

Auditor General's 2022 Annual Report

Demonstrating the Value of the Auditor General's Office

January 29, 2023

Tara Anderson, CPA, CA, CIA, BAcc
Auditor General

**AUDITOR
GENERAL**

TORONTO



Auditor General's Message

December 17, 2022 was the start of my new role as Auditor General with the City of Toronto. I am honoured to have been selected for this important role and am very excited for this incredible opportunity. I plan to continue to strengthen our Office's important and impactful role and work, and to make a positive difference in the everyday life of those who live, work, and play in Toronto. I am also very grateful to Beverly Romeo-Beehler for the strong foundation and legacy she brought as Auditor General of the City of Toronto from 2015 to 2022.

Every year, we demonstrate the value our Office brings with a quantified return on investment. The City achieved savings of \$398 million over the last five years (2018-2022) by implementing our recommendations. This means for every dollar invested in the Auditor General's Office, there was a return of about \$12.52. However, it's not all about money. Our audits, investigations, and other work also help to improve the efficiency and effectiveness of the City's programs, systems, and processes, and lead to better outcomes on important issues that affect Torontonians' daily lives.

In 2022, our Office delivered impactful reports with recommendations aimed at:

- strengthening the safety of the City's IT systems and critical infrastructure against cyber attacks, including those of the Toronto Transit Commission and Toronto Fire Services.
- identifying opportunities for the Toronto Police Service (TPS) to support more effective responses to calls for service, and for the City and TPS to work together to explore alternative responses for some calls for service.
- providing better support for staff and improving data, information management and outcomes of TPS' 9-1-1 operations, that will help improve timeliness of answering 9-1-1 calls and appropriate emergency responses.
- improving outcomes for emergency shelter clients through an increased focus on case management. This will help guide individuals and families experiencing homelessness towards permanent stable housing more efficiently and effectively.
- improving how the City manages and monitors key contracted services, including use of hotels as temporary emergency shelters for people experiencing homelessness. Better oversight and contract management of these shelters means more funds and rooms can go directly towards making sure there are enough shelter beds, especially in the winter months, or towards creating more permanent housing to address homelessness.

Additionally, our Forensic Unit managed 1,032 complaints this year through our Fraud and Waste Hotline, and conducted some complex investigations.

Here are just a few of management's acknowledgements on the work we did in 2022:

*"...the Auditor General's **9-1-1 report** was a very thorough piece of work that had quite a few revelations. They will form the constructive basis for us to make changes that will be very much in the public interest. You've helped to bring about **process improvements** that aren't just about saving money but are about **providing better service to people**, and these things will make a **lasting contribution to life in Toronto**." (paraphrased)*

Mayor John Tory, City of Toronto

*"[I would like to] thank the Auditor General for a **thorough and evidence-based** look at the 9-1-1 operations and the **police response to call for service**...I'm very happy about the **very detailed evaluation**..."*

John Reid, President, Toronto Police Association

*"This particular report...speaks to the overarching policy and really is **a catalyst for change** and to **modernize the [affordable rental housing] policy**."*

Councillor Stephen Holyday, Chair, Audit Committee

*"Your findings and insights have been **extremely valuable both as it relates to the work we do with clients, but as well as for the services that we procure with tax dollars** which is so important to understand and to unpack...[We] welcome your findings and appreciate all of the work. Thank you!"*

Gord Tanner, General Manager, Shelter, Support & Housing Administration

Improving the lives of Torontonians cannot be done alone. I would like to sincerely thank management and staff from all City divisions, and staff and Board members from the agencies and corporations we've worked with, for their support and assistance, and in driving the implementation of the recommendations in our reports. Thank you as well to members of the City's Audit Committee and City Council for their support of the work we do and in holding themselves and management accountable. I would also like to recognize and thank the entire team at the Auditor General's Office for demonstrating professionalism, dedication, and commitment in their work to add value and help improve the City's operations and outcomes.

As Auditor General, you have my commitment that I will continue the Office's important role, through our independent and objective audits, investigations, and work, to assist City Council in holding itself and management accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. I also want to put a greater focus on equity, diversity and inclusion when conducting our audits of programs and services. Looking forward, my goals are to continue to add value to the City, make a positive difference in the lives of Torontonians through improved outcomes, while taking an approach that helps to build relationships with auditees and stakeholders in a respectful manner. I look forward to continuing to strengthen the important and impactful role and work of our Office and making a positive difference.

Sincerely,

Tara Anderson, CPA, CA, CIA, BAcc
Auditor General, City of Toronto

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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 assists City Council in fulfilling its due diligence responsibilities by independently providing transparent, objective information to City Council to help ensure Torontonians' tax dollars are spent as directed by City Council.

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 operates the Fraud & Waste hotline and 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.**

Land Acknowledgement

The Toronto Auditor General's Office acknowledges that we are on the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat peoples, and that this land is now home to many diverse First Nations, Inuit, and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 signed with the Mississaugas of the Credit, and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

2022 Highlights



**9 Audit, Investigation, Cybersecurity
and Other Reports**

More than 95 Recommendations

\$12.52 for Every Dollar Invested



The Toronto Municipal Code requires that the Auditor General report annually to City Council on the activities of our Office, including the savings achieved.

This annual report demonstrates how our Office adds value to the City through our work that results in quantifiable financial and non-quantifiable benefits.

- The total one-time and projected five-year savings realized in 2022 was \$14.6 million; with a total five-year cumulative estimated savings of \$398 million. For every dollar invested in our Office, there was a return of approximately \$12.52. This is discussed in more detail in the Impact of Auditor General Recommendations section in this report.
- The non-quantifiable benefits from Auditor General recommendations include enhanced cybersecurity and internal controls, robust data analytics, improved policies and procedures, more effective management and use of City resources, increased operational efficiencies, better customer service, and stronger security of City assets. These are illustrated in the following section that summarizes the significant reports our Office issued in 2022 and in Exhibit 3 in this report.

In 2022, the Auditor General presented nine audit, investigation, cybersecurity and other reports as well as three administrative reports. The findings and recommendations in these reports focused on the following themes:



1. Improving Efficiency and Effectiveness of Responses to Calls for Emergency Services

- **Review of Toronto Police Service:** identified opportunities for improving efficiency and effectiveness, including potential alternative responses to calls for service
- **9-1-1 Public Safety Answering Point Operations:** assessed whether 9-1-1 Communications Centre provides access to emergency services in an effective and timely manner

2. Addressing housing priorities and improving outcomes for people experiencing homelessness

- **Emergency Shelters: Case Management:** assessed whether case management activities support the City's desired outcome to move people into stable housing effectively
- **Emergency Shelters: Hotel Operations:** reviewed City's use of hotels to provide temporary emergency shelter
- **Legacy Rental Replacement Policies:** evaluated City's processes to make sure owners comply with requirements for replacing affordable rental units



3. Identifying and Recommending Controls to Protect the City from Cybersecurity Threats

Cybersecurity assessments of the City's IT systems, infrastructure, and sensitive data, including:

- **Toronto Transit Commission:** Critical IT Assets and User Access Management
- **Toronto Fire Services:** Critical Systems
- **Open-Source Internet Data Intelligence:** Information available over the internet that may present cybersecurity risks to the City and its agencies and corporations

Major Audit, Investigation, Cybersecurity and Other Reports in 2022

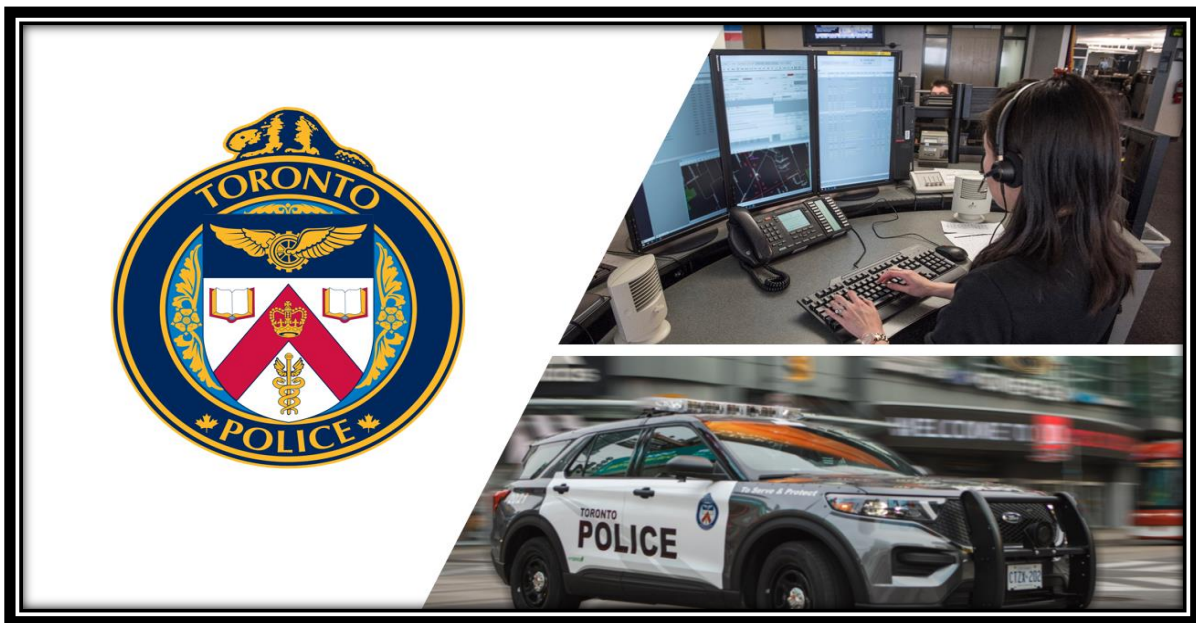
9 audit, investigation, cybersecurity and other reports in 2022

In 2022, our Office completed nine performance audit, investigation, cybersecurity and other reports. These reports contained more than 95 public and confidential recommendations. Exhibit 2 provides a list of these reports.

