TTC AUDIT COMMITTEE
REPORT NO. 3(d)

MEETING DATE: May 12, 2014

SUBJECT: TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD REPORT (OCTOBER 2013 – MARCH 2014)

INFORMATION ITEM:

RECOMMENDATION

It is recommended that the TTC Audit Committee receive the information as set out below which provides the implementation status of outstanding audit recommendations.

FUNDING

There are no funding implications.

BACKGROUND

The TTC Audit Department provides independent evaluations of the efficiency and effectiveness of control systems and operations, and recommendations for improvement. Audit reports are intended to provide meaningful recommendations to assist TTC management in achieving their objectives and identify opportunities that can improve the TTC's operations.

DISCUSSION

The status of outstanding recommendations is reviewed with the appropriate management representative, and action taken to implement a recommendation is verified by standard audit procedures. The semi-annual report of the status of the implementation of recommendations has been updated and is presented as an individual agenda item to the May 2014 TTC Audit Committee Meeting.

The covering period is from October 2013 – March 2014; all outstanding recommendations have been updated accordingly for this reporting period.

JUSTIFICATION

This report is provided for information.

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TORONTO TRANSIT COMMISSION

TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD REPORT

UPDATE FOR THE PERIOD OCTOBER 2013 TO MARCH 2014

TTC AUDIT DEPARTMENT
Joseph L. Kennelly, Head of Audit
Phone: (416) 393-2030; Email: joseph.kennelly@ttc.ca

MAY 2014

TABLE OF CONTENTS

INTRODUCTION

The "TTC Audit Recommendation Performance Scorecard Report" represents the TTC Audit Department's semi-annual reporting for the follow-up of audit recommendations. Audit reports are not produced to simply point out what is wrong. Rather, audit reports are intended to provide meaningful recommendations to assist TTC Management in achieving their objectives and identify opportunities that can improve the TTC's operations. The "performance scorecard" report provides information on the progress status of the audit recommendations that have been presented to the TTC Audit Committee. Through the use of "traffic light" symbols to highlight positive progress, as well as the areas with difficulties in achieving the implementation target date, accountability for the implementation of the audit recommendations is monitored.

The TTC Audit Department recognizes that corporate risks can change over time due to a number of events and various reasons, such as, organizational structure changes, introduction of new controls that reduce previous risks, or risks may no longer be considered high or present anymore. Therefore, the report has a section that allows flexibility to remove recommendations that have become outdated or are no longer relevant. When a recommendation has been closed or not implemented, the reasons or an appropriate explanation will be provided that must meet acceptable criteria for the closing or not implementing of the audit recommendation. However, the final decision as to when an audit recommendation is closed and removed from the report remains with the TTC Audit Department.

We also recognize that target dates for completing recommendations can slip over time and dates can be deferred. To ensure accountability for implementing audit recommendations, in 2012 the TTC Audit Department requested management to review all target dates for recommendations identified as underway, and provide achievable target dates where necessary. A one-time adjustment was made to the "performance scorecard" report to reflect the revised dates when measuring performance. Management was advised that the updated target dates would be used on a going forward basis to measure the progress towards implementing the audit recommendations.

When a recommendation target date is not met, a summary will be provided in the "Areas for Management Attention" section of this report advising of the reason for the missed target date along with Management's action plan to get the recommendation back on schedule or an explanation for revising the target date.

By using a performance scorecard report, the TTC Audit Department aims to improve transparency, accountability and monitoring of audit recommendation implementation target dates throughout the entire audit process.

