

**Auditor General's Status Report on Outstanding  
Recommendations**

Date: June 21, 2021  
To: Audit Committee  
From: Auditor General  
Wards: All

**REASON FOR CONFIDENTIAL INFORMATION**

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The attachment to this report involves the security of the property of the City or local boards.

The attachment to this report involves labour relations or employee negotiations.

The attachment to this report involves litigation or potential litigation affecting the City or a local board.

The attachment discusses a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or local board.

**SUMMARY**

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The Auditor General reviews the implementation status of recommendations made through her audit and investigation reports. The results of the review are reported to City Council through the Audit Committee.

Our Office implemented a new audit management technology solution. As an extension of the new system, we integrated continuous tracking of the implementation status of the recommendations in 2020.

As of June 1, 2021, City Divisions have reported 163 recommendations have been fully implemented and action continues on another 349 recommendations. There are also another 176 open recommendations from reports issued to Agencies and Corporations as well as 61 open recommendations from investigations and Fraud & Waste Hotline reports.

The current status of open recommendations, as reported by management, is summarized in Table 1.

**Table 1: Current Status of Open Recommendations Issued Between September 2005 and October 2020**

Description	Implementation Status Reported by Management as of June 1, 2021			
	Fully Implemented	No Longer Relevant	In Progress <sup>2</sup> (Not Fully Implemented)	Total
City Audit Reports <sup>1</sup>	163	4	349	516
Agencies and Corporations	70	5	101	176
Investigation and Fraud & Waste Hotline Reports	33	1	27	61

Of the 516 audit recommendations issued to City divisions, 236 are considered high priority recommendations where a significant potential for savings, or health and safety risks, or risks to the City's reputation are involved. In addition, recommendations that have remained outstanding for over five years are also considered high priority.

Given the large number of recommendations reported by management as fully implemented, we focused on verifying the status of high priority recommendations, followed by other recommendations management reported as fully implemented at the beginning of January 2021.

This report includes the results of our follow-up of 115 audit recommendations from reports issued to City divisions that management reported as fully implemented. Of the 115 recommendations, we verified that 74 (64 per cent) were fully implemented and one (1 per cent) was not applicable. However, we determined that 40 (35 per cent) were not fully implemented because the steps undertaken or the extent of the improvement did not fully address the issue or the intent of the recommendation, or management was unable to provide sufficient evidence of actions taken.

It is important that management adequately review actions taken to implement a recommendation before asserting a recommendation has been fully implemented. If actions taken are not sufficient to address the intent of recommendations, or there is insufficient evidence to confirm the recommendation has been implemented, reporting a

<sup>1</sup> The Auditor General also made 37 recommendations in separate management letters for less significant issues identified during audits to City divisions and Agencies and Corporations. The follow-up results are reported to the City Manager or the Head of the respective Agency and Corporation.

<sup>2</sup> The Auditor General's system is updated on a continuous basis by management. Recommendations reported as fully implemented after June 1, 2021 are still included in this column.

recommendation as fully implemented may be providing false assurance that identified risks have been appropriately addressed and the Auditor General's limited resources are wasted when the implementation of the recommendation needs to be re-audited a second time.

Table 2 below summarizes the results of our Office's follow-up validation of those recommendations management reported as fully implemented.

**Table 2: Results of the Auditor General's Review of the Recommendations Management has Reported as Fully Implemented**

Description	Management Assertions				Validation by Auditor General's Office In Progress	Status of Recommendations based on Auditor General's Follow-Up					Total
	FI High Priority	FI Other	No Longer Relevant	Total		High Priority		Other			
						FI	NFI	FI	NA	NFI	
City Manager's Office	2	0	0	2	1	0	1	0	0	0	1
Community and Social Services	9	14	0	23	4	4	2	0	0	13	19
Infrastructure and Development Services	17	28	0	45	20	5	4	13	0	3	25
Corporate Services	34	31	3	68	38	11	5	13	0	1	30
Finance and Treasury Services	30	39	0	69	29	14	2	14	1	9	40
<b>Total Recs</b>	<b>92</b>	<b>112</b>	<b>3</b>	<b>207</b>	<b>92</b>	<b>34</b>	<b>14</b>	<b>40</b>	<b>1</b>	<b>26</b>	<b>115</b>

The fully implemented (FI) recommendations the Auditor General's Office has validated are included in Attachment 1.

The no longer relevant (NA) recommendation the Auditor General's Office has validated is included in Attachment 2.

The high priority recommendations that have not yet been fully implemented (NFI) as at June 1, 2021, together with management comments on progress, action plans and implementation due dates are included in Attachment 3.

Management also reported recommendations as fully implemented or no longer applicable. We are in the process of validating that the recommendations are fully implemented. Management's actions to address these recommendations are described in Attachment 4.

The status of fraud and waste investigation recommendations is included as an attachment. Recommendations from fraud and waste investigation reports that have been reported by management as fully implemented were not included in the scope of our current follow-up review. We will be undertaking work to validate management's assertions in the near future. Management's actions to address these recommendations are included in Attachment 6.

All confidential recommendations are included in Confidential Attachment 1.

## **RECOMMENDATIONS**

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The Auditor General recommends that:

1. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of the property of the City or local boards, labour relations or employee negotiations, litigation or potential litigation affecting the City or a local board, or discusses a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or local board.

## **FINANCIAL IMPACT**

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The recommendation contained in this report does not have any financial impact. However, management may require resources to implement the Auditor General's recommendations from audits and investigations referred to in this report. In some cases, the cost of resources can be offset by savings from reduced or avoided operating or capital costs, improved operational efficiencies, reduced fraud and waste, and new or increased revenues.