This section summarizes the significant reports issued in 2022.

Review of Toronto Police Service – Opportunities to Support More Effective Responses to Calls for Service

Toronto Police Service – Audit of 9-1-1 Public Safety Answering Point Operations



Completed two reports on Toronto Police Service in 2022

In November 2020, the Toronto Police Services Board approved the Auditor General's overall risk assessment and risk-based audit plan. The report "Review of Toronto Police Service – Opportunities to Support More Effective Responses to Calls for Service", and the report "Toronto Police Service – Audit of 9-1-1 Public Safety Answering Point Operations" completed in 2022, along with the previous cyber security assessment completed in 2021 ("Toronto Police Service IT Infrastructure: Cyber Security Assessment Phase 1"), were the first three projects identified in the audit plan.

Review of Toronto Police Service – Opportunities to Support More Effective Responses to Calls for Service

Project focused on identifying opportunities

This project examined Toronto Police Service's (TPS) policing responsibilities and service areas to identify opportunities for improving efficiency and effectiveness and potential alternative responses to calls for service.

TPS has become the default response for some situations

We found TPS has effectively become the default response in some situations, responding to some calls for service that are not police matters, due in part to the lack of available effective alternate responses at the times they are needed. Specifically, we found that in our sample of six lower-priority event types¹, 40 per cent of calls for service in that sample could potentially have been handled by a non-Priority Response Unit response within TPS, or alternative response if these alternative responses were in place, rather than a response from TPS's Priority Response Unit (PRU).

Better information and whole-of-government approach needed to explore, develop and evaluate alternative responses

We also found that better information and a whole-of-government approach are needed to explore, develop and evaluate alternatives. If some of these calls for service received an alternative response, TPS could use the time saved to improve response times for high-priority emergency calls for service, and the City and other stakeholders would be able to achieve better outcomes for the people of Toronto as well.

Recommendations for review of protocols so that PRU officers attending calls for service at request of Toronto Paramedic Services is based on articulable risk to safety

We noted that for See Ambulance calls, one of the most frequently dispatched high-priority event types which are at the request of Toronto Paramedic Services, PRU officers sometimes attended where the main complaint was medical and there was no apparent / immediate safety risk or danger. We recommended that TPS work in collaboration with Toronto Paramedic Services to review current protocols, so that attendance of PRU officers is based on an articulable risk to safety supported by a properly documented rationale, and regular joint evaluation, to help ensure that all requests are an efficient and effective use of officer time.

TPS is not meeting its targets for high-priority calls for service

TPS has experienced increasing response times for calls for service over the last several years and is not meeting its response targets. This is particularly critical for priority one calls for service - these are the most urgent situations that officers must respond to and can involve a risk to life. The time for officers to clear the call for service (clearance times) have also been increasing.

¹ The percentage is based only on our samples in the six lower priority event types namely, Check Address, Check Well-Being, Unwanted Guest, Dispute, Landlord & Tenant Dispute, and Noisy Parties.

TPS needs to further improve and leverage technology and data

We highlighted the need for TPS to improve and further leverage technology and data to better understand the root causes of increasing response and clearance times to identify calls for service that are suitable for alternative responses, to improve workforce management, and to improve efficiency.

Opportunities for TPS, the City, and other agencies to increase collaboration

There are also opportunities to increase collaboration amongst TPS, the City and other agencies in developing strategies, sharing and using data to identify preventative actions and to support opportunities for alternative responses.

Recommendations made to TPS and the City

Our recommendations included exploring alternative police and non-police strategies with the City, improving response times for emergency calls for service, and leveraging technology and automation to improve efficiency. Implementing these recommendations will help the City, TPS, and other stakeholders to make evidence-based decisions and ensure transparency and accountability as all stakeholders move forward together.

The review report is available at:

<https://www.torontoauditor.ca/report/review-of-toronto-police-service-opportunities-to-support-more-effective-responses-to-calls-for-service/>

Toronto Police Service – Audit of 9-1-1 Public Safety Answering Point Operations

Critical for 9-1-1 calls to be answered quickly

The Toronto Police Service (TPS) operates the 9-1-1 Public Safety Answering Point (PSAP) for the City. The PSAP is the first point of contact for those dialing 9-1-1 to receive emergency assistance from fire, ambulance, police, and/or other agencies. The timeliness of call answering is critical so that people receive the emergency response needed as soon as possible, as a person's life or safety can often be at risk.

Audit identified improvement opportunities in 5 areas

The audit identified improvement opportunities in five areas:

- 1) Answering calls
- 2) Assigning call event types and priority levels
- 3) Dispatch and response times to emergency events
- 4) New technology, 9-1-1 levies, and other opportunities
- 5) Community education and awareness

9-1-1 service level standard for answering calls not being met

The audit found that the TPS did not generally meet the widely accepted industry standard for the emergency call answering timeframe of 9-1-1 calls² throughout 2018 to 2021, but noted that many other jurisdictions are also challenged in meeting the timeframe required by the industry standard.

Call answering wait time varies significantly throughout the day

Call volume and staff availability impact 9-1-1 call answering wait time. We found that the average 9-1-1 call answering wait time varies significantly throughout the day. In 2021, at least 13,260 calls that dialed 9-1-1 waited more than a minute to be answered, and at least 424 of these waited more than four minutes. TPS's data and information management are keys to improving its workforce management, so that peak and non-peak periods are better staffed to achieve its service levels and reduce answering wait time.

Data and information management are keys to improve workforce management

We found that TPS does not have complete, accurate, and readily available data, information, and analysis, to support effective workforce management, regular performance monitoring, and inform decision-making of the PSAP operations. We recommended that TPS improve its data and information and develop strategies to better manage its workforce and operations (e.g., ensure more available and/or deployable staff are in place particularly for peak periods, reducing communications operators' daily absences, reducing Injured on Duty).

Recommendations to further improve assignment of event type and priority rating of calls

Communications operators have a very difficult job – they need to use a high level of judgement and make quick decisions, often under high stress. Over 85 per cent of the time, in our statistically valid sample, call takers appropriately assessed the event type of the reported incident and priority rating of the urgency for police response. However, there is room for improvement, particularly for priority rating assignment. Our recommendations help to strengthen TPS's 9-1-1 PSAP operations to continue to improve the appropriateness in assigning event types and priority rating of the call for service, and to better support its communications operators in doing their jobs and to improve the retention, health, and well-being of the operators.

² The National Emergency Number Association 9-1-1 call processing standard (<https://www.nena.org/page/CallProcessingStdnd>) requires that "90% of all 9-1-1 calls be answered within 15 seconds and 95% answered within 20 seconds". TPS adopts and measures its 9-1-1 PSAP performances against the first standard but not the second one.

Improve response time measurement and communications by officers to dispatchers of availability

We made recommendations to improve how TPS measures its response time. This will help TPS to more accurately measure how long a person has to wait before getting police help. The audit also recommended that TPS ensure the clearance of a call-for-service event is communicated in a timely manner by officers, so that the dispatcher is aware of the availability of the officer units to be assigned for other calls for service. Not knowing the availability of officer units delays the timeliness to dispatch, which in turn delays TPS response time to events.

Potential for 9-1-1 levies that are legislated in most other provinces

Our report identified a potential opportunity for 9-1-1 levy funding to support the PSAP operations. This type of funding is legislated in most provinces, but not in Ontario. This funding would assist with the mandated Next Generation 9-1-1 (NG9-1-1) requirements³ and the improvements needed to data and the information system as identified in this report.

Public education and awareness needed to reduce the volume of non-emergency related calls to the 9-1-1 line

We also found a high proportion of non-emergency related calls to the 9-1-1 line, which affects the 9-1-1 call volume and call takers' workload. To reduce the volume of non-emergency-related calls to the 9-1-1 line, we recommended that TPS analyze its call-for-service data to help create a targeted education/ awareness program, as well as to explore other areas for call diversion. This program should increase public education and awareness around when to call 9-1-1, the information to provide, and also raise awareness of the police non-emergency line (416-808-2222), TPS's online reporting, and other helpful numbers such as 3-1-1 and 2-1-1.

Recommendations to improve 9-1-1 PSAP operations

Implementing the 26 recommendations in our report will assist all stakeholders to have a 9-1-1 PSAP operations that provides callers with timely call answering and appropriate emergency responses.

The Auditor General's report is available at:
<https://www.torontoauditor.ca/report/toronto-police-service-audit-of-9-1-1-public-safety-answering-point-operations/>

³ In 2017, Canadian Radio-television and Telecommunications Commission (CRTC) mandated a country-wide upgrade to the telecommunication networks to a digital or Internet Protocol (IP)-based 9-1-1 system, commonly referred to as Next Generation 9-1-1 (NG9-1-1) to provide more than just voice services for emergency call centres. NG9-1-1 will provide a digital system for PSAPs that will allow sending text messages or photos, videos, and other types of data to 9-1-1 operators, in addition to making the voice 9-1-1 calls. This transition will be complex and costly and will occur gradually over several years.

