

Auditor General's June 2023 Status Report on Outstanding Recommendations

Date: June 26, 2023

To: Audit Committee

From: Auditor General

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachments to this report involve the security of property belonging to the City of Toronto.

SUMMARY

This report provides the results of our follow-up of selected recommendations for the first half of 2023, and a high-level summary of outstanding recommendations for all City divisions and its agencies and corporations. Since inception (January 1999) to May 31, 2023, the Auditor General has verified 83¹ per cent of recommendations as fully implemented or no longer applicable.

The Auditor General follows up on the status of outstanding recommendations from her audits, investigations, and other reports on an ongoing basis to ensure management has taken adequate action. Implementing the Auditor General's recommendations lead to various benefits, such as, improved controls and more effective and efficient delivery of programs and services for the City. The resulting financial and non-financial impacts are reported in the [Auditor General's Annual Report](#).

As of February 28, 2023, there were 694 outstanding recommendations² and management reported 356 of them as fully implemented. We selected 128

¹ The actual implementation rate at the date of this report may vary from this rate, when taking into account the recommendations reported by management as fully implemented that the Auditor General has not yet verified. In addition, reports published after the June 6, 2022 Audit Committee meeting to the current date are also not yet reflected in these statistics.

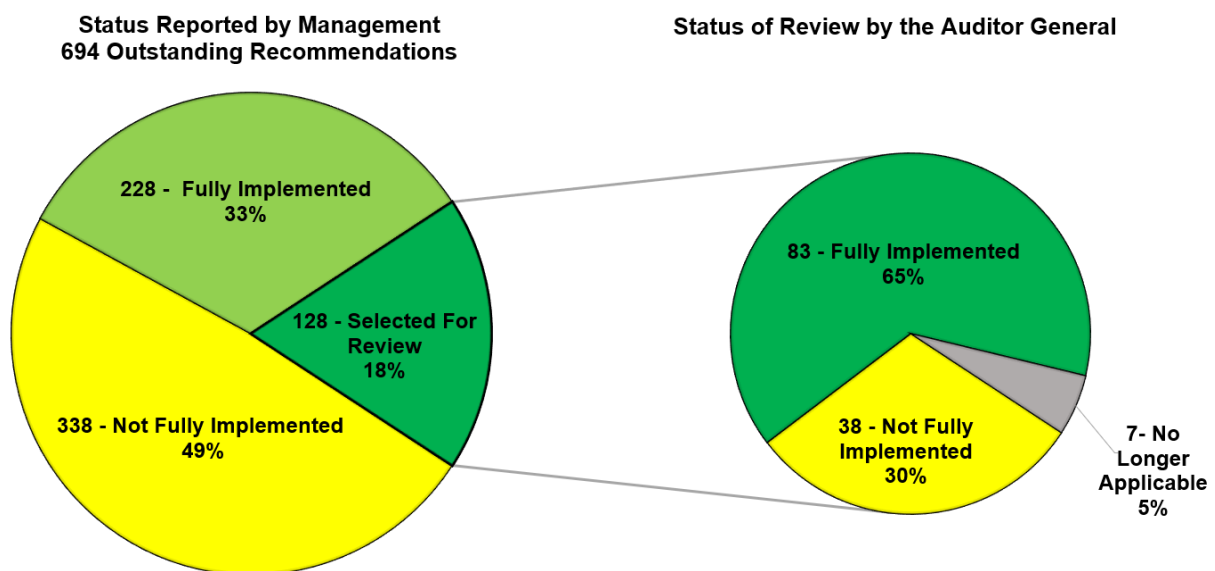
² Reports presented to the Audit Committee after the June 6, 2022 meeting are excluded from this statistic as we typically provide management an appropriate amount of time before commencing the follow-up.

recommendations management reported as fully implemented for review. Our follow-up focused on the following divisions that had a larger number of high priority recommendations:

- Shelter, Support and Housing Administration / Housing Secretariat
- Parks Forestry and Recreation
- Transportation Services
- Corporate Real Estate Management
- Toronto Fire Services

We concluded that of the 128 recommendations, 83 are fully implemented, 38 are not fully implemented, and 7 are no longer applicable (Figure 1). These recommendations are listed in Attachment 1.

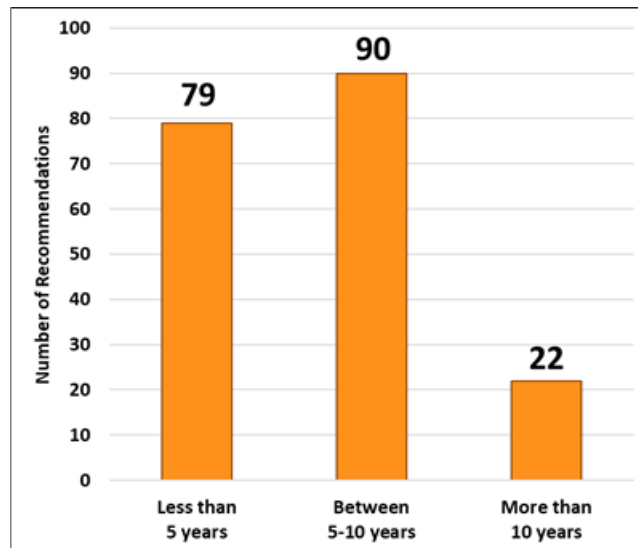
Figure 1: Status of Outstanding Auditor General Recommendations



Recommendations which management has reported as fully implemented but are not yet verified by the Auditor General are listed in Attachment 2 and Confidential Attachment 1. We will continue to review these recommendations in future follow-up cycles focusing mainly on high-priority recommendations in order to make the most efficient use of our resources.

Recommendations that have a significant potential for savings, mitigate health and safety risks, or have been outstanding for more than five years are classified as high priority. Delays in implementing these recommendations results in the City missing out on the intended improvements in controls and more effective and efficient delivery of programs and services at the City. A total of 191 high priority recommendations that are not fully implemented are listed in Attachment 3 and Confidential Attachment 2. Management needs to expedite their implementation as more than 100 high priority recommendations have been outstanding for over five years (Figure 2).

