



Auditor General's 2023 Annual Report

Demonstrating the Value of the Auditor General's Office

February 8, 2024

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

**AUDITOR
GENERAL**

TORONTO





Auditor General's Message

2023 was my first full year as Auditor General for the City of Toronto, and I'm pleased to report on how our Office has continued to provide value to the City, both in terms of financial and non-financial benefits.

Every year, we demonstrate the value our Office brings with a quantified return on investment. The City has achieved cumulative one-time and annually recurring savings projected over a five-year period totaling \$387 million (as reported in our 2019 to 2023 Annual Reports) by implementing our recommendations. For every dollar invested in the Auditor General's Office, there was a return of about \$12.

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 2023, 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 (TTC)
- improving how the City procures and manages its Winter Maintenance contracts and holds contractors accountable to the contract terms
- improving the management of contracts and costs of modular housing built to address the housing needs of residents
- strengthening Toronto Building's inspection function which contributes to safe buildings
- minimizing asset failures and delays of TTC Streetcars through improving the TTC's Overhead Asset maintenance and repair program
- providing lessons learned for large Information Technology projects of the City, including the Enterprise Work Management Solution (EWMS).

Additionally, our Forensic Unit managed 1,054 complaints this year through our Fraud and Waste Hotline and conducted some complex investigations, including an investigation into allegations of wrongdoing regarding the building inspections of two houses.

Here are just a few of management's acknowledgements of the impact of the work we completed in 2023:

*"[The modular housing audit recommendations] will **significantly strengthen the delivery of our program** which is so important considering how much more work we have to do to deliver supportive housing for people experiencing homelessness in our city...this report and these recommendations are **incredibly timely** for us and will really **set us up for success.**"*

Abigail Bond, Executive Director, Housing Secretariat

*"I want to thank the Auditor General and her team for their ongoing involvement in helping us to guide **continuous improvement** in what is an incredibly complicated and very large-scale winter services program."*

Barbara Gray, General Manager, Transportation Services Division

*"I would like to start by expressing my gratitude to the Auditor General's team for their hard work and dedication to the streetcar overhead operations and what I believe was a very **comprehensive audit of our operations**...[The TTC] will act on their recommendations...We're committed to continuing to invest in key technologies to **develop that proactive rather than a reactive mindset to asset management**..and basically allow the technology to drive our business processes."."*

Fortunato Monaco, Chief of Operations & Infrastructure, Toronto Transit Commission

Our recommendations can only add value and save costs or increase revenues for the City if they are implemented by City staff. Management has been very supportive of our work, and I would like to express my sincere gratitude to 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. 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 continuing to go above and beyond in their dedication and hard work, and for helping to create a work environment where staff grow and thrive.

As Auditor General, you have my commitment that I will continue the Office's important role, through our independent and objective audits, investigations, and other work, to assist City Council in holding itself and management accountable for the quality of stewardship over public funds and for the achievement of value for money in City operations.

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 and 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.

2023 Highlights



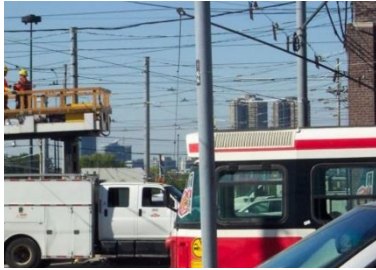
The Toronto Municipal Code requires that the Auditor General report annually to City Council on the activities of our Office, including the savings achieved.

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 annually recurring savings projected over a five-year period realized in 2023 was over \$122 million; with a total cumulative estimated savings in our five most recent reports (from 2019 to 2023) totaling of over \$387 million. For every dollar invested in our Office, there was a return of approximately \$12. This is discussed in more detail in the **Impact of Auditor General's 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 2023 and in **Exhibit 3** in this report.

In 2023, the Auditor General presented eight audit, investigation, cybersecurity and other reports as well as three reports on the status of previous Auditor General recommendations. These are listed in **Exhibit 2** in this report.

The reports issued by the Auditor General in 2023 focused on the following City program areas and services:



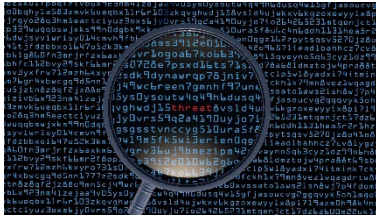
1. Transit and Transportation - *supporting ongoing reliability of the public transit system and strengthening procurement and contract management of Winter Maintenance*

- The Audit of the **TTC Streetcar Overhead Assets: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays** included recommendations to help to reduce the risk of asset failures and related TTC streetcar service delays and disruptions
- The Auditor General issued two reports: A Review of the Procurement and Award of the **Winter Maintenance Performance-Based Contracts** and **Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations and Processes to Hold Contractors Accountable to New Contract Terms**, aimed at improving procurement and contract management practices to support the City's ability to achieving the best possible outcomes and value for money for winter maintenance services

2. Building Construction and Housing - *improving building inspection policies, processes, and enforcement of compliance that helps protect the safety of buildings and strengthening project and contract management of modular housing being built for people experiencing homelessness*

- The Auditor General issued two reports: Building Better Outcomes - Audit of **Toronto Building's Inspection Function** and Investigation into Allegations of Wrongdoing Regarding **Building Inspections of 2 Houses**, which support Toronto Building's ability to efficiently and effectively inspect construction within legislated timeframes, and issue and follow up on orders to enforce compliance with Ontario Building Code requirements, which sets standards for public health and safety, fire protection, and structural sufficiency
- The audit of the City of Toronto's **Modular Housing Initiative: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs** included recommendations aimed at improving project planning and contract management, helping modular housing projects stay on budget and on time, and improving accountability and transparency





3. Cybersecurity and Information Technology – identifying and recommending controls to protect the City and its agencies and corporations (e.g., TTC) from cybersecurity threats and identifying lessons learned for the implementation of large IT projects (e.g., EWMS)

- The **Toronto Transit Commission Cybersecurity Audit - Phase Two: Overall Network Security and Cybersecurity Assessment of Select Critical Systems** helps strengthen controls to ensure supporting technology infrastructure has a high degree of reliability and helps protect the agency in the event of a cyber attack
- The Audit of the **Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects** included recommendations aimed at improving project planning, communication between stakeholders, and strengthening governance and project execution to support overall program goals being achieved

Impactful Reports Issued in 2023

8 audit and investigation reports and 3 follow-up reports issued in 2023

In 2023, our Office completed eight performance audits, investigations or other significant work and issued two letters to management (addressing a few less significant matters not included in the reports considered by Audit Committee). All together, these reports contained a total of more than 100 public or confidential recommendations. The Auditor General also issued three reports on the status of previous Auditor General recommendations. **Exhibit 2** provides a listing of the reports issued by the Office in 2023.

This section summarizes the impacts of the significant reports issued in 2023, including actions taken by management since the reports, as outlined in the purple boxes below each report summary.

Building Better Outcomes: Audit of Toronto Building's Inspection Function, January 2023



Why this audit matters

The Ontario Building Code sets standards for public health and safety, fire protection, structural sufficiency and provides protection by reducing potential hazards to building occupants. Protecting public health and safety and limiting the probability of certain types of damage or degradation as a result of the design or construction of a building are key objectives of the Ontario Building Code.

The Chief Building Official and Toronto Building inspection staff play a vital role in enforcing the *Building Code Act* and Ontario Building Code.

Opportunities to strengthen how Toronto Building enforces compliance

Our report draws attention to opportunities for the Chief Building Official to strengthen how the Division inspects construction and issues orders to enforce compliance by:

Strengthening operational policies and processes

A. Strengthening Toronto Building’s policies and processes for enforcing the Building Code Act, including implementing a risk-based approach for reviewing and addressing open permits with no recent inspection; communicating and following up on deficiencies identified during inspections; issuing and enforcing orders to ensure matters are promptly and properly addressed; and improving data used to determine compliance with legislated time frames for inspections.

Reinforcing quality and consistency of inspections

B. Reinforcing quality and consistency of inspections and compliance with policies and procedures by reinforcing that good record-keeping is important to demonstrate inspections are performed properly, clarifying expectations for using and relying on third-party professional reports, and strengthening supervision, monitoring and quality assurance of inspection activities.

Modernizing systems and improving data quality

C. Modernizing systems to support business needs, improving data quality and reliability through system enhancements and/or having a more modern technology system that is capable of managing high quality data, automating business processes, integrating with other divisions and allowing for a customer-facing portal.

How recommendations will benefit the City

The 20 recommendations in this report will help the Chief Building Official to better support inspectors’ ability to:

- Operate more efficiently and effectively when inspecting construction, and when issuing or following-up on orders
- Demonstrate that inspections are being completed according to the Division’s operational policies and procedures
- Confirm that inspections are meeting legislated time frames for carrying out inspections

The audit report is available at:

<https://www.torontoauditor.ca/report/building-better-outcomes-audit-of-toronto-buildings-inspection-function/>

Actions taken by Management since our report

Toronto Building management agreed with all recommendations made in the January 27, 2023 report and has indicated that as Toronto Building continues its journey to transform its service delivery into a new operating model with the supporting organizational structure, the Division is implementing these audit recommendations while reviewing processes through a risk-based lens to improve policies, processes, and technology.

Management has advised that the Division has completed a significant amount of work and continues to take action to implement all recommendations, including:

- Strengthening policies and processes for enforcing the Building Code Act through policies A68a (Toronto Building Inspections standards) and A60c (Inspection Quality Control Review), along with related supplementary documents including service levels, training manuals and good record keeping guidelines.
- Reinforcing quality and consistency of inspections and compliance with policies and procedures through quality control reviews, enhanced record keeping, documentation and training. Through the implementation of the Division's Program Review, new inspection supervisory positions will be onboarded to provide additional oversight of services. In addition, the Dedicated Enforcement Unit (DEU) will be given an enhanced scope of work to support the addressing of order violations and enforcement.
- Modernizing systems to support business needs in collaboration with the Technology Services Division, making significant changes to the Integrated Building Management System (IBMS) and Remote Computing System (RCS) processes to improve tracking of deficiencies, water meter verification, automated notices sent to clients, safeguards on passing stages of construction, and requirements for procedural follow up.

City of Toronto's Modular Housing Initiative: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs, June 2023



Why this audit matters

The Modular Housing Initiative is an innovative opportunity for the City to respond rapidly to Toronto's urgent homelessness situation and to reduce pressure on its shelter system. Proper oversight and management of the Modular Housing Initiative is critical to ensure the projects are on time and on budget.

Expedited construction of modular homes as urgent response to homelessness and COVID-19 pandemic

In April 2020, as an urgent response to the housing need for people experiencing homelessness, particularly during the COVID-19 pandemic, and to expedite action under the HousingTO Plan, City Council directed City staff to launch the Modular Housing Initiative to create 250 new modular supportive homes as quickly as possible. At the time of the audit report, a total of 159 new modular homes had been completed over two phases.

How recommendations will benefit the City

The findings and recommendations from this audit will help the City to strengthen controls over project planning, budgeting, cost tracking, and contract management processes of modular housing, and enhance the quality of reporting to City Council. In particular:

Better project planning and a more informed budget

- **Better project planning and a more informed budget** can help reduce the risk of potential delays and unexpected costs. It is essential to have a comprehensive project budget that takes into consideration all relevant pre-construction cost estimates to allow for a better prediction of funding requirements and cost drivers.

Strengthening the tracking, monitoring, and reporting of project costs

- **Strengthening the tracking, monitoring, and reporting of project costs** will help stay on budget and improve accountability and transparency. Our recommendations to clarify roles and responsibilities and revise financial system coding will help to ensure complete and up-to-date budgets and costs are monitored and tracked by responsible teams.

Improving contract management and processes to review change orders

- **Improving contract management and processes to review change orders** will help the City receive the services it has contracted for within the required budget and timeline. Good contract management by staff is important so that the City receives the services it is contracting for, at the quality it expects, within the budget and timeline required.

In addition, the report highlights that in order to determine if it is more cost-effective and quicker to build modular housing versus using traditional construction methods, more information is needed. The report recommends that management obtain more external benchmarking information and include information related to long-term maintenance and capital repair costs of completed modular housing projects.

