

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 15, 2010

SUBJECT: INTERNAL AUDIT REPORT – BUS TRANSPORTATION
DEPARTMENT

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

July 15, 2010
01-23

Attachment – Internal Audit Report

**OPERATIONS BRANCH
BUS OPERATIONS
BUS TRANSPORTATION DEPARTMENT**

**Covering Period
January 2008 to March 2009**

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EXECUTIVE SUMMARY

This audit assessed the management controls and program delivery of the Bus Transportation Department. An exit meeting was held on November 23, 2009 with the General Manager – Operations Branch and his staff to discuss the audit.

There was agreement with Audit's findings which identified the need to improve procedures for governing and monitoring operator communications to ensure consistency across all the Divisions. Clear direction regarding current route management expectations and processes needs to be established and stronger controls over divisional activities. The need to strengthen payroll administration controls to ensure compliance with standard operating procedures was also highlighted

Management has committed to taking action in addressing noted areas of concern. Budget requirements have been highlighted where applicable.

We wish to express our thanks for the co-operation and assistance from all parties during the course of this audit.

Richard G. Beecroft
Chief Auditor

Christine Leach
Audit Manager

FOREWORD

The Bus Transportation Department is comprised of seven Bus divisions. These divisions are responsible for the operation of buses as a mode of public transit in Toronto. This involves operating a fleet of buses, managing divisional operating facilities, and supervising a workforce of Operators, Route Supervisors and Clerical staff.

AUDIT SCOPE AND OBJECTIVES

Scope The audit included a review of key management, operational and financial controls of the Bus Transportation Department for the period January 2008 to March 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; and
- procedures and processes are in place to measure and report on key activities.

To evaluate the adequacy of financial controls to ensure:

- compliance with legislative and TTC requirements;
- timeliness, accuracy, completeness and authorization of transactions and data; and
- safeguarding and control of assets and other information.

AUDITED ITEMS FOUND ACCEPTABLE

KEY CONTROL	FINDING
Operator Assault Team	The Operator Assault Team spearheads initiatives aimed to minimize Operator assaults, including the use of bus cameras and operator barriers, increased public awareness and focus on prosecuting offenders.
Safety Checks	The Safety Department performs quality checks that provides information to the Divisions on compliance.
License Checks	A process is followed at each Division to check Operator licenses. These visual checks supplement the more extensive license check procedures performed regularly by the Training Department.
Customer Service	Processes have been put in place to ensure customer service complaints are investigated and appropriately responded to.
Sign-Ups	Administrative processes are in place to ensure sign-ups are performed in accordance with union regulations.
Fare Collections	Operators are educated on all types of fare media, and Operations Branch Notices about fare media changes/alerts are posted throughout the Divisions.
Special Events	Special events are coordinated with Divisions, and service is adjusted as required.
Purchasing and Contract Administration	Controls are in place to ensure adherence to corporate purchasing and contract administration policies.

AUDITED ITEMS FOUND UNACCEPTABLE

FINDING #1

OPERATOR COMMUNICATIONS

OBJECTIVE: To assess whether operator communications are efficiently and effectively managed.

ANALYSIS: Standardized operating procedures and departmental guidelines to address operator communications have not been established to ensure consistency across all Divisions. A Departmental quality assurance program has not been established to monitor adherence to standardized criteria and track interview trends to ensure actions taken are timely and effective. Specifically:

- Criteria for selecting and prioritizing operator interviews and counseling sessions have not been documented. Interview templates used at each Division have not been compared to ensure consistency and equity. A centralized process has not been put in place for gathering and analyzing interview related data to assess the efficiency and effectiveness of Operator communications. Key metrics such as the number of interviews held, interview back-logs and trends of results are not being measured and tracked.
- Variations in practices followed by each Division were noted with respect to interview administration, document control and file management. For example:
 - Certain Divisions retain interview lists for several months to a year. Others do not maintain them at all. All the Divisions are of the understanding that retention of the lists is not required but that their use for identifying interview backlogs and trend analysis would be useful.
 - While all Divisional Stenographers follow similar processes for tracking the distribution of blank Occurrence Reports, the effectiveness of controls put in place to monitor the sequential continuity of these controlled forms, and the submission of returned reports with required accompanying documentation, varies amongst the Divisions.

- No standardized file management procedures have been established for the Divisions. Lack of standardization hinders effective clerical training and administrative efficiency.