Figure 2: Aging of High Priority Not Fully Implemented Recommendations



Management actions to implement recommendations have resulted in various benefits to the City. These include service efficiencies, improving controls over contracted services, as well as preventing and correcting overpaid subsidy funds. In some areas we reviewed, further action is required to fully achieve the intended benefits of the recommendations. Noteworthy results from our follow-up are discussed in detail in the Comments section below.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council direct that the confidential information contained in Confidential Attachments 1 and 2 remain confidential in its entirety, as it involves the security of property belonging to the City or local boards.

FINANCIAL IMPACT

The recommendation contained in this report does not have any financial impact. However, management may require resources to implement the Auditor General's recommendations from audits, investigations, and other reports referred to in this report. In some cases, the cost of additional resources if required can be offset by savings from reduced or avoided operating or capital costs.

DECISION HISTORY

The follow-up of outstanding recommendations is required by Generally Accepted Government Auditing Standards. The process is important as it helps to ensure that

management has taken action to implement the recommendations from previous Auditor General reports. The ongoing follow-up of previous recommendations is included in the Auditor General's [2023 Audit Work Plan](#) adopted by City Council in March 2023.

The links to the last two follow-up reports considered by the Audit Committee are provided below:

- (i) [Auditor General's 2022 Status Report on Outstanding Recommendations](#), January 2023
- (ii) [Auditor General's 2021 Consolidated Status Report on Outstanding Recommendations](#), October 2021

COMMENTS

Benefits of Implementing the Auditor General's Recommendations

Management's actions to implement recommendations result in various benefits to the City, including strengthening internal controls to mitigate risks and improving how services are delivered. The Auditor General reports on the financial and non-financial benefits resulting from these actions through her Annual Report.

The Auditor General's 2022 Annual Report noted that management actions to implement recommendations have led to total five-year cumulative estimated savings of \$398 million (one-time and annually recurring amounts projected over a five-year period for each of our past five annual reports as shown in Table 1 on pg. 30 of our [2022 Annual Report](#)). These savings include cost reductions, new or increased revenue streams, or future cost avoidance. Additionally, non-quantifiable benefits 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 savings and other benefits are made possible by management's continued commitment to implementing recommendations from various audits, investigations, and other reports.

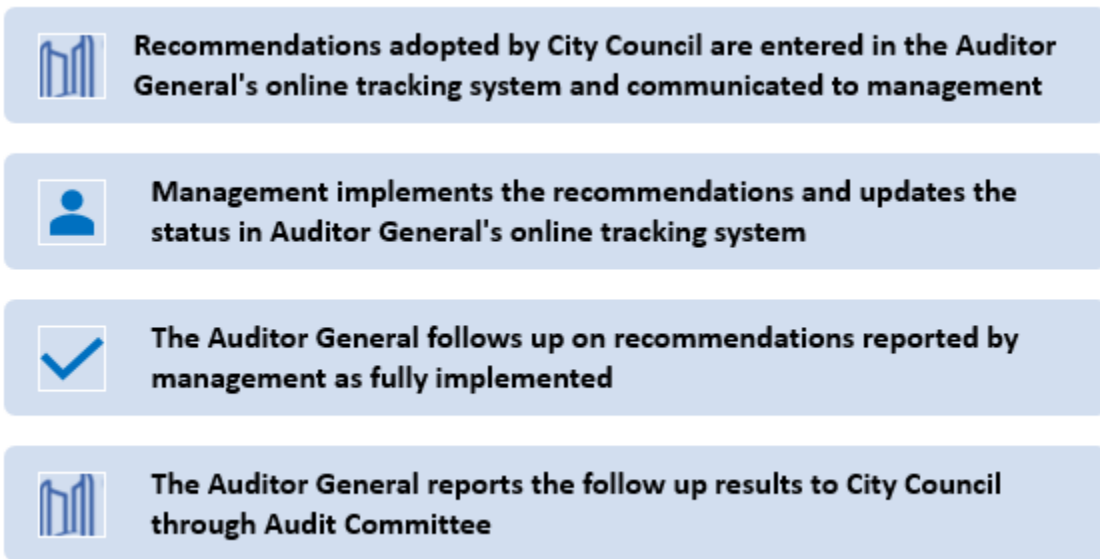
The Auditor General's follow-up process is integral to ensuring that the City takes appropriate actions to address risks and improve services as identified through her recommendations. Since inception (January 1999) to May 31, 2023, the Auditor General has verified 83³ per cent of the 3,483 recommendations as fully implemented or no longer applicable.

³ The actual implementation rate at the date of this report may vary from this rate, when taking into account the recommendations reported by management as fully implemented that the Auditor General has not yet verified. In addition, reports published after the June 6, 2022 Audit Committee meeting to the current date are also not yet reflected in these statistics.

Auditor General's Follow-up Process

Key steps in the Auditor General's Follow-up Process are summarized in Figure 3 below:

Figure 3: The Auditor General's Follow-up Process



For recommendations that management has reported as fully implemented or no longer applicable, management is required to provide an explanation as well as sufficient and appropriate supporting documentation. If we determine that management actions are not yet sufficient to meet the intent of the recommendation, then we conclude the recommendation as not fully implemented.

For recommendations still in progress, we typically do not perform any work as management is continuing to take actions to address them. However, if management has made significant progress and achieved savings as a result of that work, we would verify the work done to date to report out on savings realized in our Annual Report.

Occasionally, the Auditor General will issue a separate letter to management detailing less significant issues that came to our attention during an audit, investigation or other special project. Recommendations in these letters are included in our follow-up process. We conducted work on management letter recommendations for divisions included in this follow-up cycle that were reported by management as fully implemented. These results are communicated to management directly and not included in our reported statistics.

Recommendations that have a significant potential for savings, mitigate health and safety risks, or have been outstanding for more than five years, are classified as high priority. Management should expedite the implementation of these recommendations. Looking ahead, we will continue to focus our follow-up work on reports with high priority recommendations.

The Auditor General’s follow-up of outstanding recommendations does not constitute a performance audit conducted in accordance with Generally Accepted Government Auditing Standards. However, we perform sufficient work to validate management’s assertions that recommendations are either no longer applicable or fully implemented.