The audit report is available at:

<https://www.torontoauditor.ca/report/city-of-torontos-modular-housing-initiative-the-need-to-balance-fast-delivery-with-stronger-management-of-contracts-and-costs/>

Actions taken by Management since our report

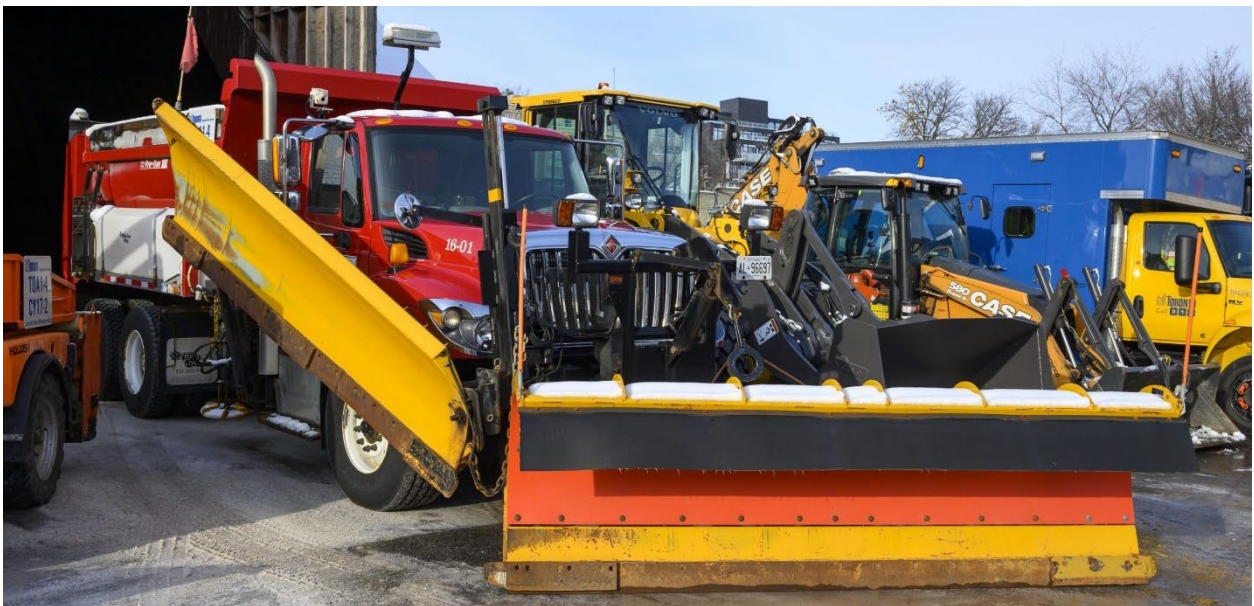
Management advised that they have shared the audit report and audit results video with the Canada Mortgage and Housing Corporation (CMHC), its federal funding partner, to help in communicating the challenges with the tight timelines and the impact it has. Management indicated that in the most recent rounds of federal funding, the requirements and timelines around site selection and the overall delivery timelines have increased significantly as a result.

In addition, since our audit, Management has advised that they have actively introduced several process and program changes, as well as developed multiple tools, to address the recommendations. For example, Management advised that they have:

- improved the site selection framework by incorporating a more comprehensive due diligence process, including earlier assessments of infrastructure conditions and site servicing requirements

- improved the budget preparation prior to project approval with a comprehensive analysis of cost elements using new formal templates informed by lessons learned from delivery of past modular housing projects and industry-wide factors
- developed a new Program Charter, that includes potential risks associated with the project, and updated the Responsible, Accountable, Consulted, and Informed (RACI) matrix, in order to clearly identify and define the roles and responsibilities of divisions and stakeholders, as well as to execute the projects efficiently and effectively
- developed several financial templates to track all in-year budget changes, as well as project and program actual expenditures against the budgeted numbers
- been working on revising the financial system coding to reflect the accurate budgeted and actual project costs, so that each project budget can be tracked and monitored by site in SAP based on their approved budget.

A Review of the Procurement and Award of the Winter Maintenance Performance-Based Contracts, June 2023



Nearly \$1.5 billion in winter maintenance contracts (over a 10-year term) were awarded in December 2021

Nearly \$1.5 billion in winter maintenance contracts (over a 10-year term) were awarded in December 2021. These awards resulted from two Negotiated Requests for Proposals (NRFPs) as well as a non-competitive procurement for the provision of winter maintenance services for all roads, sidewalks, and cycling infrastructure types, including anti-icing, de-icing, plowing, and snow removal.

City Council amended the Auditor General's 2022 Work Plan to include a review of NRFPs

At the time of the award, City Council voted to add a review of the City of Toronto's Negotiated Request for Proposal process to the Auditor General's 2022 Work Plan. This report presented the results of the Auditor General's review of the two NRFPs, as well as a non-competitive procurement for the provision of winter maintenance services.

How recommendations will benefit the City

The 16 recommendations in this report focused on continuous improvement and reinforcing and supporting the City's ongoing efforts to make NRFP process rules, technical proposal requirements, and evaluation criteria clearer, with the goals of keeping as many suppliers as possible through all the evaluation stages and achieving the best possible outcomes and value for the City.

Opportunities for continuous improvement

More specifically, the report identified lessons learned and made recommendations with respect to:

- establishing guidelines and/or criteria for testing significant changes to procurement processes and contracting methods on a smaller scale
- verifying the past experience and operational capability of potential suppliers to deliver the required services
- reinforcing procedural fairness and transparency for NRFPs including communicating clearly and consistently what can be proposed as value-added services and making sure NRFP process rules are as clear as possible
- clarifying and strengthening procurement policies and procedures taking into consideration the impact of the non-binding/flexible NRFP format
- reviewing the City's pre-solicitation estimates and documenting the reasons for significant variances between the City's pre-solicitation estimates and bids received

The audit report is available at:

<https://www.torontoauditor.ca/report/a-review-of-the-procurement-and-award-of-the-winter-maintenance-performance-based-contracts/>

Actions taken by Management since our report

In response to our audit, Management advised that:

- the Purchasing and Materials Management Division (PMMD), along with the City Solicitor, has completed the first phase of updates to the Purchasing by-law (Toronto Municipal Code Chapter 195), including reporting back on the potential for an Inspector General for the City of Toronto and enhancements to how affiliate relationships may impact the evaluation of a supplier. PMMD is currently in phase 2 of reviewing the Purchasing by-law (Toronto Municipal Code Chapter 195), which includes the Pre-Award and Post-Award Bid Dispute Procedure.
- PMMD is reviewing its policies and procedures to ensure alignment with the revised Purchasing by-law and Audit recommendations.
- guidelines for when to engage a fairness monitor are being finalized and will be communicated to the PMMD Staff and Divisional Leadership in the latter part of the 2024 fiscal year.

Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations & Processes to Hold Contractors Accountable to New Contract Terms, June 2023



Why this follow-up matters

Contracted winter maintenance services are part of the City's snow and ice management plan that is designed to prioritize the safety and mobility of all road, sidewalk, cycle, and path users.

City Council amended the Auditor General’s 2022 Work Plan to include a review of processes to hold winter maintenance contractors accountable to the contract terms

In December 2021, City Council voted to have the Auditor General review:

- the terms of the new winter maintenance contracts against previous Auditor General recommendations
- Transportation Services’ processes to hold winter maintenance contractors accountable to the contract terms

Council-requested reviews were incorporated into the follow-up of two previous Auditor General reports

The reviews were incorporated into our follow-up of the 26 recommendations in two previous Auditor General reports on the winter maintenance program¹. The follow-up assessed whether management’s actions, in the context of the new contracts (2022-2032), addressed the intent of the previous recommendations.

Progress made and challenges faced by Transportation Services in the first winter season

The follow-up report identified both progress made and challenges faced by Transportation Services in the first winter season (2022/23) of the new contracts including:

- Progress made to improve the clarity of contract language (e.g., liquidated damages, allowances for stop times/break times, responsibility for working GPS); developing a Winter Maintenance Contract Administration Manual and training staff; and, piloting of a purpose-built GPS dashboard in February 2023 for monitoring service levels and contractor performance
- Challenges impacting the availability of equipment and timing of arrival at depots, resulting in equipment substitutions and delays installing GPS devices; resource and staffing challenges impacting the number of operators available to operate winter equipment; and, administrative setbacks and technology gaps caused delays in integrating the new Enterprise Work Management System with existing processes and configuring the GPS dashboard

This follow-up highlighted that there continues to be a need to improve the efficiency and effectiveness of contract management and divisional processes designed to hold contractors accountable to the contract terms.

¹ The Auditor General issued two reports on the City’s winter maintenance program, [Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes](#) (October 2020) and [Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources](#) (June 2021), which contained 26 recommendations focusing on contract management and contractor performance issues, cost-benefit analysis of bringing winter maintenance in-house versus contracting out, and savings opportunities from reducing or adjusting fleet size and fleet deployment.

Continue implementing systems and tools to improve efficiency and effectiveness of contract management

Through this follow-up, we continued to highlight that Transportation Services staff need to use GPS data more effectively, as well as enhance the use of EWMS functionality, to monitor contractor performance in an efficient manner. At the time of our follow-up, the Division was working towards better integrating GPS data by developing and testing a GPS dashboard to monitor adherence to contract service levels, which can help improve the efficiency and effectiveness of contract management processes that have historically been manual and labour intensive.

Strengthen processes to consistently enforce payment criteria and apply liquidated damages

The report also highlighted the need to continue strengthening processes to consistently enforce payment criteria and apply liquidated damages and ensure robust monitoring of contractor performance.

New recommendations to help management in measuring performance

While the purpose of the follow-up was to assess management's implementation of recommendations from the Auditor General's two previous reports on the winter maintenance program², this report included four new recommendations that can help management in measuring performance using technology to modernize and improve efficiency of processes, holding contractors accountable, and ensuring Transportation Services pays contractors in accordance with the express terms of the contracts.

The follow-up report is available at:

<https://www.torontoauditor.ca/report/winter-maintenance-program-follow-up-status-of-previous-auditor-generals-recommendations-processes-to-hold-contractors-accountable-to-new-contract-terms/>

Update to winter maintenance program follow-up

In November 2023, the Auditor General issued a further update to the winter maintenance program follow-up, to provide City Council with information about changes to the liquidated damages specified in the current winter maintenance contracts (i.e., Liquidated Damages item #6 – Failure to leave a Depot within the applicable mobilization period).

The Update to Winter Maintenance Program Follow-Up: Change in Contract Terms report is available at:

<https://www.torontoauditor.ca/report/update-to-winter-maintenance-program-follow-up-change-in-contract-terms/>

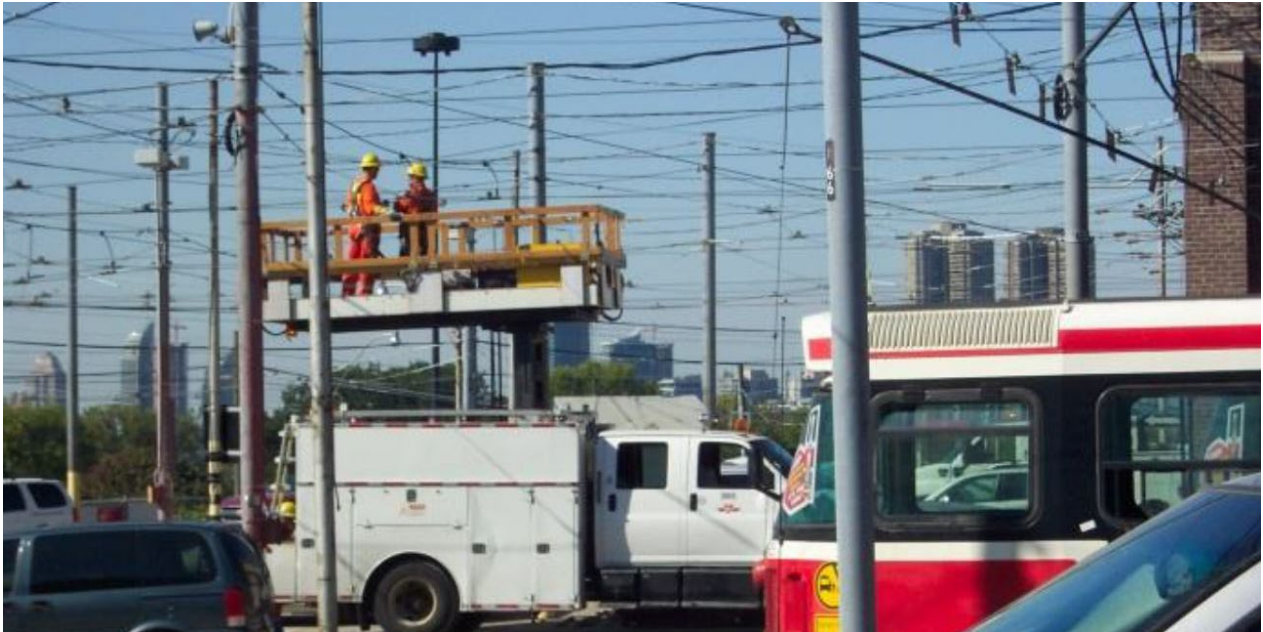
² The Auditor General issued two reports on the City's winter maintenance program, [Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes](#) (October 2020) and [Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources](#) (June 2021), which contained 26 recommendations focusing on contract management and contractor performance issues, cost-benefit analysis of bringing winter maintenance in-house versus contracting out, and savings opportunities from reducing or adjusting fleet size and fleet deployment

Actions taken by Management since our report

Transportation Services management has advised that, since our follow-up review:

- Contractor equipment has been installed with functioning GPS units and functionality has been confirmed through the winter lite-up program done by the GPS vendor.
- The GPS dashboard is partially functioning, as it was determined from winter activations and a simulation exercise that the dashboard has performance technical issues that the programming contractor will resolve in Q1, 2024. Transportation Services staff received training on the GPS Dashboard and are able to retrieve relevant information from the GPS vendor's portal.
- The Winter Contract Administration Manual (WCAM) was updated and circulated to Transportation Services' winter team. This includes procedures for:
 - daily rate and equipment verification
 - documentation of assigned routes and completed routes by contractor
 - contract management and assessing and charging liquidated damages when required
 - payment impact for non-performance.
- Staff were retrained during the Snow School sessions ahead of the winter season.
- Liquidated damages (LD) were reassessed and an error was found in the amount for LD #6 (Failure to leave a Depot within the applicable mobilization period). Staff were notified of the change and the steps and documentation required were included in the WCAM.
- 311 Service Request (SR) Dashboard was developed in 2023 and enhanced in 2024. The SR Dashboard is updated three times a day, including status indicators and heat maps to assist staff to ascertain where there may be performance issues that need closer monitoring for particular contract areas.
- For this winter season, deficiencies are being sent to the winter contractor via EWMS Maximo for rectification and tracking purposes.

