordable housing**
- **Protecting Toronto's Water** system from potential cyberattacks
- Obtaining value for money in the **winter road maintenance** program by leveraging technology and improving contract management
- Deterring **employee benefits fraud**

Major Audits and Investigations in 2020

7 performance audit and investigative reports in 2020

In 2020, our Office completed 7 performance audit and investigative, and several other reports. Our performance audit and investigation reports contained 54 public and confidential recommendations. These reports are included in Exhibit 2.

Several reports released in 2020 have already resulted in immediate action

Our 2020 audit and investigation reports contain recommendations that will benefit the City operationally and financially, and improve programs and services for the public. In many cases, management has reported that they have taken immediate action in response to these audits.

This section that follows summarizes some of the significant performance audit reports issued in 2020. Detailed summaries of our investigations can be found in the Auditor General's Fraud and Waste Hotline - 2020 Annual Report.

Cyber Safety – Critical Infrastructure Systems: Toronto Water SCADA System



Auditor General has conducted a number of cybersecurity audits in the past five years

Given the importance of cybersecurity, the Auditor General has conducted a number of audits since 2015 to assess cybersecurity controls of the City's IT infrastructure, systems, and applications.

According to Public Safety Canada¹:

"Critical infrastructure refers to processes, systems, facilities, technologies, networks, assets and services essential to the health, safety, security or economic well-being of Canadians and the effective functioning of government. ...Disruptions of critical infrastructure could result in catastrophic loss of life, adverse economic effects and significant harm to public confidence."

Cybersecurity audit of the Toronto Water SCADA network

In 2020, considering the importance of cybersecurity of critical infrastructure assets, the Auditor General completed a vulnerability assessment and penetration testing of the Toronto Water SCADA² system.

Opportunities to improve physical and cybersecurity were confidentially reported

The Auditor General tested the cybersecurity of the Toronto Water SCADA system to ensure the City is protected from cyberattacks and ready to adapt to emerging threats. Opportunities to improve physical security and cybersecurity were confidentially reported.

Management initiated a number of actions to improve both physical and cybersecurity

Action taken since our audit:

Since the completion of our audits, the Toronto Water Division in coordination with the Technology Services Division and the Office of the Chief Information Security Officer has completed the following actions:

- Rolled out mandatory cybersecurity awareness training for all City staff and implemented SCADA focused cybersecurity training for all Toronto Water staff
- Improved physical security using technology
- Implemented enhanced password rules for City staff
- Proactively ran vulnerability assessments and threat risk assessments to identify and manage cyber risks

Some of these actions were already reported to Council in June 2020. Additional actions are underway. The Auditor General is following up and plans to report on the status of implementation of the audit recommendations at the May 31, 2021 Audit Committee meeting.

¹ <https://www.publicsafety.gc.ca/cnt/ntnl-scr/crtcl-nfrstrctr/index-en.aspx>

² The City uses a supervisory control and data acquisition (SCADA) system to manage critical infrastructure, such as water treatment and waste water treatment plants

The full report remains confidential to protect the safety and security of citizens. The public reports on the Auditor General's review of SCADA cybersecurity and subsequent management update of actions taken are available at:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-145342.pdf>

<https://www.toronto.ca/legdocs/mmis/2020/cc/bgrd/backgroundfile-148217.pdf>

INTERPOL assessment of the impact of COVID-19 on cybercrime shows a target shift that includes governments and critical infrastructure

With the onset of COVID-19, cyberattacks are increasing at the City and abroad. The International Criminal Police Organization (INTERPOL) assessed the impact of COVID-19 on cybercrime³.

“An INTERPOL assessment of the impact of COVID-19 on cybercrime has shown a significant target shift from individuals and small businesses to major corporations, governments and critical infrastructure.

With organizations and businesses rapidly deploying remote systems and networks to support staff working from home, criminals are also taking advantage of increased security vulnerabilities to steal data, generate profits and cause disruption.”

The Auditor General will be continuing with critical infrastructure audits in 2021.

³ <https://www.interpol.int/en/News-and-Events/News/2020/INTERPOL-report-shows-alarming-rate-of-cyberattacks-during-COVID-19>

Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes



The winter maintenance program keeps City roads and sidewalks salted and cleared of snow during the winter months. This ensures that the people travelling in Toronto are safe and have a reliable transportation network. The winter maintenance program costs taxpayers approximately \$90 million annually.

Audit focused on the winter maintenance program service levels and managing contractor performance

The majority of the City's winter maintenance activities are performed by contractors. The Transportation Services Division oversees 47 seven-year contracts and a fleet of 1,100 contracted vehicles to deliver winter maintenance activities.

Our audit focused on how the Division managed these contracts and met the Council-approved service levels for winter maintenance.

Estimated financial impact to the City of \$31 million over last five years and an additional \$9.6 million for two remaining years in current contract

We estimate that the City overpaid approximately \$7.1 million over five years due to non-compliance by contractors (e.g. contractors claimed more hours than worked, started their shift late, took excessive stop times, or did not make their vehicles available for operations as required).

The City could have saved an additional \$24 million in contractor standby charges over the first five years, and can save another \$9.6 million in the remaining two years of the contract, if it were to apply the express terms of the contract for standby payments.

Improving contract management practices, leveraging GPS technology, and using KPIs to measure service levels

By strengthening its contract management practices and fully leveraging GPS technology, Transportation Services will be able to measure whether contractors are meeting the required service targets and ensure accurate payments to contractors.

With KPIs for measuring service levels and contractor performance, as well as real-time GPS information and the ability to report exceptions, staff will be able to monitor route completion and measure service levels, and respond to claims and service requests more efficiently.

Opportunity with upcoming contract cycle

There is an opportunity with the end of the current contract cycle and upcoming contract cycle, for Transportation Services to provide greater clarity on the contractor's roles, responsibilities, and expectations for compliance with the contract requirements.

22 recommendations to improve efficiency and effectiveness of the winter maintenance program

By implementing the audit recommendations, Transportation Services will improve the efficiency and effectiveness of the winter road maintenance program, including resolving contract management and contractor performance issues, and measuring and meeting Council-approved service levels.

Action taken since our audit:

Since our audit report was published, the Transportation Services Division has reported that, amongst other initiatives, it has:

- Inspected each contractor vehicle to ensure that it is installed with a properly functioning GPS device before the start of the winter season
- Begun developing new contract management standard operating procedures and training for staff, and
- Started developing operational KPIs to be included within the next winter maintenance contracts starting in 2022.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfil e-157521.pdf>

Strengthening Accountability and Outcomes for Affordable Housing: Understanding the Impact of the Affordable Home Ownership Program



Audit focused on the administration and delivery of the affordable home ownership program

In October 2020 we completed an audit of the City's affordable home ownership program (the "Program"), a long-standing initiative in the City's affordable housing strategy. Over the last decade, the Program's goals have included assisting low and moderate-income renters in Toronto to purchase affordable homes and realize the benefits of home ownership.

Measuring Program impact is key to ensuring benefits are realized

Our report highlighted that in light of limited funding available to address affordable housing priorities, the Housing Secretariat should better measure the Program's broader effectiveness and impact. While the Housing Secretariat relies on the number of affordable home ownership opportunities created as the primary measure of success, this measure alone does not confirm whether the assistance provided has had the desired positive impact and outcomes.

Assessing the broader impacts of the Program, such as level of affordability achieved by loan applicants / recipients, extent that rental stock is freed up in Toronto, and opportunities for ongoing affordability created, will help the City identify changes or improvements to make the Program more effective.

Enhancing Program requirements will help prioritize households in need

We also recommended that the Housing Secretariat strengthen Program guidelines so that eligibility criteria and assessments better ensure recipients meet the spirit of the Program. Strengthening Program guidelines can help prioritize funding for those households in most need of assistance.

Strengthening oversight to ensure Program is meeting objectives

In addition, we recommended that the Housing Secretariat more actively oversee and monitor the private and non-profit developers responsible for administering the Program. The Housing Secretariat reported having only achieved approximately 65 per cent of its 2010-2020 target for affordable home ownership opportunities.

Going forward, stronger oversight will help the City better anticipate and overcome challenges in delivering the planned number of opportunities, while balancing achieving targets with other Program outcomes – primarily the level of affordability it wants to provide for households.

Implementing the 11 audit recommendations will help position the City as it refreshes how it designs, manages, and oversees the Program to better achieve housing objectives.

Management is taking action to refresh and refocus the Program

Action taken since our audit:

Since the issuance of our report, the Housing Secretariat has reported that work is already underway, including:

- preparing for a review and update of the Program prior to the release of the next Home Ownership Assistance Program (HOAP) request for proposals process
- working in collaboration with City Planning and other divisions on a review of the Official Plan definition of affordable home ownership housing and aligning program and policy definitions between the HOAP initiative and other municipal / provincial affordability definitions
- working with City Planning on the forthcoming inclusionary zoning framework, to ensure long-term, on-going affordability of housing generated by the future inclusionary zoning system.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-157478.pdf>

Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits



City provides extended health and dental benefits coverage to its employees, \$51.9 million was for dental

The City provides extended health and dental benefits coverage to its employees and retirees, their spouses and eligible dependents in accordance with City policies and collective agreements. In 2019 the City spent \$152 million to provide employee health benefits, of which dental benefits amounted to \$51.9 million.