Results of this Follow-up Cycle

As of February 28, 2023, management reported 356 recommendations as fully implemented. We selected 128 for review from divisions with a larger number of high priority recommendations. The results of our review are summarized in Table 1 below:

Table 1: Follow-up results by Division

Division	Total Assessed*	Verified by Auditor General		
		Fully Implemented	Not Applicable	Not Fully Implemented
Housing Secretariat / Shelter, Support and Housing Administration ⁴	46	26	3	17
Parks, Forestry and Recreation	13	10	-	3
Transportation Services	20	11	1	8
Corporate Real Estate Management (Including two investigation reports)	45	32	3	10
Toronto Fire Services	4	4	-	-
Total Recommendations	128*	83	7	38

*Includes 62 high priority recommendations

Attachment 1 provides a list of recommendations management reported as fully implemented that were reviewed in this follow-up cycle and the results of our follow-up assessment. Recommendations reported by management as still in progress are not included in this attachment.

Attachment 2 and Confidential Attachment 1 lists recommendations reported by management as fully implemented that have not yet been reviewed and verified by the Auditor General. These recommendations will be reviewed in future follow-up cycles.

Expedited actions are needed to implement long outstanding recommendations

A list of high priority recommendations that have not yet been fully implemented is provided in Attachment 3 and Confidential Attachment 2.

Management should expedite the implementation of long outstanding high priority recommendations. A number of these have remained outstanding for an extended period of time, in some cases exceeding 10 years, as shown in Table 2. Intended

⁴ During the first quarter of 2022, responsibility for oversight and administration of RGI moved from the Shelter, Support and Housing Administration Division to the Housing Secretariat.

benefits of the recommendations are achieved to the full extent when actions are taken in a timely manner.

Table 2 summarizes high priority recommendations by their age. Attachment 4 summarizes the number and age of outstanding high priority recommendations that are not fully implemented for each City division, agency, and corporation.

Table 2: Age of High Priority Not Fully Implemented Recommendations

City Service Area	Less than 5 years	Between 5-10 years	More than 10 years	Total*
City Manager	1	1	-	2
Community and Social Services	27	3	1	31
Corporate Services	34	37	11	82
Finance and Treasury Services	5	26	6	37
Infrastructure and Development	2	16	4	22
Agencies and Corporations	10	7	-	17
Grand Total	79	90	22	191

*Status as of April 30, 2023. Management updated the status of 18 recommendations after this date to fully implemented. Management’s assertions will be verified in a subsequent follow-up.

Noteworthy June 2023 Follow-up Results

Management actions to implement recommendations verified in this follow-up cycle have resulted in various benefits to the City, for example, better service delivery to those needing housing assistance, improved controls over issuance of subsidy funds, stronger contract management practices, and improving life safety systems in City buildings. Some areas we reviewed require further action to fully achieve the intended benefits of the recommendations.

Noteworthy results, including financial and non-financial benefits identified during our follow-up, are highlighted below.

Housing Secretariat

In 2019, the Auditor General completed two audits of the rent-geared-to-income (RGI) program. This program makes housing more affordable and stable for lower income households by subsidizing rents in social housing units. For most households receiving RGI assistance, rent is set at 30 per cent of the household’s monthly income⁵.

1. The first audit report, *Opening Doors to Stable Housing*, focused on the City’s management of the centralized waiting list for RGI assistance.
2. The second audit report, *Safeguarding Rent-Geared-to-Income Assistance*, focused on the administration of RGI and the verification of each household’s ongoing eligibility for RGI assistance while living in social housing.

⁵ The Adjusted Family Net Income is determined annually using each household member’s Notice of Assessment (annual income tax return).

During the first quarter of 2022, responsibility for oversight and administration of RGI moved from the Shelter, Support and Housing Administration Division to the Housing Secretariat. The Housing Secretariat is now responsible for implementing the remaining recommendations.

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

This audit focused on the administration of the City's centralized waiting list for access to social housing and the initial review of an applicant's eligibility for RGI assistance. The report included 28 recommendations for the City, as the service manager, to more effectively and efficiently manage the waiting list, reduce social housing vacancies, and make better use of space in social housing buildings.

In a [staff report](#) to the Economic and Community Development Committee on May 30, 2022, management noted that they had made significant efforts to advance the recommendations and with the recent implementation of the Choice-based Housing Access System would be closing all 28 recommendations. During this follow-up cycle, we concluded that 20 of the 28 recommendations in the audit report have been fully implemented and three recommendations are no longer applicable. There are five recommendations where management continues to take action to fully address the intent of the audit recommendations.

The City launched the new MyAccesstoHousingTO system⁶ in 2021. This new system requires all applicants on the RGI waiting list to register for an online account so that they can keep their RGI application active by submitting or receiving information as required (including documents to show eligibility for RGI such as their annual Canada Revenue Agency Notice of Assessment). The City also implemented a new choice-based process to facilitate providing information to applicants about available RGI social housing units so that they may choose the ones that are of interest to them.

The new system and choice-based process has reduced the turnaround time for social housing providers to get tenants into vacant RGI social housing units and reduced overall vacancy rates. In 2019, we reported that, on average, housing providers made six offers to applicants waiting for RGI assistance before an offer was accepted. Management has advised that the introduction of the new system, along with changes to the *Housing Services Act*⁷, has decreased the average number of offers required to fill vacant RGI social housing units from 6 to around 2. In addition, using the online system to communicate with applicants will reduce future mailing costs. We estimate the City will achieve annual savings ranging from \$46,000 to \$77,000 by avoiding mailing costs.

While we recognize that the new choice-based system has improved communications with registered applicants along with access to information and efficiently supports housing providers to find occupants for vacant RGI units, we are mindful of the potential

⁶ MyAccesstoHousingTO is the City's new online system for households to apply and manage their application for access to RGI assistance in Toronto.

⁷ After the audit, the Province changed the legislation so that if a housing offer is refused the applicant will be removed from the waiting list. New local income and asset rules are also being introduced.

barrier it may pose for those who may be unable to engage in the new process for various reasons.

Currently, about 50,000 (60%) of the 84,000 households on the RGI waiting list have registered an online account in MyAccesstoHousingTO. Although two years have passed since the launch of the new system, there are still about 34,000 (40%) applicants⁸ on the RGI waiting list who do not have an online account in the new system, despite significant and ongoing efforts to contact these households.

Waiting list applicants who do not have an online account, cannot participate in the choice-based process to access and express interest in available vacant RGI units. Additionally, if they do not create an account, they will not be able to fulfil the annual requirements needed to maintain their eligibility on the RGI waitlist, and during the next annual review process their applications will be canceled. Management has advised that policies are currently being updated to ensure that applicants will have the opportunity to have their application reinstated on the waitlist if they are able to fulfill the annual eligibility requirements within 24 months of having their applications cancelled⁹.

