



## STAFF REPORT INFORMATION ONLY

### TTC Audit Department - Recommendation Performance Scorecard Report Update for the Period April to September 2014

<b>Date:</b>	February 19, 2015
<b>To:</b>	TTC Audit Committee
<b>From:</b>	Head of Audit, Joseph L. Kennelly

#### Summary

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The “TTC Audit Recommendation Performance Scorecard Report” represents the TTC Audit Department’s semi-annual reporting for the follow-up of audit recommendations. 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.

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.

#### Financial Impact

This report has no financial impact beyond what has been approved in the current year’s budget.

#### Comments

The TTC Audit Department provides independent evaluations of the efficiency and effectiveness of control systems and operations, and recommendations for improvement.

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 TTC Audit Committee Meeting.

The covering period is from April to September 2014; all outstanding recommendations have been updated for this reporting period.

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**Attachment**

TTC Audit Department - Recommendation Performance Scorecard Report Update for the  
Period April to September 2014



# TORONTO TRANSIT COMMISSION

**TTC AUDIT DEPARTMENT -  
RECOMMENDATION PERFORMANCE SCORECARD REPORT  
UPDATE FOR THE PERIOD APRIL TO SEPTEMBER 2014**

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## 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 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 explanation will be provided that must meet acceptable criteria for the closing or not implementing of the audit recommendation. 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. 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
<b><u>OPERATIONS GROUP</u></b>					
Plant – Communications and Communications Engineering	April 2012	1	-	1	-
<b><u>STRATEGY AND CUSTOMER EXPERIENCE GROUP</u></b>					
PRESTO - Review of TTC Controls	July 2014	-	2	-	2
<b><u>CORPORATE SERVICES GROUP</u></b>					
Inventory Control Processes:					
1. Receiving Processes/Quality Assurance	May 2014	-	2	2	-
2. Central Inventory Control	May 2014	-	1	1	-
3. Cycle Count Procedures and Distributed Stores Control	May 2014	-	1	1	-
Human Resources – Employment Services and Planning and Development	July 2011	1	-	1	-
General Secretary's Office	July 2011	1	-	-	1
<b><u>INVESTIGATIONS, ANALYSES AND SPECIAL REVIEW</u></b>					
Payroll Exception Reporting-Divisional Operations/Clerical Overtime Reporting Processes and Control	May 2014	-	8	6	2
Fare Change Process	May 2014	-	1	1	-
Contract Management-Special Review (Part 1)	February 2014	1	-	-	1
<b>TOTALS</b>		<b>4</b>	<b>15</b>	<b>13</b>	<b>6</b>

# 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
<b><u>OPERATIONS GROUP</u></b>								
Plant – Communications and Communications Engineering	April 2012	2	1	1	-	Closed	-	Closed

# 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
<b><u>CORPORATE SERVICES GROUP</u></b>								
Human Resources – Employment Services and Planning and Development	July 2011	5	4	1	-	Closed	-	Closed
General Secretary's Office	July 2011	4	3	-	1	75%	-	
Inventory Control Processes:								
1. Receiving Processes/Quality Assurance	May 2014	2	2	-	-	100%	-	Complete
2. Central Inventory Control	May 2014	1	1	-	-	100%	-	Complete
3. Cycle Count Procedures and Distributed Stores Control	May 2014	1	1	-	-	100%	-	Complete

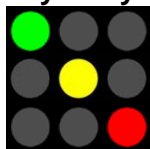


# TTC AUDIT RECOMMENDATION PERFORMANCE SCORECARD



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
<b><u>STRATEGY AND CUSTOMER EXPERIENCE GROUP</u></b>								
PRESTO - Review of TTC Controls	July 2014	2	-	-	2	-	1	
<b><u>INVESTIGATIONS, ANALYSES AND SPECIAL REVIEWS</u></b>								
Fare Change Processes	May 2014	1	1	-	-	100%	-	Complete
Payroll Exception Reporting-Divisional Operations/Clerical Overtime Reporting Processes and Control	May 2014	8	6	-	2	75%	1	
Contract Management Special Review (Part 1)	Feb 2014	1	-	-	1	-	1	