The Auditor General reports on the significant financial and non-financial impacts the City realizes by implementing the Auditor General's recommendations through her Annual Report. The 2020 annual report entitled: "Demonstrating the Value of the Auditor General's Office" was presented at the February 16, 2021 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2021/au/bgrd/backgroundfile-163351.pdf>

Attachment 5 provides examples where action is needed in order for the City to fully realize the financial benefits (i.e. cost savings, cost avoidance, increased revenues, or new revenue streams) from addressing the findings and recommendations from audit reports with open recommendations.

## **DECISION HISTORY**

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The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it helps to ensure that management has taken appropriate actions to implement the recommendations from previous audit reports. The follow-up review is part of the Auditor General's annual work plan.

The Auditor General's follow-up of outstanding recommendations does not constitute a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). However, we believe that we have performed sufficient work to validate management's assertions on the implementation of recommendations.

The last two follow-up reports considered by the Audit Committee are available at:

(i) Auditor General's Follow-up of the Outstanding Recommendations - Status Update, February 2021

<https://www.toronto.ca/legdocs/mmis/2021/au/bgrd/backgroundfile-163332.pdf>

(ii) Auditor General's Follow-up of the Outstanding Recommendations - New Improved Automated Process, October 2020

<https://www.toronto.ca/legdocs/mmis/2020/au/bgrd/backgroundfile-157405.pdf>

The results of the Auditor General's follow-up of recommendations related to Agencies and Corporations were last reported at the June 28, 2019 Audit Committee meeting. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-134739.pdf>

## **COMMENTS**

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As an extension of our Office's audit management system, we integrated continuous tracking of the implementation status of the recommendations in 2020. The system allows management to update the implementation status of open recommendations any time throughout the year. With the new system in place, we can continuously track and report out on management's assessment of implementation progress and target completion date and provide information to Council on the current status of any recommendations.

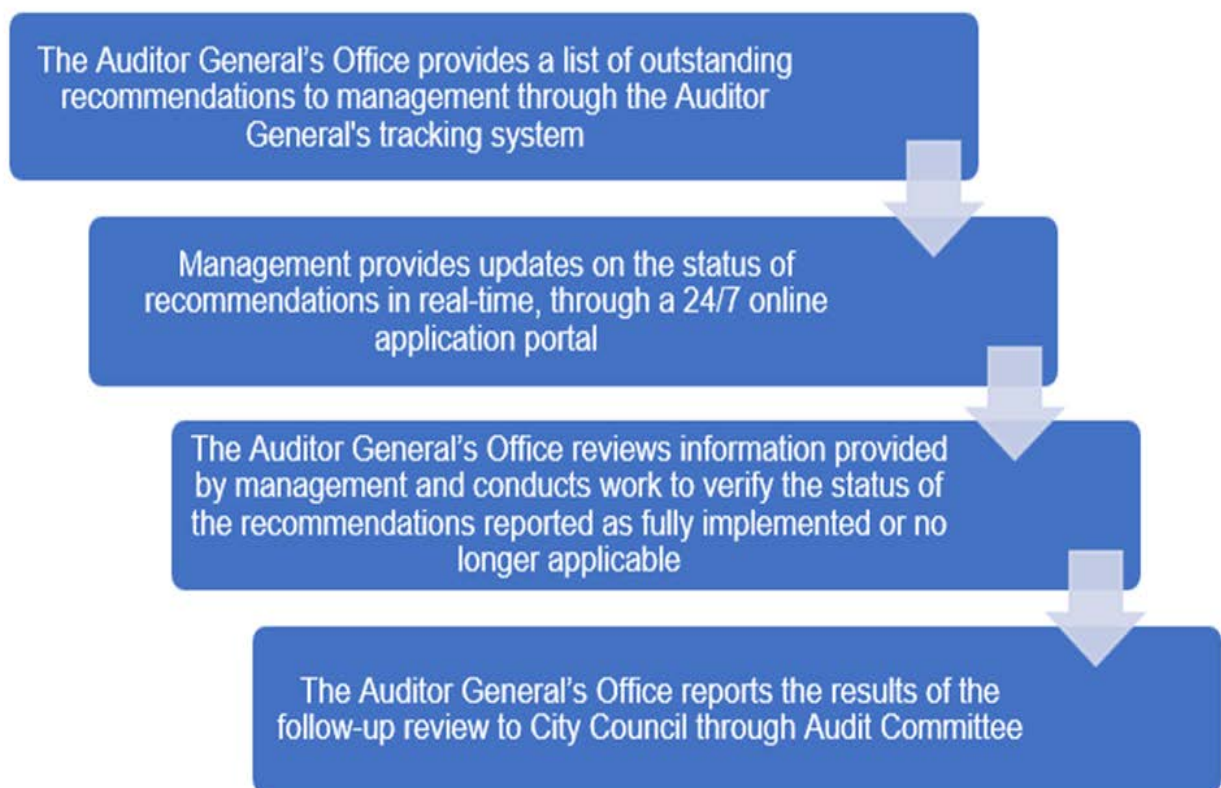
Our follow-up process, as summarized in Figure 1, requires divisional management to review the outstanding audit recommendations and provide information on their implementation status.

Where management is continuing to take action to address recommendations and has reported the recommendation as not yet fully implemented, we do not conduct further work.

For recommendations management has reported as fully implemented or no longer applicable, management is required to explain why the recommendation is considered fully implemented or explain why the recommendation is no longer applicable and provide sufficient and relevant supporting documentation. The Auditor General's Office conducts work to verify the status of these recommendations.

The Auditor General's Office is unable to validate management's assertions that recommendations are fully implemented if divisions do not provide sufficient evidence of actions taken.