RECOMMENDATIONS: Management should ensure that:

- All processes and controls relating to Operator communications are standardized and documented; and
- Adherence to these standards is monitored.

MANAGEMENT'S RESPONSE:

Bus Transportation concurs with the recommendations of the audit.

Although procedures are in place at each division, steps are currently being taken from a departmental perspective to ensure a consistent standard for all Operator communication issues. Divisional management across the department are reviewing best practices with a view to establishing a standardized tracking and documentation processes. Greater attention will be focused on prioritizing interviews not only to ensure they are addressed in a timely manner but also to ensure more effective time management. This will be realized through the expanded use of current tracking methods which will include the following information:

- Standard tracking documentation for all divisions
- Date posted, date interviewed
- Maintain list for historical reference
- Track average response times
- Purpose of interviews (i.e. absence, CSC, etc)
- Number of interviews conducted
- Discipline/non discipline

The tracking & distribution of Operator Occurrence Reports will also be co-ordinated electronically with regular audits to ensure accuracy and accountability of those responsible for distribution. Consideration is being given to the filing of these reports electronically with a cross reference to the registered report numbers.

A review of the divisional file management processes will be conducted to create standard guidelines and procedures in order to ensure consistency and accuracy of information filed.

It is anticipated that the required standards for all identified areas of concern will be developed and implemented by December 2010.

Responsibility:

Divisional Superintendent:

- Co-ordination of activities from local perspective
- Consistent monitoring and tracking

Status:

Interim measures have been introduced at the local level to allow divisions to input data manually in order to track identified information.

December 2010 - Central database will be introduced to better co-ordinate input of information from various sources.

FINDING #2

ROUTE MANAGEMENT

OBJECTIVE: To assess whether route management activities are efficiently and effectively managed.

ANALYSIS: In 2004, departmental Management expressed its intent to follow a more formal and documented approach to route management, including the development of standard operating procedures and centralized databases. This endeavor remains outstanding. Specifically:

- Efforts to define meaningful and achievable target performance metrics, as well as, effective tools for monitoring adherence are outstanding. Processes for documenting detailed route assessments and analyzing identified schedule performance problems are lacking.
- Although reports showing adherence to scheduled headway for each route are printed at each Division, no formal direction as to what is to be done with the information provided. The usefulness of the reports is questionable given that targets are not tailored to individual routes.
- At the time of the audit, service increase announcements have conflicted with managerial directives to cancel service in order to reduce Operator overtime costs. Equipment and operator shortages are contributing to the inability to meet service.
- Due to the lack of a customized training program and formally documented standardized operating procedures, Divisional Route Supervisors must rely on peer training to learn on-street, cab and CIS duties.

RECOMMENDATIONS: Management should ensure that:

- Clear direction and decisive leadership regarding current route management expectations and processes are established and implemented.

MANAGEMENT'S RESPONSE:

Bus Transportation concurs with the analysis and recommendations of the audit in that the initiatives identified in 2004 have not been implemented. However, the process of improving, upgrading route management procedures and functions has been ongoing for a significant period of time and is continuing.

Acknowledging that the reliability of current information is less than favourable, steps are being undertaken to improve overall route management, including the introduction of new technology, hardware upgrades, procedural changes and the introduction of increased on street supervision. Clearly defined targets and goals will be further clarified as the Route Management Pilot progresses at Wilson Division, with regards to route performance, schedule adherence and route assessments.

A new updated version of the Supervisor's CIS manual has recently been completed and has been distributed to all members of the management team. This manual includes step by step instruction as well as current SOP's and departmental notices.

Technology currently in use does not accurately reflect or allow for accurate tracking of buses or provide reliable performance measures on which to measure trends. These accuracy and tracking issues for vehicles are being addressed through the introduction of GPS tracking technology which has a more efficient, accurate tracking and reporting capability. These initiatives are currently being introduced and tested through the Wilson Division Route Management Pilot Program. The anticipated completion of the pilot program is April 2010. A comprehensive analysis of the Route Management Pilot, including recommendations for expansion and implementation across all areas of Bus Transportation, will be provided at that time.

We believe that a comprehensive approach to measuring Bus service performance is the most effective way of determining overall impact on our customers. These measures should encompass safety performance as well as cost effectiveness and service quality. In this regard, Bus Transportation efforts during 2009 have targeted the following service measure parameters:

1. Complaints By Route - route data will be reported at a more detailed level including issue, sector, time of day, bus type as well as operator service profile to better determine root cause and corrective action.
2. On-Time Performance - global positioning system interface with the established service schedule.
3. Actual Headway Adherence vs. Scheduled Headway - monitoring system to provide specific schedule information by route and time of day.
4. Percent of scheduled service delivered - improved assessment of service provided by time of day.
5. Actual running time vs. scheduled running time.