Audit of the Toronto Transit Commission's Streetcar Overhead Assets: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays, November 2023



Why this audit matters

The Toronto Transit Commission (TTC) streetcar network served 38 million streetcar boardings from January 1 to July 31, 2023. An effective streetcar overhead maintenance and repair program plays a vital role in providing safe and reliable streetcar operations and preventing unexpected asset failures and service delays.

How recommendations will benefit the City

This audit identified areas for continuous improvement which will help the TTC to:

- minimize the risk of asset failures through investigations into emergency maintenance incidents
- perform and document preventative inspections in a consistent manner
- strengthen corrective maintenance and repairs
- leverage technology to improve Streetcar Overhead Operations
- enhance data collection and performance reporting to improve Streetcar Overhead Operations

Improving efficiency and effectiveness of the Overhead Operations' maintenance and repair program

The 20 recommendations contained in the audit report will help the TTC improve the efficiency and effectiveness of Overhead Operations' maintenance and repair program, by strengthening their asset and workflow management processes, leveraging technology, and enhancing their policies and procedures.

In particular, the recommendations identify opportunities for:

- better planning, scheduling, and tracking of the preventative inspections and corrective maintenance and repairs to optimize the use of available resources;
- strengthening policies and procedures that provide clear guidance and expectations to Overhead Operations staff and crews to improve consistency;
- leveraging technologies and enhancing the way data is captured and used to improve decision-making abilities and continuous improvement initiatives; and
- improving performance monitoring and reporting, as well as the effectiveness of the maintenance and repair program as a whole.

The audit report is available at:

<https://www.torontoauditor.ca/report/audit-of-the-toronto-transit-commissions-streetcar-overhead-assets-strengthening-the-maintenance-and-repair-program-to-minimize-asset-failures-and-service-delays/>

Actions taken by Management since our report

Since our audit, Management has advised that they have already begun to take actions to implement the recommendations. For example, Management advised that they have:

- recruited an Asset Management Planner, whose responsibilities include but are not limited to providing oversight of Overhead Operations' asset management strategy, supporting the implementation of the Maximo solution, and assisting with reviews, coordination, maintenance, and general asset management initiatives
- finalized the draft agreement to purchase and install GPS equipment for non-revenue vehicles, which will allow for improved monitoring and better evaluation of employee performance, as well as more informed decision-making
- collaborated with the Information Technology Services department to identify functional requirements and data gaps that can be resolved with implementing Maximo. Management has advised that the Request for Proposal (RFP) is being drafted with a target to issue the RFP in Q2 2024.

Toronto Transit Commission Cybersecurity Audit - Phase Two: Overall Network Security and Cybersecurity Assessment of Select Critical Systems, November 2023



Cyberattacks are one of the most critical operational risks facing organizations, particularly for critical infrastructure

Information Technology (IT) plays a vital role in all aspects of Toronto Transit Commission’s (TTC) operations. Cyberattacks are widely considered to be one of the most critical operational risks facing organizations.

The [Canadian Centre for Cyber Security, National Cyber Threat Assessment, 2023-2024](#) identified the transportation sector as a critical infrastructure sector that is increasingly at risk from cyber threat activity. According to the Canadian Cyber Centre National Cyber Threat Assessment:

“Critical infrastructure is still a prime target for both cybercriminals and state-sponsored actors alike.”

“...Ransomware is a persistent threat to Canadian organizations...Critical infrastructure is increasingly at risk from cyber threat activity...” and “Cybercriminals deploying ransomware...will continue to adapt their methods to maximize profits...”

According to the [Canadian Centre for Cyber Security, Cyber Threat Bulletin, 2021](#)

“ In Canada, the estimated average cost of a data breach, a compromise that includes but is not limited to ransomware, is \$6.35M CAD. The Cyber Centre has knowledge of 235 ransomware incidents against Canadian victims from 1 January to 16 November 2021. More than half of these victims were critical infrastructure providers.”

Auditor General has been performing cybersecurity audits since 2016

Given the importance of cybersecurity and the significant operational and financial risks involved, the Auditor General has dedicated staff and also leveraged experts in performing these independent cybersecurity audits and assessments of critical systems and networks at the City and its major agencies and corporations since 2016.

Why this audit matters

In 2021, a cyberattack on the TTC’s IT infrastructure affected several critical services, including Vision (a critical application used to communicate with vehicle operators), Wheel-Trans (a critical reservation application), and the TTC’s internal email service. The personal information of up to 25,000 current and former TTC employees may also have been stolen during the attack.

In March 2022, the Auditor General completed the first phase of an audit on critical IT assets and processes used to manage IT system users at the TTC. The public 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 completed a vulnerability assessment and penetration testing of TTC

In 2023, the Auditor General completed the second phase of the audit. This included a vulnerability assessment and penetration testing of TTC’s IT network, systems and applications, to identify potential weaknesses and to evaluate the TTC’s controls to protect against cyber attacks.

Implementing recommendations will improve cybersecurity

The Phase 2 report included nine confidential recommendations to improve cybersecurity controls at the TTC, which will contribute to improving the TTC’s risk posture against evolving cyber threats.

The Auditor General’s cybersecurity reports are confidential. The public report is available at: <https://www.torontoauditor.ca/report/toronto-transit-commission-cybersecurity-audit-phase-two-overall-network-security-and-cybersecurity-assessment-of-select-critical-systems/>

Actions taken by Management since our report

In response to our audit, management agreed with all recommendations and continues to take actions to strengthen cybersecurity controls at TTC. The Auditor General will re-test cybersecurity controls after management has fully implemented the recommendations.

Audit of the Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects, November 2023



Why this audit matters

Since Toronto's amalgamation in 1998, City divisions have used various work management technology systems. These systems mostly operate separately from each other and are difficult to upgrade as they are approaching their end of life. The Enterprise Work Management Solution (EWMS) program was initiated in 2013 to improve the work management process across the City by integrating and replacing these legacy systems of multiple divisions³, as well as integrating with shared services, such as 311.

³ EWMS is a large and complex information technology project that is being implemented in three phases, across the following City divisions: Toronto Water, Parks, Forestry & Recreation, Transportation Services, Solid Waste Management Services

Audit focused on identifying areas for improvement that could be applied across the City

The focus of our audit was on phase one of the EWMS implementation, which started in 2013 and according to management is scheduled to be completed by year end 2023. Overall completion of the project is expected in 2027. The EWMS program will exceed its budget for phase one and has not met its overall program timelines. Based on the details provided the budget will be exceeded by at least \$7 million for phase one.

As of November 2023, only two out of the four divisions have implemented phase one. The integration and harmonization of divisional work management processes and systems have not been completed. This has resulted in the overall program goals not being achieved to improve operational effectiveness, operational efficiency, customer service, and accountability.

Timelier completion of the program will reduce the risk of technology obsolescence before being implemented, cost of under-utilized licences, and extended operational risks of maintaining legacy systems.

The report included 14 recommendations in four broad areas:

- project planning
- project governance
- project execution
- project risk management

For example, having an overall project charter for cross divisional projects with complete budget and timelines will improve implementation planning and execution. We have also recommended revising the project monitoring, risk reporting, and benefits measurement criteria to improve governance and risk management.

Lessons learned are applicable to projects across the City and its Agencies and Corporations

The key lessons learned from this audit need to be applied not only to the EWMS program, but also to other large IT projects of the City and its agencies and corporations, to improve project planning, governance, and execution, and realize benefits as intended by these projects.

The Auditor General's report is available at:

<https://www.torontoauditor.ca/report/audit-of-the-enterprise-work-management-solution-ewms-lessons-learned-for-future-large-information-technology-projects/>

Actions taken by Management since our report

Management from the Technology Services Division (TSD) and other related divisions have advised that they continue to take action to improve project management and governance. For example, management has advised that, since 2021, TSD has developed and implemented a project management framework and methodology including gating approvals and templates to govern all TSD managed projects. Some aspects of the methodology and templates will be updated in Q1 2024 (i.e. project charter and project status report dashboard) while other areas will be adjusted later in 2024. These and other actions will strengthen the project management for the remaining phases of EWMS implementation and will also benefit other large project implementations at the City.

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 Toronto Building’s inspection function, the procurement and award of winter maintenance contracts, and Toronto Transit Commission’s streetcar overhead assets.

1,054 complaints, approximately 1,450 allegations in 2023

In 2023, the Hotline received 1,054 complaints, representing approximately 1,450 allegations, the highest in a year since the launch of the Hotline Program. This continues to be a high volume of complaints to manage, and is approximately the same number as received last year and 29 per cent higher than the number of complaints received in 2021.

Benefits of the Hotline

The Fraud and Waste Hotline Program is an important anti-fraud control for the City of Toronto and yields both quantifiable and non-quantifiable benefits. According to the Association of Certified Fraud Examiners 2022 Report to the Nations on Occupational Fraud, organizations that had anti-fraud controls in place experienced smaller fraud losses and detected frauds more quickly than organizations lacking those controls.

One-time recoveries of \$4,000 and avoided costs over five years of \$404,000

Quantifiable benefits resulting from complaints received through the Hotline Program include one-time recoveries of approximately \$4,000 and recurring avoided costs totaling approximately \$404,000⁴, for a total of \$408,000 over five years.

Quantifiable benefits arising from complaints identified by divisional management and referred to the Hotline Program are not included in our 2023 calculations.

Investigation report on building inspections

During 2023, we also issued an investigation report titled “Investigation into Allegations of Wrongdoing Regarding Building Inspections of 2 Houses”. A detailed summary of this investigation can be found in Exhibit 2 of the Auditor General’s 2023 Annual Report on the Fraud and Waste Hotline. By implementing the Auditor General’s six recommendations in the investigation report, the Toronto Building Division will be in a stronger position to carry out its mandate and be able to better support its staff as they continue to review plans and conduct inspection work to verify that houses and buildings are being constructed in compliance with legislative requirements.

The Auditor General’s 2023 Annual Report on the Fraud and Waste Hotline will be presented at the February 23, 2024 Audit Committee meeting.

⁴ **Recoveries** represent the amount of actual loss the City was able to recover after the fraud was identified and investigated. **Avoided Costs** represent the amount of loss that would otherwise have been incurred by the City had the fraud not been reported and investigated.

Follow-up on Implementation of Auditor General Report Recommendations



Management is responsible for ensuring recommended changes and improvements are implemented

Management is responsible for ensuring that the recommended changes and improvements from our audits, reviews, and investigations, as adopted by Council, are implemented. Management's actions to implement the Auditor General's recommendations result in various financial and non-financial benefits to the City, some of which are discussed in other sections of this report.

Auditor General's Office follow-up process provides accountability and transparency that management is taking action

Our Office's follow-up process provides accountability and transparency to City Council and the public by reporting on the implementation status of past recommendations made by the Auditor General. The Auditor General's Office uses an online system that allows management to provide updates on the implementation status of open audit recommendations and upload supporting documents at any time. This allows our team to manage the ongoing follow-up of recommendations and track their implementation status. 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. The Auditor General's Office conducts work on an ongoing basis to verify the status of these recommendations.

Reports on the status of Auditor General’s recommendations

In 2023, the Auditor General issued three reports on the status of previous recommendations made by the Auditor General. These reports highlight noteworthy results, including financial and non-financial impacts identified during our follow-up, as well as areas where more action is needed from management to fully realize benefits and address high-priority risks to the City.

June 2023 follow-up

In our June 2023 follow-up report on the status of outstanding audit recommendations, we reported that since inception (January 1999), our Office has verified that about 83 per cent of recommendations have been fully implemented or are no longer relevant.^{5,6} The June 2023 follow-up report can be found at: <https://www.torontoauditor.ca/report/auditor-generals-june-2023-status-report-on-outstanding-recommendations/>

Focus 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. While the Auditor General continues to focus on the status of high-priority recommendations, this does not slow or impact management’s ability or responsibility to continue taking action on all outstanding recommendations to achieve intended operational improvements, savings and/or efficiencies.

Looking ahead

In the upcoming follow-up cycles, the Auditor General plans to follow-up on outstanding recommendations reported as fully implemented from Pension, Payroll & Employee Benefits, Purchasing and Materials Management, Toronto Building, Children’s Services, and Revenue Services Divisions, and the Toronto Transit Commission.

⁵ The actual implementation rate at the time of the June 2023 follow-up report may vary from the reported rate, when taking into account the recommendations reported by management as fully implemented that the Auditor General had not yet verified. In addition, reports published after the June 6, 2022 Audit Committee meeting to the June 2023 report date were also not yet reflected in these statistics.

⁶ As of October 31, 2023, there were 652 open recommendations, of which 366 recommendations were considered high priority. (Open recommendations only include those published up to the 2022 year-end. New recommendations published during 2023 are not included in this status update). Management reported that 296 of the open recommendations were fully implemented and the remaining 356 recommendations were still in progress. The Auditor General will continue to verify the implementation status of high-priority recommendations and will update City Council in future reports.