**Figure 1: Key Steps in the Recommendation Follow-Up Process**

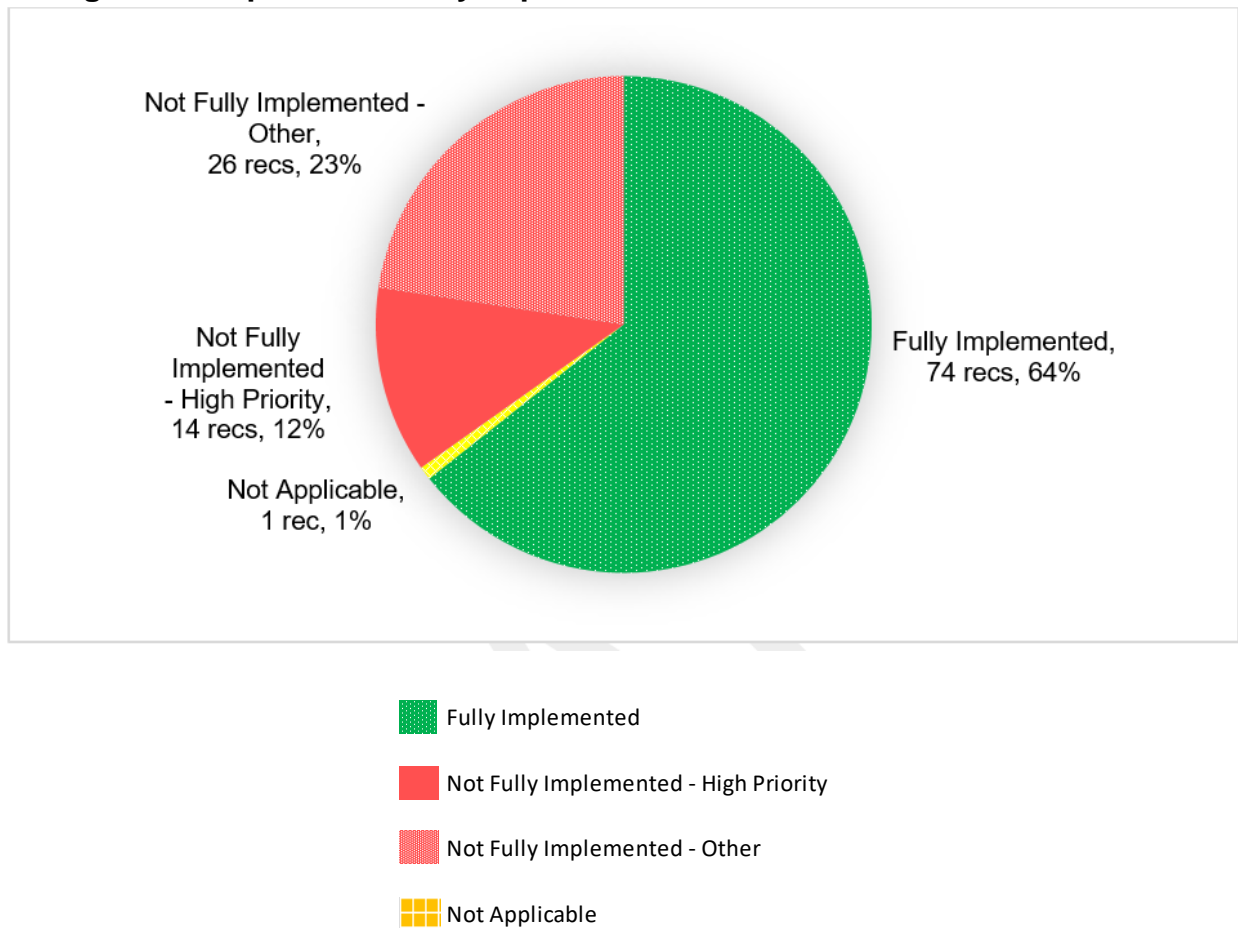


City Divisions and the City's Agencies and Corporations have been requested to update the recommendation tracking system with the current implementation status of open recommendations on an ongoing basis. As at June 1, 2021, there were 516 recommendations issued to City divisions between September 2005 and October 2020 relating to 83 audit reports. Of these, 349 are still in-progress and divisions continue to take action to address the recommendations.

Our current follow-up review included verification of the recommendations management reported were fully implemented as of January 2021. Although our focus for this round

of follow-up was to verify that the high priority recommendations were implemented, we were also able to verify the status of other recommendations. As illustrated in Figure 2, of the 115 recommendations reviewed, 74 (64 per cent) were determined to be fully implemented, one (1 per cent) was determined to be no longer relevant, and 40 (35 per cent) were not yet fully implemented.