6. Unscheduled short turns - measured to reflect impact on customers.
7. Collisions, onboards, fare disputes and disablements per route – tracked with regards to out of service minutes in order to accurately measure impact on service.

Although all of these factors impact our bus service performance from a customer perspective, additional emphasis is being placed on developing an overall Performance Index for reporting purposes. Significant work is necessary to set the stage for improving the way bus service is managed and delivered on the street.

New Route Supervisors are currently provided with six weeks of formal, structured instruction conducted by the Training Department prior to being assigned to a division where they receive approximately 3 weeks of additional peer training in the field. In co-operation with the Training Department, steps are currently being taken to provide more formalized training for all Supervisors. This includes collision avoidance and root cause analysis, more structured New Supervisor Program, Supervisor's Recertification Program as well as more structured peer training with the designation of Training Supervisors in each division. All of the identified initiatives have been included as part of the 2010 budget proposal for the Training Department and implementation is dependant upon approval.

Attached below are charts outlining the schedule of proposed increases in on street supervisory presence to be phased in over a 5 year period as well as where the additional resources will be allocated in 2010.

Addition of 65 On-Street Supervisors

	2008 Base	2009 Actual	2010 Proposed	2011 Proposed	2012 Proposed
No. of Supervisors	129	143	159	178	194
CIS	60	60	60	60	60
Mobile Cab	34	34	34	38	38
On-Street	35	49	65	80	96
On-Street Supervisory Ratio	1:41	1:30	1:22*	1:18	1:16

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17 Additional On-Street Supervisors
Impact 100 of 140 Routes (72%)
Impact 690 of 1498 Buses (54%)

Finch Station (2 Supervisors) 7 / 85	Scarborough Town Centre Station 14 / 50	Steeles Avenue East 33 Buses
York Mills Station 8 / 46	Kennedy Station (2 supervisors) 10 / 60	Steeles Avenue West 30 Buses
Eglinton West Station 3 / 30	Warden Station 8 / 35	
Eglinton Station 9 / 72	Victoria Park Station 3 / 22	
Wilson Station 6 / 46	Don Mills Station 9 / 62	York University 6 / 47
Downsview Station 7 / 33	Kipling Station 10 / 39	

Responsibility:

General Superintendent – Bus Transportation
Superintendent – Route Management

Status:

Results of the Route Management Pilot, completed as of April 2010 reaffirmed the need for additional on-street supervisors in order to improve service quality. Our proposal to increase on-street supervision by 17 in 2010 was not approved. Instead Bus Transportation reallocated supervisors from CIS to the street in order to address the immediate need for face to face Operator and customer engagement and thereby improve overall customer service. This reallocation of supervisory staff from CIS has resulted in reduced route oversight which has contributed to diminished route performance as measured by headway and schedule adherence.

Bus Transportation will continue to work towards a more balanced approach, including both street and CIS supervision by requesting additional supervisors as part of the 2011 Operating Budget submission in keeping with our 5 year staffing plan (see above).

GPS project schedule – Tracking of route performance measures will continue as in the past until installation of GPS tracking is completed on a per division basis.

GPS Project completion - December 2010

FINDING #3

DIVISIONAL MANAGEMENT

OBJECTIVE: To assess whether divisional activities are efficiently and effectively managed.

ANALYSIS: Controls put in place at the Divisions do not ensure consistent delivery of services, comparable reporting and performance monitoring. Specifically:

- The value and efficiency of divisional efforts to tabulate information that is prepared on a comparative basis by other TTC Departments is questionable. Weekly summaries are also prone to error and divisional quantification inconsistencies.
- There are no standardized reporting processes for tracking and monitoring Operator and Supervisory performance data. Variations in the data gathered and formats used to present and evaluate the information were also noted.
- During field visits, Audit staff observed variation in the shift hours PM Assistants worked from those expected by Management. Differences in the degree to which duties have been defined and allocated between the AM and PM Assistants were also noted.
- There is a lack of accountability for the completion of Supervisory Quality Check Summaries and reconciliation to supporting documentation.
- At the time of the audit, Management relied on peer training of clerical staff since no training program has been developed. Operating procedures have not been clearly documented.