Management advised that they have made a significant effort to reach the current pool of unregistered applicants and based on feedback from front counter services (including stakeholder agencies) they have provided the following supports:

- Targeted registration clinics and computer lab workshops at public libraries
- In-person assistance at the Application Support Centre or a community agency partner
- Emergency shelter clients receive support from shelter staff to register for an online account
- Increased investment in technology access and case management supports via Housing Hubs (help centres within communities)
- Two personal phone calls from Access to Housing staff to the hundred oldest applicants on the RGI waiting list
- Five attempts to reach applicants by mailing registration letters with translated information sheets in different languages. Each mail campaign received a high volume of returned mail due to address changes

Management advised that they have further plans for the upcoming months to reach the last pool of unregistered applicants with an effort to onboard them by October 2023, and this includes: 100 bus shelter ads; automated, multi-lingual outbound calling to remaining unregistered applicants and other contacts listed where applicable; community newspaper ads; social media campaigns; and on-site registration workshops and computer labs at Access to Housing. It is important to note that regardless of the system being used, up-to-date contact information is critical. This can be an ongoing challenge and management has made it a priority to reach this vulnerable population.

⁸ Includes 17,000 applicants with a waiting list date before December 31, 2015 and seniors who submitted an application before December 31, 2017.

⁹ Management advised that no application was cancelled off the waiting list due to no contact while the MyAccesstoHousingTO was being implemented.

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

This audit focused on the administration of RGI assistance and the verification of each household's ongoing eligibility. The report included 13 recommendations to improve internal controls around RGI which ensure that social housing funding is provided to eligible households.

In the current follow-up cycle, we verified that five recommendations have been fully implemented. There are eight remaining recommendations where management continues to take action to address the intent of the recommendations.

During the 2019 audit, we found a number of files with potential indicators of eligibility issues or other red flags. The indicators included potentially:

- Undisclosed property ownership
- Unreported sources of income or assets
- Unauthorized household members
- Residents occupying multiple RGI units

Over 6,500 files from the audit were referred to management for further review. Most of these cases (5,162 files) were related to discrepancies in information about income, family size or household composition, address and/or shelter allowance amounts for common clients in receipt of both Ontario Works and RGI assistance. The other 1,415 files related to other potential eligibility issues discussed in the audit report and noted above. The Auditor General's 2020 Annual Report noted that Toronto Employment and Social Services (TESS) identified over \$300,000 in Ontario Works assistance overpayments while investigating the files referred from the Auditor General. During the current follow-up, TESS advised that continued investigations of potential discrepancies have increased this amount to \$500,000 and seven of these cases were referred to law enforcement for further action.

At the time of this follow-up, the Housing Secretariat had not yet completed its examination of some of the files referred by the Auditor General. We recognize that investigations take significant time and resources. However, detecting and investigating potential indicators of eligibility issues is important to protect the use of public funds in meeting intended program objectives and to prevent or correct any misuse. More importantly, these actions by management maintain public confidence in the integrity of the program.

We also note that further action can be taken by management for the following recommendations.

Recommendation #6 required the City to designate Eligibility Review Officers (EROs) in order to effectively investigate eligibility concerns and suspected fraud. An ERO has powers under the legislation to obtain personal information for the purpose of investigating past or present eligibility of any household member receiving RGI assistance.

The 2019 audit report noted that “The City should consider whether it can leverage the experience of the TCHC Investigations Unit or whether their staff can be designated as EROs.” Management advised that they decided to keep the ERO position within the City and have designated one ERO.

Housing Secretariat has developed a referral process for housing providers to report eligibility and potential fraud concerns to the City if the housing provider needs support. Housing Secretariat staff review these files and determine whether the use of ERO powers is required. Management informed us that the City has not used any of the ERO powers to investigate ineligibility issues to date. Therefore, we are unable to determine whether the Housing Secretariat is effectively using the ERO position to investigate past or present eligibility of a household (or its members) to receive RGI assistance.

During this follow-up cycle, Toronto Community Housing Corporation (TCHC) expressed continued interest in the prospect that the City might elect to designate TCHC staff from its Investigations Unit as EROs, while recognizing that this decision is the City’s to make. The powers of the ERO could enable TCHC to more effectively investigate and address ineligibility and suspected fraud within TCHC and on behalf of the Toronto Seniors Housing Corporation.

Recommendation #9 required the City to develop adequate consent and disclosure forms that are understandable and allow for collecting and sharing information to verify eligibility for RGI assistance. Consent forms are important to enable housing providers to obtain information from third party sources (e.g., tax authorities, other subsidy programs) in order to confirm reported income and/or assets and assess RGI eligibility.

The 2019 audit highlighted that the consent forms being used were inadequate and contained vague wording. In this follow-up, we observed examples where housing provider requests to obtain information using the City’s existing consent form, were declined. The other party’s responses noted that they could not release the information based on the current consents provided. Further improvements are needed to the consent forms to enable the City and/or its housing providers to share and obtain information to verify eligibility.

Both of the 2019 audits highlighted opportunities where further integration of income-based services through the Human Services Integration strategy will create efficiencies across various income-based subsidy and financial assistance programs. Since 2014, the Auditor General has been recommending improved coordination of services across income-based assistance programs¹⁰. Under an integrated service delivery model, client documents would be centrally collected so that income eligibility for various support programs could be assessed in a coordinated manner. This simplifies the process because clients enter only ‘one door’ when applying for services, rather than having income documented and verified separately by each program. This enhances the service experience for clients and saves time and money.

¹⁰ The outstanding recommendations that relate to this initiative include recommendation numbers 26 and 28 from the [Opening Doors to Stable Housing](#) report and recommendation number 13 in the [Safeguarding Rent-Geared-to-Income Assistance](#) report.

The City has established a Human Services Integration business unit and is working toward implementing the necessary technology to achieve an integrated service delivery model. However, at the time of this follow-up, the Human Services Integration initiative has not addressed opportunities to centralize income verification to support ongoing eligibility assessments as well as recommendations for centralizing the detection and investigation of potential ineligibility issues around subsidy funding.

