

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 19, 2011

SUBJECT: INTERNAL AUDIT REPORT – RAIL TRANSPORTATION
DEPARTMENT – STATION OPERATIONS/COLLECTORS

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 19, 2011
01-23

Attachment – Internal Audit Report

**OPERATIONS BRANCH
RAIL OPERATIONS
RAIL TRANSPORTATION DEPARTMENT
STATION OPERATIONS/COLLECTORS**

**Covering Period:
January 2009 to June 2010**

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EXECUTIVE SUMMARY

This audit assessed the key management and operational controls of the Station Operations / Collectors in the Rail Transportation Department. An Exit Meeting was held on February 22, 2011 with the General Manager – Operations Branch to discuss the findings.

Audit found that the area is generally well managed and controls are in place. However, Audit identified several areas which require strengthening of the existing controls.

Audit recommends that the screening process to fill Collector vacancies address the skills required to handle cash and fare media. Audit also recommends that the controls over the functions and payroll of Divisional Clerks be improved. Management agrees with the recommendations and action has commenced.

The other recommendations made by Audit relate to the administrative activities of Station Operations / Collectors. Management agrees with these recommendations, and action has been taken or started.

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

R. G. Beecroft
Chief Auditor

E. Csaszar
Audit Manager

FOREWORD

Station Operations/Collectors is responsible for the sale of fare media and collection of fares at subway and SRT stations. The section is also responsible for managing the staffing, opening and closing of subway stations, monitoring passenger traffic flow through the stations, performing station inspections and ensuring that station safety and security measures are in place and operating.

AUDIT SCOPE AND OBJECTIVES

SCOPE: A review of key management, operational, administrative and financial controls of the Station Operations/Collectors Section within the Rail Transportation Department for the period January 2009 to June 2010.

OBJECTIVES: To assess the management and operational controls to ensure:

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

To evaluate the adequacy of financial controls to ensure:

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

AUDITED ITEMS FOUND ACCEPTABLE

KEY CONTROL	FINDING
Purchasing and Expenditures	Adequate processes are in place to control the petty cash fund, purchasing card, cell phone and long distance telephone usage.
Hazard Identification and Risk Assessment	Hazard Identification and Risk Assessment has been developed for all positions.
Operational Control Reporting	Reports to manage and control Collectors' Funds, Deposits, Overtime, Vacation and, Sick Time were in place.

AUDITED ITEMS FOUND UNACCEPTABLE

FINDING #1

COLLECTORS

OBJECTIVE: To determine whether the handling of fare media and cash by Collectors is effective and efficient.

ANALYSIS: The 365 Subway and SRT Collectors are front line employees and as such have more customer interaction than most other groups at the TTC. Their interaction with customers involves everything from giving information, selling fare media and addressing emergency situations.

The only requirement to be a Collector is to be able to physically do the work. Since March of 2010 customer service training for Collectors has been in place. However, the skills required to handle fare media and cash have not been addressed. The present screening process for hiring Collectors is deficient in identifying these necessary skills to be a good Collector.

The following areas of concern related to the handling of fare media and cash were noted:

Working Funds and Bank Adjustments

Collectors are required to balance their Working Funds daily and retain a minimum of 15 days history as support. Audit's random sample of 20 Collectors in June 2010 showed that in three cases it was not being done.

In another test Audit reviewed a sample of 23 Collectors' Working Fund audits done by the Collectors' supervisors in early 2010. This sample showed 17 reported shortages and 3 reported overages. Only 3 of the audits showed the Working Funds to be in balance.

As Collectors accumulate cash they prepare bank deposit slips for the cash that is picked up for deposit to the bank. The bank in turn verifies these amounts and produces a bank adjustment report. This report identifies Collectors with incidents of shortages and/or overages as well as the amount of shortage and/or overage. The reason for the bank adjustments is due to errors made by the Collectors. In 2009, 3.3% of the deposits contained errors.

Such high percentage of shortages and deposit errors are an indication that there is a weakness in the financial controls.

Fare Media

Selling of Fare Media is a major part of a Collector's duty. Audit noted that one third of the Collectors sampled did not have monthly adult metropass returns and one half had no student/senior metropass returns. Collectors with no returns would have run out of passes to sell before the end of the selling period. Although, Revenue Operations always has a supply of metropasses on hand, customers are complaining about not being able to easily buy metropasses.

It appears that many Collectors are minimizing their metropass sales in order to avoid the difficulties of dealing with large amounts of cash by not ordering metropasses from Revenue Operations.

RECOMMENDATION:

Management should ensure that the screening process to fill Collector vacancies addresses the skills required to handle cash and fare media.

MANAGEMENT'S RESPONSE:

A number of actions have started since this Audit was completed:

- The Fare Media Supervisor now receives a monthly report which indicates what each Collector has ordered, sold and returned. 55 Collectors have been interviewed and documented on maintaining the correct levels of Fare Media for our customers. This practice will continue.
- Management strongly agree with the requirement to have a screening program in place to ensure that employees wishing to become collectors have adequate mathematical and customer relation skills to succeed in the position. Divisional management are working with the Training Department to develop these screening criteria.