Action taken since our reports:

Toronto Police Service (TPS) management agreed with all recommendations made in the two reports. TPS management reported they have drafted an implementation strategy in response to these two reports. TPS management reported that all our recommendations have been mapped to TPS's existing projects so that they will be leveraged and implemented with their implementation plan. TPS also formed a Steering Committee consisting of senior leaders and a number of working groups to drive and to implement the recommendations in the following key areas outlined in our reports:

- Re-thinking call for service response to support more efficient and effective outcomes
- Improving and further leveraging data and technology
- Increasing integration and information-sharing

In addition, TPS is working with the City on a communications and public education strategy. An in-depth update on the implementation progress for each of our recommendations will be submitted to the Toronto Police Services Board in June 2023.

Further, in response to our report recommendations, City Council directed the Deputy City Manager of Community & Social Services to lead and coordinate different City divisions in implementing the recommendations directed towards the City. A leadership table of Division Heads was formed to coordinate and work closely with TPS to implement the shared recommendations.

Part 1 of the Audit of Emergency Shelters: A Focus on Case Management



Audit focused on case management supports for people experiencing homelessness

In 2022, the Auditor General's Office continued its series of audits in areas that fall along the housing continuum. The two audits completed in 2022 focused on the City's emergency shelters.

Part 1 of the Audit of Emergency Shelters focused on housing case management supports for people experiencing homelessness to develop a housing plan and to access housing and stabilization supports.

This audit helps to support the Shelter, Support and Housing Administration (SSHA) in more effectively guiding each client on their journey towards stable housing as it continues to move forward with a 'pivot to housing'⁴, and the priority actions identified in its Homelessness Solutions Service Plan and in the HousingTO 2020-2030 Action Plan.

⁴ According to the [Annual Report 2020 for Shelter, Support and Housing Administration \(toronto.ca\)](https://www.toronto.ca/annual-report-2020-for-shelter-support-and-housing-administration/), the 'pivot to housing' is a commitment to shift from a focus on emergency responses to homelessness to a focus on permanent housing solutions

Our audit identified three main areas for continuous improvement:

Increase focus on case management to support better outcomes for shelter clients

A. Increasing the Focus on Case Management

The audit found that case management activities can be more consistent and better-coordinated. Case notes indicated, for some, a Housing First approach⁵ has been challenging. Our recommendations help SSHA to better support its shelter providers and shelter clients in providing consistent, high-quality case management by enhancing case management tools and clarifying expectations. In addition, collecting and analyzing program- and system-level data is key to improving the effectiveness of case management and developing targeted approaches to support better outcomes for shelter clients.

Improving systems and information sharing better supports client journey towards stable housing

B. Improving the Homelessness and Housing Information System

The audit also found that the Shelter Management Information System (SMIS) is a bed management tool and was not designed to store or collect robust case management-related information. The existing functionality of SMIS does not easily facilitate the telling of a client's story. Improving the information system, as well as information-sharing, will help SSHA to better support its shelter clients in their journey towards stable housing.

Efficiencies and savings can be redirected to better support Housing First

C. Focusing on Housing is an Efficient and Cost-Effective Use of Resources

A 'pivot to housing' requires a shift from an overreliance on emergency responses towards longer-term housing solutions. The audit recommended a detailed analysis of how any funding from efficiencies and cost avoidance from a 'pivot to housing' can be best redirected to better supporting Housing First, providing enhanced wraparound and post-discharge supports and increasing permanent housing solutions.

The Auditor General's report is available at:
<https://www.torontoauditor.ca/report/part-1-of-the-audit-of-emergency-shelters-a-focus-on-case-management/>

⁵ As stated in [Attachment 2 - Homelessness Solutions Service Plan \(September 2021\) \(toronto.ca\)](#), "Housing First" focuses on helping people to find permanent housing as quickly as possible, with the supports they need to live as independently as possible.

Action taken since our audit:

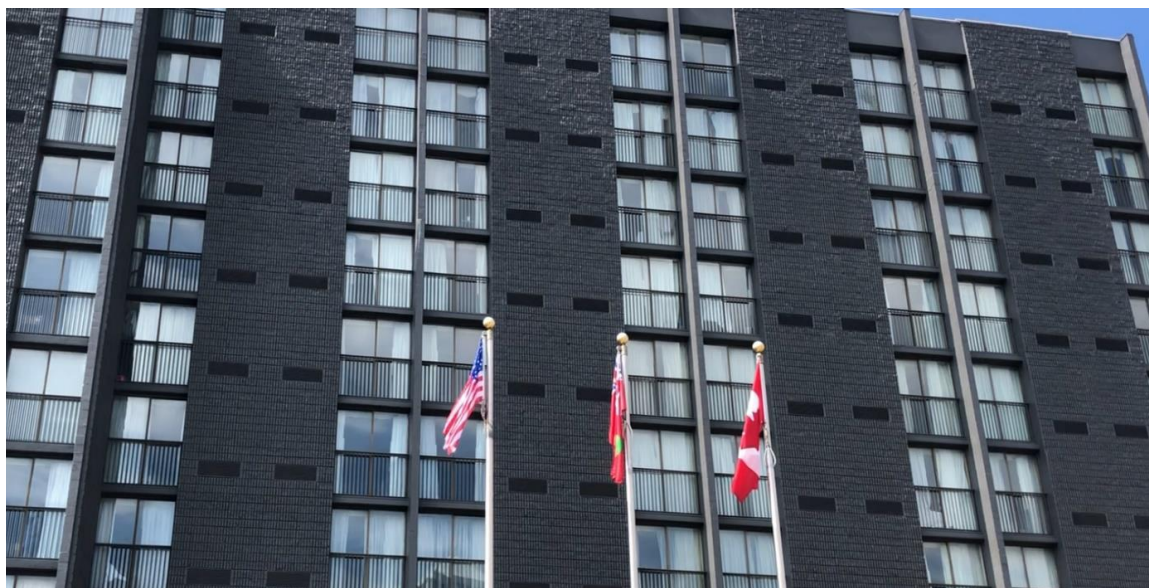
The key priorities management highlighted in their response to some of our recommendations will be included as part of SSHA's implementation of its Homelessness Solutions Service Plan with an estimated completion date of Q4 2024.

SSHA advised us that it has made enhancements and will continue to update SMIS to better assess and prioritize shelter clients based on their level of acuity and depth of needs, and to better support service providers to record case management activities. For example, SSHA developed policy and processes to strengthen the identification and prioritization of client needs to coordinate access to housing.

SSHA noted that it is working on improving its case management tools, processes and system data by rolling out new enhancements to transition from a shelter management system to a broader outcome focused homelessness management system. They have developed functionality in their information system to produce system-level key performance indicators, housing outcome reports for shelter service providers, and have begun work on transitioning to a regular performance measurement system.

The Housing Secretariat advised that, since the audit, the City has continued to seek additional funding opportunities to create new affordable and supportive housing. For example, staff are in the process of preparing an Investment Plan submission to the Canada Mortgage and Housing Corporation (CMHC) to secure additional funding under the Rapid Housing Initiative, to create new affordable and supportive homes. This includes using modular, rapid construction on City-owned land or acquiring non-residential buildings, such as hotels or motels.

Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations



Audit focused on use of hotels to provide emergency shelter

Part 2 of the Audit of Emergency Shelters focused on reviewing the City's use of hotels (and other similar premises) to provide temporary emergency shelter.

City paid more than \$13M for charges not in accordance with contract

Our audit found that SSHA needs a stronger internal control framework to effectively manage its contracts. We found that some staff who process invoice payments were not familiar with the contracts or whether a particular charge should apply. Some staff were processing what they thought or assumed was appropriate based on what they had always paid, rather than applying the express terms of the agreements. Consequently, from August 2019 to 2021, the City paid more than \$13 million plus HST for charges that were not in accordance with the express terms of the contracts.

Enhance the use of data to reduce the number of unused rooms

We also found that the City paid in the range of \$2-3 million for leased rooms that went unused at the start of leases, while programs were ramping up, as well as for various operational reasons. SSHA should enhance its use of data to develop targeted strategies to help reduce vacant hotel rooms in the system from going unused, and to look for ways to make more space in hotels available as client rooms. This includes identifying leased capacity that has not been made available as client rooms, tracking rooms used for other purposes (such as office space, storage, programming), identifying and minimizing clusters of rooms that go unused, and prioritizing the use of leased rooms over pay-per-use rooms.

Improve oversight and management of hotel operations

In Part 1 of the Audit of Emergency Shelters, we also highlighted that the current cost of emergency shelters, and in particular hotels, are far more expensive than more permanent housing solutions. Putting in place the right strategies to effectively oversee and manage hotel operations allows SSHA to stretch the value achieved from each shelter dollar.

Implement recommendations so that no dollar or no room goes to waste

The recommendations in our report focused on making sure no dollar and no room goes to waste, so that SSHA can provide more emergency shelter spaces or can re-direct more funds towards creating more permanent housing solutions for those experiencing homelessness.