Cost saving opportunities exist

Our review identified that the City had implemented many recommendations since our prior benefit audits. These actions included the City auditing the service provider's work to confirm it is receiving the services it is paying for, increasing fraud controls, and refining plan design.

In 2020, we focused on dental benefits. We noted many of the controls we expected to be in place, were operating well. This is good news. We did identify some opportunities to consider as the City moves forward to reduce dental benefit costs, including:

- exploring plan design changes, such as, harmonization of benefit plans among various groups of staff for major dental services
- having annual maximum allowable amounts on basic and comprehensive dental services categories
- when negotiating future employment agreements, review whether there is an opportunity to reduce dental costs by establishing some co-insurance payments by plan members

Co-insurance payments by plan members will reduce costs

The City pays 100 percent of the cost of Basic and Comprehensive Basic dental procedures. At a time when the City is faced with unprecedented financial pressures, a co-insurance payment by plan members of 5 to 15 cents on the dollar could go a long way to finding savings that supports the City's ability to continue funding services benefiting all Torontonians. Co-insurance is used in other levels of government and introducing it at the City could mean annual savings in dental benefit costs of \$1.7 million to \$4.9 million, or \$8.5 million to \$24.5 million over five years, depending on the co-insurance rate.

Combined savings over 5 years may range from \$27.5 million - \$80.5 million

If co-insurance payments are extended across drug and other health benefits plans, the potential combined savings (including dental), over five years may range from \$27.5 million - \$80.5 million. These changes could yield further savings where the use of some benefit services may be reduced.

Management response to our recommendations:

Management advised that each of the bargaining units and the City have agreed to establish a Joint Benefits Committee to look at the Benefits Program holistically. The intent is to develop a more consistent approach to benefits across the City. This approach takes into consideration the long-term financial sustainability of the programs and the health outcomes for all employee bargaining units and non-union groups.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-157426.pdf>

Audit Reports – Common Themes and Issues

Common themes report illustrated recurring issues

Over the years, we've noticed that when management is busy working within their division, they may not see or be learning from broader lessons that may help to move their divisions and the City forward as one City. Therefore, in January 2020, we issued a report identifying the following three common themes that have appeared repeatedly in our reviews and audit recommendations:

One-City approach that includes stronger procurement practices, modernization, and leveraging data

- The need to shift mindsets and culture so that the public service works as one to achieve City-wide objectives and outcomes
- The need for stronger oversight and accountability over City procurement contracts
- The need to modernize processes, integrate technology, and leverage data to deliver programs and services more effectively and efficiently

This was just another way in how our Office demonstrates value; making the effort to educate the City to learn and leverage from previous audit findings.

The report is available at:

<https://www.torontoauditor.ca/report/previous-audit-reports-common-themes-and-issues/>

Consideration for TORR

The common themes from our past audits, as highlighted in our report, were reinforced by the initiatives that later emerged through the Value-Based Outcomes Review and the City's Toronto Office of Recovery and Rebuild (TORR). The work our Office has done over the years, and the work and value we will continue to bring, will align with the outcomes the City aims to achieve through its recovery and rebuild.

Our past audits recommendations have promoted innovation and agility to improve City-wide service delivery

As part of the TORR work, there is also a renewed focus for the City to innovate and be agile. The work our Office does helps with this type of innovative thinking through our audits and recommendations. Each of our Annual Reports provide examples of how our past recommendations have produced positive outcomes (financial and non-financial) that significantly impact City-wide service delivery.

Impact of Auditor General Recommendations

We are required to report on savings achieved

Background

The Toronto Municipal Code requires that we report annually to City Council on the activities of our Office, including the savings achieved. Describing the potential financial impact in our audit reports is useful for highlighting to City Council, City administrators, and members of the public, the importance of timely action to implement recommendations

As illustrated in Figure 1, effectively implementing recommendations from our reports can lead to a variety of impacts:

Figure 1: Financial and non-financial impacts from implementing recommendations



This section provides a summary of both the financial and non-financial impacts of our audit recommendations that the City realized in 2020.

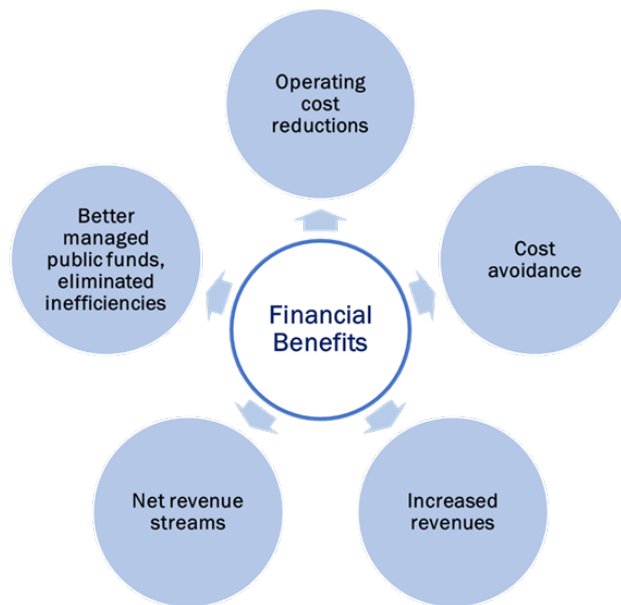
Financial savings

Financial impacts from implementing recommendations

The City realizes various types of financial benefits, referred to as *savings*, through implementing our audit recommendations. This is shown in Figure 2 below:

Types of savings

Figure 2: Types of Financial Benefits, Auditor General's Office



Savings can include cost reductions, new or increased revenue, or cost avoidance

These *savings* include cost reductions, new or increased revenue streams, or future cost avoidance. Exhibit 3 includes examples of how the City achieved each type of savings through previous audits.

Calculation methodology

Our underlying principles in quantifying realized savings

As illustrated in Figure 3 below, our savings estimates are calculated using the following principles:

- Savings from implemented audit recommendations are included; in some cases, the City starts to realize benefits even before the recommendation is fully implemented; in other cases, savings are quantified many months after recommendations have been implemented when the full impact of changes come to fruition
- Where savings are expected to recur annually, we calculate five years of projected savings, even though these savings can potentially benefit the City indefinitely
- We verify or discuss savings figures with management
- Savings are net of implementation costs
- Savings estimates are conservative

Elements to our savings calculation

Figure 3: Auditor General's Office Methodology for Calculating Savings



Recommendations take into account the cost of implementation

In making audit recommendations, we are mindful of their implementation cost and benefit. Careful consideration is given to ensuring recommendations are relevant, practical and cost-effective. In many cases, our recommendations relate to processes or controls expected in the normal course of the City's operations, and therefore should already be contemplated within the program or service's budget. Where our recommendations require extra resources to implement, such as to acquire new capital assets, this is factored into our calculations.

Divisions should first consider how to improve processes within existing staff and budget resources

It is important to note that in some cases, divisions will request additional funding in their budgets and link them to our recommendations. Before seeking additional funding, it is our view that program areas should first look at how to improve their processes and approach within the existing budget and staff complement to efficiently deliver their mandated services.

Continuing to work with the Financial Planning Division to improve transparency of efficiencies related to AG recommendations

Our Office continues to work with the City's Financial Planning Division to improve processes to clarify, for budget purposes, which impacts linked to Auditor General recommendations. For the 2021 budget, Financial Planning asked program areas to clearly specify in their budget submissions, any outcomes resulting from Auditor General recommendations.

This has helped to improve the identification and linking of program efficiencies to past recommendations. As the 2021 budget process was the first year this practice was introduced, we will continue to work with the Financial Planning Division to improve this outcomes-based reporting.

Savings are only included when the related recommendation has been implemented

When savings are realized

Due to the nature of our work, many of our recommendations can result in savings being realized in years subsequent to the report release date. The timing depends on factors such as scope and complexity of the recommendations, speed of implementation, and in some cases, time elapsed for effects to become observable.

Potential savings not included when determining ROI

We don't consider potential savings identified in our audit reports as savings achieved for the purposes of determining our return on investment. The Office's return on investment is calculated based on savings that have been realized and can be reasonably quantified after our recommendations have been implemented.

References to savings in divisional budgets

How Financial Benefits are Reflected in City Budgets

The timing of when divisions, agencies and corporations implement the recommendations, and when savings are realized, will impact whether or not they report the savings in their current year Budget Notes. Management has been helpful in providing the information we need to estimate the impact resulting from their implementation of recommendations.

Savings recorded in prior years, or future avoided costs might not appear in a program budget

Certain savings may have been realized in prior years but we have not been able to verify them until the current year. Therefore, the savings may not be reflected in current Budget Notes as a revenue or expenditure change in the upcoming year (i.e. they may have been incorporated in a prior year's base budget or as an in-year change). Also worth noting is that in some cases, a program area is able to avoid future costs (operating or capital) as a result of implementing certain audit recommendations. In these instances, the avoided costs also might not be reported in a program area's budget notes.

We have continued to work with the Financial Planning Division to improve the transparency of management's actions and the impact on outcomes. We will continue to improve the process so that information on efficiencies / revenues / savings arising from our recommendations are transparently reflected in City budget reports.

Return on investment compares 5-year audit costs to cumulative 5-year estimated realized savings

Return on Investment

Each year, our Office calculates a return on investment based on the most recent five years (2016 to 2020 being the period covered in this report). The five-year cumulative estimated realized savings are then compared to the five-year audit costs.