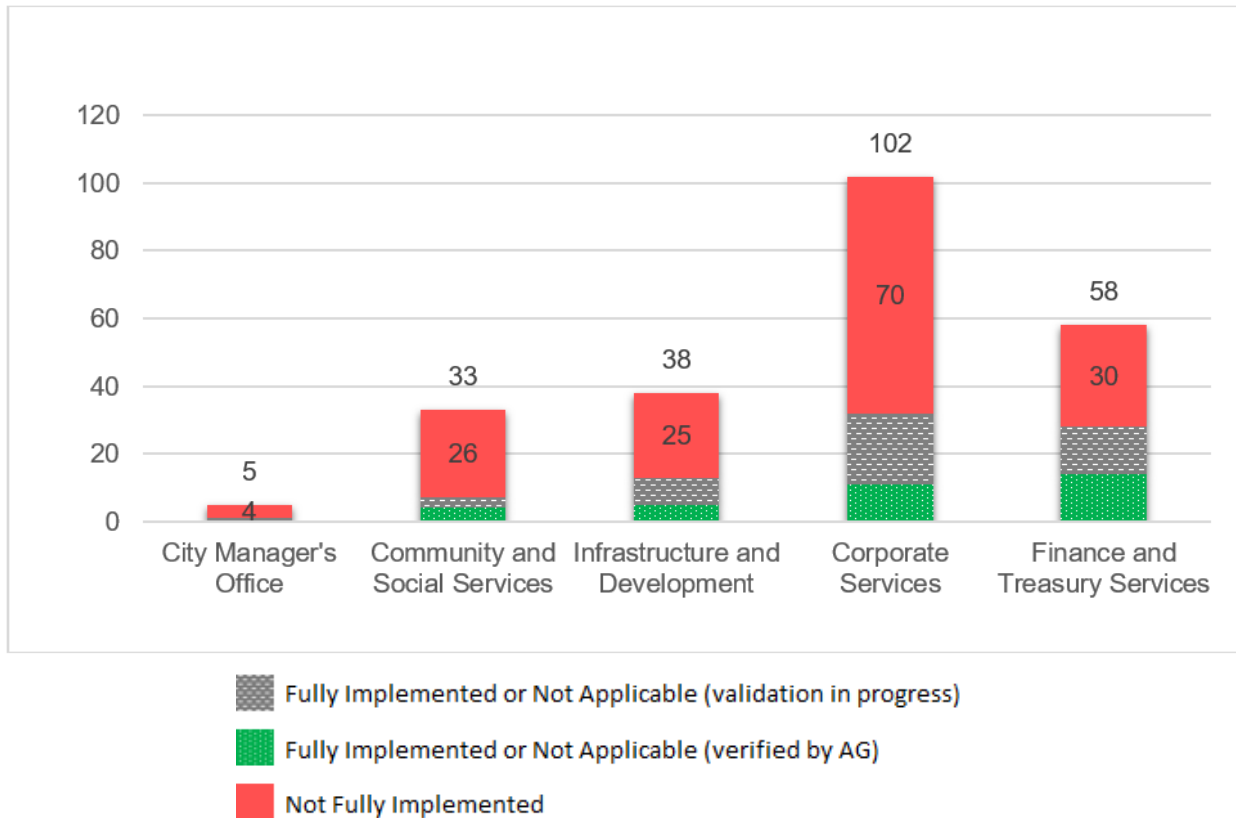
**Figure 2: Results of Auditor General's Validation of Recommendations Management Reported as Fully Implemented**



Recommendations with a significant potential for savings, health and safety risks, or reputational risks to the City are considered high priority. In addition, those recommendations that remain outstanding for over five years are also considered high priority.

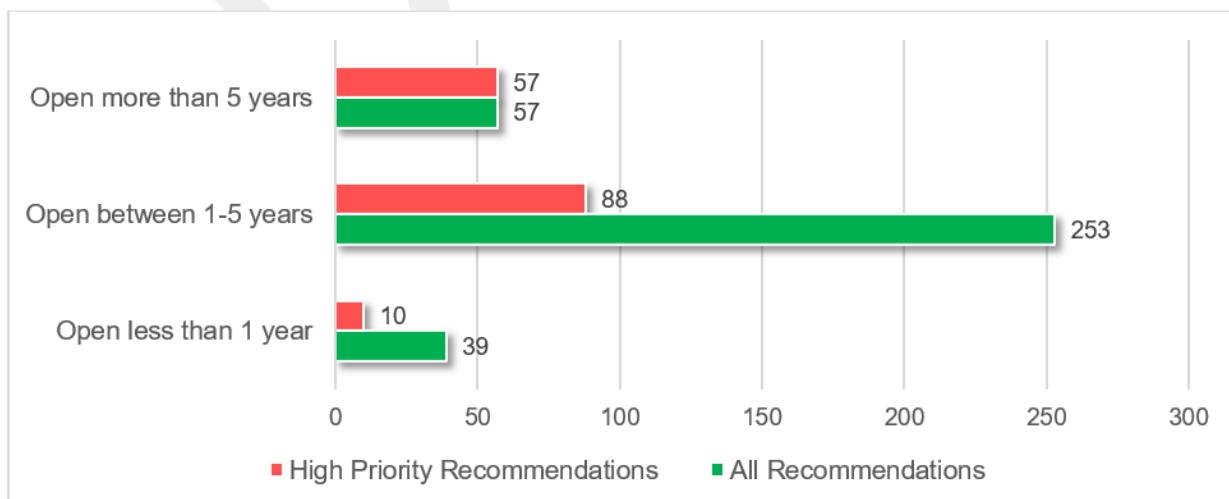
Recognizing that some City Divisions, Agencies, and Corporations continue to be impacted by the pandemic, we have advised management that we will take a risk-based approach to the follow-up process to focus first on validating the implementation status of high priority recommendations reported as fully implemented. The status of the 236 high priority audit recommendations issued to City Divisions and included in our current follow up process as of June 1, 2021 is summarized in Figure 3.

**Figure 3: Status of High Priority Recommendations issued to City Divisions as of June 1, 2021**



As of June 1, 2021, there are 349 outstanding recommendations issued to City divisions. Figure 4 provides the length of time the recommendations have been outstanding. Management comments and the implementation target dates for high priority recommendations are included in Attachment 3 and Confidential Attachment 1.

**Figure 4: Outstanding Audit Recommendations by Age of Report as of June 1, 2021**





We understand that management is making efforts to implement the outstanding recommendations and that in some cases COVID-19 has impacted those efforts. However, in order to achieve the intended benefits and address potential risks, it is important that the recommendations be implemented as soon as possible. There are many recommendations where the implementation timelines have been adjusted more than once by management and the implementation actions spanned over a number of years. Management comments and changes to the implementation target dates for high priority recommendations are included in Attachment 3 and Confidential Attachment 1.

## **NOTEWORTHY 2021 FOLLOW-UP REVIEW RESULTS**

### **IMPLEMENTED RECOMMENDATIONS WITH REALIZED SAVINGS**

Once management implements our audit recommendations, we verify management assertions and calculate realized financial benefits. This section provides a summary of savings and revenue increases realized as a result of action management has taken to implement our recommendations.