Parks, Forestry and Recreation - Urban Forestry Tree Maintenance Services

- [Review of Urban Forestry - Ensuring Value for Money for Tree Maintenance Services, 2019](#)
- [Getting to the Root of the Issues - A Follow-Up to the 2019 Tree Maintenance Services Audit, 2021](#)

Parks, Forestry and Recreation Division's Urban Forestry branch (PFR-UF) is responsible for protecting, maintaining, and enhancing the urban forest in the City. In 2019, the Auditor General performed an audit to assess PFR-UF's tree planting and maintenance services. In 2021, a limited-scope follow-up review was completed to assess PFR-UF's progress towards addressing issues and recommendations made in 2019. The two reports included a total of 27 recommendations to strengthen contract management and oversight mechanisms, improve operational efficiency of its tree maintenance services, and increase productivity to achieve value for money from tree maintenance services.

Since our reports were issued, PFR has strengthened contract requirements and enhanced processes and controls including gaining access to real-time GPS data, performing discreet physical observation of crews, increasing inspections and reviews of GPS data, and holding regular meetings with vendors to address performance issues. Additionally, the new arboricultural services contracts commencing on July 1, 2023 have further enhanced Service Level Agreements (SLA) that include implementation of fee adjustments to the vendor for not meeting specific performance requirements.

During our previous follow-up, we verified that two recommendations were fully implemented by management. In the current follow-up cycle, we verified that nine additional recommendations have been fully implemented. For the remaining 16 recommendations, PFR continues to make progress to strengthen its contract management and oversight including:

- Taking further action to reduce unproductive time associated with parked vehicles blocking access to trees
- Pre-booking hydro hold-offs where feasible
- Conducting more thorough review of the daily logs reported by crews

As a result of management actions and progress in implementing our recommendations, management has reported continued improvement in crew productivity (i.e., more time spent actively working on trees).

Productivity gains by addressing parked vehicles blocking access to trees

One notable area of improvement is related to lost productivity while waiting for parked vehicles to be removed. In 2021, we reported that during a two-month period, eight per cent of the total hours paid by the City for one specific yard was for unproductive time related to parked vehicles blocking access to trees. During this follow-up, using a sample of three weeks of daily logs for the same yard we looked at in our 2021 report, we found that the reported downtime waiting for parked vehicles to be removed was reduced to two per cent of total hours paid.

Based on this six percent improvement, we estimate that management's actions to proactively address parked vehicles blocking access to trees will result in about \$113,000 in productivity gains annually for this one yard alone.

As management continues to take action on recommendations and expands tracking of data across more operational areas (yards), we will assess whether there are further productivity gains and savings in future follow-up reviews.

Recovering unproductive time identified through enhanced monitoring

Since April 2021, PFR-UF has periodically conducted discreet physical observation of the tree maintenance vendors, increased the number of GPS reviews to identify discrepancies in daily logs, and enhanced its review of daily logs for inefficient use of time. Management regularly reviews the results with vendors and determines the corrective actions to be taken, including obtaining credits for unproductive time observed, as summarized in Table 3.

Table 3: Unproductive Time (hours) Recovered Through Vendor Credits

Method Used	Jan 1 - Nov 30, 2021 (hours)	Jan 1 - Dec 31, 2022 (hours)	Total (hours)
Physical observation	19.0 (Jul to Nov 2021)	38.3	57.3
GPS discrepancies	101.06	4.14	105.2
Review of daily logs	148.95	22.74	171.69
Total (hours)	269.01	65.18	334.19

Based on the 334.19 hours management advised that they recovered through credits and a blended hourly crew rate of \$145, we estimate the value of unproductive time recovered through vendor credits is approximately \$48,450.

It is important to note that the recoveries that PFR-UF obtained in Table 3 were a cumulative total of individual instances of contract non-compliance. For a variety of reasons, including the current sampling methodology of picking crews based on specific criteria (e.g., new crews, complaints) rather than picking a statistically representative sample of crews to identify the exceptions leading to the recoveries, there has been no

projection or extrapolation for non-compliance and recoveries for further potential unproductive time across the broader population of all hourly rate tree maintenance crew.

For example, during this follow-up, we noted that when the same crews were physically observed having unproductive time on multiple occasions across a period of time, indicating that productivity concerns could be a more regular occurrence rather than an isolated incident, given it was not a statistically representative sample, PFR did not make any projection of the potential amount of the time the crew was unproductive outside of what was specifically observed. Similarly, we noted that PFR also did not make projections of crews where unproductive time or inefficiency were identified multiple times through Forestry Performance Inspections.

In February 2022, the Audit Committee asked the City Solicitor and the Chief Procurement Officer to report on whether tree maintenance contract violations found through spot checks can be extrapolated to allow greater cost recovery¹¹. As requested by City Council, the Auditor General has reviewed the report (March 30, 2022) from the City Solicitor and the Chief Procurement Officer, Purchasing and Materials Management including the legal advice provided in Confidential Attachment 1 to the report (2022.AU11.8a) which is subject to solicitor-client privilege. The Auditor General has issued a letter to management recommending information be gathered through a pilot to assess the cost-benefit of adopting a more robust, valid and reliable sampling approach against the extent of potential recoveries that can result, in order to inform whether further action should be taken when procuring future contracts.

City Council direction to cease paying for breaks

During this follow-up, we observed progress in implementing Recommendation #9 of the 2021 report, which required management to ensure that payment for services is consistent with the express terms of the contract. For example, the current 2021-2023 contract states that “*the City will be billed for actual productive hours*”. During this follow-up, we observed that, in general, the crews of two vendors properly reported the 30-minute lunch and two 15-minute breaks and that those breaks were unpaid, which is consistent with Council’s direction¹² that the City was not to pay vendors for breaks taken by contracted crews. We estimate that the City realized an annual cost avoidance of \$385,000 for these two vendors. The City should be able to realize additional cost avoidance when PFR staff ensure that, in accordance with Council’s direction, all crews

¹¹ At its meeting on February 18, 2022, the Audit Committee requested the City Solicitor and the Chief Procurement Officer to report directly to City Council on whether tree maintenance contract violations found through spot checks can be extrapolated to allow greater cost recovery. On April 6, 2022, City Council considered the (March 30, 2022) supplementary report, including the Confidential Attachment 1 to the report that provided legal advice and is subject to solicitor-client privilege and adopted the motion that ["City Council forward the supplementary report \(March 30, 2022\) from the City Solicitor and the Chief Procurement Officer, Purchasing and Materials Management to the Auditor General to review and to report back to the Audit Committee."](#)

¹² [City Council Decision on April 7 and 8, 2021](#), “*City Council direct that future contracts for forestry services not include payment for breaks or for the duplication of tree inspections and that an evaluation of past performance by contractors on City contracts be built into the process for the award of contracts*”

accurately report any breaks taken on their daily logs and ensure such breaks are not paid.