\$12.70 return on investment for every \$1 invested in our Office

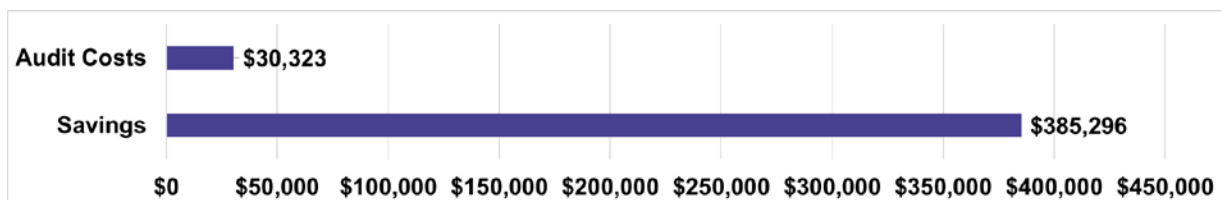
As illustrated below in Table 1, the City has achieved one-time and projected five-year savings totaling approximately \$385.3 million (from 2016 to 2020). Our cumulative Office expenditures were \$30.3 million over the same period. From 2016 to 2020, every \$1 invested in our Office provided a return of approximately \$12.70. It is important to note that the return on investment can vary year over year and is dependent on when our recommendations are implemented.

Figure 4 compares our expenditures to the cumulative one-time and projected five-year savings:

Table 1: Cumulative One-Time and Projected Five-year Savings (\$000s) 2016 to 2020, Auditor General's Office

ESTIMATED SAVINGS \$000's						
Year of Savings	Year of Annual Report					
	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	Total \$
2016	\$11,849					\$11,849
2017	\$8,385	\$11,479				\$19,864
2018	\$9,839	\$13,607	\$14,095			\$37,541
2019	\$9,872	\$14,237	\$21,689	\$26,294		\$72,092
2020	\$9,907	\$14,237	\$23,189	\$2,596	\$34,636	\$84,565
2021	\$4,595	\$14,237	\$24,689	\$2,200	\$11,046	\$56,767
2022		\$13,652	\$24,689	\$516	\$13,135	\$51,992
2023			\$24,689	\$516	\$13,511	\$38,716
2024				\$516	\$5,697	\$6,213
2025					\$5,697	\$5,697
Total	\$54,447	\$81,449	\$133,040	\$32,638	\$83,722	\$385,296

Figure 4: Five-Year Audit Costs Compared to Estimated Realized Savings (\$000s) 2016 to 2020, Auditor General's Office



**\$83.7 million in one-time
and 5-year projected
savings**

Prior reports with savings realized in 2020

Recommendations implemented from 15 audit reports issued before 2020 resulted in savings and revenue increases realized this year. The combined one-time and five-year projected savings from these reports together with payment recoveries from fraud-related matters total \$83.7 million. Table 2 on page 19 itemizes these savings.

A brief overview of each of the audit reports and their impact is explained following Table 2.

Table 2: One-time and Recurring Savings (in \$000's) Realized in 2020, Auditor General's Office

		One-Time / Retro	2021	2022	2023	2024	2025	Total	Annual Report Pg #	Budget Impact See Legend
Savings Realized from Prior Year Reports										
1	Audit of City Cleaning Services, 2016 (2 reports)		\$800	\$800	\$800	\$800	\$800	\$4,000	20	2021
2	Toronto Court Services: Collection of Provincial Offence Default Fines, 2018	\$4,176	\$1,980	\$1,980	\$1,980			\$10,116	21	2020 / 2021
3	Review of TTC Procurement Policies and Practices, 2017		\$741	\$741	\$741	\$741	\$741	\$3,705	23	2021
4	Real Estate Services Division – Restore Focus on Union Station Leasing, 2017	\$1,489	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$21,489	24	PY and AC
5	Enhance Focus on Lease Administration of City-owned Properties, 2018	\$596	\$102	\$102	\$102	\$102	\$102	\$1,106	25	PY and IY
6	Management of the City's Employee Extended Health and Dental Benefits, 2016 & 2017 (3 reports)	\$3,246	\$1,623	\$1,623	\$1,623			\$8,115	26	PY
7	Improvement Needed in Managing the City's Wireless Telecommunication Contracts; TTC: Managing Telecommunication Contracts and Payments, 2018 (2 reports)	\$1,491	\$1,746	\$3,835	\$4,211			\$11,283	27	NP
8	Community Benefits Secured Under Section 37 or 45 of the Planning Act, 2011	\$1,257						\$1,257	29	PY
9	Review of the Green Lane Landfill Operations – Management of Contracts Needs Improvement, 2018	\$147						\$147	30	PY
10	Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds, 2018	\$11,700						\$11,700	31	AC
11	Opening Doors to Stable Housing: An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing, 2019	\$10,500						\$10,500	32	AC
Investigations of Fraud Related Matters										
	2019 Cost Recovery and Loss Prevention	\$34	\$54	\$54	\$54	\$54	\$54	\$304	39	
Total One-time and Recurring Savings		\$34,636	\$11,046	\$13,135	\$13,511	\$5,697	\$5,697	\$83,722		

Legend:

- PY One-time and recurring savings were realized pre-2020, but are being reported as achieved for the first time by the Auditor General in this Annual Report based on a Staff Report to City Council or a prior period's Budget Notes.
- IY One-time savings were realized in-year in 2020 and therefore not reflected in the 2021 Budget Notes.
- NP One-time and recurring savings were realized but are not reflected in the 2021 Budget Notes because the financial impact is corporate-wide (rather than to a specific division's budget) or to a non-program account.
- AC One-time and recurring savings relate to avoided costs that would otherwise have been incurred, but for implementation of our recommendation(s). Avoided costs are not reflected in the 2021 Budget Notes because they do not represent a reduction to, or an enhancement of a base budget requirement.

Audit of City Cleaning Services, June 2016:

- **Part 1: Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services**
- **Part 2: Maximizing Value from Cleaning Contracts**

The Auditor General's 2016 audit of City cleaning services made 30 recommendations to standardize corporate cleaning services across all City facilities (incl. agencies and corporations) and to improve the procurement as well as the administration of cleaning contracts.

Cleaning standards needed to improve procurement, contract management and performance

Corporate Real Estate Management has taken action to address the audit's recommendations which dealt with:

- improving the procurement of cleaning services by using accurate data (i.e. cleanable square footage)
- standardizing cleaning service levels for all City facilities
- controlling costs
- better contract and vendor performance management
- enhancing productivity and quality of cleaning services

Management took steps to improve procurement practices by working with PMMD

The Division worked closely with the City's Purchasing and Materials Management Division to improve the strategy used to procure cleaning services. The two divisions used a strategic sourcing strategy to procure custodial services in 2019. The first phase of this strategy resulted in awarding custodial contracts in June 2020.

Management reported new cleaning contracts reduce costs and add value estimated at \$9.9 million

The staff report⁴ on the new cleaning contracts award noted that relative to prior custodial contracts, the new contracts would reduce cleaning costs by \$5.63 million and contribute an estimated \$4.28 million in value added benefits (a total of \$9.9 million over the full term of the contract).

⁴ <https://www.toronto.ca/legdocs/mmis/2020/gl/bgrd/backgroundfile-147601.pdf>

City will save \$4 million in cleaning contract costs over 5 years

Corporate Real Estate Management's 2021 operating budget submission⁵ includes a decrease of \$800,000 resulting from the new custodial contracts. Management confirmed that these new savings are in addition to the previously reported savings on cleaning services. Over five years, the City will realize \$4 million in savings from reduced contract cleaning costs.

Any additional savings will be reported in future years

Management has advised that the second phase of the strategic sourcing for custodial services (at other City-owned facilities) may achieve additional savings. The request for proposal for the second phase was being evaluated at the time of this report.

The audit reports are available at:

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94477.pdf>

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94618.pdf>

Toronto Court Services: Collection of Provincial Offence Default Fines, April 2018

POA fines arise from a wide range of offences

Provincial Offences Act (POA) fines arise from violations of certain provincial statutes and regulations, such as the Highway Traffic Act, Compulsory Automobile Insurance Act, Liquor Licence Act, Occupational Health and Safety Act, as well as municipal bylaws.

Significant amount of long outstanding fines

Our 2018 audit focused on the Court Services Division's framework for collecting POA fines that went into default. At the time of our audit, provincial data indicated there was over \$577 million⁶ in defaulted fines.

Collection of fines ensures fair and effective administration of the justice system

In addition to the financial impact to the City, strong collection practices provide the public with greater assurance that laws are effective and fines are a meaningful deterrent. A fine is collected as part of the administration of justice process.

Since the audit, management has taken action to implement our recommendations and improve their collection strategy including:

⁵ 2021 Corporate Real Estate Management Operating Budget Notes, pg. 25
<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-159664.pdf>

⁶ \$577 million in default as of June 30, 2017 was comprised of \$421 million owing to the City, \$63 million to be collected by the City on behalf of the Province, and \$93 million for collection agency costs added by Court Services in order to pay for potential collection agency commissions.

