

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 13, 2010

SUBJECT: INTERNAL AUDIT REPORT – RAIL TRANSPORTATION
DEPARTMENT – YONGE-UNIVERSITY-SPADINA-SHEPPARD
LINE/BLOOR-DANFORTH/SRT LINE

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive for information the attached Internal Audit Report.

BACKGROUND

Internal Audit provides the Commission with independent evaluations of the efficiency and effectiveness of control systems, and operations. Internal Audit is also required to provide recommendations for improvement.

Richard G. Beecroft
Chief Auditor

April 13, 2010
01-23

Attachment – Internal Audit Report

OPERATIONS BRANCH

RAIL OPERATIONS

RAIL TRANSPORTATION DEPARTMENT

**YONGE-UNIVERSITY-SPADINA-SHEPPARD LINE
BLOOR-DANFORTH/SRT LINE**

**Covering Period:
January 2008 to June 2009**

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EXECUTIVE SUMMARY

This audit assessed the key management and operational controls of the Yonge-University-Spadina-Sheppard and Bloor-Danforth/SRT subway lines in the Rail Transportation Department. An Exit meeting was held on December 14, 2009 with the General Manager – Operations Branch, Deputy General Manager – Rail, and the Superintendent – Yonge-University-Spadina-Sheppard Subway line division to discuss the findings.

Audit found that the areas are generally well managed and controls are in place. However, Audit identified several areas which required strengthening of the existing controls to minimize risk exposures and divisional costs.

Audit recommended that the Crewing guides which are developed for scheduling subway service should be evaluated to determine whether expected running times are realistic given current trends in passenger service levels. Audit also recommended that the daily reporting of late-in times have evidence of review and approval by supervisory management. Management agrees with the recommendations and action has been taken to optimize the performance on the lines, and ensure compliance with divisional requirements for reporting of late-in times.

Other recommendations related to the supervision process by developing more useful management information from the "Ride Slip" data collection, improved monitoring of expiry dates of Operator licences, ensuring that all Occurrence Investigation Reports are fully complete and maintained on file. In addition, recommendations were also made to ensure that attendance is accurately recorded in the payroll records, and keys to buildings and property are periodically verified and reconciled with key inventory listings maintained by the Special Constable Services Department. Management agrees with the recommendations, and action is underway to implement improved controls in these areas.

We wish to express our thanks for the cooperation and assistance from all parties during the course of the Audit.

Richard G. Beecroft
Chief Auditor

Joseph L. Kennelly
Audit Manager

FOREWORD

The Yonge-University-Spadina/Sheppard (YUSS) Subway Line and the Bloor-Danforth (BD) Subway/Scarborough Rapid Transit (SRT) Line are two of six responsibility sections within the Rail Transportation Department. The sections are responsible for providing train crews (i.e., Operators and Guards) for each of the respective subway and SRT lines to meet service requirements that is cost-effective while ensuring courteous, safe and reliable rail service.

AUDIT SCOPE AND OBJECTIVES

Scope The audit included a review of key management, operational, administrative and financial controls of the YUSS and BD/SRT Lines for the period January 2008 to June 2009.

Objectives To assess the management and operational controls to ensure:

- accountability and reporting relationships are appropriate for the TTC
- due regard for economy, efficiency and effectiveness
- procedures and processes are in place to measure and report on the Sections' activities

To evaluate the adequacy of financial controls to ensure:

- compliance to Legislative and TTC requirements
- the timeliness, accuracy, completeness and authority of transactions
- the safeguarding and control of assets and other information

AUDITED ITEMS FOUND ACCEPTABLE

KEY CONTROL	FINDING
Training and Development	Training needs specific to the job are identified and monitored; employees are encouraged to enhance and upgrade their skills.
Operator Sign-ups	Operator crew sign-ups are conducted in accordance with the established regulations. Open work is filled and the necessary exception reports are prepared to ensure that Operators are paid correctly.
Records Management	Records are maintained in accordance with legislated retention and disposal requirements.
Hazard Identification and Risk Assessment (HIRA)	HIRA's have been prepared and submitted to the Safety Department for approval.