TTC AUDIT RECOMMENDATIONS SUMMARY

Audit Report	Release Date	Beginning of Period	New Additions	Completed/ Closed	End of Period
OPERATIONS GROUP					
Track and Structure Department	July 2008	3	-	3	-
Plant – Communications and Communications Engineering	April 2012	1	-	-	1
Rail Infrastructure – Streetcar Way	October 2013	2	-	2	-
Rail Infrastructure – Subway/SRT Track and Maintenance Engineering	October 2013	1	-	1	-
SERVICE DELIVERY GROUP					
ENGINEERING, CONSTRUCTION AND EXPANSION GROUP					
CORPORATE SERVICES GROUP					
Human Resources – Employment Services and Planning and Development	July 2011	1	-	-	1
General Secretary's Office	July 2011	1	-	-	1
Materials and Procurement – Inventory Management	October 2012	1	-	1	-
INVESTIGATIONS, ANALYSES AND SPECIAL REVIEW					
Commission Services – Review of Video Surveillance – Privacy Practices (2013)	October 2013	2	-	2	-
Contract Management-Special Review (Part 1)	February 2014	-	1	-	1
TOTALS		12	1	9	4

TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD

OPERATIONS GROUP

Audit Report	Release Date	Number of Recommendations	Number Implemented	Number Closed and/or Not Implemented	Number in Progress	Percent of Target Achieved (%)	Recommendations Due in Next 6 Months	On Time and On Target Status
Track and Structure Department	July 2008	4	1	3	-	100%	-	Complete
Plant – Communications and Communications Engineering	April 2012	2	-	-	1	50%	-	
Rail Infrastructure – Streetcar Way	October 2013	2	2	-	-	100%	-	Complete
Rail Infrastructure – Subway/SRT Track and Maintenance Engineering	October 2013	3	3	-	-	100%	1	Complete

SERVICE DELIVERY GROUP

There are no outstanding recommendations requiring audit follow-up

TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD

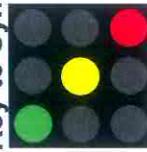| Audit Report	Release Date	Number of Recommendations	Number Implemented	Number Closed and/or Not Implemented	Number in Progress	Percent of Target Achieved (%)	Recommendations Due in Next 6 Months	On Time and On Target Status
ENGINEERING, CONSTRUCTION AND EXPANSION GROUP								
There are no outstanding recommendations requiring audit follow-up								
CORPORATE SERVICES GROUP								
Human Resources – Employment Services and Planning and Development	July 2011	5	4	-	1	80%	-	🟢
General Secretary's Office	July 2011	4	3	-	1	75%	-	🟢
Materials and Procurement – Inventory Management	October 2012	2	2	-	-	100%	-	Complete
Materials and Procurement – Contract Management- Special Review (Part 1)	February 2014	1	-	-	1	0%	1	🟢

TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD

Audit Report	Release Date	Number of Recommendations	Number Implemented	Number Closed and/or Not Implemented	Number in Progress	Percent of Target Achieved (%)	Recommendations Due in Next 6 Months	On Time and On Target Status
STRATEGY AND CUSTOMER EXPERIENCE GROUP								
There are no outstanding recommendations requiring audit follow-up.								
INVESTIGATIONS, ANALYSES AND SPECIAL REVIEWS								
Commission Services – Review of Video Surveillance-Privacy Practices (2013)	October 2013	2	2	-	-	100%	-	Complete

Key to Symbols

- On target
- Target at risk at current trend
- Off target

AREAS FOR MANAGEMENT ATTENTION

Audit Report	Recommendations	Revised Target Date	Management's Updated Response
General Secretary's Office Report Ref. 10-50020 (April 2011) Release Date: July 2011	**FINDING #3: RECORDS MANAGEMENT** Management should consider finding solutions to reduce the amount of records stored by TTC, e.g., project files maintained by the Engineering, Construction and Expansion Group Previous Target Completion: December 2013	December 2015	Per ITS estimated completion date of Corporate Document Management System remains the same. The updating of the TTC Records Retention By-law in consultation with Pricewaterhouse Coopers (PwC), which forms part of the project restructure, is expected to be presented for TTC Board approval by the summer of 2014. It will then need to be approved by City Council. **[AUDIT NOTE: Status of progress will be reviewed in six months' time.]**