RESPONSIBILITY: General Superintendent Rail Transportation, Superintendent Station Operations / Collectors

COMPLETION

DATE: Fare Media checks will be ongoing; screening criteria roll out should be completed by end of 2011.

FINDING #2

DIVISIONAL CLERKS

OBJECTIVE: To determine whether the Divisional Clerks are effectively and efficiently managed.

ANALYSIS: Policies and Procedures

Management has not developed or issued any procedures for carrying out administrative or operational functions for the Clerks. At this Division the clerical functions for the Collectors and Rail Transportation have been merged. Clerks are frequently assigned to different jobs within the office to cover open work due to absences or overtime and are not always familiar with the administrative procedures involved.

The lack of documented procedures to guide staff has resulted in inconsistencies in administration, and additional overtime costs.

Payroll Administration

Audit's review of one board period's payroll identified the following examples of control weaknesses for Divisional Clerks at Stations Operations/Collectors:

- Errors were noted in the recording of overtime.
- Justification for overtime was not properly documented.
- Clerical rule was not adhered to in assigning unscheduled overtime.
- The board period is not a true reflection of the work being done since there are informal adjustments to the working hours.

Such practices could result in increased overtime costs for Divisional Clerks.

RECOMMENDATIONS:

Management should ensure that:

- procedures for carrying out administrative or operational functions for the Clerks are documented, and
- the controls over the payroll for Divisional Clerks are improved.

MANAGEMENT'S RESPONSES:

The Fare Media Supervisor has implemented new procedures to ensure clerical overtime is recorded correctly. This overtime is generated by the number of payroll supplementary required for both the BD and Collectors.

If posted overtime is not signed by our Clerks or Clerks from other divisions, Clerical staff can fill the overtime but they must make up the hours if it overlaps with their regular shifts. If there is no Clerk to do the Overtime, a Supervisor in the office takes reports and allocates overtime.

The hours and shifts the clerical staff works have been adjusted to reflect exact time of work.

RESPONSIBILITY: Superintendent Station Operations / Collectors

COMPLETION DATES: Completed

FINDING #3

ADMINISTRATION

OBJECTIVE: To determine whether administrative activities are efficiently and effectively managed.

ANALYSIS: The following administrative areas were identified where improvements should be made:

Collector Supervisors

Management has implemented a process to monitor the work activities of the 15 Collector Supervisors. This monitoring shows that 20% is travel, 13% is Transit Control detail, 13% is Divisional detail, 12% is paperwork, 11% is Collector visits, 10% is miscellaneous, 9% is fund counts and four other duties account for the remaining 12%. This information could be beneficial; however, the present monitoring of Supervisors' time does not use performance measures to ensure the optimization of the Supervisors' time. For example, since Supervisors are spending only 9% of their time on fund counts it does not allow them to do fund counts as frequently as targeted (i.e. 1 per Collector every 2 months).

Eating Periods

The Employee Standards Act (ESA) requires an eating period to be provided to employees (either paid or unpaid) of at least 30 minutes for every 5 consecutive hours of work. The ESA further stipulates that the eating period, whether paid or unpaid, is free from work and is not to be considered towards overtime. Collectors and Operators are the only ones exempt from this regulation.

The pay for Clerks and Supervisors is non compliant with ESA with respect to eating periods since they are working through their meal break same as Collectors and Operators. As a result, the Commission is incurring additional overtime costs for Clerks and Supervisors.

Co-ordination with Revenue Operations

Station Operations/Collectors and Revenue Operations should work closely together. Audit noted the following examples where improvements could be made regarding this working relationship:

- Station Operations/Collectors are having difficulties in getting the supply of \$5 bills from Revenue Operations that would help them do their jobs. Collectors have been known to go to the bank to get \$5 bills.
- Station Operations/Collectors are returning fare media to Revenue Operations for destruction without the same documentation (destruction certificates) that the Ticket Agents provide with their returns.

RECOMMENDATIONS:

Management should ensure that:

- the activities of the Supervisors address the higher priority duties,
- the pay for Clerks and Supervisors is compliant with ESA with respect to eating periods, and
- Station Operations/Collectors work more closely with Revenue Operations.

MANAGEMENT'S RESPONSES:

Tracking of how Supervisors are expending their time is ongoing at the Division to ensure that priority issues are being adequately addressed. Divisional Management will continue to monitor.

Divisional clerical staff will be moved to either an unpaid 30 minute lunch break or two 15 minute breaks.

Supervisors are currently working a straight 8 hour day without lunch and paid for only those 8 hours. As Supervisors are deemed management under ESA regulations, they were thought to be exempt from the requirement to have a meal break. Supervisor schedules will be amended to include an unpaid 30 minute lunch break or two 15 minute breaks.

Rail Transportation Management is working with Revenue Operations to ensure \$5.00 bills are delivered to the Collectors.

RESPONSIBILITY: General Superintendent Rail Transportation, Superintendent Station Operations / Collectors

COMPLETION

DATES: \$5.00 bills which will be completed by the end of April 2011. Remaining issues will be completed by December 2011.