The Auditor General's report is available at:

<https://www.torontoauditor.ca/report/part-2-of-the-audit-of-emergency-shelters-lessons-learned-from-hotel-operations/>

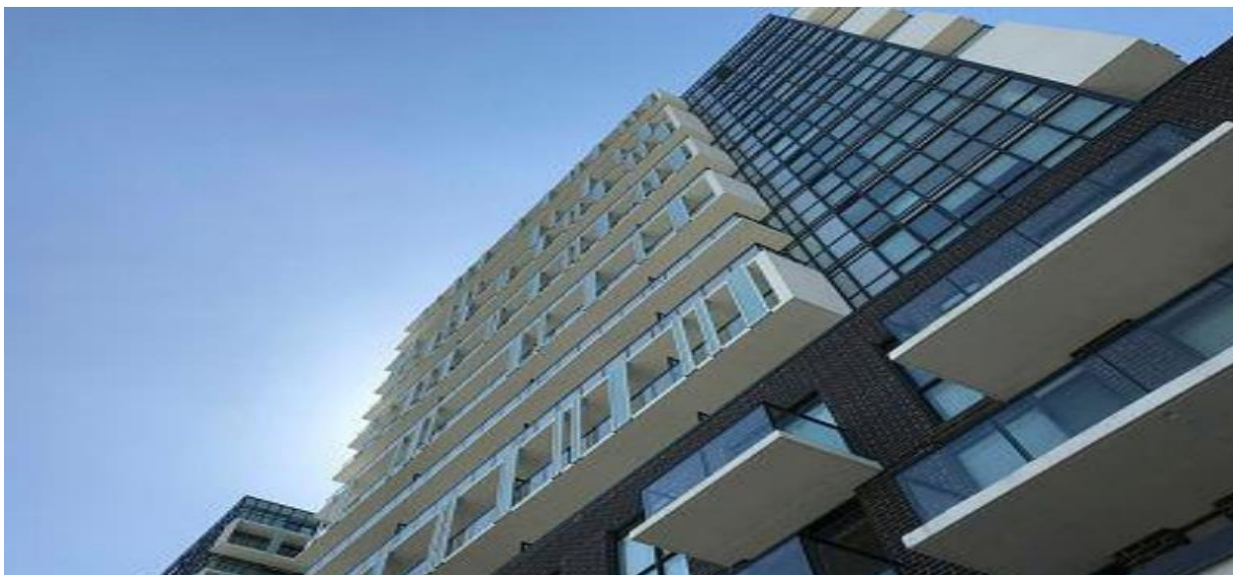
Action taken since our audit:

In July 2022, at the direction of City Council, SSHA submitted a confidential report on their progress on recovering all charges not in accordance with the terms of the contract, and to also include the terms and conditions of the agreements and how they work⁶. Details of the report remain confidential at this time.

Furthermore, SSHA management has advised that they have taken actions on our recommendation for reviewing and assessing how SSHA can best leverage Corporate Real Estate Management (CREM) in its identification, procurement, and management of hotel space for shelters by developing Service Level Agreements to document roles and responsibilities for identifying potential locations for emergency shelter programs, procuring and negotiating pay-per-use agreements and room block leases, and managing contracted hotel spaces used for emergency shelter purposes. In addition, SSHA has indicated that the Division has developed functionality in SMIS to capture and track how rooms are used across the shelter system, including when rooms are offline and for what purpose.

⁶ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.AU13.8>

Revisiting Legacy Rental Replacement Policies to Align them with the City's Affordable Rental Housing Expectations



Council requested an audit of Rental Replacement Policy

A policy objective of the City's Official Plan is to preserve and protect the stock of affordable rental housing. In June 2021, City Council requested the Auditor General "to consider conducting an audit, in consultation with the Chief Planner and Executive Director, City Planning, to determine the extent to which developers have complied with the City of Toronto's Rental Replacement Policy⁷." In 2022, the Auditor General completed a limited-scope⁸ audit of rental replacement agreements.

Legacy official plan policies have not yet caught up with City's affordable rental priorities

Our report highlighted that, in our view, a gap exists between what the rental replacement policy was originally designed to accomplish (preserving residential rental housing stock), relative to the City's evolving and ongoing priorities for affordable rental housing (providing access to affordable rental replacement units based on financial need). The City's policy requirements for affordable rental replacement units and ensuing agreements have not yet caught up with the City's direction for affordable rental housing.

⁷ <https://secure.toronto.ca/council/agenda-item.do?item=2021.AU9.16>

⁸ This audit did not assess compliance with all aspects of the City's Rental Replacement Policy as set out in Toronto Municipal Code Chapter 667 Residential Rental Property Demolition and Conversion Control and Section 37 of the *Planning Act* and Section 111 of the *City of Toronto Act*.

Better align rental replacement policies with affordable housing priorities

Our audit recommendations focused on what City Planning can do to enhance its agreements and processes to better align with the City's priorities for making affordable rental replacement housing accessible to all households based on financial need. This included:

- A. Strengthening requirements for offering affordable rental replacement units through fair, open and transparent processes
- B. Standardizing affordable rental housing eligibility requirements including updating Section 111 Agreements
- C. Harmonizing processes and requirements for administering affordable rental housing

The audit also recommended that the rental replacement policy framework be revisited to take into consideration the HousingTO 2020 -2030 Action Plan.

Improve access to available affordable rental housing opportunities

Effective implementation of our report recommendations can help improve how eligible individuals and families in need of assistance are made aware of and can access available affordable rental replacement opportunities.

The Auditor General's report is available at:

<https://www.torontoauditor.ca/report/revisiting-legacy-rental-replacement-policies-to-align-them-with-the-citys-affordable-rental-housing-expectations/>

Action taken since our audit:

Since our audit, the City Planning Division management advised that it took the following actions:

- In working with the Housing Secretariat, both divisions presented a report to City Council which included an update on bringing forward changes to the Residential Rental Property Demolition and Conversion Control By-law
- City Planning established a working group to develop a coordinated terms and conditions for all new affordable rental housing, whether secured by City Planning or the Housing Secretariat
- New term sheets and agreements incorporate requirements to use the City's Centralized Housing Access System and income requirements for affordable replacement rental units not occupied by returning tenants.

Cybersecurity of Critical Systems, Infrastructure and Data

What are Cyberattacks

Cyberattacks are unauthorized attempts (successful or not) to gain access to a system and/or confidential data, modify it in some way, or delete or render information in the system unusable or make the system inoperable. These threats are continuously evolving and must be monitored to minimize any disruption of operations.

Auditor General continues to proactively assess cyber threats

Since 2016 the Auditor General has proactively performed various cybersecurity assessments at the City and its Agencies and Corporations, in areas such as controls and security of the City's IT systems, infrastructure and sensitive data. The purpose of these reviews is to provide an independent and ongoing assessment of the threats the City could potentially face, and to identify areas where controls can be strengthened.

Considering the importance of cybersecurity and rapidly evolving cyber threats, in 2022, the Auditor General completed three cybersecurity reports to strengthen cybersecurity controls over critical IT infrastructure and systems.

The following sections provide some brief highlights from those reports.

Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management



TTC Cybersecurity Audit

In 2021, the Auditor General initiated a cybersecurity audit at the Toronto Transit Commission (TTC). Planning of this audit was underway when the TTC became a victim of a ransomware attack on October 29, 2021. Despite this attack, the Auditor General was still able to proceed with Phase 1 of this audit. This first phase assessed critical IT assets and processes used to manage IT system users.

Implementing recommendations will improve cybersecurity

The Auditor General made six confidential recommendations to improve cybersecurity controls at the TTC.

The Auditor General's report is available at:
<https://www.torontoauditor.ca/report/toronto-transit-commission-cybersecurity-audit-phase-1-critical-it-assets-and-user-access-management/>

Auditor General's Cybersecurity Review: Open-Source Internet Data Intelligence Review



Cyber attackers leverage data available over the internet to launch cyberattacks

Cyber attackers leverage data available over the internet to launch cyberattacks. It is important that the data available over the internet is monitored, and actions are taken to reduce the risk of potential cyberattacks.

Auditor General reviewed open-source intelligence data

The Auditor General used Open-Source Intelligence (OSINT) techniques to identify information available over the internet that may present cybersecurity risks to the City and its agencies and corporations. The organizations reviewed included:

- City of Toronto
- Toronto Police Service
- Toronto Public Library
- Toronto Transit Commission
- Toronto Hydro

Recommendations to improve cybersecurity

The Auditor General made five confidential recommendations to improve cybersecurity controls across the City and its agencies and corporations.

The review report is available at:

<https://www.torontoauditor.ca/report/cybersecurity-review-open-source-internet-data-intelligence-review/>

Auditor General's Cybersecurity Review: Toronto Fire Services Critical Systems Review Phase 2



Toronto Fire Services Critical Systems Review

In 2022, the Auditor General completed the second phase of her review of Toronto Fire Services (TFS) critical systems. This second phase was an extension of work that was underway in October 2021 when we issued our first report entitled "*Auditor General's Cybersecurity Review: Toronto Fire Services Critical Systems Review*".

Given the nature of services TFS provides, it requires its systems to be available 24/7. As cybersecurity threats continue to evolve, the Auditor General in her report stressed the need for TFS to proactively identify, track and address these cybersecurity risks.

Recommendations to improve cybersecurity

The Auditor General made three confidential recommendations in the second phase of her review of the TFS systems.

The Auditor General's report is available at:
<https://www.torontoauditor.ca/report/cybersecurity-review-toronto-fire-services-critical-systems-review-phase-2/>

Management Actions Taken on Three Cybersecurity Reports

Management continues to take action to implement recommendations

Action taken since our 3 cybersecurity reports:

Management agreed with the recommendations made in all three cybersecurity reports and advised that they continue to take actions to implement all recommendations.

The Auditor General will re-test cybersecurity controls after management has fully implemented our recommendations. The status of the implementation of recommendations will be reported to Council in future reports.

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 independent 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 contracted property management services at Toronto Community Housing Corporation, software license subscriptions, and tree maintenance services.