Management has made various improvements to its collection process

- Setting up a dunning process to establish contact with debtors earlier and more consistently
- Assigning newly defaulted fines to contracted collection agencies right away
- Regularly rotating uncollected fines to another agency on the roster
- Recruiting agencies that specialize in collecting old and difficult fines

Court Services reported their progress in 2019, 2020 and 2021 budget submissions

Court Services reported their progress and savings resulting from addressing Auditor General's observations and recommendations in their 2019, 2020 and 2021 budget submissions:

In their 2019 Operating Budget Notes⁷, Court Services reported,

"Default fine collection rates will however increase by 1% every year commencing in 2019 as Court Services with support from Legal Services implements its commitments contained in its Management response to the City's Auditor General's report (AU12.1)."

At the time, the Division described in detail the actions they were taking and reported that it anticipated that improvements would result in an increase in revenue from the collection of defaulted POA fines.

Increased revenues reported in divisional budget

Subsequently, in their 2020⁸ and 2021⁹ Operating Budget Notes, Court Services reported:

*"Implementation of the AG Recommendations as contained in AU12.1 and specifically related to improved collection strategies as well as the impact of legislative changes are projected to result in **increased revenues of approximately \$1.480 million** in 2020."*

"Default fine collection rates have however increased from 47% in 2017 to 51% in 2020 and is expected to continue to increase by 1% every year as Court Services with support from Legal Services continues to implement its commitments contained in its Management response to the City's Auditor General's report (AU 12.1)"

*"... It is anticipated that measures already implemented will generate **additional revenues of \$0.500 million** in 2021."*

⁷ 2019 Court Services Operating Budget Notes, pg. 12 & 21

<https://www.toronto.ca/legdocs/mmis/2019/bu/bgrd/backgroundfile-123811.pdf>

⁸ 2020 Court Services Operating Budget Notes, pg. 8

<https://www.toronto.ca/wp-content/uploads/2020/04/8ff2-Court-Services-2020-PUBLIC-BOOK-BN.pdf>

⁹ 2021 Court Services Operating Budget Notes, pg. 2 & 10

<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-159684.pdf>

\$9.9 million in increased revenues resulting from improved collection practices

During the follow-up process, we observed that the realized incremental revenues in 2019 and 2020 from Court Services improving their collection methods is in line with the \$1.980 million in increased annual revenues incorporated into their budget submissions to date. Over a five year period, the increased revenues collected by the City is estimated to be more than \$9.9 million.

City placed additional \$216,000 in fines on debtors' tax roll

Our audit also found that Court Services was not identifying all eligible defaulted POA fines that could be added to the debtors' property tax roll. In 2020, during our annual follow-up review, we identified additional fines totalling \$216,000 that the City subsequently added to debtors' property tax roll.

Collection and enforcement activities were paused during the pandemic

In March 2020, the Ontario Court of Justice held in abeyance payment due dates for POA fines until February 2021 because of disruptions from the COVID-19 pandemic. As a result, no new fines have gone into default. Court Services Division also paused its active collection and enforcement activities for a portion of 2020. As processes return to normal, and management continues to implement other audit recommendations in our report, we will continue to review and report on any further savings realized.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-114757.pdf>

Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, May 2017

Audit highlighted that many aspects of TTC's procurement policies and practices need to be substantially improved

Our audit found that many aspects of TTC's procurement policies and practices need to be substantially improved for it to achieve efficient and effective operations and the best overall value. We also identified a few significant cost savings opportunities, and inventory management issues that impact TTC's day-to-day customer service.

Audit estimated potential annual savings in the range of \$8 million to \$16.5 million

The audit estimated potential annual savings in the range of \$8 million to \$16.5 million. In response to the Audit Committee recommendation, TTC retained an external consulting firm to review its existing policies and procedures to benchmark transit industry best practices. The external consultant's results aligned with our audit recommendations and reported similar savings estimates in the near-future (three to five years). Although TTC has made some progress in implementing the audit recommendations, there are still several not yet fully implemented.

Cost savings of \$3.69 million annually or \$18.45 million over five years previously recognized

TTC reflected \$2.19 million in annual cost reductions in its 2018 Operating Budget (p. 21 of TTC budget presentation). These reductions relate to the increased use of blanket orders, better management of cores, and efficiencies in the aftermarket warranty program. TTC further reported an additional \$1.5 million in savings related to these efficiencies in their 2019 Budget Notes (p. 31). In our 2018 Annual Report, we recognized that TTC will achieve \$3.69 million in annual cost savings, and savings of about \$18.45 million over five years.

Additional annual net savings of \$741,000 reported in TTC's 2021 Operating Budget and our 2020 Annual Report

An additional estimated annual net savings of \$741,000 was reported in TTC's 2021 Operating Budget¹⁰, from identification of alternate suppliers for vehicle parts and improved use of after-market part warranties. We have reflected these savings in this 2020 Annual Report.

Further savings may be realized as TTC continues to further implement the audit recommendations

The audit recommendations may continue to result in additional savings in future years as TTC fully implements all of the recommendations.

Our 2021 Work Plan includes a separate project to follow-up on TTC's remaining outstanding recommendations

We recognize that TTC has made progress on implementing recommendations for this audit and other TTC audits. However, there are still a high number of outstanding recommendations, including many high priority recommendations that might result in savings. Our 2021 Work Plan includes a separate project that will focus on following up on these outstanding recommendations.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105264.pdf>

Real Estate Services Division – Restore Focus on Union Station Leasing, June 2017

Audit found unbilled and uncollected leasing revenues at Union Station

Union Station is the City's transportation hub and a key City asset that has undergone significant revitalization. Certain sections of the station are used for commercial activity such as dining and shopping. The City generates leasing revenue from tenants who occupy space in the station. Our audit identified unbilled and uncollected leasing revenue owed to the City.

¹⁰ TTC 2021 Operating Budget Notes, pg. 13
<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-159906.pdf>

\$1.4 million received in outstanding rents

The audit highlighted that the City's last settlement with anchor occupants at Union Station was overdue by four years. This motivated City staff to finalize, record, bill and collect outstanding payments. In early 2020, staff collected \$1.4 million in outstanding rents and recoverable operating expenses identified during the audit¹¹. Since this amount is a one-time collection of an in-year billing, the receipt of the outstanding amount is not reflected in the Division's 2021 budget.

Underutilized vacant space at Union Station

The audit also recommended that a strategic decision be made on the use of vacant space in the Station's East Wing. The audit noted that a decision on the use for the vacant space should consider plans for Union Station and other City initiatives such as the office modernization program and the City-wide real estate transformation.

City decided to use the East Wing as swing space for office modernization

The results of an evaluation on the highest and best use for the East Wing premises found that the best utilization in the near term was for office use. Management decided to use the East Wing as swing space for the City's office modernization strategy. Given the physical state of the East Wing, management reported that \$20 million in recoverable debt was needed to upfit the space¹² for occupancy. Using this available City-owned space facilitates the City's modernization strategy and unlocks the value of a city asset.

\$20 million in leasing costs avoided over 5 years by the City unlocking the value of a key asset

Management also noted that the City would avoid an estimated \$40 million in swing space leasing costs¹³ it would otherwise incur if swing space was rented from a third party. After taking into account the \$20 million cost to upfit the space, the City avoids approximately \$20 million in costs over five years.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105270.pdf>

Enhance Focus on Lease Administration of City-owned Properties, June 2018

Audit found City did not always bill and collect all rents and operating costs

Our audit noted that the City did not always bill and collect all rents and operating costs in accordance with lease agreements. The audit also highlighted that, in some cases, the City lost out on an opportunity for increased rent revenues because agreements were not renewed at market rates in a timely manner.

¹¹ The amount collected in 2020 included rents and operating costs owed for the 2017 calendar year

¹² <https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-135514.pdf>

¹³ <https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-135514.pdf> (pg. 6)

Management's efforts resulted in the City collecting \$1.1 million of unbilled rents and recoveries

Since our audit, the Corporate Real Estate Management Division took action to finalize, bill, and collect rents and operating costs. This action was taken for leases in our audit sample as well as other leases where significant time had elapsed since the last billing. We verified about 65 per cent of the amounts staff billed since our audit. Actual collections from occupants totalled \$596,000 in one-time retroactive payments, along with \$102,000 in annual recurring rent revenues that will continue to be collected as a result of timely billings. Over five years, the City will realize \$1.1 million.

Collected amounts owing from prior periods would have been recorded in-year and would not appear in the Division's 2021 budget.

Additional lease revenues will be realized as more recommendations are implemented

There are still many tenants that have not paid their outstanding rents and recoveries. There are also other outstanding recommendations from our audit report that have the potential for the City to realize more rent revenues. We will include these amounts in future Annual Reports when they are verified and collected.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfil e-117931.pdf>

Management of the City's Employee Extended Health and Dental Benefits

- **Phase One: The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims, October 2016**
- **Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse, March 2017 (Confidential Attachment)**
- **Supplementary Report to the Auditor General's Phase One Report: "The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims", June 2017**

Series of audits identified unusual and potentially excessive claims

Our Office issued three audit reports that identified irregular dispensing patterns along with unusual and potentially excessive medical claims. The audit reports highlighted that the City's health benefits administrator did not have adequate controls to detect abnormal claims.

New administrator tightened controls and reduced costs

In January 2017, a new health benefits administrator was awarded a five-year contract with the City. The audit findings contributed to more rigorous controls being applied to administer the City's health benefits plan and achieved savings. These were reported in the Auditor General's 2018 Annual report.