AUDIT RECOMMENDATIONS CLOSED / NOT IMPLEMENTED

Audit Report	Recommendations	Target Completion	Reasons for Closing / Non-Implementation
RAIL INFRASTRUCTURE DEPARTMENT **TRACK AND STRUCTURE** Report Ref: 07-30050 Release Date: July 2008	**FINDING #1: SAFETY MANAGEMENT** Management needs to develop a comprehensive safety management strategy, and then monitor the impact of its departmental safety initiatives to ensure they are efficiently and effectively achieving desired results. Specifically, a formal operating procedure describing the departmental quality assurance process should be developed, including the planning process, review methodologies, documentation requirements, and progress reporting. Controls to ensure adherence to safety critical operating procedures and related documentation requirements need to be strengthened	January 2014	Due to a complete departmental restructuring and change in staffing, controls and processes are significantly redesigned. The audit findings and associated risks may no longer be relevant to the restructured environment. **[AUDIT NOTE: A future audit will be scheduled to review the controls in the restructured department.]**
	FINDING #3: SUBWAY/SRT TRACK INSPECTIONS Management needs to streamline and improve the coordination and monitoring of its track inspection program to ensure it is comprehensive and consistently adhered to by all staff. This should involve reviewing all track inspection operating procedures and clarifying frequency standards, responsibilities and documentation requirements; Management needs to review its use and control over MOWIS defect information. In particular, the status of security upgrades and implementation of other functionalities needs to be confirmed and completed. A formal operating procedure describing the departmental quality assurance process should be developed, including the planning process, review methodologies, documentation requirements, and progress reporting.	December 2013	

AUDIT RECOMMENDATIONS CLOSED / NOT IMPLEMENTED

Audit Report	Recommendations	Target Completion	Reasons for Closing / Non-Implementation
RAIL INFRASTRUCTURE DEPARTMENT (continued) **TRACK AND STRUCTURE**	**FINDING #4: STRUCTURE MAINTENANCE** Management should improve communication processes within the Department, as well as, with other critical parties, and strengthen controls over the planning, scheduling and monitoring of Structure Maintenance activities. Specifically, operational control measures should be reviewed to ensure they are accurately calculated and meaningful.	December 2014	

APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS

Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
PLANT MAINTENANCE: COMMUNICATIONS/ COMMUNICATION ENGINEERING **FINDING #2: INDUSTRIAL COMPUTING** Management should establish Industrial Computing Standards and Procedures that will ensure the continuous operation and availability of critical Communication Systems.	Agreed The Commission's industrial control systems include SCADA, radio communication systems to the subway trains, stations and tunnels, central signal system, passenger announcement systems, CCTV, substation monitoring systems, and emergency power cut/restoration systems. There are several key industrial controls standards that have been adopted by different industrial sectors and have been supported by Public Safety Canada and the RCMP Cyber Security Group in Canada. These standards include but are not limited to National Institute of Standards and Technology, National Energy Reliability Commission, and Federal Information Processing Standards. Industrial control standards are developed to account for the different requirements that they have from information technology systems. Many of these differences stem from the fact that logic executing in industrial control systems has a direct effect on the physical world including significant risk to the health and safety of human lives, serious damage to the environment, serious customer service impacts and a	March 2013 The first part of phase 1 has been completed. We have hired a consulting firm with experience in Security standards for control systems such as power plants, Power distribution and transmission to assist us. We are presently working with them to finalize the standards frameworks to create the standards to apply against our operating control systems. This is scheduled for completion at the end of Q2. The initial procedures to be applied to our systems should be completed by Q3. September 2013 The writing of the policies is presently underway. Management has had some delays and expects to have drafts ready mid to late October for review and signoff. April 2014 Phase 2 Draft Policies and Procedures have been completed as of December 2013. Review is presently in progress. Phase 3 Identification of key systems has been identified and a draft list of systems to review is completed.	Phase 1 ~~Underway~~ **Completed** Phase 2 & 3 (High-risk systems) Underway Phase 2 & 3 (Low-risk systems) Underway	~~September 2013~~ October 2013 December 2014 December 2015