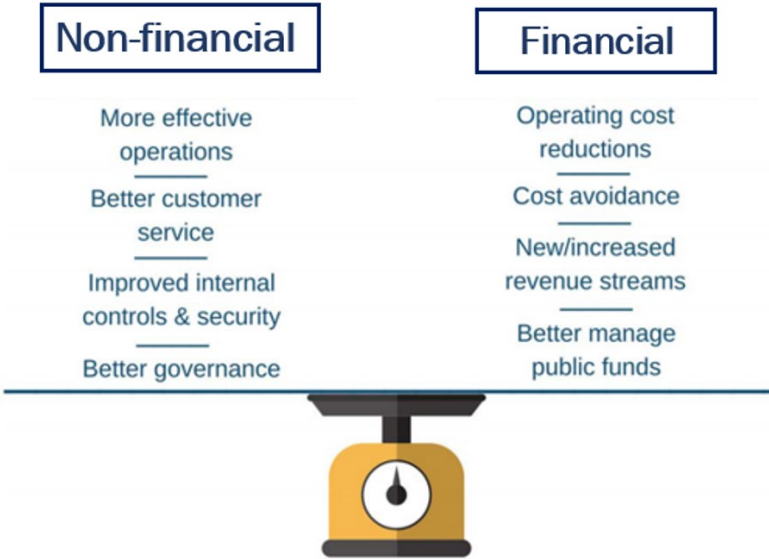
Impact of Auditor General’s Recommendations

We are required to report on savings achieved

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

As illustrated in **Figure 1**, effectively implementing the Auditor General’s recommendations can lead to a variety of financial and non-financial benefits. Describing these potential impacts in our reports is useful for highlighting to City Council, City administrators, and members of the public, the importance of timely action in response to recommendations.

Figure 1: Financial and Non-Financial Benefits from Implementing the Auditor General’s Recommendations



This section of the report summarizes the financial and non-financial impacts of the Auditor General’s recommendations that the City realized in 2023.

Non-Financial Benefits

Non-financial benefit from implementing recommendations

Identifying opportunities to increase cost savings and revenues is only one component of the Auditor General's mandate. Equally important are the non-financial benefits that come from the Auditor General's recommendations. These include strengthened internal controls, cybersecurity controls, improved policies and procedures, better management and use of City resources, increased operational efficiency, better customer service, and increased detection and prevention of serious safety and security issues. **Exhibit 3** includes examples of common themes from reports issued in recent years where the benefits were either non-financial in nature or could not be conservatively quantified at the time the reports were issued.

Noteworthy non-financial benefits are reported through Auditor General's follow-up process

The Auditor General reports out on noteworthy non-financial benefits of implementing recommendations in the periodic reports on the status of outstanding recommendations from the Office's audits, investigations, and other reports. Examples of non-financial benefits highlighted in the Auditor General's June 2023 Status Report on Outstanding Recommendations include:

- better service delivery to people in need of emergency shelter and housing assistance
- prevention of housing subsidy funds from being provided to ineligible recipients
- strengthened contract management practices and improved oversight of contractor performance
- increased use of technology and data to monitor performance.

The Auditor General's June 2023 Status Report on Outstanding Recommendations can be found at:

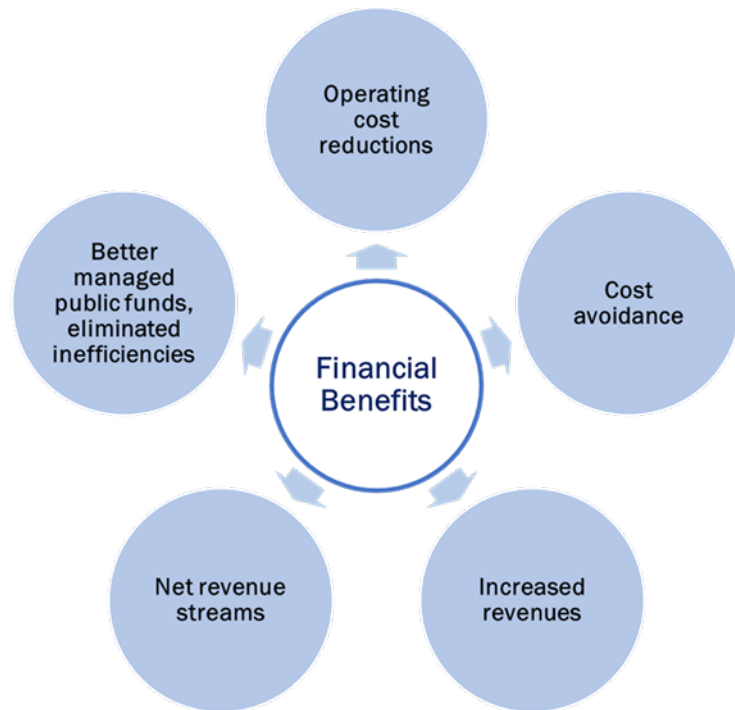
<https://www.torontoauditor.ca/report/auditor-generals-june-2023-status-report-on-outstanding-recommendations/>

Financial Benefits

Financial benefits from implementing recommendations

As shown in **Figure 2**, the City realizes various types of financial benefits through the implementation of our audit recommendations. These financial benefits, which we refer to as *savings* throughout this report, include cost reductions, efficiency savings, new or increased revenue streams, or future cost avoidance.

Figure 2: Types of Financial Benefits Referred to as *Savings* in the Auditor General's Annual Report



When Financial Benefits are Realized

Savings recognized once realized through implementation of the related recommendation

Due to the nature of our recommendations and the work that management must undertake to fully implement the recommendations, savings can be realized anywhere from immediately after the report release date up to many years later. 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 are not included when determining ROI

While our audit, investigation, and other reports quantify potential savings from implementing our recommendations (where possible), we do not include these potential savings in determining our return on investment. Our Office's return on investment (as discussed later in this report) 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.

Methodology for Quantifying Financial Benefits

Underlying principles in quantifying realized savings

As illustrated in **Figure 3**, savings are quantified 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.
- We recognize **one-time and annually recurring savings**. Where savings are expected to recur annually, the **savings are projected for a five-year period**, even though the potential benefit to the City will likely extend beyond a five-year period.
- We **verify and discuss savings figures with management**, and review how savings or efficiencies are **reflected in the annual budgets**.
- Savings are **net of implementation costs**, where quantifiable and appropriate.
- Savings estimates are **conservative**.

Figure 3: Auditor General's Office Methodology for Quantifying Financial Benefits



Consideration of implementation costs

In making 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 area's budget. Where the implementation of recommendations requires extra resources, such as acquiring of new capital assets, this is factored into our calculations where the costs are quantifiable.

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.

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.

How Financial Benefits are Reflected in City Budgets

Working with Financial Planning to improve transparency of reporting in budgets on efficiencies from Auditor General recommendations

In 2019, City Council requested the Chief Financial Officer and Treasurer to work with City divisions and agencies to identify and include in future annual budget process documents, the costs, cost reductions, and revenue increases resulting from the Auditor General's reports and recommendations⁷. 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 some program areas including more information in their Budget Notes that describe efficiencies / revenues / savings arising from our recommendations.

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

It should be noted that certain savings may have been realized in prior years, but we have not been able to verify them until the current year's follow up process. Therefore, the savings may not be highlighted in current Budget Notes as a revenue or expenditure change in the upcoming year (e.g., 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 are often not reported in a program area's Budget Notes.

Table 2 (on page 35) summarizes the savings related to recommendations from prior Auditor General's recommendations that we have been able to verify as realized in 2023 and identifies how these savings were reported in program budgets, where applicable.

⁷ [Agenda Item History - 2019.EX2.5 \(toronto.ca\)](#), City Council decision #93

Return on Investment

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

Each year, our Office calculates a return on investment (ROI) based on the cumulative amount of one-time and annually recurring savings projected over a five-year period, as included in the Auditor General’s Annual Reports for the most recent five years. The cumulative one-time and annually recurring savings projected over a five-year period from the five most recent Annual Reports are aggregated and compared to the five-year audit costs for the same period.

It is important to note that it is normal for the cumulative amount of one-time and annually recurring savings projected over a five-year period, as well as the return on investment to fluctuate from year to year, as these figures will depend on the timing of when management implements the recommendations and the value of the cost savings for those recommendations.

\$12 return on investment for every \$1 invested in our Office

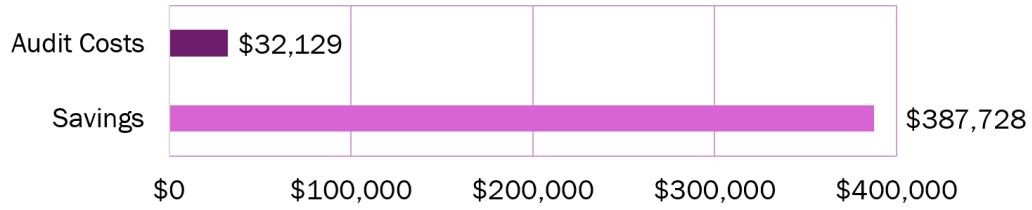
As illustrated in **Table 1**, the City has achieved cumulative one-time and annually recurring savings projected over a five-year period totaling over \$387 million (from the 2019 to 2023 Annual Reports). The cumulative cost of operating the Auditor General’s Office from 2019 to 2023 was approximately \$32 million. Based on these numbers, every \$1 invested in our Office from 2019 to 2023 provided a return of approximately \$12.

Figure 4 compares cumulative expenditures for the Office for the most recent five years to the cumulative one-time and annually recurring savings projected over a five-year period, as included in the Auditor General’s Annual Reports for the most recent five years.

Table 1: Cumulative One-Time and Annual Recurring Savings Projected Over a Five-year Period (in \$000s), Auditor General's 2019 to 2023 Annual Reports

Year of Savings	Year of Annual Report					
	2019 (in \$000s)	2020 (in \$000s)	2021 (in \$000s)	2022 (in \$000s)	2023 (in \$000s)	Total (in \$000s)
2019	\$26,294					\$26,294
2020	\$2,596	\$34,636				\$37,232
2021	\$2,200	\$11,046	\$90,998			\$104,244
2022	\$516	\$13,135	\$9,882	\$3,058		\$26,591
2023	\$516	\$13,511	\$9,944	\$2,922	\$42,439	\$69,332
2024	\$516	\$5,697	\$9,432	\$2,922	\$23,592	\$42,159
2025		\$5,697	\$9,180	\$2,379	\$19,392	\$36,648
2026			\$4,563	\$1,879	\$18,908	\$25,350
2027				\$1,454	\$18,413	\$19,867
2028					\$11	\$11
Total	\$32,638	\$83,722	\$133,999	\$14,614	\$122,755	\$387,728

Figure 4: Five-Year Audit Costs Compared to Cumulative Savings (in \$000s) in the Auditor General's 2019 to 2023 Annual Reports



Prior Year Reports with Savings Recognized in 2023

\$122M in one-time and annually recurring savings projected over a five-year period recognized in 2023

Table 2 itemizes the combined one-time and annually recurring savings projected over a five-year period, resulting from the implementation of recommendations from 12 audit reports issued before 2023, together with the recovery of actual losses and/or projected potential losses identified through Fraud and Waste Hotline operations. The savings recognized in 2023 total over \$122 million.

Table 2: One-Time and Annual Recurring Savings Projected Over a Five-year Period (in \$000s) Recognized in 2023, Auditor General's Office

		One-Time/ Retro/ 2023 (in \$000s)	2024 (in \$000s)	2025 (in \$000s)	2026 (in \$000s)	2027 (in \$000s)	2028 (in \$000s)	Total (in \$000s)	Annual Report Pg #	Budget Impact See Legend
Savings Realized from Prior Year Reports										
1	Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations, May 2022	9,600	4,200					13,800	38	IY, OS
2	Toronto Court Services: Collection of Provincial Offence Default Fines, April 2018	6,700						6,700	39	PY
3	Fleet Services Operational Review Phase One: Stronger Corporate Oversight Needed for Underutilized Vehicles, April 2019	4,538	224	224	224	224		5,434	39	IY, AC, OS, PY, NP
4	Audit of Interface Invoice Payments: Improving Contract Management and Payment Processes, June 2019	704	51	51	51	51		908	40	IY, NP, IMM
5	Review of Urban Forestry: Ensuring Value for Money for Tree Maintenance Services, April 2019 & Getting to the Root of the Issues - A Follow-Up to the 2019 Tree Maintenance Services Audit, February 2021	931	113	113	113	113		1,383	43	IY, OS
6	Review of Wheel-Trans Services: Sustaining Level and Quality of Service Requires Changes to the Program, December 2012		480	480				960	45	CY
7	Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, May 2017	2,519	2,519	2,519	2,519	2,519		12,595	45	PY
8	Review of Toronto Transit Commission's Revenue Operations: Phase One - Fare Evasion and Fare Inspection, February 2019	13,500	13,500	13,500	13,500	13,500		67,500	48	IY
9	Review of Toronto Transit Commission's Revenue Operations: Phase Two - PRESTO/TTC Fare Equipment and PRESTO Revenue, October 2019	1,560	1,900	1,900	1,900	1,900		9,160	52	OS, IY

		One-Time/ Retro/ 2023 (in \$000s)	2024 (in \$000s)	2025 (in \$000s)	2026 (in \$000s)	2027 (in \$000s)	2028 (in \$000s)	Total (in \$000s)	Annual Report Pg #	Budget Impact See Legend
10	Management of the City's Employee Extended Health and Dental Benefits Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse, March 2017	100						100	53	IY
11	Safeguarding Rent-Geared-to-Income Assistance: Ensuring Only Eligible People Benefit, October 2019	448	448	448	448			1,792	54	AC, OS
12	Opening Doors to Stable Housing: An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing, June 2019	61	61	61	61	61		305	55	AC, OS
	Refer to Confidential Attachment 1	1,710						1,710		IY
Savings from Fraud & Waste Hotline Program										
	2023 Recoveries and Avoided Costs	68	96	96	92	45	11	408	25	IY / AC
Total One-time and Recurring Savings		\$42,439	\$23,592	\$19,392	\$18,908	\$18,413	\$11	\$122,755		

<u>Legend:</u>	
CY	One-time and recurring savings were reflected in 2024 Budget Notes.
PY	One-time and recurring savings were reflected in prior year Budget Notes but were not verified by the Auditor General's Office until 2023.
IY	One-time savings were realized in-year in 2023 or earlier; therefore, they are not reflected in the 2024 Budget Notes.
OS	Savings offset other expenditures or are productivity savings (i.e., more service delivered at same cost) and the offset / efficiency is not reflected in the 2024 Budget Notes because it does not have net dollar impact to the budget.
NP	One-time and recurring savings were realized but are not reflected in the 2024 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 2024 Budget Notes because they do not represent a reduction to, or an enhancement of, a base budget requirement.
IMM	Savings would not generally be reflected in the Budget Notes because of the relatively low dollar impact.