Toronto Police Service is part of the City's health benefits contract

The Toronto Police Service (TPS) participated in the City's procurement process for an administrator of the employee health benefit plans. TPS is included in the 2017 contract awarded to a new provider to administer health benefits.

TPS noted savings and efficiencies from medical expenditures in their 2019 Operating Budget¹⁴ and reduced the budget line item by \$2.6 million. TPS management agreed that the decreased expenditures result from tighter controls by the new administrator of health benefits¹⁵. These savings are offset by increased expenditures arising from other factors such as collective bargaining.

Average actual annual health benefit costs decreased by about \$1.6 million

We reviewed the actual expenditures for medical benefits under the new administrator relative to the prior provider and found an average annual decrease of \$1.62 million. Over the life of the contract, the health benefit costs for the Toronto Police Service will have been reduced by \$8.1 million.

The related audit and supplementary reports are available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97612.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105243.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-102168.pdf>

Improvement Needed in Managing the City's Wireless Telecommunication Contracts – Information & Technology Division, June 2018

Managing Telecommunication Contracts and Payments – Toronto Transit Commission, May 2018

Auditor General has issued several reports on saving telecommunication costs

Over the years, the Auditor General has conducted a series of telecommunication audits (covering wireless contracts and unused services). More recently, our 2018 telecommunication audits at the City and Toronto Transit Commission made further recommendations to improve monitoring and reduce overall telecommunication costs.

Recommendations to review cellular price plans to achieve lower rates

Recommendations highlighted ways to save telecommunication costs by:

- re-negotiating cellular plans or using vendors offering lower prices
- leveraging inter-governmental contracts to achieve lower rates.

¹⁴ 2019 Toronto Police Operating Budget Request to the TPS Board, pg. 15
https://www.torontopolice.on.ca/budget/docs/2019_operating_budget_request.pdf

¹⁵ 2019 Toronto Police Operating Budget Presentation to City Budget Committee, pg. 6
<https://www.toronto.ca/legdocs/mmis/2019/bu/bgrd/backgroundfile-124385.pdf>

City negotiated lower rates with the existing vendor, then further reduced rates by leveraging the provincial contract rates

In 2019, the City's Technology Services Division negotiated a reduced monthly service charge on an existing wireless service plan with the City's preferred vendor. The rate reduction became effective as of March 2019. Later in 2020, the City achieved more wireless contract savings by leveraging the Province of Ontario's wireless contract rate¹⁶.

City will realize about \$6.9 million in wireless costs over five years

These savings will continue for existing lines and costs will be avoided on new activations. Over five years, the City will realize savings of approximately \$6.9 million. These are in addition to the \$3.7 million in savings that we previously reported in our 2019 Annual Report.

Savings and future cost avoidance impact multiple program budgets

One-time and recurring savings are not reflected in the 2021 Technology Services' budget notes because the financial impact is corporate-wide and would impact multiple program budgets. Also, costs avoided on new activations would not show up in program budgets because the program does not need to budget for an avoided cost.

Some major City agencies and corporations also implemented our recommendations and will realize approximately \$4.3 million over five years

The Auditor General also recommended that the City forward the telecommunications audit reports to the City agencies and corporations so that they could, where feasible, implement our recommendations to reduce their telecom costs. By implementing our audit recommendations, the agencies and corporations summarized below in Table 3, will achieve \$4.3 million in wireless savings over a five-year period.

City-wide savings of \$11.3 million over the next five years

Table 3 below provides a snapshot of the total \$11.3 million savings the City and its agencies and corporations will achieve over five years.

¹⁶ Contract term with the City began on January 1, 2020. The Province has the right to two further extensions of up to two years each.

Table 3: Telecom Savings at the City and its Agencies and Corporations

	2019	2020	2021	2022	2023	Total
City Divisions	\$ -*	\$612,077*	\$613,866*	\$2,673,655	\$3,049,021	\$6,948,619
Agencies and Corporations:						
Toronto Transit Commission	\$79,488	\$268,137	\$416,582	\$442,949	\$442,949	\$1,650,105
Toronto Transit Commission **	\$85,524	\$49,896	\$86,436	\$90,216	\$90,216	\$402,288
Toronto Community Housing Corporation	\$ -	\$317,402	\$576,713	\$576,713	\$576,713	\$2,047,541
Toronto Public Library	\$26,016	\$52,032	\$52,032	\$52,032	\$52,032	\$234,144
A&C Subtotal	\$191,028	\$687,467	\$1,131,763	\$1,161,910	\$1,161,910	\$4,334,078
Total	\$191,028	\$1,299,544	\$1,745,629	\$3,835,565	\$4,210,931	\$11,282,697

*City savings reported here are in addition to the \$3.76 million in savings we previously reported in our 2019 Annual Report

**TTC also achieved savings by cancelling approximately 300 unused landlines (plans to cancel 60 more lines) and recovered almost \$61,000 in previous overpayments (related to wireless service, wireless device costs and data circuits).

Other agencies and corporations may also have savings

There may be other agencies and corporations that have achieved savings by leveraging the wireless contracts used by the City and the Province. We will verify if there are additional savings through our recommendation follow-up process.

The audit reports are available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117559.pdf>

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117983.pdf>

City Planning Division - Community Benefits Secured Under Section 37 or 45 of The Planning Act, March 2011

Community benefits secured under the Planning Act

In 2011, the Auditor General completed an audit of the administration of community benefits secured under the Planning Act. The audit found weaknesses in the controls to ensure all community benefits secured and due were being received.

Audit recommended controls to verify each secured community benefit is received

The audit recommended improving controls to make sure each community benefit secured is received when it is due. The community benefit could be either cash or non-cash, such as child care spaces or affordable housing units.

In response to the audit, the City Planning Division performed detailed reviews of development approvals where a community benefit was secured, to confirm any outstanding and overdue benefits were received.

\$1.257 million overdue community benefits were collected as a result of management's review

From these reviews, City Planning found several community benefits which had been secured, were overdue, and had not been received. The Division worked collaboratively with Legal Services to identify and collect overdue community benefits. Management has confirmed that as a result of their reviews the City was able to collect \$1.257 million in overdue community benefits in addition to the funds we reported last year.

Community benefits are recorded directly to the dedicated City reserve fund at the time the cash is received. While these funds do not impact City Planning's divisional operating budget, the City's Section 37 and 45 Reserve Fund cash flow is included in the Planning Division's 2021 Budget Notes.

The audit report is available at:

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

Solid Waste Management Services Division – Review of the Green Lane Landfill Operations – Management of Contracts Needs Improvement, June 2018

Operations contract reviewed outlined requirements on fuel surcharge adjustments

The Green Lane landfill operations contract reviewed during our audit required the City's Solid Waste Management Services Division to pay an annual minimum guaranteed tonnage of solid waste sent to the site and operating fees based on a tiered pricing structure. At the same time, unit rates per tonne landfilled were subject to fuel surcharge adjustments¹⁷.

Recovered \$147,000 vendor overpayment

Our audit found that fuel surcharge adjustments were not applied to the monthly minimum landfill fee as required by the contract. We noted that this resulted in the City making overpayments to the landfill operator. After the audit, the Division recovered \$147,000 in overpayments. Recovery of previously paid amounts are an in-year adjustment and would not impact the Division's 2021 budget.

¹⁷ Fuel surcharge adjustment: unit rate per tonne is adjusted in each invoice in response to the fluctuation in market fuel prices during that pay period

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117867.pdf>

Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds, April 2018

Audit recommendations has the potential to make child care more affordable for more families

Licensed child care services in Toronto are among the most expensive in the country. Addressing the audit recommendations has the potential to make child care more affordable for more families while creating service efficiencies. Our audit found opportunities to expand the childcare system without capital spending.

5,930 additional spaces added to the system since the audit

After our audit the Children's Services Division took immediate action to expand the number of spaces in the contracted non-profit sector. Management reported that since December 2017, they have increased the system by 5,930 additional spaces. This was done by:

- Working in partnership with the Boards of Education to expand before and after school programs in schools
- Continuing with the implementation of the 10-year Capital Plan to expand or build new child care centres
- Where possible, working with not for profit licensed child care centres to increase their operating capacity

At the lower end of the range, we estimate \$11.7 million in capital costs avoided

Of the spaces added to the system, management was able to expand existing purchase of service agreements to make an additional 266 licensed spaces available for families receiving fee subsidies. These additional spaces were made available without needing to build or retrofit child care centres. The system has avoided capital costs¹⁸ that range from over \$11.7 million to \$25.5 million. It is important to note that this future capital cost avoidance would not be reflected as a line item in the Division's capital budget notes.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-114760.pdf>

¹⁸ The cost to build a new child care centre space to increase capacity in system ranges from \$44,200 to \$96,000 per space depending on whether it is a retrofit or new build.

Opening Doors to Stable Housing: An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing, June 2019

Audit recommended improvements to help more people access housing

In 2019, the Auditor General completed an audit of the City's centralized waiting list for rent-geared-to-income (RGI) assistance. Our audit provided recommendations which have contributed to the City improving the effectiveness of the centralized waiting list, reducing vacancies, and making better use of space in social housing buildings.