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	negative impact to the firm's business. Communication Engineering is identifying and implementing industrial security and asset management standards to apply to the Commission's industrial computing and control systems. This work is being carried out under the Capital Program in a three phase approach. Phase 1 - Several different standards have been identified and are being reviewed for development of a base standard for the Commission's industrial computer systems. Phase 2 - Create policies and procedures for industrial computer system security, asset management and life cycle reviews based on the base standard developed in Phase 1. Phase 3 - Develop a priority for industrial computer systems based on risk of failure and disruption to the Commission's customer service. Audit the industrial computer systems against the base standards, policies and procedures based on the priority. Assess gaps. Develop and implement action plans to eliminate the gaps. Responsibility: Manager, Communications Engineering Scheduled Completion Date: 2012 - Phase 1 2013 & 2014 - Phase 2 & 3 for high risk systems 2014 & 2015 - Phase 2 & 3 for low risk systems	A gap analysis will be started in June 2014 once the draft policies are approved.		

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Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
CORPORATE SERVICES GROUP **HUMAN RESOURCES – EMPLOYMENT SERVICES, AND PLANNING AND DEVELOPMENT** **FINDING #5: MANAGEMENT INFORMATION SYSTEM** Management should ensure that management information systems provide useful, cost-effective and timely information for administering training programs and monitoring EPA completion.	Current systems allow management the ability to attain statistical reporting, with some limitations. Some of this reporting is available through manual processes, and as a result, efficient reporting is not available. This would require a corporate HRIS system that can be utilized by all departments and supported and prioritized by senior management, Finance and ITS departments. There have been efforts in this regards in the past, however, due to competing priorities, this issue has not received corporate funding. This finding is not under the control of the Human Resources Department	December 2011 Discussions will be held in 2012 with the Information Technology Services, Human Resources and Finance Departments to introduce SAP into the TTC. This is the system that is used by the City. August 2012 The TTC has commenced a 1-year review of SAP. Implementation of this could address the issues. This is a joint HR and Training finding now.	Underway	December 2012 December 2014

Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
CORPORATE SERVICES GROUP <u></u>				
COMMISSION SERVICES (GENERAL SECRETARY'S OFFICE)				
FINDING #3: RECORDS MANAGEMENT	Solutions to Reduce the Amount of Records	<u>December 2011</u> The Electronic Document and Records Management System (EDRMS), identified as the most significant initiative to reduce the volume of physical records that have to be stored off-site, is in the development stages by the Information Technology Services (ITS) Department. The project will not come to fruition, pending full approvals, until 2013.	Underway	December 2015
Management should consider finding solutions to reduce the amount of records stored by TTC, e.g., project files maintained by the Engineering, Construction and Expansion Group (EC&C) Branch.	With upcoming changes to the TTC Records Retention By-Law, meetings with EC&E staff have resulted in some planned changes, e.g., EC&E will now be removing Soil records from their project files. Follow-up training is also scheduled upon completion of the By-Law update and the requirement to file by record function will be a primary message. The biggest opportunity, however, for a reduction in textual records comes with the Electronic Records Management program currently being overseen by ITS (Information Technology Services Department). SharePoint 2010 is active in Transit Expansion and TYSSE. The system is ultimately capable of calculation and managing retentions at file level, so the expectation is a reduction in printing and related demand for off-site storage.			
		<u>September 2013</u> Estimated date to complete SharePoint was revised to be December 2015 per ITS.		
		The original date of December 2013 was an estimate at the time.		
	Record Retention By-Law update is expected to be at Commission for approval in September 2011. Incorporation of updated Record Retention By-Law to current SharePoint 2010 system can follow shortly thereafter. ITS' plans for extended roll-out of SharePoint 2010 is expected to be complete by year-end.	<u>May 2014</u> The updating of the TTC Records Retention By-law in consultation with Price Waterhouse Coopers (PWC), which forms part of the SharePoint project restructure, is expected to be presented for Board approval by the summer of 2014. It will then need to be approved by City Council.		

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Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
INVESTIGATIONS, ANALYSES AND SPECIAL REVIEW **CONTRACT MANAGEMENT- SPECIAL REVIEW- PART 1** Management should ensure that effective contract management controls are put in place including a segregation of duties control process	Agreed. Plant Maintenance department to develop and implement SOP for contract administration.		Underway	September 2014