(1) Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations, May 2022

2022 audit of use of hotels in supplementing the City's shelter capacity

In May 2022, the Auditor General completed an audit of the use of hotels to supplement the City's shelter capacity. The Auditor General made 15 recommendations to strengthen Toronto Shelter & Support Services' (TSSS)⁸ oversight and management of hotel operations, including ensuring that charges on invoices are in compliance with the express terms of the contracts and seeking recovery for amounts that should not have been charged.

\$4.7M reduction in overcharges after hotel operator stopped adding "DMF" charge to invoices

Since our audit and at TSSS' request, the hotel operator has stopped including certain charges identified during the audit as not in accordance with the express terms of the contract, including the extra 3% "DMF" charge on room invoices. This resulted in an estimated \$3.4 million reduction in overcharges in 2022 and 2023 and a forecasted \$1.3 million reduction in overcharges through to the end of the final option year of the contract in 2024, for a total of \$4.7 million.

Invoices no longer include "Facility Surcharge" totaling \$9.1M to the end of the contract term

The hotel operator also stopped including an extra "Facility Surcharge" on meal invoices. We estimate that had this surcharge continued to be included on invoices, this would have resulted in an additional \$6.2 million in costs in 2022 and 2023, and an additional \$2.9 million in forecasted costs through to the end of the final option year of the contract in 2024, for a total of \$9.1 million.

Management continues to assess and recover amounts paid that are not in accordance with the express terms of contracts

Management's efforts to seek recovery for amounts inappropriately charged by and paid to the hotel operator is ongoing, with completion expected in 2024. The Auditor General will report on the outcome of actions taken as part of a future follow up process.

Ensuring that the City only pays charges in accordance with the express terms of the contract means TSSS can use funds to provide more emergency shelter spaces or can re-direct more funds towards creating more permanent housing solutions for those experiencing homelessness. In this case, the \$13.8 million total financial impact resulting from the City stopping these extra charges offsets higher costs of providing emergency shelter spaces in hotels, as the cost of hotel rooms returned to the original contracted room rates by the end of 2022 from the lower negotiated rates charged during the height of the COVID-19 pandemic.

The original report is available at:

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

⁸ Formerly known as the Shelter, Support, and Housing Administration (SSHA) Division at the time the original audit was conducted.

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

2018 audit led to improvements in collections for defaulted fines

In 2018, the Auditor General completed an audit focused on Court Services' framework for collecting Provincial Offences Act (POA) fines in default. Since the audit, management has enhanced its collection strategies for defaulted POA fines. This includes adding a roster of collection agencies specifically for old and difficult to collect fines and assigning newly defaulted fines immediately to agencies to pursue collection and regularly rotating uncollected fines between agencies.

Court Services projected increased revenues from improved collection practices in prior years' budgets

In the Auditor General's 2020 Annual Report, we reported that Court Services' Budget Notes projected collection rates for defaulted fines would increase every year starting in 2019. Over a five-year period (2019 - 2023), the cumulative increase in revenues was estimated to be \$9.9 million from implementing our audit recommendations.

\$6.7M in additional revenues over the amount reported in the Auditor General's 2020 Annual Report

Our analysis of the actual defaulted fines recovered by the collection agencies from April 2019 to March 2023 shows that collection rates have improved. We estimate that Court Services has collected approximately \$16.6 million in additional revenues by implementing our audit recommendations. This is after deducting fees paid to collection agencies and excluding the impact of changes in provincial legislation⁹ and the Automated Speed Enforcement program¹⁰ on collection rates.

This represents additional revenues of \$6.7 million over the \$9.9 million reported in the Auditor General's 2020 Annual Report based on Court Services' budgets.

The original audit report is available at:

<https://www.torontoauditor.ca/report/toronto-court-services-collection-of-provincial-offence-default-fines/>

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

2019 audit identified a high number of underutilized vehicles

In 2019, the Auditor General completed the first phase of an operational review of the Fleet Services Division. The audit report highlighted that there were a high number of underutilized vehicles, taking up maintenance resources that could be better used on other vehicles and recommended minimizing these underutilized vehicles.

⁹ In 2017, the *Making Ontario's Roads Safer Act* enabled the denial of all licence plates registered to the debtor for certain driving-based offences. In our calculations, we have excluded the incremental defaulted fines collected that likely result from this change to the legislation.

¹⁰ The Automated Speed Enforcement (ASE) program introduced in 2020 has generated a high volume of POA charges being filed. In our calculations, we have excluded the incremental defaulted fines collected based on the higher collection rates on ASE fines in default.

City has been removing underutilized vehicles from service

Since the audit, Fleet Services has identified underutilized vehicles and worked with divisions to eliminate them from the fleet. The actions taken have included selling off vehicles that are not needed, reassigning vehicles, and improving controls over rental vehicles.

\$1.3M in revenue from sale of vehicles and avoided related maintenance costs of \$224,000 annually

The City received \$1.3 million in one-time revenue by selling underutilized City-owned vehicles; and, going forward, the City will no longer incur the approximately \$224,000 in annual maintenance costs related to these vehicles. Ongoing budget pressures (e.g., inflation and higher maintenance costs for the existing fleet) offset the savings from the avoided maintenance costs associated with these vehicles (which had exceeded their life span)¹¹.

\$814,000 saved in 2023 by reducing costs related to rental vehicles

Furthermore, actual costs for rental vehicles incurred by various operating divisions have decreased by an estimated \$814,000 in 2023. As part of our follow-up process, we will continue to monitor whether Fleet Services actions to improve City-wide coordination of rental vehicles continues and whether ongoing savings are achieved.

\$2.2M reduction in kilometrage costs in 2023

The audit report also noted that making better use of the City's fleet reduces the need for employees to use their personal vehicles, reducing the related kilometrage reimbursement costs. In 2023, the City incurred about \$2.2 million less in kilometrage costs (adjusted for 2023 reimbursement rates) as a result of the collective efforts of all divisions monitoring employee kilometrage reimbursement.

Total savings of over \$5.4M

We estimate the actions above result in combined one-time and ongoing savings over five years of over \$5.4 million with the potential for additional savings to be recognized in future years if actual costs remain low.

The audit report is available at:

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

(4) Audit of Interface Invoice Payments: Improving Contract Management and Payment Processes, June 2019

2019 audit of the City's interface invoice payment process

In 2019, the Auditor General completed an audit of the City's interface invoice payment process. At the time of the audit, \$1.6 billion annually, or over 30 per cent of payments, were made using this process. The Auditor General made 20 recommendations addressed to various City divisions, to improve the effectiveness of the interface billing process, contract management, and use of data analytics to improve procurement.

¹¹ The Division's 2023 Budget Notes includes \$519,000 in budget savings from efficiencies achieved by reducing the number of underutilized City-owned and rented vehicles (<https://www.toronto.ca/wp-content/uploads/2023/04/8e1d-2023-Public-Book-Fleet-V1.pdf>, page 19)

To date, as a result of management’s continuing efforts to address the recommendations, we estimate that the City realized a total of \$908,000 in one-time and annually recurring savings projected over a five-year period as follows:

Credits for City-owned hydro transformers	\$316,000
Collecting volume rebates	\$491,000
Recovery of duplicate payments	\$101,000
Total	\$908,000

The majority of these are one-time savings (\$653,000) and as explained below, we expect that further savings can be realized as the recommendations are further implemented.

Credits for City-Owned Hydro Transformers

Auditor General recommended a process be developed to ensure the City receives eligible credits on City owned hydro transformers

During the audit we found that reconciliation and validation of hydro bills required strengthening. We identified City-owned hydro transformers in several buildings for which a credit should have been provided based on hydro demand and found that the City may not have been receiving all eligible credits on transformers that it owns.

In response to the audit, the Corporate Real Estate Management (CREM) and the Environment and Climate Divisions jointly developed a quarterly review process to identify City-owned transformers and monitor hydro demand on those transformers. Based on this new process, the Environment and Climate Division was able to identify the City was not receiving transformer credits for 12 out of 48 City-owned transformers.

\$61,000 in one-time retroactive credits and \$51,000 in annually recurring credits as a result of strengthened hydro bill reconciliation

The City received one-time lump sum retroactive credits for two of the transformers totalling \$61,000. Based on the average monthly credits received in 2022 and/or 2023, we estimate the City will continue to receive approximately \$51,000 in credits on an annually recurring basis for the 12 City-owned transformers identified at the time of the audit.

Collection of Volume Rebates

2019 audit found that the City was losing out on volume rebates

We also found that contracts eligible for volume rebates were manually maintained by the Purchasing and Materials Management Division (PMMD) and could not be tracked through the current SAP system. These records were not complete and the City relied on vendors to submit rebates. We made recommendations to improve the recording, monitoring and collection of volume rebates, including automating processes and reviewing contracts for volume rebates to determine if they have been missed.

Manual process persists

During our follow-up, we noted that PMMD continues to manually maintain a list of vendor contracts with volume rebate provisions. It is the responsibility of the Buyer to notify the respective staff in PMMD about the contracted volume rebate for collection from the vendor. This process is not consistently followed by staff across the Division and PMMD is in the process of training and coaching staff. PMMD is planning to automate the monitoring of volume rebates by developing a module in SAP Ariba. According to management, the implementation may take more than a year after the Financial Systems Transformation Project (FSTP) is implemented.

Partial one-time validation by PMMD yields \$491,000 in additional volume rebates

In the meantime, PMMD has performed a one-time validation of existing contracts to determine the amount of volume rebates receivable by the City. To date, PMMD has identified and collected an additional \$491,000 in volume rebates from vendors that were not previously identified.

Recovery of Duplicate Payments

\$101,000 in one-time recoveries of duplicate payments and refunds

In the audit, we also identified \$115,000 in potential duplicate and incorrect payments and/or tax refunds. To date Accounting Services has recovered \$101,000 of the amounts identified. Management has indicated the remaining amounts may not be recovered due to the amount of time that has elapsed.

Since the audit, Accounting Services has implemented new processes and additional controls. For example, the Accounts Payable (AP) team runs a daily duplicate payment report from SAP. In the event of a true duplicate payment, the AP team puts a block on the payment, investigates further, and if required processes any cancellations.

Overall, the Auditor General’s Office is expecting additional potential annual savings once all the audit recommendations from this audit report are fully implemented.

The original report is available at:
<https://www.torontoauditor.ca/report/audit-of-interface-invoice-payments-improving-contract-management-and-payment-processes/>

(5) Review of Urban Forestry - Ensuring Value for Money for Tree Maintenance Services, April 2019 & Getting to the Root of the Issues - A Follow-Up to the 2019 Tree Maintenance Services Audit, February 2021

Management reported continued improvements in productivity since 2019 audit and 2021 follow-up review

In 2019, the Auditor General completed an audit to assess the value for money of contracted tree planting and maintenance services. In 2021, a limited scope follow-up review was undertaken to assess Parks, Forestry and Recreation Division’s Urban Forestry branch’s (PFR-UF) progress toward addressing the recommendations made in the audit, and we made additional recommendations. Since the reports were issued, PFR-UF has reported that they have strengthened contract requirements, enhanced contract management and monitoring processes and controls around tree maintenance services, and have reported continued improvements in tree maintenance crew productivity.

Productivity Gains from Operational Efficiencies

Reduced downtime while crews wait for removal of parked vehicles

One of the notable productivity gains achieved by PFR-UF relates to reduced down time while crews wait for parked vehicles blocking access to trees to be removed. In the 2021 follow up review, we found 478 hours¹² of down time due to parked cars was reported by contracted crews operating out of one yard during the two-month follow-up. In the 2019 audit report and in the 2021 follow up report, the Auditor General made recommendations that PFR-UF reduce time spent on moving or towing parked vehicles obstructing tree maintenance activities and implement related controls to improve efficiency due to this issue.

\$113,000 annualized productivity gains for one yard with potential for further gains for other yards

During our 2023 follow-up process, for the same yard reviewed in 2021, we found that the total hours paid for unproductive time related to parked vehicles blocking access to trees was reduced by six per cent (down to two per cent of total reported crew hours)¹³. This improvement is estimated to result in \$113,000 in annualized productivity gains for this one yard alone. These productivity gains (i.e., more time spent working on trees at the same cost) do not impact PFR-UF’s budget and therefore have not been reflected in their Budget Notes.