1,032 complaints, approximately 1,200 allegations in 2022

In 2022, the Hotline Program received 1,032 complaints, representing approximately 1,200 allegations, the highest in a year since the launch of the Hotline Program. The volume of complaints continues to rise and is approximately 26 per cent higher than the number received in 2021, 22 per cent higher than in 2020, and 76 per cent higher than in 2019.

Investigation report on traffic signs contract

In 2022, we issued an investigation report on the **Installation and Maintenance of Traffic Signs Contract – Follow up on Complaints Received**. A detailed summary of this investigation can be found in the Auditor General's 2022 Annual Report on the Fraud and Waste Hotline.

Backlog of high-risk investigations and complaints

For the City's size and complexity, the Forensic Unit is lean. Conducting investigations can require a significant number of staff resources, time, and in some cases, costs associated with hiring external specialists. In recent years, because of the backlog of high-risk investigations and complaints, the Auditor General has also supplemented the Forensic Unit with staff normally assigned to audits.

5-year savings of \$307,000 from Fraud and Waste Hotline complaints

In terms of quantifiable benefits, 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 \$37,000 and \$54,000 respectively. Over five years, the City will save approximately \$307,000.

Conservative approach in calculating savings

Savings arising from complaints identified by divisional management and referred to the Hotline Program are not included in our 2022 savings calculations. This is in keeping with our conservative approach in reporting savings in this report.

In addition to quantifiable savings, the Forensic Unit also made several non-quantifiable recommendations as a result of the investigation on the Installation and Maintenance of Traffic Signs Contract conducted during the year. Management's implementation of the recommendations in that report is helping to lead to improved internal controls and strengthened corporate governance.

The 2022 Annual Report on the Fraud and Waste Hotline will be presented at the February 13, 2023 Audit Committee meeting.

Follow-up on Implementation of Auditor General Report Recommendations



Follow-up process for Auditor General's recommendations

Management is responsible for ensuring that the recommended changes and improvements from our audits, reviews and investigations, as adopted by Council, are implemented.

City staff can provide status updates in real-time

In 2020, the Auditor General's Office implemented a new audit management technology solution. The system allows management to provide comments, upload supporting documents, and update the implementation status of open audit recommendations at anytime. This allows our team to manage the ongoing follow-up of recommendations and track their implementation status.

Follow-up process verifies management's actions and identifies realized savings and efficiencies

Our recommendation follow-up process involves verifying management's actions to implement the recommendations. The Auditor General then updates City Council through her periodic follow-up reports on the status of the recommendation implementation. These reports also include details of where more action is needed from management to fully realize financial and non-financial benefits and address high-priority risks to the City.

Focus is on verifying the status of high-priority recommendations

The Auditor General continues to focus on verifying the status of high-priority recommendations as resources permit. Certain recommendations are considered high priority because there is a significant potential for savings, or health and safety risks, or the recommendation has been outstanding for over five years.

In our 2022 follow-up report on the status of outstanding audit recommendations, we reported that since inception (January 1999), our Office has verified that about 80 per cent of recommendations have been fully implemented or are no longer relevant. Our Office still needs to verify the implementation status of 151 high-priority recommendations that management has reported as fully implemented or no longer relevant.

In recent years, with audit staff being reallocated to other high-risk and competing projects, the Office's recommendation follow-up work was also affected. However, this does not slow or impact management's ability or responsibility to continue taking action on outstanding recommendations and to achieve intended savings and efficiencies.

Looking ahead

In the upcoming follow-up cycles, the Auditor General plans to follow-up on outstanding recommendations reported as fully implemented from Corporate Real Estate Management, Transportation Services, Purchasing and Materials Management, Parks, Forestry and Recreation, and the Toronto Transit Commission.

Impact of Auditor General Recommendations

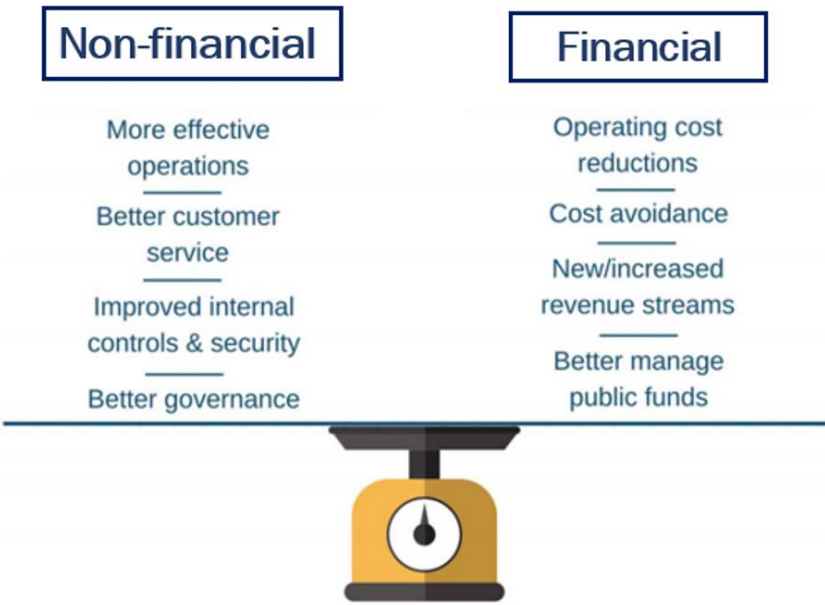
We are required to report on savings achieved

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 positive financial and non-financial impacts.

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



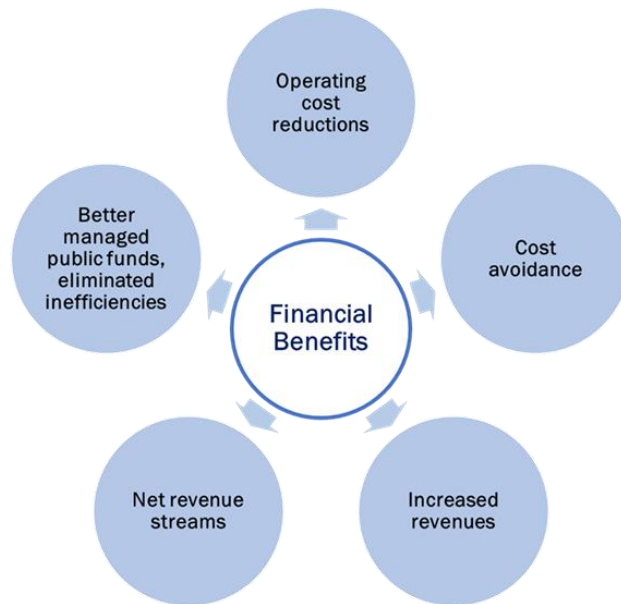
This section provides a summary of both the financial and non-financial impacts of our audit recommendations that the City realized in 2022.

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:

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



Savings can include cost reductions, new 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.

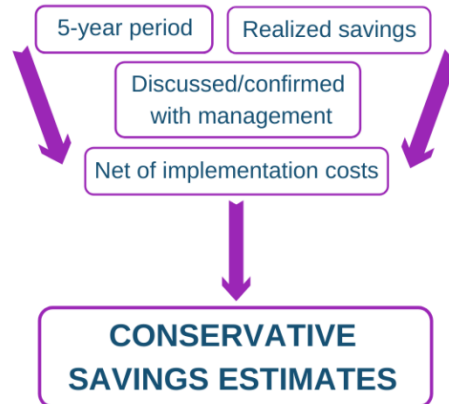
Calculation methodology

Underlying principles in quantifying realized savings

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

- Savings are realized as **audit recommendations are implemented**. 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**, and review how savings or efficiencies are **reflected in the annual budgets**.
- Savings are **net of implementation costs**.
- Savings estimates are **conservative**.

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



Recommendations take into account implementation costs

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, agencies or corporations 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.

Working with Financial Planning to improve transparency of efficiencies from AG recommendations

Our Office continues to work with the City's Financial Planning Division to improve processes to clarify, for budget purposes, which impacts are linked to Auditor General recommendations.

When savings are realized

Savings only included when related recommendation has been implemented

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 impacts to become observable.

Potential savings not included when determining ROI

While our reports sometimes quantify (where possible) potential savings from implementing our recommendations, we do not include these potential savings in determining our return on investment. Our Office's return on investment is calculated based on savings that have been realized, can be reasonably supported by evidence provided by management, and/or quantified after our recommendations have been implemented.

How Financial Benefits are Reflected in City Budgets

References to savings in divisional 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 highlighted in current Budget Notes as a revenue or expenditure change in the upcoming year (i.e. they may have already 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.

In March 2019, City Council requested the City's annual budget process document the cost, cost reductions and revenue increases resulting from the Auditor General's reports and recommendations⁹. We continue to work with the Financial Planning Division to improve the transparency of management's actions and the impact on outcomes. Over the last few years, we have seen more program areas including information in their Budget Notes that describe efficiencies / revenues / savings arising from our recommendations.

Return on Investment (ROI)

ROI compares 5-year audit costs to cumulative 5-year estimated realized savings

Each year, our Office calculates a return on investment based on the most recent five years (2018 to 2022 being the period covered in this report). The five-year cumulative estimated realized savings are then compared to the five-year audit costs.