#### **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**

In 2016, the Auditor General completed an audit of City cleaning services and issued two reports with 30 recommendations to improve the efficiency and economy of how cleaning services are procured and managed. The recommendations addressed the following areas:

- improving the procurement of cleaning services by using accurate data (e.g. 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.

The reports on the audit of City cleaning services are available at:

- Part 1: Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services

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

- Part 2: Maximizing Value from Cleaning Contracts

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

We verified that the Corporate Real Estate Management Division implemented eight recommendations during this current follow-up review process. Recommendation 3 in the Part 2 audit report required contracted cleaning services to be reassessed using industry benchmarking to examine opportunities to reduce costs. This recommendation is now fully implemented and has resulted in significant savings.

To address the audit recommendations and to continue to improve how cleaning services are procured, Corporate Real Estate Management worked closely with the City's Purchasing and Materials Management Division. They adopted a strategic sourcing approach for custodial services for new contracts awarded in June 2020. The improved procurement resulted in \$800,000 in annual savings which were reflected in the Corporate Real Estate Management's 2021 budget. Over five years, the City will realize \$4 million in savings from reduced contract cleaning costs. Management confirmed that these new savings are in addition to the previously reported savings on cleaning services.

Recently, General Government and Licensing Committee authorized the award of custodial contracts (at other City-owned facilities) in the second phase of the strategic sourcing strategy at its April 26, 2021 meeting. Management reported \$830,000 in estimated savings and avoided costs over the five year term of the contracts. Savings reported by management will be verified by our Office in a future follow-up.

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

The 2017 audit found that lease administration functions had not been performed for four years and immediate action was needed to resolve past issues. The report contained 21 recommendations to remediate the billing and collection of the City's leasing revenue and implement controls that support contract compliance. The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105270.pdf>

The audit motivated City staff to finalize, record, bill and collect outstanding payments. During this follow-up, we verified that the Corporate Real Estate Management Division implemented an additional two recommendations.

Recommendation 5 prompts the City to complete settlements of additional rent for all occupants at Union Station and ensure the amounts owing are recorded and collected on a timely basis. Management continues to work on addressing this recommendation and in 2020, collected an additional \$1.4 million (net of taxes) in outstanding rents and recoverable operating expenses from anchor occupants, as identified during the audit. During this follow-up, we noted that settlements pertaining to the commercial tenants in the Station were not calculated, billed, and collected on an annual basis. In the four years since the audit, management issued two invoices totalling approximately \$1.3 million (net of taxes) to cover the years 2016, 2017, 2018, and 2019. The outstanding amount was collected in 2020.

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

In 2011, the Auditor General completed an audit of the administration of community benefits secured under the Planning Act. The report contained seven recommendations to improve administrative controls to ensure all community benefits secured under Sections 37 and 45 of the Planning Act are received. The audit report is available at:

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

Recommendation 1 required management to assess the status of community benefits secured since amalgamation (January 1, 1998) under Sections 37 and 45 of the Planning Act and provide an appropriate level of assurance that all cash and significant non-cash benefits that should have been received, have been received.

In response to the audit, the City Planning Division performed detailed reviews of development approvals and identified community benefits which had been secured, were overdue, and had not been received. The Division worked collaboratively with Legal Services to collect overdue community benefits.

During this follow-up, we verified that the recommendation has been fully implemented and as part of management's detailed review of each development approval, an additional \$4.657 million in overdue benefits were recovered.

This audit also identified that certain cash benefits are collected well into the future. Recommendation 7 proposed that an inflationary index be applied to protect the value over time of all community benefits secured. We analyzed the secured and outstanding benefits along with the applicable index for each year during the period from 2013 to 2019. The additional value gained by applying the inflationary index to the cash amount of community benefits secured for this period was approximately \$22 million.

The total value of addressing all the audit recommendations in this report was an additional \$27 million in community benefits.

## **Improvement Needed in Managing the City's Wireless Telecommunication Contracts, June 2018**

The 2018 audit report included five recommendations to consider inter-governmental procurement, evaluate a 'Bring Your Own Device' (BYOD) program for the City, and improve management of the City's wireless telecommunication contracts. We also recommended that the City forward the report to Agencies and Corporations to implement the recommendations to reduce their telecom costs, where relevant. The audit report is available at:

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

During this follow-up review, we verified that the Technology Services Division implemented three out of five recommendations. In response to these recommendations, the Division negotiated a reduced monthly service rate on an existing wireless service plan with the City's preferred vendor. The rate reduction

became effective as of March 2019. Furthermore, the City adopted the agreement under the Province of Ontario's Vendor of Record ("VOR") program. The Division is currently moving the City's wireless lines in stages to a new vendor through the VOR program. By implementing these recommendations, the City has realized approximately \$2.7 million in savings between 2019 and 2020 and will further realize savings of approximately \$8 million between 2021 and 2023.

Agencies and Corporations can also achieve additional savings by implementing the recommendations from our telecommunication audits that are relevant to their operations, such as leveraging the wireless contracts used by the City and the Province. Progress on the implementation of the recommendations and related cost savings will be verified in the next follow-up review.

## **IN PROGRESS RECOMMENDATIONS WITH REALIZED AND POTENTIAL SAVINGS**

In some cases, we have noted that management has made progress in implementing recommendations that will achieve significant outcomes. This section provides a summary of savings achieved to date, where potential savings are expected to increase as management continues to take further action to implement recommendations.

In addition to the examples that follow, Attachment 5 provides more examples where action is needed in order for the City to fully realize the financial benefits (i.e. cost savings, cost avoidance, increased revenues, or new revenue streams) from addressing the findings and recommendations in audit reports with open recommendations.

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

The 2019 report contained 28 recommendations to improve the effectiveness of the centralized waiting list, reduce vacancies and make better use of space in social housing buildings. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-135339.pdf>

This is the first follow-up on the implementation status of recommendations from this audit report. Management has made significant strides to address the recommendations and reported 10 recommendations as fully implemented. However, the pandemic has impacted the Shelter, Support and Housing Administration (SSHA) Division's operations and we were unable to obtain sufficient evidence to verify that the recommendations will be fully implemented on an ongoing basis. These recommendations will remain open and continue to be included in our follow-up processes going forward.