As management continues to implement our recommendations and expands tracking of data across more yards, the Auditor General will assess whether there are further productivity gains as part of future follow-up reviews.

¹² Out of an estimated 6,200 hours (8 per cent) reported by contracted crews operating out of one yard during the two-month follow-up

¹³ Based on data for a three-week period for the same yard reviewed in 2021

One-time Cost Recoveries through Enhanced Oversight

Instances of contract non-compliance identified through enhanced monitoring

Our reports also provided recommendations for PFR-UF to strengthen its oversight of tree maintenance services. During our 2023 follow-up, management advised us of an estimated one-time recovery of \$48,450¹⁴ for the individual instances of contract non-compliance identified from their periodic discreet physical observation of the tree maintenance vendors, increased Global Positioning System (GPS) reviews, and enhanced review of daily logs. Management has not made any projection for further potential unproductive time across the broader population of crews. Since these credits were for instances of contract non-compliance identified in-year, there would be no impact on PFR-UF's budget in subsequent years.

Improved Enforcement of the Express Terms of the Contracts

\$385,000 annual cost avoidance for 2 years with potential for more savings as management continues to implement recommendations

Recommendation 9 of the 2021 report requested management to “ensure that payment for services is consistent with the express terms of the contract”. During our 2023 follow-up, we verified that, in general, the crews of two vendors properly reported lunch and breaks and that those breaks were unpaid. This resulted in an estimated annual cost avoidance of \$385,000 for two years during the 2021-2023 contract term.

There are potential additional savings as management continues to implement our recommendations and further strengthens oversight under the new contracts (applicable for the period from July 1, 2023 to December 31, 2025). The Auditor General will review how well the terms in the new contracts are enforced and the relevant impact on productivity and efficiencies as part of future follow-up reviews.

The original reports are available at:

- <https://www.torontoauditor.ca/report/review-of-urban-forestry-ensuring-value-for-money-for-tree-maintenance-services/>
- <https://www.torontoauditor.ca/report/getting-to-the-root-of-the-issues-a-follow-up-to-the-2019-tree-maintenance-services-audit/>

¹⁴ Estimated using a blended hourly crew rate of \$145 for the 334.19 hours of vendor credits

(6) 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. Our 2012 audit assessed the effectiveness and efficiency of Wheel-Trans operations and services. We recommended a number of changes to improve call centre operations, call response capacity, and customer service for Wheel-Trans services.

TTC outsourced the Wheel-Trans Reservations Call Centre Overflow in September 2020

In the Auditor General's 2021 Annual Report, the Office reported that the Toronto Transit Commission (TTC) Board 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. Since 2021, the TTC has reported cost savings through staff attrition and reduced its base operating budget, as it has shifted more capacity to contracted resources.

Additional cost savings of \$480,000 annually for the remaining two years in the contract

TTC's 2024 Operating Budget reflects further base budget reductions of approximately \$480,000 in annual net savings from additional staff attrition over the remaining two years of the contract¹⁵. These costs savings are incremental to the \$2.6 million in annually recurring savings related to the Wheel-Trans Reservation Call Centre contract (over the remaining life of the contract) included in previous TTC operating budgets and reported in prior Auditor General's Office Annual Reports. In this Annual Report, we have recognized an additional \$480,000 in cost savings for each of the remaining two years of the contract, totaling \$960,000.

The original audit report is available at:

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

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

2017 audit of TTC purchasing and materials management

In 2017, the Auditor General's Office completed an audit of the TTC's Materials and Procurement (M&P) Department focusing on Purchasing (goods and services for TTC's day-to-day operations) as well as Materials Management (managing of TTC's inventory assets).

¹⁵ <https://www.toronto.ca/legdocs/mmis/2024/bu/bgrd/backgroundfile-242096.pdf>, page 16

Auditor General recommended maximizing warranty claim rate and revenue for aftermarket parts

In the audit report, the Auditor General recommended the TTC:

- “*undertake the necessary steps to maximize warranty claim rate and revenue for aftermarket parts. Such steps should include an assessment of the resource and technology requirements to enable staff to systematically retrieve, track, and process aftermarket parts warranty*” (Recommendation #1)

Auditor General recommended expanding alternate sourcing to reduce purchase costs of replacement parts

- “*expand and actively pursue alternate sourcing to reduce purchase costs for replacement parts, and to ensure the alternate sourced products are adequately reviewed and tested for TTC operations*” (Recommendation #11)

TTC expanded aftermarket warranty and alternating sourcing programs

Since the audit, the TTC has continued its work to address the Auditor General’s recommendations, including expanding both the aftermarket warranty and alternating sourcing programs by:

- identifying opportunities to expand/improve the programs by collaborating with user departments and vendors
- using the information system to identify and track aftermarket parts with warranties
- allocating resources to manage the programs
- establishing templates to track parts and calculate savings

Cumulative annually recurring savings of \$4.2M included in TTC operating budgets

Over the past several years, the TTC has reflected cumulative annually recurring savings of \$4.2 million in its operating budgets (as summarized in **Table 3**), as it has worked to implement the Auditor General’s recommendations.

Table 3: Cumulative Annually Recurring Savings Included in TTC Operating Budgets and the Auditor General’s Annual Reports, 2018 to 2023

Budget Year	Savings reflected as base budget decreases in the TTC’s operating Budget Notes	
2018	Aftermarket Warranty Program	\$690,000
2019	Aftermarket Warranty Program	\$250,000
2020	Aftermarket Warranty Program	\$300,000
2021	Aftermarket Warranty Program	\$385,000
2022	Aftermarket Warranty Program	\$400,000
2023	Aftermarket Warranty Program	\$75,000
2020	Alternate Sourcing Program	\$1,500,000
2021	Alternate Sourcing Program	\$400,000
2022	Alternate Sourcing Program	\$200,000
Total annual savings in TTC budgets		\$4,200,000
Savings reflected in Auditor General’s previous annual reports after following up on actions taken by TTC management		\$1,681,000¹⁶
Total incremental annually recurring cost savings reflected in this Annual Report (2023)		\$2,519,000

Additional cost savings of over \$12.5M over five years reported in this 2023 Annual Report

During the current follow-up process, we verified that there is an additional \$2.519 million in annually recurring cost savings not included in previous Auditor General’s annual reports. Over a five-year period, this amounts to additional cost savings of over \$12.5 million.

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

TTC’s 2024 Operating Budget indicates that there is potentially an additional \$200,000 in annually recurring savings from the aftermarket warranty program going forward¹⁷. The achievement of these savings will be verified in a future follow up review at TTC. Additional savings may also result in future years as the TTC continues its work to fully implement all of the remaining open recommendations identified in the Auditor General’s 2017 audit report.

The original audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105264.pdf>

¹⁶ The [Auditor General's 2018 Annual Report](#) included \$940,000 in annual cost savings related to the aftermarket warranty program. The [Auditor General's 2020 Annual Report](#) included \$356,000 in annual cost savings related to the alternate sourcing program and an additional \$385,000 in annual cost savings related to the aftermarket warranty program.

¹⁷ <https://www.toronto.ca/legdocs/mmis/2024/bu/bgrd/backgroundfile-242096.pdf>, page 16

(8) Review of Toronto Transit Commission's Revenue Operations: Phase One - Fare Evasion and Fare Inspection, February 2019

In 2019, the Auditor General's Office completed the first phase of an audit of Toronto Transit Commission (TTC) revenue operations which focused on fare evasion and the estimated loss of passenger revenue.

Reduction in Child PRESTO Card Usage by People Older than 12

2019 audit highlighted issues with Child PRESTO cards and fraudulent use

The 2019 audit report noted that under the TTC's fare policy, children 12 years of age and under can ride the TTC for free. At that time, we found that TTC's Child PRESTO card, which provides unlimited free rides, was vulnerable to fraudulent use by people older than 12.

Auditor General made a number of recommendations to address the fraudulent use of Child PRESTO cards

The Auditor General made recommendations that the TTC:

- “explore ways to provide a Child PRESTO Card that is visually different from an Adult PRESTO card, including further negotiation with Metrolinx to issue visually different PRESTO cards for adults and for children aged 12 and under” (Recommendation #15)
- “work with Metrolinx to determine the feasibility of temporarily suspending the Child PRESTO cards on the Toronto Transit Commission until appropriate controls are in place” (Recommendation #19)
- “negotiate with Metrolinx to provide a different light and sound on PRESTO card readers for Child PRESTO cards from other concession types” (Recommendation #16a)

TTC management advised that the recommendation (16a) to have a different light and sound on PRESTO card readers for different concession types has been fully implemented. TTC is of the view that because of these system changes made to improve the controls related to the Child PRESTO card, that the intent of both Recommendations 15 and 19 have been addressed.

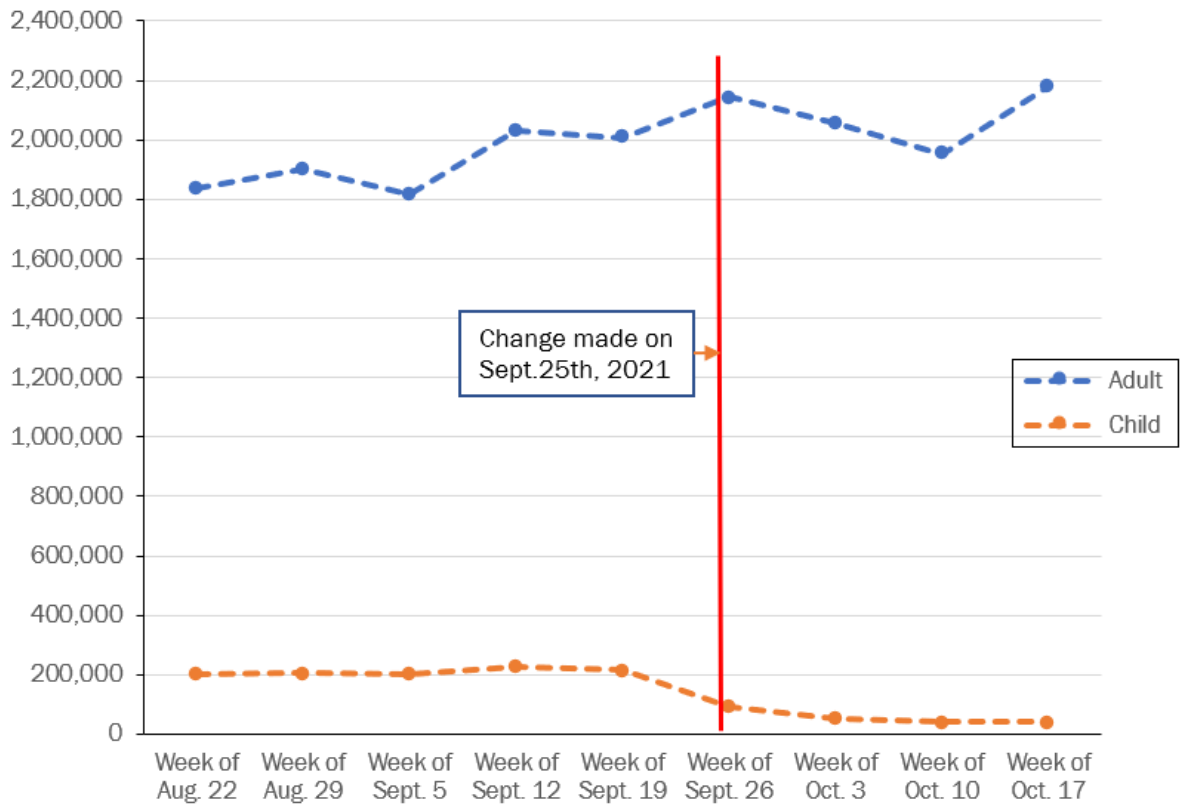
System changes implemented to identify when a Child PRESTO card is tapped

With regards to the recommendation on changing the light and sounds for different concession types on PRESTO fare readers, according to TTC management, system changes were made on September 25, 2021. This change means that when a Child PRESTO card is tapped, PRESTO fare equipment shows a different light and sound than when PRESTO cards of other concession types are tapped (i.e., adults, seniors, post-secondary and youth).

79% decrease in child PRESTO card taps after system changes with increase in adult PRESTO cards during same period

As a result of implementing this recommendation and as shown in **Figure 5**, based on the data TTC provided on PRESTO fare payment taps, the number of taps by Child PRESTO cards dropped significantly in the several weeks following the system change. The number of taps for Child PRESTO cards decreased from over 215,000 taps per week to less than 41,000 taps per week, a decrease of 170,000 taps (79 per cent). For the same period of time, there was an increase of over 170,000 payment taps using PRESTO cards for adults¹⁸, with the exception of the Thanksgiving Holiday week (week of October 10, 2021).

Figure 5: Actual Number of Payment Taps¹⁹ by Adult vs Child PRESTO Cards during the Weeks of August 22 to October 17, 2021



Reduction in taps indicates volume of fraudulent use of Child PRESTO has dropped significantly

TTC management advised that the reduction of Child PRESTO card payment taps indicates the volume of fraudulent use of the child card has dropped significantly because of the system change. Furthermore, TTC management confirmed that there has not been any sign of an increase in the use of Child PRESTO cards since October 2021.

¹⁸ For the same period of time, there was also an increase of close to 60,000 payment taps by other concessions (i.e. youth, senior and post-secondary).

¹⁹ To determine the impact on passenger revenue, our analysis excludes transfer taps and/or taps by monthly passes, etc.