⁹ [Agenda Item History - 2019.EX2.5 \(toronto.ca\)](#), City Council decision #93

\$12.52 return on investment for every \$1 invested in our Office

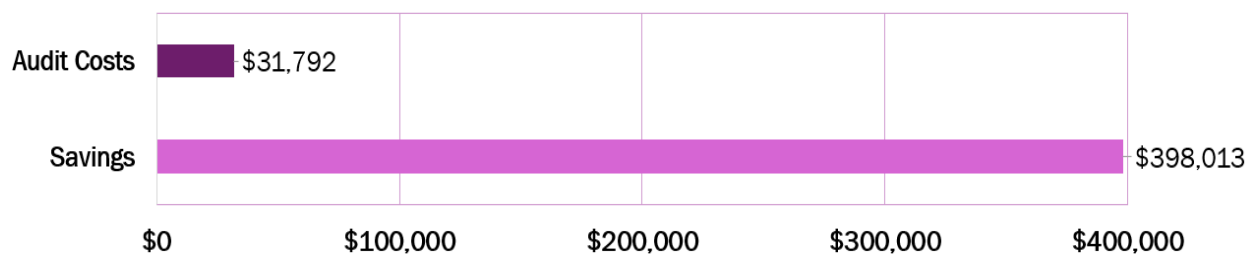
As illustrated in Table 1, the City has achieved one-time and projected five-year savings totaling approximately \$398 million (from 2018 to 2022). Our cumulative Office expenditures were \$31.8 million over the same five-year period. From 2018 to 2022, every \$1 invested in our Office provided a return of approximately \$12.52. 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) 2018 to 2022, Auditor General's Office

| ESTIMATED SAVINGS \$000s | | | | | | |
|--------------------------|-----------------------|------------|------------|------------|------------|-------------|
| Year of Savings | Year of Annual Report | | | | | |
| | 2018 \$ | 2019 \$ | 2020 \$ | 2021 \$ | 2022 \$ | Total \$ |
| 2018 | \$14,095 | | | | | \$14,095 |
| 2019 | \$21,689 | \$26,294 | | | | \$47,983 |
| 2020 | \$23,189 | \$2,596 | \$34,636 | | | \$60,421 |
| 2021 | \$24,689 | \$2,200 | \$11,046 | \$90,998 | | \$128,933 |
| 2022 | \$24,689 | \$516 | \$13,135 | \$9,882 | \$3,058 | \$51,280 |
| 2023 | \$24,689 | \$516 | \$13,511 | \$9,944 | \$2,922 | \$51,582 |
| 2024 | | \$516 | \$5,697 | \$9,432 | \$2,922 | \$18,567 |
| 2025 | | | \$5,697 | \$9,180 | \$2,379 | \$17,256 |
| 2026 | | | | \$4,563 | \$1,879 | \$6,442 |
| 2027 | | | | | \$1,454 | \$1,454 |
| Total | \$133,040 | \$32,638 | \$83,722 | \$133,999 | \$14,614 | \$398,013 |

Figure 4: Five-Year Audit Costs Compared to Estimated Realized Savings (\$000s) 2018 to 2022, Auditor General's Office



\$14.6M in one-time and 5-year projected savings in 2022

Prior reports with savings realized in 2022

Recommendations implemented from five audit reports issued before 2022 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 \$14.6 million. Table 2 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 \$000s) Realized in 2022, Auditor General's Office

| | | One-Time / Retro/ 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total | Annual Report Pg # | Budget Impact See Legend |
|---|--|---------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|--------------------------|-----------------------------------|
| Savings Realized from Prior Year Reports | | | | | | | | | | |
| 1 | Information Technology Infrastructure and Asset Management Review: Phase 2: Establishing Processes for Improved Due Diligence, Monitoring and Reporting for Effective IT Projects and Asset Management, 2018 | \$410 | \$188 | \$188 | \$188 | \$188 | - | \$1,162 | 33 | NP |
| 2 | Fleet Services' Operational Review Phase One and Phase Two, 2019 (3 reports) | \$1,914 | \$780 | \$780 | \$237 | \$237 | - | \$3,948 | 34 | AC |
| 3 | Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds, 2018 | - | \$1,400 | \$1,400 | \$1,400 | \$1,400 | \$1,400 | \$7,000 | 37 | 2023 (p.10 and 18) |
| 4 | Enhance Focus on Lease Administration of City-owned Properties, 2018 | \$697 | - | - | - | - | - | \$697 | 38 | IY |
| 5 | Review of Wheel-Trans Services: Sustaining Level and Quality of Service Requires Changes to the Program, 2012 | - | \$500 | \$500 | \$500 | - | - | \$1,500 | 39 | 2023 (Table 9 and p.36) |
| Investigations of Fraud Related Matters | | | | | | | | | | |
| | 2022 Cost Recovery and Loss Prevention | \$37 | \$54 | \$54 | \$54 | \$54 | \$54 | \$307 | | AC |
| Total One-time and Recurring Savings | | \$3,058 | \$2,922 | \$2,922 | \$2,379 | \$1,879 | \$1,454 | \$14,614 | | |

Legend:

- IY One-time savings were realized in-year in 2022 and therefore are not reflected in the 2023 Budget Notes.
- NP One-time and recurring savings were realized but are not reflected in the 2023 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 2023 Budget Notes because they do not represent a reduction to, or an enhancement of, a base budget requirement.

Information Technology Infrastructure and Asset Management Review: Phase 2: Establishing Processes for Improved Due Diligence, Monitoring and Reporting for Effective IT Projects and Asset Management, 2018



2018 audit of IT projects

This 2018 audit examined specific information technology projects, systems and acquisitions. Eight recommendations were made to enhance the monitoring and reporting on IT project implementation and software utilization.

Our audit found that the City was purchasing but not using software licenses for the implementation of the Employee Self-Service (ESS) application¹⁰.

Audit found only 28% of ESS licenses being used

In the audit, we noted that the City had a total of 18,924 licenses for the ESS application at the end of 2012. These licenses were deployed to users at a very slow pace and only 28 per cent (5,299) of the licenses were being used as of January 2018. We recommended the City increase the user enrollment rate of ESS and evaluate options to allow staff who do not have a work computer to access ESS. Doing so would transition the City from higher-cost paper-based processes to more economical electronic processes.

COVID-19 pandemic delayed the saving realization until 2022

Although our recommendation was largely implemented in 2020, management advised that the City continued mailing pay statements to all City staff in 2020 and 2021 to ensure that they receive their pay statements during the COVID-19 pandemic. This meant that City did not realize any savings until 2022.

¹⁰ ESS is a web-based portal that allows City staff to access their pay statements and time balances.

**Estimated savings of
\$1.16 million over 5 years**

During our 2022 recommendation follow-up process, we noted that approximately 13,500 additional employees have switched to ESS since the audit. Once an employee enrolls in ESS, paper pay statements are no longer issued. As a result, the City saves the cost of printing, mailing and distributing individual pay stubs to employees. In 2022, the City realized \$410,000 in savings and will further realize savings of approximately \$750,000 in total over the next four years.

**Potential further savings
in 2024**

Management also advised us of their plans to provide, by 2024, remote access to ESS for City employees without City-issued devices. This is expected to result in further savings to the City.

The audit report is available at:
<https://www.torontoauditor.ca/report/information-technology-infrastructure-and-asset-management-review-phase-2-establishing-processes-for-improved-due-diligence-monitoring-and-reporting-for-effective-it-projects-and-asset-management/>

Fleet Services Operational Review Phase One: Lengthy Downtime Requires Immediate Attention, 2019

Fleet Services Operational Review Phase One: Stronger Corporate Oversight Needed for Underutilized Vehicles, 2019

Fleet Services Operational Review Phase Two: Stronger Asset Management Needed, 2019



The Fleet Services Division (FSD) is responsible for the purchase, rental, maintenance, and disposal of the City's fleet. The City's fleet delivers various services to Torontonians, such as picking up garbage, repairing roads and infrastructure, and maintaining the City's parks and recreational facilities.

\$3.9 million over 5 years saved by implementing recommendations

In 2019, the Auditor General issued three audit reports on FSD's management of the City's fleet. During our recommendation follow-up process, we noted management has taken actions to address some of our recommendations relating to:

- Missed early payment discounts
- Warranty administration
- Costs due to operating without care

These improvements resulted in a total estimated saving of \$3.9 million over a five-year period.

Missed Early Payment Discounts

Saving from using early payment discounts

The Phase One audit noted FSD's capturing of available early payment discounts was among the lowest in City divisions. We recommended management expedite clearing FSD's backlog of outstanding invoice payments. Since the audit, management is able to better capture early payment discounts offered by vendors, resulting in a total estimated saving of about \$55,000 from August 2019 to 2021.

Warranty Administration

Saving of \$1.2 million over 5 years from improved warranty administration

The Phase Two audit identified opportunities to improve vehicle warranty administration. During our 2022 recommendation follow-up process, management advised that FSD has implemented improvements to warranty administration (e.g. automating claims tracking, providing guidance on when to pursue warranties, tracking reasons for denied claims).

These improvements have increased new vehicle warranty claims and as a result, the City has been able to avoid costs for vehicle maintenance that it otherwise would have incurred. The estimated saving is \$1.2 million over five years.

Costs Due to Operating Fleet Vehicles without Care

The audit also recommended that the City take steps to effectively identify, report, and deter damages caused from operating City fleet without care to avoid unnecessary costs to the City.

Division quantified the improvements in its report to committee

In March 2022, FSD reported to the General Government and Licensing Committee¹¹ that it:

“Expanded and improved cooperation with Fleet clients, improved driver training, and improved monitoring, collection and analysis of vehicle and driver performance data has resulted in measurable improvements:

- *Annual cost of damages caused by operator error was 24% lower in 2020 and 37% lower in 2021 compared to 2019;*
- *\$1.2 million in avoided cost of associated damages since 2019; and*
- *Improved vehicle and equipment availability”*

Projected \$2.7 million reduced costs caused by operator error

During our 2022 recommendation follow-up process, management provided us with the related costs incurred in the past few years. We noted a reduction in such costs when comparing the costs to those incurred in 2019. This amount is approximately \$2.7 million in cost avoidance over five years.

