

# **Audit of Transportation Services: Improving Utility Cut Permit and Inspection Processes**

**Date:** June 25, 2025

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

## **SUMMARY**

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The Transportation Services Division maintains City roads and sidewalks to ensure they remain safe and accessible for all users. Each year, the Utility Management Unit of Transportation Services issues approximately 35,000 utility cut permits to authorized public utility companies.

The Auditor General's 2025 Work Plan included an audit of Transportation Services' Utility Cut Program to review its permit and inspection processes.

A "utility cut" refers to excavating a portion of the public right-of-way (e.g., pavement, sidewalks or boulevards) to provide access to underground utilities, such as water mains, power lines, and telecommunications infrastructure.

Utility cuts can lead to traffic disruptions and construction-related dust and noise complaints. Improper restoration of utility cuts can also deteriorate City roads and sidewalks or result in road hazards, increasing the safety risk for drivers, cyclists and pedestrians. As a result, it is crucial for the City to effectively manage the utility cut process.

Our audit identified opportunities for improvement in the following areas:

- A. Improve Application Processing Time and Implement Consistent Practices for Reviewing and Documenting Permit Applications
- B. Improve Inspections and Deficiency Monitoring
- C. Establish an Effective Cost Recovery Fee Structure
- D. Better Track and Integrate Utility Cut Data

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council request the General Manager, Transportation Services Division, to improve tracking and timeliness of the utility cut permit application review and approval process by:
  - a. ensuring that permit status and key application timelines (e.g., submission, first review, and resubmission dates) are accurately tracked to better monitor the permit process timeliness and identify delays and causes for delays;
  - b. ensuring factors such as preliminary review work, new permit versus permit extensions, and Road Allowance Control System (RACS) versus email submissions are tracked, to enable accurate processing time metrics and help staff identify delay causes; and
  - c. expanding the use of online submissions to reduce reliance on manual email submission and improve efficiency of the permit process.
2. City Council request the General Manager, Transportation Services Division, to strengthen oversight of the utility cut permit process by taking the following actions:
  - a. establish a Memorandum of Understanding (MOU) with Toronto Water and other internal City stakeholders to clearly define roles and responsibilities for utility cut permits and ensure they are clearly understood and agreed upon;
  - b. establish processes to centrally track permits issued and inspections conducted by other divisions, such as Toronto Water, and to ensure that inspection results are consistently stored in a centralized system; and
  - c. review and deactivate unused accounts, restrict permit approval privileges to authorized staff, and implement appropriate tools or procedures to ensure oversight of user roles and access levels.
3. City Council request the General Manager, Transportation Services Division, to develop and implement a quality assurance process for all permit streams, including standardized checklists aligned with applicable policies and standards for reviewing permit applications to ensure that necessary conflict approvals are obtained, and appropriate documentation is maintained to support compliance and accountability.
4. City Council request the General Manager, Transportation Services Division, to strengthen coordination and communication between the Utility Management Unit and the Work Zone Construction Coordination Unit to improve oversight of utility cut activities by:
  - a. establishing a standardized communication protocol between the two units to ensure timely updates on permits and inspections;

- b. ensuring all Road Disruption Activity Reporting System (RoDARS) approvals are linked to valid and accurate Road Allowance Control System (RACS) permit numbers, and that all completed permits have corresponding RoDARS approvals; and
  - c. implementing a process to enforce compliance with RoDARS approval requirements through actions including, but not limited to, inspecting QR code construction signs and recovering administrative costs for non-compliance.
- 5. City Council request the General Manager, Transportation Services Division, to develop and implement a structured process to manage and track the inspections throughout the entire permit life cycle until its warranty period is completed, specifically:
  - a. ensure timely permanent restoration and warranty inspections are performed for all permits; and
  - b. ensure a warranty start date is clearly defined and supported by inspection for all permits that come to the warranty stage.
- 6. City Council request the General Manager, Transportation Services Division, to set up a structured training program that is periodically updated to reflect new processes, and to provide refresher training to inspectors so they have clear guidance on how to carry out and document inspections properly, ensuring all evidence is complete, accurate, and uploaded into Maximo.
- 7. City Council request the General Manager, Transportation Services Division, to develop and implement a formal process for conducting material testing and monitoring material testing deficiencies.
- 8. City Council request the General Manager, Transportation Services Division, to develop and implement a formal process to monitor permits where deficiencies are identified. The process should include but not be limited to the following items:
  - a. maintain a centralized report to track permits with deficiencies, resolution timelines, and statuses;
  - b. develop a protocol to inform utility companies about the deficiencies before warranty expires; and
  - c. ensure re-inspection of resolved deficiencies is performed and documented.
- 9. City Council request the General Manager, Transportation Services Division, to establish formal service standards on service requests and enhance documentation practices to include actions taken with supporting evidence.

10. City Council request the General Manager, Transportation Services Division, to update and report on its key performance indicators and targets, and investigate and take timely corrective actions when performance issues are identified.
11. City Council request the General Manager, Transportation Services Division, to implement a process to charge pavement degradation fees and to recover past and ongoing costs of road damage caused by utility cuts.
12. City Council request the General Manager, Transportation Services Division, to determine and propose any adjustments needed to the fee structure to reflect the full cost of program delivery, including inspections, compliance enforcement, and administrative support.
13. City Council request the General Manager, Transportation Services Division, in consultation with Legal Services where appropriate, to make best efforts to recover all outstanding permanent restoration costs for work performed on the legacy utility cut permits.
14. City Council request the General Manager, Transportation Services Division, to implement an effective permit system that integrates with the inspection system for more efficient processing and tracking of permits and inspection data.

## **FINANCIAL IMPACT**

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Pavement degradation fees cover the costs associated with the reduction in pavement service-life and increased maintenance expenses as a result of utility cuts. Since 2018, when utility companies became responsible for permanently restoring their cuts, the City has not been recovering pavement degradation fees because Transportation Services lacks the necessary information (e.g., cut sizes) to calculate these charges. As a result, we estimate that the City may have forgone approximately \$20 million in pavement degradation fees from 2018 to 2024.

In addition, addressing the recommendations in this report will also strengthen the effectiveness, efficiency, and oversight of the utility cut permit and inspection processes, ensuring it meets current and future service demands while protecting public safety and preserving road infrastructure quality and longevity. The resulting financial implications of these improved processes, productivity, and any anticipated efficiencies and/or resources needed, could not be determined at the time of this report.

## **DECISION HISTORY**

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The Auditor General's [2025 Work Plan](#) included an audit of the Transportation Service' Utility Cut Program to review its permit and inspection processes.

## COMMENTS

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A high-level summary of key audit findings is provided in the Audit at a Glance.

The attached audit report provides the Audit Committee and members of Council with the detailed audit results and recommendations together with management's response. Management has agreed to all 14 recommendations.

## CONTACT

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## SIGNATURE

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Tara Anderson  
Auditor General

## ATTACHMENTS

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Attachment 1: Audit of Transportation Services: Improving Utility Cut Permit and Inspection Processes