TTC management advised us that the increased passenger revenue was reflected in TTC's Operating Budget for 2022 and onward. However, TTC management said that they were not able to isolate the increase in paid rides/taps/revenue in Fall 2021 (adult, youth, senior) that are due to the system change versus the increase in paid rides/taps/revenue that are due to an increase in ridership from the loosening of COVID-19 restrictions by the Province.

However, it is clear that a decrease in fraudulent use of Child PRESTO cards has been achieved and our view is that a reasonable estimate can be calculated, taking into account that some of these customers may either no longer be using the TTC or may be evading their fare using another method.

In 2020, TTC estimated it was losing about \$12M a year to fare evasion by almost 90% using the Child PRESTO cards illegally

In a presentation to the TTC Board in February 2020, TTC management noted that TTC was losing about \$12 million a year to fare evasion by those using the Child PRESTO cards illegally, with an estimated fraudulent use rate of 89% and that the fraudulent use occurred mainly at subway stations.

Based on the data provided by TTC for Fall 2021, we considered a range of percentage for fraudulent use to estimate the savings:

Reduced fraudulent use of Child PRESTO cards likely resulted in millions of dollars of increased TTC's annual passenger revenue

- If **10%** of the 170,000 per week reduction in Child PRESTO cards taps were due to reduced fraudulent use of Child PRESTO cards and resulted in a corresponding increase in the number of paid taps using PRESTO cards for adults, seniors, post-secondary students, and youth over the same period of time, TTC's passenger revenue is increased by approximately \$52,000 (17,000 taps) per week or **\$2.7 million annually**.
- If **90%** of the 170,000 per week reduction in Child PRESTO cards taps were due to reduced fraudulent use of in Child PRESTO cards and resulted in a corresponding increase in the number of paid taps using PRESTO cards for adults, seniors, post-secondary student, and youth over the same period of time, TTC's passenger revenue is increased by over \$470,000 (153,000 taps) per week or by **over \$24 million annually**.

\$13.5M in increased passenger revenue, assuming 50% of decrease in Child PRESTO taps results in a corresponding increase in proper payment of TTC fare

Given that there was an increase in PRESTO taps using adult, senior, and student PRESTO cards in the weeks following the change, it is reasonable to assume that the change resulted in an increase in paid fares. If we assume that 50%²⁰ of the decreased taps in Child PRESTO resulted in a corresponding increase in paid taps, then we estimate TTC's passenger revenue has increased by approximately **\$13.5 million annually** due to a reduction in the fraudulent use of Child PRESTO cards by persons older than the age of 12.

Outstanding Recommendations and Related Potential Savings

2019 audit identified opportunities to protect passenger revenue and reduce fare evasion rates

In our 2019 audit report, we identified opportunities for the TTC to protect its passenger revenue and reduce its fare evasion rates. This included recommended improvements to the efficiency and effectiveness of its fare inspection program. At the time of our audit report, we estimated that the TTC's overall fare evasion rate was 5.4 per cent (weighted average rate for all three modes of transit) and estimated that the TTC had lost \$61 million in passenger revenue due to fare evasion in 2018.

Many 2019 report recommendations not yet fully implemented

Although some of the audit recommendations have been fully implemented, such as the new light/sound for fare payment by different PRESTO concession card types (child, adult, senior, youth, post-secondary), TTC has advised that they have not fully implemented 18 out of our 27 recommendations. Our follow-up work is currently in progress on this audit and will be reported at a future Audit Committee meeting in 2024.

TTC has internally estimated its fare evasion rate has increased significantly

TTC management requested its Audit, Risk and Compliance department to complete a re-baseline measurement of the fare evasion rate post COVID-19 and have advised us that the fare evasion rate has increased significantly since the time of our audit. TTC's Audit, Risk and Compliance department plans to present the results of their 2023 fare evasion study to TTC's Audit and Risk Management Committee at its March 2024 meeting.

Toronto is not alone in facing increased fare evasion rates

It is important to note that Toronto is not alone in facing the issue of increased fare evasion – many other transit agencies have reported significant increases in fare evasion rates since the COVID-19 pandemic, including New York City and Ottawa.

²⁰ We assumed that 50% of reduction in Child PRESTO tap resulted in increase of payment taps whereas the other 50% represent individuals either stopped using TTC services or continue to evade using another method.

Customer behaviour may have been impacted by the long period of time without fare enforcement during COVID-19 pandemic

Also, there are likely some external factors contributing to the increase in fare evasion. For example, during the COVID-19 pandemic (March 2020 to 2023), TTC suspended fare enforcement and focussed on customer education, resuming ticketing in March 2023. Customer behaviour may have been impacted by the lack of fare enforcement during this long period of time; further public education and messaging on the importance of paying your fare will be important going forward.

2019 report highlighted \$11M additional annual revenue if fare evasion reduced by one percentage point

In our 2019 audit report, we estimated that a one percentage point reduction in fare evasion would result in about \$11 million additional annual passenger revenue based on 2018 ridership. The total amount of passenger revenue lost will continue to increase as the fare evasion rate increases and our recommendations are not fully implemented.

The original audit report is available at:

<https://www.torontoauditor.ca/report/review-of-toronto-transit-commissions-revenue-operations-phase-one-fare-evasion-and-fare-inspection/>

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

2019 audit identified TTC may not be getting all the passenger PRESTO revenue it should

In October 2019, the Auditor General completed the second phase of an audit of the Toronto Transit Commission's (TTC) Revenue Operations. The audit highlighted that the availability of PRESTO/TTC fare equipment was less than what had been publicly reported by the TTC and due to issues and a complicated system, the TTC may not have been getting all the passenger PRESTO revenue it should.

Auditor General recommended Metrolinx and TTC work to improve PRESTO card reader availability and the information used to calculate the availability

The Auditor General's report included recommendations to work together with Metrolinx and its vendors to identify and address the root cause(s) of device performance issues (e.g. frozen and intermittent readers) and improve PRESTO card reader availability, as well as to determine and implement the best method to capture complete and accurate information on the PRESTO card reader availability calculation.

TTC advised that many of the recommendations have been fully implemented to improve PRESTO fare equipment

During our current follow-up process, TTC management advised us that many of the recommendations from the 2019 audit have been fully implemented and that the TTC and Metrolinx have worked together to improve the availability and reliability of PRESTO fare equipment, including taking the following actions:

- Metrolinx has upgraded fare payment devices
- Metrolinx has upgraded PRESTO software
- Metrolinx provides TTC with daily PRESTO card reader availability spreadsheets including weekends and holidays

TTC collecting an estimated \$1.9M increased fare revenue annually through improved PRESTO fare equipment

As a result, we estimated that TTC is now recording an additional \$1.56 million in fare revenue in 2023. Moving forward, we estimated that TTC will be recording \$1.9 million more annually compared to revenue recorded at the time of the original audit, as a result of improvements to the availability of PRESTO fare equipment.

TTC management advised that given device availability improvement is indirectly captured in their budgeted fare revenue, the amount is not highlighted separately in the TTC's 2024 Budget Notes.

The original audit report is available at:

<https://www.torontoauditor.ca/report/review-of-toronto-transit-commissions-revenue-operations-phase-two-presto-ttc-fare-equipment-and-presto-revenue/>

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

2017 audit identified that City Management and health benefits administrator interpreted benefit plan provisions differently

In 2017, the Auditor General conducted an audit on employee extended health benefits. The Auditor General recommended (Recommendation #7) that the City "*ensure the City's employee health benefit provisions are implemented in accordance with City's intentions and collective agreements, and that the plan administrator's interpretation of benefit provisions is in line with City intentions.*"

Third party review was conducted based on our recommendation

In 2020, the City retained an external consultant to conduct a Claims Adjudication Audit and to ensure that the health benefits administrator's interpretation and application of benefit provisions in 2018 aligned with City's intentions.

\$100,000 in past extended health benefit claims were recovered

Similar to the findings from the Auditor General's 2017 audit, the external consultant observed that the benefits administrator's interpretation of benefits provisions was not always consistent with the City's intent. Specifically, the administrator approved and paid orthotics related claims of approximately \$100,000 in excess of the City's intent. Past payments made on these claims were subsequently recovered by the City from the administrator. The administrator reported that they updated their systems in 2018 to address these issues going forward.

The original audit report is available at:

<https://www.torontoauditor.ca/report/management-of-the-citys-employee-extended-health-and-dental-benefits-phase-two-ineffective-controls-and-plan-design-leaving-the-city-vulnerable-to-potential-benefit-abuse/>

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

2019 audit focused on helping to make sure subsidies and social assistance benefits eligible households

In 2019, the Auditor General completed an audit focused on the administration of Rent-Geared-to-Income (RGI) assistance and the verification of each household's ongoing eligibility. The Auditor General's recommendations were aimed at preventing subsidies from being provided to ineligible households and assisting people who are waiting and eligible to access stable housing.

Certain files were referred to management for further review to determine whether RGI recipients were in receipt of the correct amount of assistance

During the audit, our Office identified over 5,000 files with potential indicators that may impact certain households' eligibility for RGI assistance which the Auditor General referred to management for further review. These indicators included potential:

- undisclosed property ownership
- unreported sources of income or assets
- unauthorized household members
- RGI residents occupying multiple RGI units

Files reviewed by TESS identified \$524,000 in overpayments

The [Auditor General's June 2023 Status Report on Outstanding Recommendations](#) highlighted that Toronto Employment and Social Services (TESS) investigations of certain files referred by the Auditor General identified over \$524,000 in social assistance overpayments to recipients of RGI. Seven of the 180 files with overpayments were referred to law enforcement for further action.

\$1.79M in losses prevented

We estimate that by identifying and investigating the issues on these files, TESS stopped approximately \$448,000 in annual overpayments²⁴. These actions prevented losses totaling approximately \$1.79 million in Ontario Works income supports, based on an Ontario Works recipient being on assistance for an average of four years.

The original audit report is available at:

<https://www.torontoauditor.ca/report/safeguarding-rent-geared-to-income-assistance-ensuring-only-eligible-people-benefit/>

²⁴ Financial benefits provided by the City to people living in Toronto are funded by the provincial government under the Ontario Works Act and Regulations. These income supports are designed to help with the costs of food, clothing, and shelter for eligible clients. These funds are reflected as gross expenditures in the TESS operating budget which are offset by the revenue received from the Province to deliver this program.

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

2019 audit identified opportunities to manage the social housing waiting list more effectively and efficiently

In 2019, the Auditor General completed an audit of the administration of the City's centralized waiting list for Rent-Geared-to-Income (RGI) assistance. This audit included 28 recommendations for the City, as the service manager for social housing, to more effectively and efficiently manage the waiting list, reduce social housing vacancies, and make better use of space in social housing buildings.

Online choice-based system launched in 2021

The [Auditor General's June 2023 Status Report on Outstanding Recommendations](#) highlighted that the City launched the new MyAccesstoHousingTO system²² 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 implemented the new choice-based process to facilitate providing information to applicants about available RGI social housing units so that they may choose the units that are of interest to them.

\$61,000 average annual savings in postage costs

Actions taken by management to address the Auditor General's recommendations have resulted in operating improvements. In addition, the online system also improved communications and avoided mailing costs for registered applicants. We estimate the City will achieve annual savings ranging from \$46,000 to \$77,000 by avoiding future postage costs. In total, the estimated \$61,000 in average annual savings to the City projected over a five-year period is \$305,000.

The avoided costs noted above reflect program service efficiencies achieved which are reinvested in service delivery.

The original audit report is available at:

<https://www.torontoauditor.ca/report/opening-doors-to-stable-housing-an-effective-waiting-list-and-reduced-vacancy-rates-will-help-more-people-access-housing/>

²² MyAccesstoHousingTO is the City's new online system for households to apply and manage their application for access to RGI assistance in Toronto.

Leaders in our Profession

Sharing expertise and learning from mutual experiences

We pride ourselves on being leaders in our industry and are regularly invited to share our expertise, office practices, and learnings from audits and investigations. For example, in 2023,

- The Auditor General was asked to be a speaker at the Canadian Council of Legislative Auditors' 2023 Performance Audit Symposium on the topic of "Demonstrating the Value of Performance Audit Work". The Auditor General shared the importance of quantifying the value you add, including examples of quantifiable financial impact, as well as demonstrating the non-quantifiable people impact of audits.



- The Auditor General was invited to be an expert facilitator for the Canadian Audit and Accountability Foundation (CAAF) training course on "Building a Better Audit Report" delivered to staff from the State Audit Office of Vietnam. Delivered through a "Train the Trainer" approach, this course enables designated staff to go on to train their own teams. (Vietnam has a total of more than 1,000 audit staff).



- Staff from our Office were invited to make a presentation at the Municipal Internal Auditors Association’s Spring Workshop on “*Improving Outcomes – A Roadmap for Shelter, Support and Housing Administration to More Effectively Guide Each Client on Their Journey Towards Stable Housing*”. This presentation shared findings and recommendations from our 2022 audit report “Part 1 of the Audit of Emergency Shelters: A Focus on Case Management”.
- Our Office was selected to give the keynote presentation at the Association of Local Government Auditors Annual Conference. The presentation, delivered by retired Auditor General Beverly Romeo-Beehler, was titled “*Raising the Alarm - Conducting an Industry-Changing Fraud Investigation using Professional Skepticism*” and focused on the practical application of professional skepticism when conducting audit or investigative work.

Engaging with our counterparts around the world

We also 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.