RECOMMENDATIONS: Management should implement stronger controls to ensure divisional activities are efficiently and effectively managed.

MANAGEMENT'S RESPONSE:

Bus Transportation concurs with the analysis and recommendations of the audit, noting that processes were in place in most divisions to monitor local performance. However, it is

agreed that a systematic, universal approach is required. To that end, steps have been taken to implement standardized tracking processes.

Documentation and tracking produced at the divisional level tends to provide more comprehensive, detailed and timely information than reports provided by external departments. The information provided is not only immediate but identifies local issues and concerns. This process therefore serves a very valuable function for divisional management to address issues in a proactive manner. Real time information generated at the local/divisional level is intended and utilized to identify general trends prior to distribution of corporate reports produced by external departments. These local reports are not intended to supersede any official reports but to fill in any gaps until such time as these reports are made available. Weekly summaries currently provided by each division are currently being revised in order to better reflect departmental goals and objectives and ensure consistency of reporting. This revised process will be in place effective January 2010.

Bus Transportation is currently developing, defining clear expectations for every level of the management team, including Superintendent (completion Jan 2010), Assistant Superintendent (completion March 2010) and Supervisors (completion April 2010). Once complete each member of the management team will be aware of a clearly defined set of expectation, goals and objectives. A number of these issues have been identified and resolved through a sharing of best practices across the department. The monitoring of Supervisory activities has recently been standardized across the department including expectations, documentation as well as confirming/auditing summaries with respect to actual documentation submitted. A comprehensive review of all local initiatives with respect to tracking of divisional activities, intended to identify trends and meeting departmental goals and objectives is currently ongoing with the co-operation of the IT Department, Support Services and Safety. The goal of this review is to standardize tracking and documentation through the introduction of an integrated database in order to improve the accessibility and sharing of information between our various locations. Anticipated completion and implementation by September 2010.

Duties and responsibilities of divisional management, Assistant Superintendents in particular, have recently been standardized and formalized, including expectations regarding actual hours worked, weekend coverage as well as specific allocation of responsibility for clerical and supervisory staff.

A formalized training program for all clerical staff and divisional management has recently been completed.

Responsibility:

General Superintendent – Bus Transportation
Division Superintendent

Status:

Clerical training – complete December 2009
Management expectations – complete December 2009

FINDING #4

PAYROLL ADMINISTRATION

OBJECTIVE: To assess whether payroll administration is efficiently and effectively managed.

ANALYSIS: Responsibility for clerical payroll administration rests with the Day General Clerk at each Division, a unionized clerical position. Without managerial review and scrutiny of prepared payroll documents, this lack of segregation of duties may result in errors or undetected incidents of non-compliance with union and ESA regulations. A detailed review of payroll records, supporting documentation and overtime assignments indicated:

- In February 2007, the Finance Department issued instructions that off-day exchanges must be recorded in payroll. With the exception of one Division, no process has been implemented to accurately track off-day exchanges amongst clerical staff to ensure compliance with this instruction.
- A number of questionable items and payroll discrepancies were noted for which there were no documented explanations. For example, unexplained deviations from overtime scheduling rules were found which require posted open work to be assigned to the clerk with the least cumulative, year-to-date total hours that indicated interest in the overtime. Also, incidents were noted where the need for overtime was not clearly justified, and where the overtime posted did not agree with the overtime recorded in OARS payroll documents.

RECOMMENDATIONS: Divisional management should actively monitor all aspects of payroll administration to ensure accurate payroll record-keeping, and adherence to union regulations.

MANAGEMENT'S RESPONSE:

Bus Transportation concurs with the recommendations of the audit.

Clerical overtime declaration sheets are clearly posted in each division and exchanges are documented and monitored by divisional management. However, this process is often not closely scrutinized or managed effectively. In an effort to ensure adherence to regulations

and maintain accurate records, Bus Transportation, in co-operation with the Union, has committed to the introduction and use of an off day exchange form beginning January 2010.

Efforts will continue by divisional management staff to ensure ongoing scrutiny and adherence to all payroll issues including off day exchanges, clerical overtime scheduling, etc. in order to guarantee compliance with guidelines and accuracy of reporting.

Responsibility:

Division Superintendent and Assistants:

- Consistent monitoring and tracking of all payroll issues
- Segregation of preparation and approval of payroll

Status:

Current – Accountability has been assigned to a specific member of each divisional management team.

- Training of designated Assistant Superintendent has been completed.

Daily management/monitoring of established payroll practices – complete