The audit reports are available at:

<https://www.torontoauditor.ca/report/fleet-services-phase-1-lengthy-downtime-requires-immediate-attention/>

<https://www.torontoauditor.ca/report/fleet-services-phase-1-stronger-corporate-oversight-needed-for-underutilized-vehicles/>

<https://www.torontoauditor.ca/report/fleet-services-operational-review-phase-2-stronger-asset-management-needed/>

¹¹ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.GL29.19>

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



2018 audit identified greater value from government funding

Our 2018 audit noted that the fees parents paid at City-run child care centres were among the most expensive in the City. The audit identified a number of opportunities to achieve greater value from government funding for the child care sector.

Past Annual Report recognized \$4.4 million reduction in budgets

The audit highlighted that there were significant long-term financial benefits in transferring some operations at City-run child care centres to the non-profit sector.

In the Auditor General's 2021 Annual Report, the Office reported that, since the audit, the Children's Services Division has taken action to implement our recommendation by transferring over 500 kindergarten and school-age child care spaces to the local school boards. As a result of these transfers, the Children's Services Division reduced its 2020 operating budget by \$3.3 million, and a further reduction of \$1.1 million in 2021 while maintaining the number of both subsidies provided for families and child care spaces across the sector.

Further budget reduction of \$1.4 million in 2023

In 2022, the Division completed the transfer of its remaining 194 kindergarten and school-age child care spaces in City-run child centres to the local school boards and continued to reduce their 2023 operating budget by \$1.4 million with no overall service level impacts. Over a five-year period, this translates into a benefit of approximately \$7 million in savings.

The audit report is available at:

<https://www.torontoauditor.ca/report/childrens-services-division-opportunities-to-achieve-greater-value-for-child-care-from-public-funds/>

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



2018 audit found the City did not always bill and collect all rents and operating costs

Our 2018 audit of lease administration of City-owned properties noted that the City did not always bill and collect all rents and operating costs in accordance with lease agreements. Our audit recommended a review of all active leases to ensure amounts owing for rents and operating costs be finalized, billed, and collected from tenants.

Past Annual Report reported \$1.1 million payments and revenues

Since our audit, the Corporate Real Estate Management Division performed a comprehensive review to finalize, bill, and collect rents and operating costs. In the Auditor General's 2020 Annual Report, we reported that the City billed and collected a total \$1.1 million¹² in one-time payments and annual recurring rent revenues over a five-year period.

City collected an additional \$697,000 in payments to recover rents and operating costs

We have since verified that a further \$697,000 in rents and operating costs over and above savings previously reported (for additional revenues realized on past-due rents and operating costs) were billed to and collected from tenants. The Division recognizes any recoveries of past-due rents and operating costs as revenue in the year they were billed and would not impact the Division's budget in subsequent years. To be conservative, the Auditor General's Office does not report these as realized savings until the amounts are actually collected.

¹² Amounts recovered from leases we identified during our audit where significant time had elapsed since the last billing.

There are still outstanding recommendations from our audit report where the City has the potential to recover more rents and operating costs. The Auditor General will review the impact of any additional recoveries in a future recommendation follow-up.

The audit report is available at:

<https://www.torontoauditor.ca/report/enhance-focus-on-lease-administration-of-city-owned-properties/>

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



2012 audit recommended improving call response capacity and customer service of Wheel-Trans

Wheel-Trans provides specialized accessible transit services within Toronto to persons who face barriers in using the conventional transit system. A 2012 audit assessed the effectiveness and efficiency of Wheel-Trans operations and services. Our audit recommended a number of changes to improve call centre operations, call response capacity, and customer service for Wheel-Trans services.

TTC's 2021 Operating Budget reduced by \$400,000 with a further reduction of \$1.7 million in 2022

In the Auditor General's 2021 Annual Report, the office reported that the TTC's Board, in September 2020, approved a five-year contract award (beginning in November 2020) to augment the Wheel-Trans Reservation Call Centre. This action was taken to increase call handling capacity, improve customer experience, and improve service levels by reducing average wait time from 15 minutes to two minutes. Subsequently, TTC reduced their 2021 operating budget by \$400,000¹³ and a further reduction of \$1.7 million in its operating budget in 2022¹⁴ as it shifted more capacity to contracted resources through staff attrition.

¹³ [2021 Toronto Transit Commission and Wheel-Trans Operating Budgets](#), p. 40

¹⁴ [2022 TTC Conventional and Wheel-Trans Operating Budgets \(azureedge.net\)](#), p. 46

**TTC's 2023 Operating
Budget reported
additional \$500,000 in
annual net savings**

In TTC's 2023 Operating Budget¹⁵, management reported additional staff attrition and reduction to the dollar rate per call over the remaining three years of the contract (i.e. 2023, 2024 and 2025). This is estimated to result in further annual net savings of \$500,000, for a total of \$1.5 million over the remaining three years in the contract.

The audit report is available at:
<https://www.torontoauditor.ca/report/review-of-wheel-trans-services-sustaining-level-and-quality-of-service-requires-changes-to-the-program/>

¹⁵ [2023 TTC Conventional and Wheel-Trans Operating Budgets](#), p. 36. TTC management advised that \$0.5 million of the \$0.6 million relates to efficiencies from the reservations call centre contract.

Potential savings from prior reports not included in our 2022 return on investment calculation

Potential savings not included in our 2022 return on investment calculation

In some cases, management has noted in the 2023 budget notes, savings from actions taken to implement our audit recommendations that we have not included in our realized savings above. For example,

- TTC included a \$5.7 million net increase in passenger revenue through a resumption of ticketing for fare evasion in its 2023 TTC Conventional and Wheel-Trans Operating Budgets¹⁶. This relates to our 2019 Review of Toronto Transit Commission's Revenue Operations: Phase One - Fare Evasion and Fare Inspection audit.
- Fleet Services Division reduced its 2023 operating expenditures by about \$0.5 million due to the removal of underutilized non-specialized light duty vehicles and a reduction in the use of external rental vehicles¹⁷. These actions relate to recommendations we made in our 2019 Fleet Services Operational Review - Phase One: Stronger Corporate Oversight Needed for Underutilized Vehicles audit.
- Social Development, Finance and Administration division reported a net reduction in operating expenditure of about \$0.3 million) for staffing efficiency through the Human Services Integration initiative¹⁸. Various past Auditor General's reports since 2012 have noted the need to expedite and expand Human Services Integration to improve service delivery of income-based benefits to eligible recipients.

Once we have verified management's actions taken to implement the related recommendations and the reported amount in future follow-up cycles, we will include these saving amounts in our future Annual Report.

¹⁶ [2023 TTC Conventional and Wheel-Trans Operating Budgets \(azureedge.net\)](#), p. 10 and 34.

¹⁷ [2023 Budget Notes, Fleet Services \(toronto.ca\)](#), p. 10 and 19.

¹⁸ [2023 Operating Budget Notes - Social Development, Finance and Administration \(toronto.ca\)](#), p. 14 and 19.

Leaders in our Profession

Sharing expertise and learning from mutual experiences

We pride ourselves on being leaders in 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.

Recognized for using videos to effectively communicate findings

The Office was recognized for its use of videos to effectively communicate audit results. In May 2022, we were invited by the Association of Local Government Auditors (ALGA) to present at their Annual Conference. The presentation titled, *“Audits in Motion: Using Videos to Tell Your Audit’s Story”*, showcased how our Office uses videos to communicate key audit findings and provided practical tips on how to make engaging videos.

Highest possible rating on the Office’s external quality assurance review

Audit organizations that perform audits in accordance with the standards are required to undergo an external quality assurance review every three years. The review provides independent assurance that the Office’s internal quality control system is operating effectively.

In 2022, an international peer review team from the Association of Local Government Auditors (ALGA) completed an external quality assurance review of our Office. Our Office received the highest possible rating, an unqualified “PASS” opinion – the sixth time the Office has received this rating. The peer review team found that the *“City of Toronto Auditor General’s control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards and applicable legal and regulatory requirements for audits during the period from January 1, 2018, through December 31, 2020”*. The results of the External Quality Assurance Review will be presented at the February 13, 2023 Audit Committee meeting.



The Association of Local Government Auditors

Awards this

Certificate of Compliance

to the

Toronto Auditor General's Office

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period January 1, 2018 through December 31, 2020.

Corrie Stokes

Corrie Stokes
ALGA Peer Review Committee Chair

Serving on industry committees and boards

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

- ALGA committees, including the Digital Strategy Committee, Advocacy Committee, and Peer Review Committee, 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 organizations and more than 200 auditors from municipalities, school boards and police services across Canada.

2023 and Beyond

Bringing value through our independent and objective lens

The Auditor General's Office has built a professional team that will continue to deliver audits in high priority areas while balancing new requests from City Council, as well as investigations into fraud, waste or wrongdoing allegations that, if not addressed, may present high risks to the City. The audit, investigation, cybersecurity and other reports we completed in 2022 are listed in Exhibit 2. The Auditor General will continue to bring value to City Council through examining City operations with our independent and objective lens, and by delivering projects that can result in impactful findings and recommendations to the City.