Office visit by international fellows from Rwanda, Senegal, and Vietnam

For example, in 2023,

- The Auditor General’s Office was visited by the Canadian Audit and Accountability Foundation’s international fellows from Rwanda, Senegal, and Vietnam. We shared an overview of our office and our performance audit process, highlights from last year’s annual report, how we select audits for our Work Plan and key areas of focus, and information on our Fraud and Waste Hotline.

Knowledge sharing with Audit Office of New South Wales

- The Audit Office of New South Wales²³ (Australia) reached out to our Office asking us to share our knowledge and lessons learned with respect to understanding the financial impacts of audits, the process of identifying and recording financial impacts, and resources dedicated to measuring the impact.

Connecting and sharing with other Canadian Auditors General

- Our Auditor General also has regular and ad hoc meetings with other Auditors General of municipalities in Canada, including Ottawa, Calgary, and Vancouver, to share lessons learned and expertise with each other, and to start building a stronger municipal network of Auditors General.

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 the:

- Association of Local Government Auditors Digital Strategy Committee and Peer Review Committee, as well as leading or being members of multi-jurisdictional teams 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 225 auditors from municipalities, school boards and police services across Canada
- Institute of Internal Auditors (IIA) Toronto Chapter Executive Officer team, promoting membership and certification in the field of internal audit. The Toronto IIA Chapter is one of oldest and largest in the world with over 2,800 auditors from the Greater Toronto Area, as well as other parts of Ontario

²³ Statutory Authority that conducts audits for the Auditor-General of New South Wales

Giving back to our community

The Auditor General’s Office also strives to make a positive difference in the lives of Torontonians by donating time and resources to support our community. In 2023, our Office participated in the Colleagues Assisting in Providing Essentials (CAPE) Food & Clothing Donation Drive. During the month of November 2023, we collected a total of 455 donation items, consisting of food, winter clothing and school supplies to support the Daily Bread Food Bank and Toronto Shelter and Support Services’ funded shelters and agencies across the city. As part of the City’s United Way campaign, nearly half of our Office participated in this year’s Civic Run. Our Office’s United Way coordinator (Anil Bux) was a recipient of an Ambassador of the Year Award and the Office received an Outstanding Employee Engagement Award for a small-sized City division for the 2023 United Way Employee Campaign.





2023 City of Toronto United Way Campaign
Ambassador of the Year Award

presented to

Anil Bux



Jag Sharma
Deputy City Manager, Development & Growth Services and Campaign Co-Patron



Brandon Haynes
President, Toronto Public Library Workers Union Local 4948 and Campaign Co-Patron



Nishanthini Nagarathnam
Campaign Manager

Toronto Public Service – Making a Difference








2024 and Beyond

Bringing value through our independent and objective lens

The Auditor General will continue to bring value to City Council, examining City operations with an independent and objective lens and delivering projects that can result in impactful findings and recommendations to the City. The audit, investigation, cybersecurity and other reports we completed in 2023 are listed in **Exhibit 2**.

Looking forward to 2024 and beyond, the Auditor General's Office will continue to deliver audits in high priority areas while balancing new requests from City Council, as well as investigations into allegations of fraud, waste or other wrongdoing that, if not addressed, may present high risks to the City. Planned projects in the 2024 Work Plan²⁴ and those on our horizon are summarized in **Figure 6**.

Figure 6: Auditor General's Office 2024 Work Plan

Audit Work Plan (2024)	Audit Horizon (2025)
<p><u>Agencies and Corporations</u></p> <ul style="list-style-type: none"> • Toronto Transit Commission – Workforce Planning and Management • Toronto Community Housing Corporation – Cybersecurity Assessment • Toronto Hydro – Cybersecurity Assessment <p><u>City Divisions</u></p> <ul style="list-style-type: none"> • Toronto Paramedic Services – Operational Review of 911 Emergency Response Services • Shelter, Support & Housing Administration – Winter Respite Sites and Warming Centres for People Experiencing Homelessness • Municipal Licensing and Standards and Revenue Services – Short Term Rentals and Municipal Accommodation Tax • Parks, Forestry and Recreation – Parks Operational Review • FIFA World Cup 2026 Secretariat – Audit of Maple Leaf Sports & Entertainment contract – FIFA World Cup 2026 • City Manager's Office (Strategic Partnerships) – Unsolicited Proposals – PayIt Platform • Toronto Fire Services – Operational Review of 911 Emergency Response Services • Toronto Building – Plan Review & Customer Service • Engineering & Construction Services – Utility Cuts • Purchasing and Materials Management – Low Dollar Value Purchases, PCard Usage and Payments • Technology Services – Major Information Technology Projects • Technology Services – Software Acquisition and Licence Utilization 	<p><u>Agencies and Corporations</u></p> <ul style="list-style-type: none"> • Toronto Transit Commission – Operational Review • Toronto Community Housing Corporation and Toronto Seniors Housing Corporation – Capital Planning and Delivery • Toronto Public Library – Cybersecurity Assessment • Toronto Police Service – Special Events / Paid Duty • Toronto Police Service – IT Governance / Infrastructure • Toronto Police Service – Cyber Security Follow-up <p><u>City Divisions</u></p> <ul style="list-style-type: none"> • Housing Secretariat – Supportive Housing • Housing Secretariat – Affordable Rental Housing • Engineering & Construction Services – Street Construction and Utility Work • Transportation Services, and Engineering & Construction Services – Road Maintenance • Corporate Real Estate Management – Major Capital Project • City-wide – Purchase Order Amendments

²⁴ The Auditor General's Office 2024 Work Plan was considered by City Council on December 13, 2023. [Agenda Item History - 2023.AU3.1 \(toronto.ca\)](#)

Conclusion

\$12 return on investment for every \$1 invested in our Office

Our office continues to add value to the City. The City has achieved cumulative one-time and annually recurring savings projected over a five-year period totaling over \$387 million (as reported in the Auditor General's 2019 to 2023 Annual Reports). The cumulative expenditures of our Office for the same five-year period (i.e., 2019 to 2023) is approximately \$32 million. Based on these numbers, every \$1 invested in our Office from 2019 to 2023 provided a return of approximately \$12.

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

Under Section 178(1) of the *City of Toronto Act, 2006* (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 assists City Council by providing independent assessments of the quality of stewardship over public funds and whether value for money is being achieved in operations by conducting performance audits; cybersecurity, financial, operational and compliance audits and reviews; and forensic investigations, of City divisions and certain City agencies and corporations. The Auditor General also follows up on recommendations from previous reports.

The Auditor General’s legislated responsibilities, powers and duties established in Section 178 of the Act are reinforced by Chapter 3 of the Toronto Municipal Code which sets out the Auditor General’s specific responsibilities including:

- reporting to City Council on annual Office activities, including savings achieved
- undertaking audit projects identified by the Auditor General, or approved by a two-thirds majority resolution of City Council including performance, financial and compliance audits of City divisions, certain 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

The Disclosure of Wrongdoing and Reprisal Protection framework set out in Chapter 192 of the Toronto Municipal Code also reinforces the Auditor General’s provincially mandated responsibilities, powers, and duties established under Section 178 of the Act related to the safeguarding of public funds and ensuring value for money, by requiring the Auditor General’s independent oversight in the investigation of reported wrongdoing. The Auditor General’s independent oversight role 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 reprisal 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 (when the Office was established), 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
- following up on recommendations from previous audit reports
- 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 2023

2023 Audit, Investigation, Cybersecurity and Other Reports:

- Building Better Outcomes: Audit of **Toronto Building's Inspection Function**, January 2023
- A Review of the **Procurement and Award** of the **Winter Maintenance Performance-Based Contracts**, June 2023
- **Winter Maintenance Program Follow-Up**: Status of Previous Auditor General's Recommendations & Processes to Hold Contractors Accountable to New Contract Terms, June 2023
- City of Toronto's **Modular Housing Initiative**: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs, June 2023
- **Investigation into Allegations of Wrongdoing Regarding Building Inspections of 2 Houses**, June 2023
- Audit of **Toronto Transit Commission's Streetcar Overhead Assets**: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays, November 2023
- **Toronto Transit Commission Cybersecurity Audit Phase Two: Overall Network Security and Cybersecurity** Assessment of Select Critical Systems, November 2023
- Audit of the **Enterprise Work Management Solution (EWMS)**: Lessons Learned for Future Large Information Technology Projects, November 2023

2023 Recommendation Follow-up Reports:

- Auditor General's 2022 Status report on Outstanding Recommendations, January 2023
- Auditor General's June 2023 Status Report on Outstanding Recommendations, June 2023
- Update to Winter Maintenance Program Follow-Up: Change in Contract Terms, November 2023

Exhibit 3: How Auditor General’s Recommendations Benefit the City

The following table provides examples of how audits can lead to other non-financial or non-quantifiable benefits to the City

Common Theme: Non-Financial Benefit	Report
<p>Strengthening accountability and delivering on objectives and expected outcomes</p> <p>(e.g., supporting achievement of City priorities like providing quality, safe, affordable housing to households in need; enhancing the effectiveness of how those in need of housing assistance are served)</p>	<ul style="list-style-type: none"> • Part 1 of the Audit of Emergency Shelters: A Focus on Case Management (2022) • Revisiting Legacy Rental Replacement Policies to Align them with the City’s Affordable Rental Housing Expectations (2022) • Strengthening Accountability and Outcomes for Affordable Housing: Understanding the Impact of the Affordable Home Ownership Program (2020) • Moving Forward Together: Opportunities to Address Broader City Priorities in Toronto Community Housing Corporation Revitalizations (2019)
<p>Improving effectiveness and efficiency of program delivery</p> <p>Improving policies and processes to support more consistent and effective service delivery and achievement of service levels</p> <p>Improving efficiency of processes by leveraging technology</p> <p>More effective and efficient operations and/or use of resources</p>	<ul style="list-style-type: none"> • Building Better Outcomes – Audit of Toronto Building’s Inspection Function (2023) • Audit of the Toronto Transit Commission’s Streetcar Overhead Assets: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays (2023) • Toronto Police Service – Audit of 9-1-1 Public Safety Answering Point Operations (2022) • Review of Toronto Police Service – Opportunities to Support More Effective Responses to Calls for Service (2022) • Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources (2021) • Opening Doors to Stable Housing: An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing (2019) • Safeguarding Rent-Geared-to-Income Assistance: Ensuring Only Eligible People Benefit (2019) • 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) • Review of Toronto Transit Commission’s Revenue Operations: Phase One – Fare Evasion and Fare Inspection (2019)

Common Theme: Non-Financial Benefit	Report
<p>Strengthening project planning and project management processes and controls to support transparency, identify and address projects risks, and ensure accountability for project delivery on budget and on time</p>	<ul style="list-style-type: none"> • City of Toronto’s Modular Housing Initiative: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs (2023) • Audit of the Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects (2023)
<p>Improving contract design and contract management controls</p> <p>Improving monitoring and oversight of contractors</p>	<ul style="list-style-type: none"> • Winter Maintenance Program Follow-Up: Status of Previous Auditor General’s Recommendations and Processes to Hold Contractors Accountable to New Contract Terms (2023) • A Review of the Procurement and Award of the Winter Maintenance Performance-Based Contracts (2023) • Toronto Community Housing Corporation - Embedding Accountability into Service Delivery: Lessons Learned from the Audit of Contracted Property Management Services (2022) • Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit (2021) • Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes (2020) • Review of Urban Forestry - Ensuring Value for Money for Tree Maintenance Services (2019) • Engineering and Construction Services - Phase Two: Construction Contract Change Management Controls Should Be Strengthened (2019) • Review of Toronto Transit Commission’s Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue (2019)
<p>Strengthening financial and administrative controls over invoicing and payments to help ensure the City is receiving value for money</p>	<ul style="list-style-type: none"> • Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations (2022) • Challenges in Contract Management - Auditor General's Review of the Corporate Real Estate Management Division (2021) • Toronto Business Improvement Areas (BIAs) Accounts Payable Fraud Investigation (2021) • Employee Health Benefits Fraud Involving a Medical Spa (2020) • Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits (2020) • Audit of Interface Invoice Payments - Improving Contract Management and Payment Processes (2019)

Common Theme: Non-Financial Benefit	Report
<p>Improving the safety and security of City assets</p> <p>Strengthening controls that help to protect the City and its agencies and corporations in the event of a cyber attack</p>	<ul style="list-style-type: none"> • Toronto Transit Commission Cybersecurity Audit - Phase Two: Overall Network Security and Cybersecurity Assessment of Select Critical Systems (2023) • Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management (2022) • Cybersecurity Review: Open-Source Internet Data Intelligence Review (2022) • Cybersecurity Review: Toronto Fire Services Critical Systems Review Phase 2 (2022) • Auditor General's Cybersecurity Review: Toronto Fire Services Critical Systems Review (2021) • Toronto Police Service Information Technology (IT) Infrastructure: Cyber Security Assessment Phase 1 (2021) • Cybersecurity Incidents at the City and its Agencies and Corporations: Integrated Incident Response Plan is Needed (2021) • Toronto Water Supervisory Control and Data Acquisition (SCADA) System Security: Results of the Follow-Up of Previous Audit Recommendations (2021/2) • Cyber Safety - Critical Infrastructure Systems: Toronto Water SCADA System (2020) • Establishment of City Wide Cyber Security Breach Incident Management Procedures Required (2019) • Cyber Safety: A Robust Cybersecurity Program Needed to Mitigate Current and Emerging Threats (2019)

**AUDITOR
GENERAL**

TORONTO