However, there is still room for continued improvement. For example, we observed:

- Occurrences (that may be indicative of a trend) of crews from one vendor that reported and were paid a full day (8 hours) of productive time and did not record any breaks or lunch on their daily logs. However, when crews of this vendor were selected for PFR-UF's discreet physical observation, the observers identified non-productive time not reported on the daily log. PFR's financial services unit, responsible for independently reviewing the observation results also flagged this concern. While unproductive time was recovered when crews were selected for physical observation, across the population, PFR staff continued to approve daily logs even though this vendor's crews did not record any breaks.
- Occurrences of discretionary breaks (e.g., washroom breaks) recorded on the daily logs being paid, contrary to the express terms of the contract. We observed that many of these discretionary breaks occur at the beginning or end of the day shortly after leaving the yard or shortly before returning back to the yard. Sometimes these discretionary breaks were in addition to the 30-minute lunch and two 15-minute breaks which are unpaid.

Going forward, for the new contract term (July 1, 2023 to December 31, 2025), PFR has introduced new terms which mandate that crews take a 30-minute unpaid lunch and two 15-minute unpaid breaks. The new contracts also limit yard time at the beginning and end of shift to 15 minutes. These new clauses can potentially address the issues noted above and lead to more productive time on trees, and greater operational efficiencies. The Auditor General will work with management in future follow-up reviews to evaluate how well these new contract terms are enforced and measure any increased productivity and efficiencies created.

City-wide Approach using Telematics Technology (GPS)

The Auditor General's 2021 reports on the follow-up of the 2019 tree maintenance service audit¹³ and the 2020 audit on the City's winter road maintenance program¹⁴ included recommendations for the City to explore a City-wide approach to modernizing processes and integrating technology solutions with the City's GPS technology. More specifically, three recommendations (one in the tree maintenance report and two in the winter road maintenance report) aimed at ensuring that the City's telematics solution could meet the diverse needs of various divisions by integrating GPS technology and data to support more effective and efficient contract management and monitoring.

Since then, the Fleet Services Division has worked with various City divisions and agencies to understand their individual business requirements and use of GPS

¹³ [Getting to the Root of the Issues – A Follow-Up to the 2019 Tree Maintenance Services Audit, February 2021.](#)

¹⁴ [Audit of Winter Road Maintenance Program – Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes.](#)

technology and data. Fleet Services has also put together a high-level telematics plan with deliverables and milestone timelines to work with specific divisions to integrate GPS technology / data to modernize contract management and monitoring processes. Fleet Services management has advised us that several pilot programs are currently in the planning phase to encourage wider utilization of telematics data within the divisions' operations and that Fleet Services has been proactive in addressing telematics inquiries from different divisions and offering support including facilitating meetings with the vendor to address any raised issues or concerns.

Fleet Services has also developed a general telematics guideline for City staff that outlines standard reports they can generate to support managing and measuring contractor performance and accountability. We noted that the current guidelines for staff could be further enhanced by incorporating directions related to route completion, geofencing, as well as instructions on obtaining sensor related data. These features were identified by divisions as being needed to effectively perform their contract management and monitoring activities. Fleet Services management has advised us of their commitment to continuously improve the guidelines and will be including these additional features in a future update of the guidelines.

Based on these actions, in the current follow-up cycle, we have concluded that management has taken steps to address the one recommendation from the Auditor General's 2021 report on tree maintenance service, and one of the two recommendations from the 2020 report on winter road maintenance program by:

- Establishing basic guidelines for how to leverage or integrate GPS data to support contract management and monitoring, including data analytics
- Ensuring the City-wide contract with the third-party GPS vendor can be leveraged into vehicles of outsourced service providers and meets the basic telematics needs of the divisions and City
- Providing support for divisions to prepare plans to integrate the use of GPS into their business monitoring processes.

For the remaining GPS-related recommendation from the 2020 report on winter road maintenance program for the City Manager to centrally oversee that the City's divisions are fully utilizing GPS technology and letting go of inefficient manual processes, we believe there is still room for continuous improvement.

We recognize it is the responsibility of the divisions to determine how to fully utilize GPS technology and let go of inefficient manual processes. However, we believe there is a leadership role that Fleet Services Division can take, in coordination with the City Manager's office, in continuing to work with divisions to guide and enable them to better integrate and leverage GPS technology and data in their work to modernize contract management and monitoring processes. For example, during our follow-up review of winter maintenance services, we noted that while Transportation Services has access to GPS data, current processes to use the GPS data are highly manual and labour intensive, and further work is needed to modernize processes and integrate technology solutions with the GPS system to effectively monitor contractor performance in a timely and efficient manner.

Fleet Services management has advised us of their commitment to support the City Manager and other divisions in implementing this remaining recommendation by working with divisions to identify opportunities and to develop action plans for divisions to let go of manual processes and fully utilize GPS technology, data, and features, to make their contract management and monitoring process more efficient and effective.

Transportation Services

In 2020 and 2021, the Auditor General conducted a review of winter maintenance services and issued the following two reports containing 26 recommendations:

1. [**Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes, 2020**](#)
2. [**Winter Road Maintenance Program - Phase 2 Analysis: Deploying Resources, 2021**](#)

Since that time, the winter maintenance contracts (2015-2022) reviewed by the Auditor General have expired and new contracts (2022-2032) have been awarded.

Our follow-up work assessed whether management's actions, in the context of the new contracts, addressed the intent of the Auditor General's previous recommendations. The follow-up also addressed City Council's requests for a review of the terms of the winter snow maintenance contracts against previous Auditor General recommendations; and a review of Transportation Services' contract management process, to ensure internal processes are sufficient to hold winter maintenance contractors accountable to the contract terms.

The results of the above noted follow-up work is reported separately in a report titled "Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations & Processes to Hold Contractors Accountable to New Contract Terms". This report will be considered by Audit Committee on July 7, 2023.