Recommendation 14 requests the City to ensure greater integration of services and supports for vulnerable clients in the shelter system as they transition from homelessness to stable housing, including confirming that those experiencing homelessness receive appropriate priority status on the centralized waiting list for rent-geared-to-income (RGI). Since the audit, SSHA has reported housing over 400 people living in the shelter system into permanent RGI housing, along with the required

supports. In doing so, the City avoided approximately \$10 million in emergency shelter costs.

Recommendation 21 highlighted the potential to use vacant Toronto Community Housing Corporation (TCHC) units that are waiting to be demolished as part of a revitalization project to meet the demand for temporary emergency shelter. SSHA was able to temporarily make 70 vacant revitalization units available for 160 people experiencing homelessness. Management estimated that these units cost \$50 less per day to operate than purchasing hotel/motel accommodations for shelter clients. Therefore, leveraging vacant TCHC units avoided approximately \$500,000 in shelter costs and helped to ease the pressure on the shelter system.

We recognize that SSHA continues to make progress in taking action to address our audit recommendations.

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

In 2019, the Auditor General completed an audit of the administration of rent-geared-to-income (RGI). The report provided 13 recommendations to help maintain public confidence in the City's oversight of social housing funding and is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-138908.pdf>

This is the first follow-up of the implementation status of recommendations from this report. The Shelter, Support and Housing Administration (SSHA) Division has made progress in addressing our recommendations and taking action to help ensure that only eligible households benefit from RGI assistance and more waiting and eligible people can access stable housing.

SSHA reported that two recommendations, related to enhancing the division's legal authority, processes and coordination with other income-based assistance programs to investigate potential eligibility issues, had been fully implemented. While new strategies, processes, and procedures were implemented in 2020, not enough time has passed to provide sufficient appropriate audit evidence that recommendations have been fully implemented on a consistent basis over a period of time and that management's actions meet the intent of the recommendations. Recommendations 6 and 12 will remain open and we will review these recommendations again over the upcoming year to confirm the recommendation has been effectively implemented.

SSHA, in collaboration with other income-based programs, also continues to investigate potential eligibility issues identified as part of Recommendation 1. To date, management has reported that investigative efforts have resulted in the identification of multiple ineligible households that have vacated RGI units and over \$300,000 in Ontario Works assistance overpayments, some of which have or will be referred to law enforcement for further investigation. This recommendation and any additional cost avoidance savings will be reviewed in the future as part of our ongoing follow-up process.

**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**

**Management of the City's Employee Extended Health and Dental Benefits, Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse, March 2017**

**Supplementary Report to the Auditor General's Phase One Report, June 2017**

The audit 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-102168.pdf>  
<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105243.pdf>

In 2016 and 2017, the Auditor General issued three reports to help improve the City's management and oversight of employee drug and extended health benefits program. A total of 42 recommendations were included in these reports. We had verified and closed 13 of those recommendations in the prior follow-up work. We have now verified and closed another 20 recommendations as fully implemented. The Pension, Payroll & Employee Benefits (PPEB) Division continues to make progress on the remaining recommendations.

Management's actions to implement a number of the audit recommendations from these reports will:

1. Improve monitoring of extended health and dental benefits
2. Validate configuration of systems and improve adjudication processes
3. Work towards making benefit plans more economical for the City

*1. Improve monitoring of extended health and dental benefits*

A number of recommendations from the three audit reports relate to improving monitoring to identify unusual trends and patterns, and to detect and prevent fraud and abuse at both the provider and individual plan member level.

Four key elements of the Plan Administrator's systems and processes designed to prevent and detect fraud include: a rules-based claims adjudication system; use of artificial intelligence to identify patterns and outliers; a provider registry that allows the Plan Administrator to track and monitor provider claims activity from all locations they practice and against that of any other providers in the registry; and an operational team that is dedicated to claim investigation, audits and fraud and abuse detection.

The City's service level agreement with the Plan Administrator requires the Plan Administrator to provide quarterly and annual reports on results of routine internal claims audits which analyze at least one percent of claims. PPEB also receives a quarterly report that provide an overview and trends of the City's drug, health and dental claims (by claim types and paid amount) compared against industry comparators. PPEB

meets with the Plan Administrator on a quarterly basis to discuss these trends and request further information and action.

An example of such monitoring is where the Plan Administrator identifies claimants with narcotics claims exceeding \$1,500 in a 90-day period. A letter is sent to these claimants requesting further information. The Plan Administrator advised that for approximately 16.5 per cent of claims for narcotics, the claimants did not respond to these letters. PPEB advised that where claimants do not respond with the required supporting documentation, the claim will not be processed.

There are several other examples where the Plan Administrator's fraud monitoring program is proactively identifying potential fraud claims for further investigation. Many of these are highlighted in our Fraud and Waste Hotline annual report. One recent example was described in the October 2020 report from the Auditor General on Employee Health Benefits Fraud Involving a Medical Spa ([2020.AU6.1](#))

## *2. Validate configuration of systems and improve adjudication processes*

PPEB has engaged a benefits consulting firm who has completed several reviews and audits of the Plan Administrator's processes and systems for administering City drug, health and dental claims.

Management advised that they will engage a third-party consultant to conduct an audit in late 2021 / early 2022 to confirm the Plan Administrator's claim system is appropriately configured to reflect the City's requirements and plan coverages.