AUDITED ITEMS FOUND UNACCEPTABLE

FINDING #1

CREWING – SCHEDULE MONITORING

OBJECTIVE: To assess the efficiency and effectiveness of management controls implemented for monitoring Operator “late-in” time and compliance with the union collective agreement.

ANALYSIS: The lack of attainable crew schedules and effective monitoring of reported late in times has resulted in additional overtime costs and union grievances by the Operators. Overtime costs resulting from “late-in” extra hours claimed by Operators increased from \$1.3 million in 2007 to \$1.6 million in 2008; and, 2009 overtime costs are anticipated to be higher.

The following areas were noted where improvement is required in the scheduling and monitoring of late-in times:

- The lack of effective coordination between the Service Planning and Rail Transportation Departments impacts on the efficient delivery of subway service. The Crewing guides that are developed for scheduling purposes are based on “ideal” running times and have not changed significantly over the years; although, passenger service levels and types of delays that can occur daily in the subway system have changed. As a result, schedules are adversely impacted by various delay incidents and are no longer achievable. Crew schedules based on outdated passenger service level information and delay trends cannot be efficiently managed and adhered to.
- Operator morale is impacted by the “forced” overtime due to the late-in demands. Operators working swing shifts that run in late after their scheduled crew are impacted the most since this results in a long working day. As a consequence of this practice, Operators have filed grievances which increase legal and administrative costs to the TTC.
- Monitoring of Operator late-in times claimed by the Crews is not effective. Late-in time is not verified against the sign-in sheets completed by the Crew when the subway train is brought into the yard. A consolidated report has not been developed to provide divisional supervisory management the ability to verify and document evidence of approval of late-in

time claimed by the subway line Crews. In a random sample of 25 runs, Audit found eleven instances in which differences existed between the run-in and late-in times claimed.

RECOMMENDATIONS: Management should ensure that:

- communication channels are in place between Service Planning, Transit Control and the YUSS and BD/SRT areas to provide clear and timely information for developing achievable service schedules and reduce Operator late-in time
- a process is in place to effectively monitor and verify the late-in times to the reported times

**MANAGEMENT'S
RESPONSE:**

A meeting was held on Wednesday September 2nd (2009) between the Rail Divisions, Service Planning and Transit Control to review the escalating late-in problem. Service Planning agreed to review the run times to optimize the performance on the lines. Transit Control and the Divisions are looking at other methods of reducing late-ins such as running in east bound at Greenwood, managing station dwells, dealing with trains that can not maintain headways, etc. There has been progress in minimizing late-ins, however further work is required.

Divisions will audit the run-in times against the late in times to ensure confirm compliance on a weekly basis.

Responsibility: Superintendent YUS

Status: September 2010

FINDING #2

SUPERVISION

OBJECTIVE: To assess the process in place for providing supervision over Operators in a manner that supports the delivery of safe and reliable service and ensures “value-for-money”.

ANALYSIS: Controls to assess Operators’ performance in providing safe and reliable service to TTC patrons require strengthening. The following areas were identified where opportunities for improvement exist:

Ride Slips

Route Supervisors are expected to complete a minimum of 3 “Supervisor’s Visit to Operator/Guard” forms, i.e., “ride slips”, per day to track Operators’ adherence to operational policies and procedures, and assess Operator/Guard performance in the running of the subway train. The evaluation is based on a “Satisfactory” and “Unsatisfactory” rating system covering 13 categories.

Audit noted that the amount and type of information collected has not been reviewed to determine the value and usefulness of the information. The ride slip data is not effectively collected and used to identify quality improvements in the Operators’ performance. For example, Audit noted that three Route Supervisors on the BD/SRT line have not completed any ride slips to date for 2009; four Supervisors completed an excessive amount of ride slips, and six Supervisors are below the year-to-date requirement.