Commentary on Fleet Services' actions to support a City-wide approach using telematics technology (GPS) and address certain recommendations included in the Auditor General's 2020 winter maintenance report is included in the section "City-wide Approach using Telematics Technology" above.

Corporate Real Estate Management

The Corporate Real Estate Management (CREM) division is responsible for the operational day-to-day stewardship and planning of the City's real estate assets and provides the following internal corporate services:

- Asset Management and Building Performance
- Corporate Security
- Safety & Compliance
- Facilities Management

- Property Management & Lease Administration
- Real Estate Transaction Services
- Capital Project Management
- Workplace Modernization
- Business Management

CREM is responsible for implementing audit recommendations related to these service lines.

While CREM does not have direct oversight and accountability for maintenance and facilities services across all City facilities at the moment, City Council has mandated through the City-wide Real Estate¹⁵ initiative that stewardship and planning of the City's real estate assets be centralized under CREM's management. CREM continues to work with City Divisions to implement this mandate.

CREM's Governance Role of City Buildings, Facilities, and other Real Estate Assets

As noted below and in prior Auditor General's reports, historically, no City division has been tasked with the responsibility of an overall governance role to ensure policies and procedures are followed consistently for all City buildings, facilities, and other real estate assets.

While CREM has taken action to address the recommendations for buildings, facilities, and other real estate assets under its direct control (e.g., corporate buildings), actions have not always been consistently adopted or addressed for other City buildings and facilities that are under the authority of other divisions, agencies, or corporations.

For example, the following audit reports issued more than five years ago, still have open recommendations that are considered not fully implemented because sufficient action has not been taken for buildings and facilities outside of CREM's direct control and authority:

- [Maintenance and Administrative Controls Review – Facilities and Real Estate](#), 2005, recommendation #4 was for the City to “give priority to the completion of an implementation plan for facilities maintenance standards including: (a) a process to monitor compliance with legislative requirements; (b) funding, staffing and operational requirements of the Facilities and Real Estate Division and all other City divisions; (c) the development of specific facilities maintenance standards, if necessary, for speciality facilities such as water treatment plants and arenas; and (d) timelines for implementation.”¹⁶

¹⁵Council Mandate: <https://secure.toronto.ca/council/agenda-item.do?item=2017.EX25.9>

¹⁶ The Auditor General's 2018 report titled “Raising the Alarm Fraud Investigation of a Vendor Providing Life Safety Inspection Services to the City of Toronto”, which identified systemic issues in how the City of Toronto conducts life safety inspections in its buildings, noted that some issues observed have also existed in the 2005 report. The report can be found at: <https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-118387.pdf>

Management's action plan indicates ongoing development to determine the appropriate staffing and funding levels to implement the proper industry best practice preventative maintenance program across the City.

- [Facilities Management – Security and Safety Improvements Required](#), 2015, recommendation #1 was for the City to “develop a plan to complete a review of physical security at all City facilities using a risk based approach and to address any deficiencies found during the review.”

Management's action plan indicates that this plan will be addressed in stages after the implementation of City-Wide Real Estate Transformation¹⁷.

- [Enhance Focus on Lease Administration of City-owned Properties](#), 2018, Recommendation #5 was for the City to “establish criteria for determining when a month-to-month overhaul rate should be included in new, extended, or amended lease agreements.” Recommendation #8 was for the City to “(a) ensure pending percentage rent reviews are efficiently and effectively identified and actioned, leveraging where possible available functionality in the City's financial system”, and “(b) ensure percentage rents are calculated based on verifiable financial information and are billed and collected on a timely basis.”

Management's action plan indicates that work is still required to extend these practices to the lease agreements operating under the management of other City Divisions and Agencies.

Audit of City Cleaning Services, 2016

- [Part 1: Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services](#)
- [Part 2: Maximizing Value from Cleaning Contracts](#)

The Auditor General's 2016 audit of City cleaning services resulted in 30 recommendations made through two reports. These recommendations aimed at standardizing corporate cleaning services across all City facilities (including agencies and corporations) as well as improving the procurement and administration of cleaning contracts.

During this follow-up, we verified that three recommendations were fully implemented bringing the total number of fully implemented recommendations to 16 as of May 31, 2023.

Key actions CREM has taken in response to our audit recommendations include applying industry standards to cleaning services, standardizing cleaning services for all facilities, and monitoring performance to control costs. For example, CREM has established consistent baseline cleaning routines or tasks for different spaces depending on the use (e.g., office space, program space, etc.). Industry standards are

¹⁷Council Mandate: <https://secure.toronto.ca/council/agenda-item.do?item=2017.EX25.9>

being applied to determine the time and staff needed to clean a facility (given a set cleaning routine) and to monitor performance.

These actions are expected to result in more effective and efficient cleaning services. We will review the financial benefits, once the standards have been fully implemented across all City facilities. Management estimates the City may achieve annual cost savings or operational efficiencies in the range of \$1-3 million in the 10 facilities where standard cleaning routines and industry cleaning times are currently being implemented.

Much of the progress made to date is with the facilities that are managed directly by CREM. As noted previously, there are other City divisions, agencies, and corporations that manage their own facilities. Effectively rolling out the corporate cleaning standards across the City is contingent on the City-Wide Real Estate Transformation project being completed, so that CREM has complete oversight of all City facilities.

There are 14 recommendations from the two audits that remain outstanding. The Division continues to make progress in standardizing cleaning services by applying industry standards, and gathering the necessary data to drive operating decisions. The onset of the pandemic impacted the need for cleaning services and also changed building occupancy levels. These impacts have limited the Division's ability to fully implement improvements and assess the cost effectiveness of the improvements that have been made. Management has acknowledged that as they transition out of the pandemic, and improve standards and services, a more fulsome analysis of the cost effectiveness of cleaning will be completed and reported to the General Government Committee.

[Review of the Energy Retrofit Program at Community Centres and Arenas, 2012](#)

The Auditor General's 2012 report noted that a \$36 million capital budget was used to finance an Energy Retrofit Program. At the time, it was anticipated that the funds would be recovered from realized energy savings. Of the six recommendations from this audit, three recommendations were implemented in prior years. The three remaining recommendations have not been addressed in the 10 years since the report was issued. These recommendations included centralizing monitoring of building automation systems, tracking the cost and net benefits of these systems, and reporting on energy savings achieved by the retrofitted facility.