## *3. Work towards making benefit plans more economical for the City*

The City continues its work towards making benefit plans more economical for the City. Management considered and presented proposals to amend benefit coverages as part of its negotiations with bargaining units. In preparation for collective bargaining, PPEB benchmarked benefit plan coverage for Local 79 and Local 416 against those in other cities and the provincial and federal government. They also compared the plan coverage to the City's Agencies and Corporations and to other regions. PPEB also performed analysis of the potential cost savings / costs of proposed changes to benefit coverages. This informed the City's position in bargaining.

For example, in the most recent collective agreements with Local 79 and Local 416 benefits coverage has changed to:

- Establish limits for orthotic and orthopaedic devices for eligible persons 18 years of age and under. Previously, these benefits were unlimited but are now limited to three pairs per dependent per benefit year.
- Establish limits for erectile dysfunction drugs. Previously there was no limit on this type of drug claim, but now there is a limit of 40 tablets every 3 months unless there is a medically supported requirement that an employee receive a greater number of tablets. We were advised that in 2020, this resulted in nearly \$230,000 in savings related to claims that were not medically supported.

Additionally, some changes were proposed by the City but were not adopted.

The new collective agreements do not include certain plan changes to benefits coverage, which we believe would yield cost savings for the City. These are changes the Auditor General recommended in the three 2016 and 2017 audit reports, as well as more recent reports on health and dental benefits. For example,

- A co-insurance payment by plan members of 5 to 15 cents on the dollar. 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, depending on the co-insurance rate. If co-insurance payments are extended across drug and other health benefits plans, the potential combined savings (including dental) over five years across all major benefit plans may range from \$27.5 million to \$80.5 million.
- Review of the maximum limit for physiotherapy per benefit year. Management estimated that annual savings from reducing the limit for physiotherapy to \$1,500 per plan member per benefit year to be about \$975,000 (for non-union, Local 79, and Local 416 plan members).
- A reasonable and customary limit on all eligible extended health expenses based on the Reasonable and Customary Fee Schedules as developed and updated by the Plan Administrator. The potential cost savings are not readily determinable without further information from the Plan Administrator.
- Limiting dispensing fees limit for eligible compound drugs to \$9 (down from \$25)
- Eliminating reimbursement of dispensing fees for over-the-counter drugs covered by the benefit plans, where the drug can be purchased directly by the plan member without going through a pharmacist (e.g. Aspirin 81mg). In 2020, the City paid over \$108,000 for dispensing fees for over-the-counter drugs that cost just under \$30,000.

While, not all of the Auditor General's recommended plan changes were successfully included in the most recent collective agreement, the Auditor General is satisfied that PPEB has implemented processes like benchmarking and cost analysis of proposed plan changes which will help to make plans more economical for the City. PPEB advised that the City was also able to negotiate the establishment of a joint benefits committee with each of the unions to discuss a holistic approach to Employee Benefits and ensure the Benefits Plans are delivering on employee health outcomes and employer strategic outcomes while maintaining a long-term financial sustainability.

As such, the Auditor General will no longer be following up on ongoing implementation of the related recommendations from the 2016 and 2017 reports in subsequent collective bargaining. However, as recommended in our audits, the City should continue its work towards making benefit plans more economical for the City. It should also continue to work towards unifying, where possible, the employee health benefit provisions in various collective agreements such that both the City's oversight of



benefits and the benefit administrator's claim adjudication can be performed in a more effective and efficient manner.

In some cases, current and future changes to benefit plans will yield cost savings over time. The amount of cost savings is not yet determinable, but the Auditor General's Office will work to quantify realized cost savings after more time has passed to allow the impact of these changes to be observed.

Additionally, given that it has been about five years since the Auditor General's Office has performed detailed data analysis of extended health and drug claims, the Auditor General will consider incorporating a data analytics project for continuous monitoring of employee benefit costs into a future work plan.

### **Review of Urban Forestry: Ensuring Value for Money for Tree Maintenance Services, April 2019**

In 2019, the Auditor General issued a report with 10 recommendations to help Urban Forestry improve its contract management, customer services and operational efficiency for its tree planting and maintenance programs. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132415.pdf>

Recently in February 2021, the Auditor General issued a limited-scope follow-up report entitled "Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit" on certain aspects of tree maintenance services that were included in the 2019 report. In the follow-up, we found while there have been some improvements, many concerns from the 2019 audit persist and further recommendations by the Auditor General, Audit Committee, and City Council were made.

Recommendation 6 from the 2019 audit relates to minimizing unnecessary maintenance work performed by the City and contractor crews for trees that are still under the two-year warranty. Urban Forestry has implemented a process to better identify trees that are still under warranty in order to minimize unnecessary maintenance work by City and contractor crews, and the associated costs. Progress on implementing this recommendation has resulted in about \$96,500 average annual cost savings. This amount does not include additional driving and other contributory time cost (e.g., loading materials) that would be incurred when the crews perform the maintenance work. There is still room to further reduce the occurrences of City and contractor crews working on trees that are under warranty. Urban Forestry staff agreed, and they will continue to improve the process. We will continue to monitor progress and any additional savings achieved as the Division continues to improve its processes.

### **Review of Urban Forestry – Permit Issuance and Tree By-law Enforcement Require Significant Improvement, June 2018**

In 2018, the Auditor General issued a report with 12 recommendations to help strengthen controls over permit issuance, ensure correct collection of the required permit payments and deposits, ensure adequate actions are taken to address old unclaimed deposits, and improve compliance with permit requirements. We had verified

and closed three of these recommendations in our prior follow-up work. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117956.pdf>

Some of the remaining recommendations not implemented are considered high priority. One of them is related to a balance of \$29.3 million in refundable Tree Planting Security and Tree Protection Guarantee deposits collected between 1994 and 2017. According to Urban Forestry staff, as of January 2021 staff had proactively reviewed 377 of sites with unclaimed deposits. This work resulted in \$589,523 being refunded to the applicants, \$319,294 retained by the division and deposited into the City's Tree Canopy Reserve Fund, and \$81,933 identified as unclaimed to be transferred to City's revenue pending corporate-wide policy. Urban Forestry indicated that it will continue to investigate the remaining sites with unclaimed deposits.