Operators’ Licence Checks

Updated driver licence information is a requirement to ensure only Operators with valid licences are permitted to run a subway train. Audit found that licence records of Operators at both divisions are not routinely monitored for expiry. There is a risk that Operators with expired and/or suspended licences could operate subway trains without being detected.

Occurrence Investigation Reports

Completion of an Occurrence Investigation Report ensures that a violation incurred by an Operator is documented and addressed by the Divisional Management to ensure the safety of the subway operations. The Operator is made aware of the violation status, and why Management came to that

conclusion. Audit randomly selected eight files at each of the locations and found that at BD/SRT, six of the files did not have an Occurrence Investigation Report; and, at YUSS division two of the files were lacking an Occurrence Investigation Report.

- RECOMMENDATIONS:** Management should:
- evaluate the purpose and value of information collected through the ride slip process to ensure meaningful information is obtained to improve Operator performance
 - update the current status of Operators' licence information, and implement a process which ensures on-going verification for expired licences
 - complete Occurrence Investigation Reports, as required

**MANAGEMENT'S
RESPONSE:**

Ride slips currently achieve two goals, one the observation of the operator's performance and two, the timely dissemination of information to operators. We will change the scope of the program to focus on information dissemination.

Operator licenses will be reviewed on a quarterly basis.

Divisions have reviewed the current Occurrence Investigation Report process. Tracking of all Reports is being initiated. A monthly audit will be done to ensure all Reports are complete.

Responsibility: Superintendent BD/SRT

Status: September 2010

FINDING #3

PAYROLL AND ATTENDANCE

OBJECTIVE: To assess the effectiveness of controls in place to ensure that employee payroll and attendance is accurately recorded, monitored and approved in accordance with TTC policy.

ANALYSIS: The TTC's official payroll records are based upon the payroll information that is recorded in OARS (On-Line Attendance Reporting system). The TTC is required to record and report accurate work hours for each employee in compliance with TTC's corporate policy and legislative requirements.

Audit testing found inadequate controls for the recording of Supervisory attendance for payroll purposes. Off day exchanges made between Supervisors are not always recorded in OARS, which is contrary to TTC's corporate policy. As a result, payroll records cannot be relied upon to accurately reflect actual days worked and days off. Exceptions were found at both divisions. While it is not a daily occurrence, off-day exchanges are estimated to occur at a rate of one per week.

There is a risk that since WSIB (Workplace Safety Insurance Board) uses the OARS as TTC's official payroll records to settle claims relating to work place injuries, employee claims could be denied if the OARS records do not accurately reflect the days worked.

RECOMMENDATION: Management should ensure that off day exchanges are recorded in the TTC OARS payroll records to accurately report the hours worked.

MANAGEMENT'S RESPONSE: The current OARS payroll system is not capable of supporting the proposed changes. Written documentation is retained at the Division to provide evidence of what days were worked by each Supervisor. Complete.

Responsibility: Not applicable

Status: No further action

FINDING #4

ASSET CONTROL AND SECURITY

OBJECTIVE: To assess that asset and security control measures are in place to protect assets and information.

ANALYSIS: Audit discussions and testing found that the inventory listings of property keys have not been updated at either the YUSS or BD/SRT locations.

As per the TTC's Special Constable Services Department, scheduled key inventory audits have been delayed numerous times; consequently, the key inventory listings for both divisions could be outdated.

There is a risk that without periodic key inventory checks, unauthorized access to secured areas and subway trains could occur where keys are not retrieved from employees who have retired, left the TTC or transferred to other locations.

RECOMMENDATION: Management should ensure that the verification and update of the keys inventory is reviewed with the Special Constable Services Department on a regular basis to protect TTC property and equipment from unauthorized access.

MANAGEMENT'S RESPONSE: While waiting for SCS's key audit Rail Transportation has committed to conduct checks on specific elements of our current key holdings. The check will primarily be focused on ensuring that employees who have left the Commission have turned in their keys and for any variances within specific group such as operators, supervisors, etc. This check will be carried out once a year.

Responsibility: Superintendent YUS

Status: September 2010