Management has taken action to address audit recommendations

In 2020, Shelter, Support and Housing Administration (SSHA) focused on protecting the health and safety of the city's most vulnerable residents from the impacts of COVID-19. The Division continued to make progress in taking action to address our audit recommendations.

Transitioning residents from shelters to more stable housing eases operating pressures

Easing Pressure on the Shelter System

Our audit found that the centralized waiting list did not properly identify the priority status of some households, in particular those experiencing homelessness. Moving people experiencing homelessness into stable, permanent housing helps to ease capacity pressures on the shelter system.

400 people from the shelter system were rapidly housed into hard-to-rent TCHC units

Through its Rapid Re-housing initiative¹⁹, the Division reported housing over 400 people living in the shelter system into permanent RGI housing, along with the supports necessary to transition effectively to their new communities. The majority of units included as part of this initiative are in areas of the Toronto Community Housing Corporation (TCHC) portfolio that have historically been considered 'hard-to-rent'.

Actions taken will help ease pressure on shelter system

The demand for shelter space remains high and the system is often at, or near, capacity. Transitioning 400 people into RGI housing has freed up shelter space that the City may have otherwise had to build for other vulnerable people. The spaces freed up through this initiative will ease the pressure on the shelter system.

¹⁹ As reported by SSHA to the Economic and Community Development Committee in November 2020. [Link to SSHA Status Report on Audit Recommendations](#)

City has avoided approximately \$10 million in shelter costs

Through this initiative the City aims to provide better outcomes for those experiencing homelessness at a fraction of the operational cost that would otherwise be incurred in the shelter system. In doing so, the City has avoided an estimated \$6 million annually in operational costs²⁰ to provide shelter for these 400 people. In contrast, in 2018, SSHA estimated that it would cost \$10.2 million to build respite shelters to accommodate approximately 400 people (over \$25,000 per space)²¹.

In an effort to be conservative, our Office's return on investment calculation only includes \$10 million in avoided costs.

Making Use of Vacant Social Housing Stock

70 vacant TCHC units used to provide temporary emergency shelter for 160 people

Our audit also highlighted the potential to use vacant TCHC units that are waiting to be demolished as part of a revitalization project, to provide emergency shelter for residents experiencing homelessness on a temporary basis.

SSHA and TCHC have worked together to make available up to 70 vacant units in the Regent Park revitalization project. These units can house approximately 160 people experiencing homelessness on a temporary basis²².

Leveraging vacant revitalization units has avoided \$500,000 in shelter costs

Management estimates it costs approximately \$50 less, per day, to operate these units as temporary shelter spaces than it would have otherwise cost to purchase emergency hotel / motel accommodations for shelter clients. Therefore, the City has avoided approximately \$500,000²³ in shelter operating costs and helped eased the pressure on the shelter system during the pandemic.

²⁰ Estimates reflect pre-pandemic shelter operating costs reported by SSHA in partnership with the United Way of Greater Toronto in September 2020 [Link to SSHA and United Way of Greater Toronto Report](#).

²¹ In 2018, SSHA estimated that it would cost \$10.2 million to build respite shelters to accommodate approximately 400 people (over \$25,000 per space, see [Link to Report on Temporary Structures](#)) and \$178.56 million to build 880 shelter beds (over \$200,000 per bed, see [Link to 2018 Capital Budget Notes](#)). Based on the lower cost of building additional respite spaces, the City has avoided over \$10 million in capital costs.

²² As reported by SSHA to the Economic and Community Development Committee in November 2020. [Link to SSHA Status Report on Audit Recommendations](#)

²³ Estimate is conservatively based on 50% daily occupancy and reflects pre-pandemic shelter operating costs. Shelter costs have increased significantly during the pandemic.

The 70 units are expected to be available for use as temporary emergency shelters until at least April 2021. Due to changes in the planning process for revitalization projects, SSHA does not expect that additional revitalization units will become available for use as temporary shelter sites in the future.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-135339.pdf>

Areas Making Notable Progress Towards Realizing Savings

Management progress in 2020 worth highlighting

In some cases, we've noted that management has made significant progress, where addressing our recommendations will achieve significant outcomes. It is too early to report the related savings but the following section provides a few examples where we expect management's progress will result in realized savings.

Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, October 2019

Audit recommended TTC work with Metrolinx for the revenue loss claim acceptable to both parties

This audit noted that TTC's PRESTO revenue may not be complete but did not provide an estimate of lost revenue because of information gaps and control weaknesses.

We noted that TTC's estimated revenue loss of \$3.4 million for 2018 due to faulty PRESTO equipment did not appear overstated, and that TTC had invoiced Metrolinx \$7.5 million for the 3 years ended December 31, 2018 for estimated revenue loss from functionality issues with PRESTO fare equipment. When our report was issued, Metrolinx had not yet paid TTC for this lost revenue. We recommended TTC work together with Metrolinx to come to an agreement on a methodology for the revenue loss claim acceptable to both parties, and to leverage its contractual governance framework of the Expert Panel if needed.

We will verify the recovered revenue loss that relates to our audit recommendation

TTC's 2021 Operating Budget Notes²⁴ states that:

"Negotiations with Metrolinx regarding the settlement of outstanding claims was effectively concluded and provided to the Board in September 2020. Detailed negotiations with Metrolinx continue to finalize the details of the settlement agreement which are expected to be concluded by the end of the year."

Once the amount is received, we will verify the amount related to our audit recommendation, and report it in a future Annual Report.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-139138.pdf>

Review of Wheel-Trans Services: Sustaining Level and Quality of Service Requires Changes to the Program, December 2012

Audit recommended improving call response capacity and customer service of Wheel-Trans

A focus of this audit report was the slow response time of Wheel-Trans services and the need for improvement. Our audit recommended a number of changes to improve call response capacity and customer service.

TTC outsourced the Wheel-Trans Reservations Call Centre Overflow in September 2020, initially expecting cost savings of \$20.5M over 5 years

In September 2020, the TTC's Board approved a contract awarded for the outsourcing of the Wheel-Trans Reservations Call Centre Overflow. This action was taken in relation to our audit recommendations and was done to increase call handling capacity, improve customer experience, and improve service levels by reducing the average wait time from 15 minutes to two minutes. The related TTC staff report noted that the TTC can avoid costs of approximately \$20.5 million over five years by awarding this contract with a third-party to provide overflow call services to support in-house reservations.

Due to the impact of COVID-19, the realization of the full \$20.5M in cost avoidance savings may not be achieved, but some level of savings is expected

TTC has informed us that given the assumptions used at the time and with the impact of COVID-19 on TTC ridership demand and staffing now expected to be over a longer time period than initially expected, the full realization of these cost avoidance savings may not be achieved. However, TTC management acknowledged there would be some level of savings as a result of the outsourcing and attributed the actions in relation to our past audit recommendation.

²⁴ TTC's 2021 Operating Budget Notes, Appendix 7, pg.42
<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-159906.pdf>

These cost avoidance savings have not been reflected in this Annual Report but may be reflected in the future

We have not reflected these cost avoidance savings in this Annual Report due to the uncertainty involved with the impact of COVID-19, however there may be cost avoidance savings to be reflected in the future.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59981.pdf>

Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds, April 2018

Audit highlighted that transferring City operations to non-profit agencies could potentially save \$28M per year

The audit found that by directly operating 2,900 child care spaces, the City was left with an annual operating shortfall. Parent fees at the City-run child care centres are among the most expensive in the City. The audit highlighted that transferring City operations to non-profit agencies could potentially save the City \$28 million per year. This was the same as the value of 2,200 child care fee subsidies.

Division has transferred approximately 500 spaces since the audit and reported related savings in its 2020 and 2021 operating budgets

Given the legislative requirement for school boards to ensure before and after school programs are provided, the Division has been working with schools to transition directly operated child care spaces to schools. The demand of each program is reviewed and where viable the Division has proceeded to transfer approximately 500 spaces since the audit. The savings achieved from this action have been reported in the Division's operating budgets in 2020 and 2021²⁵. These savings will be reviewed during our regular audit follow-up process.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-114760.pdf>

²⁵ 2021 Children Services Budget Notes, pg. 10

<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-159660.pdf>

2020 Children Services Budget Notes, pg. 10:

<https://www.toronto.ca/wp-content/uploads/2020/04/8f8c-CS-2020-PUBLIC-BOOK-BN.pdf>

Safeguarding Rent-Geared-to-Income Assistance: Ensuring Only Eligible People Benefit, October 2019

Audit found that indicators of ineligibility need to be identified and investigated

During the audit, we found a number of indicators that may impact certain households' eligibility for rent-geared-to-income (RGI) assistance. The audit recommended that the City protect subsidy funding by taking greater responsibility to identify and resolve indicators of ineligibility.

SSHA continues to investigate potential RGI eligibility issues

Shelter, Support and Housing Administration (SSHA), in collaboration with Toronto Employment and Social Services (TESS) and other stakeholders, continues its review of RGI households with potential eligibility issues identified during our audit. To date, investigative efforts have resulted in the identification of subsidy funding that can be re-allocated towards supporting other eligible households in need of housing support. This includes:

- Seven ineligible households which have vacated RGI units
- Over \$300,000 in Ontario Works assistance overpayments, of which four cases have been referred to law enforcement for further investigation.