Management advised energy savings could not be tracked due to the large number of locations, the lack of standard specifications for building automation systems at the time of audit, and difficulty in following up on properties outside of CREM's control. Where management has not tracked energy savings or retained records to monitor the effectiveness and efficiency of retrofits implemented through the Energy Retrofit Program, the Auditor General cannot provide any assurance that the expected benefits of the program were realized (including recovery from energy savings).

These recommendations are being deemed no longer applicable because the program has ended. Management's delay in addressing the recommendations means the window for effective action related to the Energy Retrofit Program has passed.

The City is expected to continue to use building automation systems and other energy efficiency measures as part of its long-term strategy, such as through the 2019-2024 Energy Conservation and Demand Management Plan. The City should ensure that it tracks relevant data to support effective monitoring of key performance metrics to evaluate whether expected outcomes are achieved. Attachment 3 to the Auditor General's 2023 Work Plan¹⁸ includes a list of audit projects that the Office would like to complete in the future. This backlog list of audit projects includes a review of City-owned buildings being managed with due regard to the effects on the environment.

Investigation Reports

[Raising the Alarm: Fraud Investigation of a Vendor Providing Life Safety Inspection Services to the City of Toronto, 2018](#)

In 2018, the Auditor General conducted an investigation of a Fraud and Waste Hotline complaint involving a vendor hired to inspect life safety systems such as emergency lighting, fire alarms, and sprinkler systems. The complainant alleged that the vendor routinely submitted inspection reports and invoices for work that was not done, forged signatures of their own staff, operated as multiple companies, and used false identities as signatories to contracts.

This report highlighted the risks of not conducting proper due diligence when hiring life safety inspection vendors and reminded building owners of their responsibility to carry out inspections and retain documents consistent with the Ontario Fire Code.

Seventeen recommendations were made to address the risks identified in this report, with a focus on improving the documentation and audit trail of life safety inspections, and ensuring sufficient due diligence on vendors is conducted before awarding life safety contracts. We verified that management has implemented 15 of these recommendations.

By implementing 15 of the 17 recommendations, we note that both Corporate Real Estate Management (CREM) Division and Toronto Fire Services (TFS) Division have made significant progress in addressing the risks raised in the report.

For example, CREM established a Fire and Life Safety Program Office (FLSPO) whose main responsibilities are to manage and administer the inspection, testing and maintenance of fire protection systems for all properties owned, operated and occupied by the City of Toronto and to ensure that the fire and life safety inspections are done in accordance with the Ontario Fire Code.

As a result of the work of the FLSPO and our report, a total of four life safety vendors have since been temporarily suspended from bidding on contracts with the City¹⁹, including the vendor that was the subject of the *Raising the Alarm* report and one additional vendor that was identified on page 86 of the investigation report.

¹⁸ Auditor General's 2023 Work Plan [Agenda Item History - 2023.AU1.2 \(toronto.ca\)](#)

¹⁹ <https://www.toronto.ca/business-economy/doing-business-with-the-city/searching-bidding-on-city-contracts/suspended-disqualified-firms/>

Recommendation #8 required the Toronto Fire Chief to make recommendations to the Minister of Community Safety and Correctional Services to amend the Fire Protection and Prevention Act limitation period and discoverability language to lengthen the time to conduct complex investigations in support of fire safety. TFS worked with the Office of the Fire Marshal on this recommendation and the Fire Protection and Prevention Act was amended in 2019 to add a limitation period for the prosecution of offences and it also expanded the power of the Fire Marshal, Fire Chief or an assistant to the Fire Marshal to issue an order under section 35 of the Act for the payment of costs. It also changed the amounts of fines as penalties for certain offences and to create penalties for subsequent offences. This amendment is expected to improve fire safety across the industry and province.

Management continues to take action to address the two remaining recommendations and our office will report on this in a future follow-up cycle once implemented.

Challenges in Contract Management: Auditor General's Review of the Corporate Real Estate Management Division, 2021

In 2019, our office received an allegation that the CREM Division was paying inaccurate or inflated invoices related to contracted facilities management services. Our investigative review did not observe intentional overbilling but did identify some errors and areas for improvement in CREM's procurement and contract management processes, resulting in 19 recommendations to address the related risks. At the time of review, we noted that CREM had begun transforming its contract management and invoice payment practices.

Subsequent to the report, we observed that the division has continued to make progress, including increased guidance to staff, implementing a centralized inventory of equipment, and managing its work orders through the use of a centralized database and dashboard.

As a result of actions taken, CREM has further strengthened its contract management practices and can leverage data to better inform its processes and potential areas of risk. We verified that nine out of the 12 recommendations reported by management have been implemented in this follow-up cycle. Management will continue to take action to address other areas of risk identified in the remaining recommendations.

Conclusion

Management's actions to implement Auditor General recommendations have contributed to improved internal controls, more effective and efficient operations, and resulted in savings for the City. For example, better service delivery to those needing housing assistance, improved controls over issuance of subsidy funds, stronger contract management practices, and protecting community health and safety. While significant progress has been made, further work is needed in some areas and in particular where the recommendations continue to remain outstanding for an extended number of years.

The Auditor General will, through her follow-up process, continue to review actions taken by the City to implement her audit, investigation, and other report recommendations, particularly those that are considered high priority.

We would like to express our appreciation for the ongoing co-operation and assistance we received from management and staff at the Housing Secretariat, Shelter, Support and Housing Administration, Parks, Forestry and Recreation, Corporate Real Estate Management, Transportation Services, Toronto Fire Services, and Toronto Employment and Social Services divisions on the Auditor General's follow-up process.

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1: Recommendations Reported as Fully Implemented by Management and Not Verified by the Auditor General

Confidential Attachment 2: Management Action Plans for High Priority Auditor General's Recommendations Reported as Not Fully Implemented

Attachment 1: Fully Implemented, No Longer Applicable, and Not Fully Implemented Recommendations Verified by the Auditor General

Attachment 2: Public Recommendations Reported as Fully Implemented by Management and Not Verified by Auditor General

Attachment 3: Management Action Plans for High Priority Auditor General's Recommendations Reported as Not Fully Implemented

Attachment 4: Aging of High Priority Auditor General's Recommendations Reported by Management as Not Fully Implemented