Timely implementation of this and the other eight outstanding recommendations would help to strengthen the Urban Forestry's permit issuance and by-law enforcement functions, and to address the large unclaimed deposit balance.

## **IN PROGRESS RECOMMENDATIONS WHERE PROMPT ACTION IS NEEDED**

### **Implementation Status of Cybersecurity-Related Audit Recommendations**

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.

At its February 16, 2021 meeting, Audit Committee moved that:

City Council request the Auditor General to report on the implementation status of cybersecurity-related audit recommendations in the Auditor General's status report on outstanding recommendations to the Audit Committee.

Audit Committee further moved that:

City Council request the Chief Information Security Officer to report to the May 31, 2021 meeting of the Audit Committee on the implementation status of all outstanding cybersecurity-related audit recommendations, including:

- a. high priority recommendations where there are still significant risks;
- b. risks being faced by the City of Toronto as a result of not implementing audit recommendations;
- c. a risk assessment identifying the impact of the risks after considering any current vulnerabilities;
- d. any other security risks being faced as a result of the changing cyber threat landscape; and

- e. short-, medium-, and long-term plans identifying what needs to be done to reduce the risk level for the City of Toronto in an expedited fashion.

City Council request the Chief Information Security Officer to report to the General Government and Licensing Committee on a biannual basis regarding the City-wide cybersecurity program, including:

- a. the status of all outstanding audit recommendations that have not been implemented to date, including any increase to the City's cybersecurity risk profile;
- b. projects, initiatives, procurement, and operations where cybersecurity requirements or directives were not included in the process;
- c. embedding "cybersecurity by design" principles to support the City's modernization efforts; and
- d. any additional supports required to address cybersecurity risks in an expedited manner.

The Auditor General recognizes the increased risks of cyberattacks and has been proactive in performing cybersecurity audits at the City. Her 2021 Work Plan includes cybersecurity audits of the City's critical infrastructure as well as the agencies and corporations.

In relation to actions taken to address IT security recommendations, Toronto Water in coordination with the Chief Technology Officer (CTO) and the Chief Information Security Officer (CISO) acted swiftly to address recommendations to protect the City. At Toronto Water's request the Auditor General will conduct follow-up penetration testing to independently provide assurance that recommendations have been implemented.

For the rest of the City, although the City has taken steps, there are many remaining outstanding cybersecurity recommendations. Given the importance of the recommendations, we remain very concerned that the longer the recommendations remain not fully implemented, the greater risk the City faces of a cyber attacker impacting City assets.

As a result of an Audit Committee request, the CISO is separately reporting on the status of the high risk recommendations. We recommend that the Audit Committee keep its focus on this issue until all recommendations have been addressed.

**Table 3: Current Status of Open Recommendations for Auditor General Reports on Cybersecurity**

Report Title	Report Date	Implementation Status (including confidential recommendations)		
		Fully Implemented	In Progress (Not Fully Implemented)	Total
Audit of Information Technology Vulnerability and Penetration Testing- Phase 1: External Penetration Testing	02/16/2016		7	7
Audit of Information Technology Vulnerability and Penetration Testing - Phase II: Internal Penetration Testing, Part 1 - Accessibility of Network and Servers	10/13/2016		2	2
Information Technology Vulnerability Assessment and Penetration Testing – Wrap-up Phase I and Phase II	03/10/2017		1	1
Cyber Safety: A Robust Cybersecurity Program Needed to Mitigate Current and Emerging Threats	10/08/2019	1	11	12
Establishment of City Wide Cyber Security Breach Incident Management Procedures Required	06/19/2019		1	1
Cyber Safety – Critical Infrastructure Systems: Toronto Water SCADA System	01/24/2020	2	9	11
Information Technology Projects Implementation: Information Privacy and Cybersecurity Review of Human Resource System	02/03/2021	Not yet included in follow-up tracking system	10*	10
Cybersecurity Incidents at the City and its Agencies and Corporations: Integrated	02/04/2021	Not yet included in follow-up tracking system	2*	2

Report Title	Report Date	Implementation Status (including confidential recommendations)		
		Fully Implemented	In Progress (Not Fully Implemented)	Total
Incident Response Plan is Needed				
<b>Total recommendations</b>		3	43*	46

\* includes recommendations considered in progress because they have not yet been included in follow-up tracking system

## CONCLUSION

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As of June 1, 2021, there are 92 open audit recommendations that management has reported as fully implemented that we have not yet validated, and another 349 outstanding audit recommendations issued to City Divisions between September 2005 and October 2020 that management is taking action to implement. There are also 176 recommendations from reports issued to Agencies and Corporations as well as 61 recommendations from investigations and Fraud & Waste Hotline reports. The results of our follow-up of additional recommendations reported by management as fully implemented that we have validated will be submitted to the November 2, 2021 Audit Committee meeting.

We express our appreciation for the co-operation and assistance we received from management and staff of City divisions and agencies in implementing the new system and updating the information.

## CONTACT

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Confidential Attachment 1: City Divisions – Fully Implemented Recommendations, Not Fully Implemented Recommendations (verified and not verified by the Auditor General)

Attachment 1: City Divisions – Fully Implemented Audit Recommendations

Attachment 2: City Divisions – No Longer Applicable Audit Recommendations

Attachment 3: City Divisions – Not Fully Implemented High Priority Audit Recommendations

Attachment 4: City Divisions – Fully Implemented or No Longer Applicable Audit Recommendations (not verified by the Auditor General)

Attachment 5: Past Auditor General Reports Where Actions are Needed to Fully Realize Financial Benefits

Attachment 6: Fraud and Waste Investigation Recommendations Reported as Fully Implemented by Management (not verified by the Auditor General)