As management is still investigating potential eligibility issues, we have not reflected the value of any cost avoidance savings / subsidy recoveries in this Annual Report. We will verify and report these results in the future as part of our follow-up process.

Lessons learned from reviewing files will help strengthen review and oversight mechanisms

While we recognize that significant time and resources have been dedicated to investigating these potential eligibility issues, SSHA has reported that through this process, it aims to strengthen review and oversight mechanisms and increase collaboration with other income-based programs.

More importantly, this will help maintain public confidence in the City's oversight of social housing funding, help prevent providing assistance to ineligible households and assist more waiting and eligible people to access stable housing.

The audit report is available at:
<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138908.pdf>

Other Responsibilities

Impact of the Fraud and Waste Hotline Program

Forensic Unit conducts and provides oversight over investigations

The City's Fraud and Waste Hotline Program is operated by the Auditor General's Forensic Unit. The Forensic Unit conducts investigations and provides oversight of management-led investigations. Without the Hotline Program, certain losses from incidents of fraud and waste might not have been identified or recovered.

Hotline data also provides a picture of trends and potential risks that have led to audits with significant findings, including the recent audits of rent-geared-to-income assistance, cybersecurity, urban forestry and waitlists for housing.

Hotline complaints increased by 44 per cent in 2020

As at December 31, 2020, the Hotline Program received 848 complaints representing over 1,300 allegations. The total number of complaints received to date has significantly increased from the prior year, by about 44 per cent.

New system allows for greater functionality

During 2020, our Forensic Unit continued the roll out of its new complaint management system. Some of the system's improved functionality includes:

- the ability for complainants to upload files when submitting their complaint;
- the ability for complainants to remain anonymous while communicating with the Auditor General's Office through a secure portal;
- improved tracking and documentation of complaints through their lifecycle; and,
- extensive reporting capabilities that will help the Auditor General's Office perform further analysis.

These modernization initiatives allowed us to work effectively during the COVID-19 pandemic and have increased the ease and ability with which City staff and the public can report concerns to the Auditor General's Office.

2020 quantifiable financial benefits included one-time cost recovery and prevention of future losses

For complaints that are identified by divisional management and referred to the Hotline Program, their associated savings and cost recovery are not included in our 2020 savings calculations. This is in keeping with our conservative approach in reporting savings in this report.

Five-year savings of \$304,000 from Fraud and Waste Hotline complaints

The one-time cost recovery and annual savings as a result of complaints reported to the Hotline Program from sources other than referrals from divisional management is approximately \$34,000 and \$54,000 respectively. Over five years, the City will save approximately \$304,000. The 2020 annual report on the Fraud and Waste Hotline will be presented at the February 16, 2021 Audit Committee meeting.

City-Wide Risk and Opportunities Assessment

City-wide assessment done every 5 years involves significant time and staff resources

To identify audit priorities, our Office performs an extensive risk and opportunities assessment of City operations and its major agencies and corporations every five years. This helps ensure all significant areas of the City are evaluated using a consistent, risk-based approach. When setting audit priorities, the Auditor General also considers trends in allegations made to the Fraud & Waste Hotline, as well as the views and experience of City Councillors and City management. Given the extent of our risk and opportunities assessment, a significant number of staff resources are needed to carry it through to completion.

Digitized our process

We began our latest risk and opportunities assessment in early 2020 by conducting a survey of the City and its major agencies and corporations. In response to the COVID-19 pandemic, we digitized our process so that City staff could submit survey responses and documentation online. As of the date of this report, we received over 135 completed surveys from over 50 City divisions and major agencies and corporations.

Risk assessment included Toronto Police Service and Toronto Public Library

For the first time, the assessment also included the Toronto Public Library and the Toronto Police Service. Both of these Boards, which are not currently within the Auditor General's jurisdiction, invited our Office to perform this assessment.

The status of our City-wide risk and opportunities assessment was presented to Audit Committee at its meeting on October 23, 2020. The preliminary results of this assessment helped inform our 2021 Audit Work Plan. We expect to complete the assessment during 2021.

The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU6.6>

Follow-up on Implementation of Audit Recommendations

Annual audit recommendation follow-up

City Council is responsible for ensuring that the recommended changes and improvements from our audits and investigations, as adopted by Council, are implemented. The Auditor General assists Council in exercising this responsibility through an annual recommendation follow-up process. This process is included in the Auditor General's Annual Work Plan.

City staff can now provide status updates in real-time

In 2020, we also optimized our new audit management system so that it could integrate the continuous tracking of audit recommendations. City divisions, agencies and corporations can now provide updates on the status of recommendations in real-time, through a 24/7 online application portal. During 2020, we trained over 200 staff members from City divisions and major agencies and corporations to use the system.

Due to the COVID-19 pandemic and focus of City management and staff on delivering essential services for residents of Toronto, we deferred all work related to our ongoing follow-up of audit recommendations. As the City resumed operations, we re-engaged with City divisions, agencies and corporations to restart our reviews of the implementation status of outstanding audit recommendations.

For now, follow-up process will focus on high-priority recommendations only

Recognizing that some City divisions, agencies, and corporations continue to be impacted by the pandemic, for the short-term, our follow-up process is only focusing on validating the implementation status of high priority recommendations that have been reported as fully implemented. High-priority recommendations have the following characteristics:

- health and safety concerns
- could result in savings / cost avoidance / revenues
- outstanding for more than five years

As of January 8, 2021, there were 748 outstanding recommendations relating to 106 audit and investigative reports, and 10 management letters. Of the 748 outstanding recommendations, 325 were identified as high priority.

Monitoring the City's Financial Statement Audits

Monitoring the external financial statement (attest) audits

In accordance with the audit framework approved by City Council in 2002, our Office also monitors the work and manages the contract of the external auditors who perform annual financial statement audits of the City and some of its agencies and corporations.

Although we do not provide assurance in relation to the financial statements, we conduct sufficient work to understand the business of, the issues in, and the audit risk involved with these entities. We often review the appointed auditor's audit plans, materiality, summary of unadjusted errors, and accounting issues identified. We also work with the appointed auditor to determine if there is a specific issue in an entity that needs to be addressed, as we may be able to provide necessary information or request that additional audit work be performed if required.

In 2019, the Auditor General's Office issued a Request for Proposal (RFP) to select an external auditor licensed under the Public Accounting Act, 2004, to perform the annual financial statement audits for the City and certain of its agencies and corporations for the years ending December 31, 2020 to 2024 inclusive, as well as other attest audits of financial information required during this period. The previous five-year contract expired on completion of the 2019 audited financial statements.

In early 2020, the RFP Evaluation Committee, including representation from the Auditor General's Office, City's Accounting Services, PMMD, as well as the TTC and TCHC, concluded their RFP work, resulting in the recommendation of a new external auditor. The City Audit Committee considered the selection of the external auditor at its February 10, 2020 meeting.

KPMG selected as the external auditor for the years 2020-2024

At its June 29, 2020 meeting, City Council awarded this contract to KPMG LLP, and it will cover the years ending December 31, 2020 to 2024 inclusive.

The report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU5.7>

Leaders in our Profession

Sharing expertise and learning from mutual experiences

We pride ourselves on being at the forefront of our industry. We regularly engage with our counterparts from other jurisdictions in Canada and around the world and make valuable contributions to foster the growth of the profession.

Knighton Award win for TTC fare evasion audit

In 2020, our Office was awarded the **2019 Exemplary Knighton Award** by the Association of Local Government Auditors (ALGA) for its audit, *'Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection'*. This is the highest award for local government audit reports in North America, and is the first time a Canadian audit Office won the Knighton Award at this level.

This was the first time the Toronto Auditor General's Office made use of video to communicate the results of an audit. The [video can be viewed here](#), and the [full audit report can be found here](#).



Our Office consistently shares best practices with the industry

Our Office consistently works to share best practices with the industry. In February, we wrote an article for the Canadian Audit and Accountability Foundation (CAAF) explaining how audit shops can demonstrate the value of their work and help City management see the impact they can achieve by implementing audit recommendations.

The article can be found here:

<https://www.caaf-fcar.ca/en/performance-audit/research-and-methodology/voices-from-the-field/voices-issue-6>

In lieu of the annual ALGA conference, in July 2020 we were invited to share how our Office demonstrates our value through our performance audits and investigations. The presentation was well received with a lot of interest in how our Office identifies cost savings and revenue opportunities in government operations.

Serving on industry committees and boards

Staff from our Office also serve as active members on various committees and boards that foster the growth of the profession, including:

- ALGA committees, including the Professional Issues and Peer Review Committees, as well as conducting independent peer reviews of other audit offices.
- Municipal Internal Auditors Association Executive Board which facilitates training and information-sharing events for its members from approximately 40 audit groups and more than 200 auditors from municipalities, school boards and police services across Canada.

2021 and Beyond

2021 Audit Work Plan

The City Audit Committee and City Council adopted our 2021 Audit Work Plan in November and December 2020.