Extensive risk assessment to identify areas that warrant an audit or review

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 prioritizing audit projects, the Auditor General also considers emerging issues, trends in allegations made to the Fraud & Waste Hotline, as well as the views and experiences of City Councillors and City management.

Planned projects in the 2023 Work Plan and those on our horizon are listed below:

| Audit Work Plan (2023) | Audit Horizon (2024) |
|---|--|
| <u>Agencies and Corporations</u> <ul style="list-style-type: none">• TTC – Streetcars Operational Audit• TTC – Cybersecurity Assessment (Phase 2) Overall Network Security and Select Critical Systems• Toronto Hydro – Cybersecurity Review <u>City Divisions</u> <ul style="list-style-type: none">• Housing Secretariat – Modular Housing• Transportation Services – Winter Maintenance• Toronto Building – Inspection Function• Toronto Building – Investigation• Toronto Building (Phase 2) – Plan Review & Customer Service• 911 Emergency Response Service – Toronto Fire Services, Toronto Paramedic Services and Other Divisions• IT – Enterprise Work Management System | <u>Agencies and Corporations</u> <ul style="list-style-type: none">• TCHC – Contract Management• Toronto Police Service – Operational Audit• Toronto Public Library – Cybersecurity Assessment• TTC – Workforce Planning and Management <u>City Divisions</u> <ul style="list-style-type: none">• Housing Secretariat – Affordable Rental Housing• Parks, Forestry and Recreation – Parks Branch Operational Review• Street Construction and Utility Work• Toronto Water and Engineering & Construction Services – Basement Flooding Protection Program• Short Term Rentals and Municipal Accommodation Tax• IT – Major IT Projects• IT – Software Acquisition and Licence Utilization• Transportation Services – Utility Cuts• Toronto Fire Services – Mechanical (Fleet) Maintenance• Toronto Office of Partnerships – Unsolicited Proposals• Non-Competitive Contract – Category Management & Strategic Sourcing |

Conclusion

Positive return on investment of our office of \$12.52 for every \$1 invested

Our office continues to add value to the City. The estimated cumulative savings from implementing our audit recommendations for the last five years (2018-2022) is approximately \$398 million. The total expenditures of our Office for the same period is approximately \$31.8 million. This means that for every \$1 invested in our Office, the return on this investment was approximately \$12.52.

Looking forward

Looking forward, our Office aims to continue to add value (including significant savings) to the City, make a positive difference in the lives of Torontonians through improved outcomes from our report recommendations, while taking an approach that helps to build relationships with auditees and stakeholders in a respectful manner.

Thank You

As always, we express our gratitude to City staff and management for their cooperation, input, and willingness to take actions on the Auditor General's recommendations. We look forward to continuing to work together to help make a positive difference.

Exhibit 1: Mandated Responsibilities of the Auditor General

The Auditor General's legislated responsibilities, powers and duties are established in Section 178 of the *City of Toronto Act, 2006* (the Act). Under Section 178(1) of 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 achieving value for money in City operations."* The Auditor General conducts value for money audits and forensic examinations to fulfill this mandate.

Her provincially legislated 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 performance, cyber, financial (excluding attest), and compliance audits of City divisions, local boards, and City-controlled corporations. The Auditor General can also conduct audits, upon request by the Toronto Police Services Board, the Toronto Public Library Board, and the Toronto Board of Health
- Following up on recommendations from previous audit reports.

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 related 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.

The Auditor General also has an independent oversight role in the investigation of reported wrongdoing. This responsibility is part of her mandate under Section 178 of the *City of Toronto Act, 2006*, and her responsibilities for investigating complaints and alleged wrongdoing are set out in Chapter 192 of the Toronto Municipal Code. Her work includes:

- Operating the Fraud and Waste Hotline Program, including referring issues to divisional management
- Conducting investigations into allegations of fraud and other wrongdoing, as well as reprisals against employees under the City's disclosure of wrongdoing and reprisal protection rules

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

- Monitoring and coordinating with the external auditors performing financial statement audits of the City and the City's agencies and corporations.
- 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 2022

2022 Audit, Investigation, Cybersecurity and Other Reports:

- Toronto Police Service – Audit of **9-1-1 Public Safety** Answering Point Operations
- Review of **Toronto Police Service** – Opportunities to Support More Effective **Responses to Calls for Service**
- Part 1 of the Audit of **Emergency Shelters**: A Focus on **Case Management**
- Part 2 of the Audit of **Emergency Shelters**: Lessons Learned from **Hotel Operations**
- **Cybersecurity Review: Toronto Fire Services** Critical Systems Review Phase 2
- **Cybersecurity Review: Open-Source Internet Data Intelligence** Review
- **Toronto Transit Commission Cybersecurity** Audit Phase 1: Critical IT Assets and User Access Management
- Revisiting Legacy **Rental Replacement Policies** to Align them with the City's Affordable Rental Housing Expectations
- **Installation and Maintenance of Traffic Signs Contract** – Follow up on Complaints Received

Supplemental/Administrative Reports:

- Key Common Themes: Toronto Police Service – Audit of 911 Operations & Review of Opportunities to Support More Effective Responses to Calls for Service (Supplemental Report)
- Auditor General's 2021 Annual Report on the Fraud and Waste Hotline
- Auditor General's 2021 Annual Report - Demonstrating the Value of the Auditor General's Office

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 \$4.4 million in combined one-time and new annual rent revenue and operating cost recoveries. |
| | 2018 Court Services Review | This audit recommended using improved data analytics processes to match debtors with defaulted <i>Provincial Offences Act</i> fines to properties information. The City was able to add \$926,000 in fines to debtors' property tax rolls. Furthermore, by implementing our audit recommendations, the City also collected an additional \$1.98 million in increased annual revenues due to improvements in its collection methods. |
| | 2016 Water Supply Contract for the Region of York | This audit 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, in total, an additional estimated \$33 million over five years (2019 to 2023). We calculated these incremental revenues by applying the renegotiated higher water rate to historic water consumption. |
| Reduce operating costs | 2018 Children's Services | The audit highlighted that there were significant long-term financial benefits in transferring some operations at City child care centres to the non-profit sector. By 2022, the Children's Services Division had transferred the responsibility for almost 700 kindergarten and school-aged child care spaces in City-run child care centres to the local school boards. The Division quantified the annual savings and reduced their operating budgets in 2020, 2021 and 2023 by a total of \$5.8 million, with no overall service level impacts. |
| | 2018 Managing Telecommunication Contracts and Payments – Toronto Transit Commission | Our audit recommended improvements in the management of telecommunication contracts. By implementing our recommendation to re-negotiate cellular plans or use vendors offering lower prices and leverage inter-governmental contracts to achieve economies of scale, TTC saves about \$532,000 each year. In addition, savings of \$1.1 million over five years (2022 to 2026) will be achieved by implementing our recommendation to expedite the implementation of Voice Over Internet Protocol to reduce ongoing landline and teleconferencing costs. |

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| | 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. |
| | 2017 and 2016 Audit of Employee Health Benefits | When our audit findings about 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. The Toronto Police Service also participated in the City's procurement process and saved an annual average of \$1.6 million in health benefit costs. |
| | 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. |
| Avoid capital / operating costs | 2019 Fleet Services' Operational Review (3 audits) | The audits recommended improvements in the Division's vehicle warranty administration, and steps to avoid unnecessary costs due to damages caused by operating City fleet without care. The increase in new vehicle warranty claims that the City otherwise would have incurred, and the reduction in costs relating to operating without care, resulted in annual savings of approximately \$780,000 to the City. |
| | 2019 Social Housing Audit | In response to our audit recommendations, the City avoided an estimated \$10.5 million in shelter costs through its Rapid Re-housing initiative, where over 400 people living in the shelter system were transitioned into permanent subsidized housing unit (Rent-Geared-to-Income housing), along with the supports necessary to transition effectively to their new communities. |

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| | 2018 Children's 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 over five years (2021 to 2025) in leasing costs it would otherwise have incurred if space was rented from a third party. |
| | 2015 Continuous Controls Monitoring Program – Toronto Transit Commission, Employee Overtime and Absenteeism | Our report recommended that the TTC undertake a review of the reporting process and monitoring of its overtime and absenteeism costs at the departmental and organizational levels. This helped TTC staff to reduce overall overtime costs and absenteeism on a continuous basis. TTC estimated an annual net savings/ cost avoidance of \$5.1 million attributable to improved monitoring, management focus and proactive filling of vacancies, and included this amount in its 2022 Operating Budget. We recognized half of this savings amount in the calculation of our Office's return on investment in our 2021 Annual Report, because we took a more conservative approach when realizing savings attributable to continuous monitoring projects. |
| | 2015 and 2016 Management of Long-term disability benefits | The City has avoided long-term disability (LTD) costs of approximately \$82.2 million between 2017 and 2021. Since the audit, management took action to implement recommendations, including reducing the salary threshold on which LTD payments are calculated, more rigorous control requirements expected from the new administrator, and more robust oversight by City staff administering the LTD program. |

| 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. |

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| | 2014 TTC Bus Maintenance | By implementing the audit recommendation, management advised that they reduced the repair time for one of its common bus repairs (brake reline) from 12 hours to 10 hours. Management calculated that the reduced repair time resulted in \$1.7 million in efficiency savings between 2014 and 2020. In addition, management estimated savings of \$2.9 million (\$949,000 in 2021 and projected savings of \$1.97 million over the next five years) by outsourcing bus transmission parts. Efficiencies were gained by redistributing 50 staff positions from the internal rebuild function to other needed job functions. |
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**AUDITOR
GENERAL**

TORONTO