Planned projects in [the 2021 Work Plan](#) and those on our horizon are listed below:

Current and Upcoming (2021)	Audit Horizon (2021-2022)
<p><u>City Divisions</u></p> <ul style="list-style-type: none">• Transportation Services - Winter Maintenance (Phase 2)• Information Technology - Cyber Security of Emergency Response Communication System• Shelter, Support and Housing Administration - Emergency Shelter Operations• Toronto Building – Operational Review <p><u>Agencies and Corporations</u></p> <ul style="list-style-type: none">• Toronto Police Service – Cyber Security• Toronto Police Service – 911 operational review• Toronto Police Service – Policing Responsibilities and Service Areas• TTC - Cyber Security and Follow-up of outstanding recommendations• Toronto Public Library – capital project procurement and management• TCHC Property Management	<p><u>City Divisions</u></p> <ul style="list-style-type: none">• Operational Review of 911 Emergency Response Service• Parks, Forestry and Recreation - Parks Development & Capital Projects Branch• Housing Secretariat - Modular Housing and Affordable Rental Housing• City Planning - Operational Review• Toronto Fire Services - Mechanical (Fleet) Maintenance• Corporate Real Estate Management - Facilities Management• Toronto Water and Engineering & Construction Services - Basement Flooding Protection Program <p><u>Agencies and Corporations</u></p> <ul style="list-style-type: none">• Toronto Public Library – Cyber Security and Digital Strategy• Toronto Police Service – Operational Audits• TCHC Contract Management• Governance and Accountability Framework with A&C's

Conclusion

Pandemic has placed enormous strain on City

COVID-19 has placed enormous financial and operational strain on the City. This makes it all the more critical that the City's resolve to ensure value for money in its programs and services remain strong as ever.

By continuing to strive for efficiencies, and taking action to address our findings, the City can take steps to alleviate some of its financial burden. The estimated cumulative savings from implementing our audit recommendations for the last five years are approximately \$385.3 million. The total audit cost for the same period is approximately \$30.3 million. This means that for every \$1 invested in our Office, the return on this investment was approximately \$12.70.

Continue to demonstrate value through financial and non-financial outcomes

Our audits and investigations will continue to demonstrate value by making recommendations aimed at maintaining strong internal controls, ensuring that City resources are safeguarded, and public funds are spent towards their intended purpose.

As always, we express our gratitude to City staff and management for their cooperation, input, and willingness to take action on the Auditor General's recommendations. We look forward to working together to help the City recover from the significant COVID-19 impact.

Exhibit 1: Mandated Responsibilities of the Auditor General

The *City of Toronto Act, 2006* (the *Act*), formalized the establishment of the Auditor General. Under the *Act*, the Auditor General is responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. The Auditor General conducts value for money audits and forensic examinations to fulfill this mandate.

Her provincially legislative mandate complements her responsibilities set out in Chapter 3 of the *Toronto Municipal Code*, including:

- Reporting to City Council on annual Office activities, including savings achieved.
- Conducting audit projects identified by the Auditor General, or approved by a two-thirds majority resolution of City Council.
- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations to City-controlled agencies and corporations.
- Undertaking financial (excluding attest), compliance and performance audits and provide recommendations upon request by the Toronto Police Services Board, Toronto Public Library Board and the Toronto Board of Health.

They also align with the Toronto Public Service By-law adopted by City Council in June 2014 which supports a Disclosure of Wrongdoing and Reprisal Protection framework. The framework reinforces the Auditor General's provincially mandated independent oversight role relating to the safeguarding of public funds and ensuring value for money by requiring the investigation of reported wrongdoing. Chapter 192 of the *Toronto Municipal Code* contains the By-law which came into effect on December 31, 2015.

In addition, the Auditor General's responsibilities in relation to her role in the investigation of complaints and alleged wrongdoing are also set out in Chapter 192:

- Operating the Fraud and Waste Hotline Program, including the referral of issues to divisional management.
- Conducting investigations into fraud and other wrongdoing, as well as allegations of employee reprisals.

In accordance with the audit framework approved by City Council in 2002, the Auditor General's Office also performs the following duties:

- Monitoring and managing the contract of the external auditors performing financial statement audits.
- Coordinating audit activities with the City's Internal Audit Division to ensure the efficient and effective use of audit resources.
- Coordinating audit activities with internal auditors of the City's agencies and corporations.
- Coordinating activities with the City's three other Accountability Officers: the Ombudsman, the Lobbyist Registrar and the Integrity Commissioner.

Exhibit 2: Reports Issued in 2020

2020 Audit and Investigative Reports*:

- **Cyber Safety** – Critical Infrastructure Systems: **Toronto Water SCADA System**
- Audit of **Winter Road Maintenance** Program - Phase One: **Leveraging Technology** and Improving Design and **Management of Contracts to Achieve Service Level Outcomes**
- Employee **Health Benefits Fraud** Involving a Medical Spa
- Strengthening Accountability and **Outcomes for Affordable Housing**: Understanding the Impact of the Affordable Home Ownership Program
- Continuous Controls Monitoring Program: Opportunities to **Reduce Cost of Dental Benefits**
- Review of 260 Eighth Street **Land Transaction**: No Wrongdoing Identified
- Getting to the Root of the Issues - A Follow-Up to 2019 **Tree Maintenance Services** Audit**

Other Reports:

- Status of the Auditor General's Risk and Opportunity Assessment of the City and its Major Agencies and Corporations
- Previous Audit Reports – Common Themes and Issues
- Auditor General's Office 2021 Work Plan
- Auditor General's Office 2021 Operating Budget
- Fraud and Waste Hotline – 2019 Annual Report
- 2019 Annual Report - Demonstrating the Value of the Auditor General's Office
- Cyber Safety - Critical Infrastructure Systems: Toronto Water SCADA System - Recommendations Implementation Progress by Management

2020 Recommendation Follow-up Reports:

- Auditor General's Follow-up of the Outstanding Recommendations – New Improved Automated Process
- Status Report on Outstanding Audit Recommendations for City Divisions in Community and Social Services, the City Manager's Office and the People and Equity Division

** The COVID-19 pandemic delayed some audits temporarily and other audits were deferred given the impact on operations and City staff time. This affected the typical annual volume of audit and investigation reports for 2020.*

*** Although work was completed in 2020, the report will be issued at the February 16, 2021 Audit Committee.*

Exhibit 3: Examples of How Audit Recommendations Benefit the City

The following table presents examples of how implemented audit recommendations benefit the City.

Increase City revenues, develop new revenue streams, reduce or avoid costs		
Increase City revenues	2018 Enhance Focus on Lease Administration of City-owned Properties	By addressing our recommendations to ensure expired leases were renewed on time, market rent rates were adjusted when needed, and operating costs were billed and recovered, the City has realized approximately \$1.2 million in combined one-time and new annual rent revenue.
	2016 Water Supply Contract for the Region of York	This recommended that certain clauses in an existing contract be renegotiated to reflect current economic and environmental factors. By implementing our recommendations, the City will receive an additional estimated \$33 million over five years. We calculated these incremental revenues by applying the renegotiated higher water rate to historic water consumption.
	2018 Court Services Review	This audit recommended using improved data analytics processes to match debtors with defaulted Provincial Offences Act fines to properties information, the City was able to add \$926,000 in fines to debtors' property tax rolls.
Reduce operating costs	2018 Review of the Green Lane Landfill Operations	Our audit recommended that the City could take advantage of better pricing by moving the volume of waste landfilled from a third-party site to a City-contracted site. This resulted in annual savings of approximately \$970,000. We determined these savings by identifying the opportunity to optimize the tonnage limits to achieve lower-tiered pricing as outlined in the contract, and by minimizing the use of third-party commercial landfill sites that charge higher rates.
	2016 City Cleaning Costs	Our two audit reports identified that applying industry and corporate cleaning standards and making changes to how cleaning contracts are procured could reduce cleaning costs. By implementing our recommendations, the City achieved annual savings of \$850,000 beginning in 2017, an additional \$740,000 annually beginning in 2018, and an additional \$800,000 annually beginning in 2021.
	2017 and 2016 Audit of Employee Health Benefits	When our audit findings on unusual claims reimbursement costs were made public, it changed employees' health benefits claim behaviour. Coupled with our recommendation to procure a benefits administrator with processes and controls to identify unusual trends and patterns, and to detect and prevent fraud and abuse at both the provider and individual plan member level, the City saved an average of \$5.45 million in annual health benefits costs.

Avoid capital / operating costs	2018 Children services	Based on our audit recommendation, management was able to expand existing purchase of service agreements to make an additional 266 licensed spaces available for families receiving fee subsidies. These additional spaces were made available without needing to build or retrofit child care centres. The system was able to avoid capital costs of about \$11 million.
	2017 Union Station East Wing	By taking action to address our audit recommendation on optimizing vacant space in Union Station's East Wing, the City will avoid an estimated \$20 million in swing space leasing costs it would otherwise incur if swing space was rented from a third party.

Eliminate inefficiencies (more effective City operations and services)		
More effective operations and services	2019 Social Housing Audit	Our audit provided recommendations which have contributed to the City improving the effectiveness of the centralized waiting list, reducing vacancies, and making better use of space in social housing buildings. For example, through its Rapid Rehousing initiative, the Shelter, Support and Housing Administration Division reported housing over 400 people from the shelter system into permanent RGI housing, along with the supports necessary to transition effectively to their new communities.
	2018 Children Services	Given the legislative requirement for school boards to ensure before and after school programs are provided, in response to our audit recommendation, the Children Services Division has been working with schools to transition directly operated child care spaces to schools. The demand of each program was reviewed and where viable, the Division was able to transfer approximately 500 spaces since the audit.

**AUDITOR
GENERAL**

TORONTO