## 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
<p><b>GENERAL SECRETARY'S OFFICE</b></p> <p>Report Ref. 10-50020 (April 2011) Release Date: July 2011</p>	<p><b>FINDING #3: RECORDS MANAGEMENT</b></p> <p>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.</p> <p>Previous Target Completion: December 2013</p>	<p>December 2015</p>	<p>Per ITS estimated completion date of Corporate Document Management System remains the same.</p> <p>The updating of the TTC Records Retention By-law in consultation with PricewaterhouseCoopers (PwC), which forms part of the project restructure, is to be presented for TTC Board approval. It will then need to be approved by City Council.</p> <p><b>{AUDIT NOTE: Status of progress will be reviewed in six months' time.}</b></p>

## AUDIT RECOMMENDATIONS CLOSED / NOT IMPLEMENTED



Audit Report	Recommendations	Target Completion	Reasons for Closing / Non-Implementation
<p><b><u>CORPORATE SERVICES GROUP</u></b></p> <p><b>HUMAN RESOURCES – EMPLOYMENT SERVICES, AND PLANNING AND DEVELOPMENT</b></p>	<p><b>FINDING #5: MANAGEMENT INFORMATION SYSTEM</b></p> <p>Management should ensure that management information systems provide useful, cost-effective and timely information for administering training programs and monitoring EPA completion.</p>	<p>August 2012</p> <p>September 2014</p> <p>September 2014</p>	<p>The TTC has commenced a 1-year review of SAP. Implementation of this could address the issues. This is the system that is used by the City.</p> <p>The TTC SAP project is being controlled and managed by the ITS department. In the meantime, existing information systems will continue to be used by the HR and Training department.</p> <p>SAP implementation project is currently underway and estimated to be completed in 2019. Once fully implemented SAP would address the issue. This is a ITS project and to be implemented across all relevant functions in TTC.</p> <p><b>[AUDIT NOTE: SAP is a corporate initiative, therefore this audit recommendation pertaining to the HR systems will be included in SAP implementation project. The TTC Audit Department will be a member of the SAP Steering Committee over the duration of the project.]</b></p>

## AUDIT RECOMMENDATIONS CLOSED / NOT IMPLEMENTED



Audit Report	Recommendations	Target Completion	Reasons for Closing / Non-Implementation
<p><b>PLANT MAINTENANCE: COMMUNICATIONS AND COMMUNICATION ENGINEERING</b></p>	<p><b>FINDING #2: INDUSTRIAL COMPUTING</b></p> <p>Management should establish Industrial computing standards and procedures that will ensure the continuous operation and availability of critical communication systems.</p>	<p>September 2013</p> <p>April 2014</p> <p>September 2014</p>	<p>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.</p> <p>Phase 2 Draft Policies and Procedures have been completed as of December 2013. Review is presently in progress.</p> <p>Phase 3 Identification of key systems has been identified and a draft list of systems to review is completed.</p> <p>A gap analysis will be started in June 2014 once the draft policies are approved.</p> <p>Draft cyber security policies are being reviewed, but extensive modification will be required to the overall framework.</p> <p>SCADA, ICS, and CSS hardware is already covered under various projects. Their application and root technologies will have to be addressed with new capital projects. Additional systems as needed will be included in the capital and operating budget.</p> <p><b>[AUDIT NOTE: As a result of new capital expenditures on industrial computing plus organizational changes that have taken place, a future audit will be scheduled in a year's time.]</b></p>

# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
<p><b><u>CORPORATE SERVICES GROUP</u></b></p> <p><b>COMMISSION SERVICES (GENERAL SECRETARY'S OFFICE)</b></p> <p><b>FINDING #3: RECORDS MANAGEMENT</b></p> <p>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&amp;C) Branch.</p>	<p><u>Solutions to Reduce the Amount of Records</u></p> <p>With upcoming changes to the TTC Records Retention By-Law, meetings with EC&amp;E staff have resulted in some planned changes, e.g., EC&amp;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.</p> <p>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.</p>	<p><u>December 2011</u></p> <p>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.</p> <p><u>September 2013</u></p> <p>Estimated date to complete SharePoint was revised to be December 2015 per ITS.</p> <p>The original date of December 2013 was an estimate at the time.</p> <p><u>May 2014</u></p> <p>The updating of the TTC Records Retention By-law in consultation with PricewaterhouseCoopers (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.</p>	<p>Underway</p>	<p>December 2015</p>

# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
<p><b><u>INVESTIGATIONS, ANALYSES AND SPECIAL REVIEW</u></b></p> <p><b>CONTRACT MANAGEMENT - SPECIAL REVIEW - PART 1</b></p> <p>Management should ensure that effective contract management controls are put in place including a segregation of duties control process.</p> <p><b>PAYROLL EXCEPTION REPORTING-DIVISIONAL OPERATIONS/ CLERICAL OVERTIME REPORTING PROCESSES AND CONTROL</b></p> <p><b>FINDING #1(b):</b></p> <p>Management should establish clear accountability and authority for addressing departmental overtime issues, and develop meaningful performance monitoring measures.</p>	<p>Agreed. Plant Maintenance department to develop and implement SOP for contract administration.</p> <p>Agreed. Operations management recognizes that improvements to data collection and reporting of overtime are required and has embarked on the following initiatives to help predict and manage overtime requirements:</p> <ul style="list-style-type: none"> <li>• COO (Chief Operating Officer) Overtime Report will track year-to-date and year-end projections with variance reasons and action required – pilot report was started in late 2013 and will be implemented in 2014.</li> <li>• Replace System 33 with use of Payroll Time Codes to provide more accurate and granular Operator cost data – Process went live in January 2014 for the Operator payroll and work will commence in 2014 to phase in other Transportation payrolls.</li> </ul>	<p>The SOP (Standard Operating Procedure) for contract purchases (pre-award) is completed. The SOP for contract purchases (post award) is under development and is expected to be completed by the end of November 2014.</p> <p><b>Operations</b></p> <p>Progress has been made with respect to improving data collection and reporting of overtime. New reports have been developed for use by management to monitor overtime levels; actions to eliminate System 33 for capturing operator payroll and overtime details have been completed; and conversion of workforce utilization tracking tools into a database is almost complete.</p> <p>There is still some work to be done to enhance the granularity of overtime reporting, and the roll-out of payroll system changes to other Transportation groups is still being discussed.</p>	<p>Underway</p> <p>Ongoing</p>	<p>November 2014</p> <p>End of 2015</p>

# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
	<ul style="list-style-type: none"> <li>Subway Operator Workforce Utilization Tracking Tool provides a daily recap of Open Crews, Absence Statistics, Spareboard Utilization, Volunteers, Late-Ins and Cancellations. A high-level version of this tool was used in 2013 and was helpful in the determination of the Spareboard during the 2014 Budget Process. Refinements based on Divisional Management feedback has been made for 2014 and work to convert the process to a database is planned to be completed by the 3<sup>rd</sup> quarter of 2014 to enhance data analysis.</li> </ul> <p>Service Delivery management recognizes that improvements to data collection and reporting of overtime are required and has embarked on the following initiatives to help predict and manage overtime requirements:</p> <ul style="list-style-type: none"> <li>Replace System 33 with use of Payroll Time Codes to provide more accurate and granular Operator cost data – Process went live in January 2014 for the Operator payroll and work will commence in 2014 to phase in other Transportation payrolls.</li> </ul> <p>A new IT Project has been initiated whose purpose is to replace the largely manual reporting of Operator activity with a more automated process that will facilitate workforce utilization tracking similar to that implemented in Subway.</p>	<p><b>Service Delivery</b></p> <p>Similar to Operations, progress has been made with respect to the elimination of payroll 33 for Operators. This has been pursued as a joint venture between Operations Control, Service Delivery Control and Payroll Accounting. Further improvements are planned to increase the granularity of overtime data produced and reported.</p> <p>A feasibility study is also being completed for the IT project that was initiated following an internal review of divisional clerical processes for filling open work and reporting payroll.</p>		

# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
<p><b>FINDING #3(b):</b></p> <p>Management should conduct refresher training and skills development for staff to ensure accurate and complete review and analyses of overtime data.</p>	<p>Agreed. The former Operations Branch had only one position responsible for all Transit Operations budgeting. That was a recognized risk and with the split of Operations into two groups, Operations Control allocated an existing resource to prepare, monitor and report the budget on behalf of Subway Transportation in order to increase the knowledge base for Transit Operations budgeting/reporting and put more focus on Subway Operator workforce planning. The transfer of Transit Operations budgeting methodology and knowledge to the new incumbent did not go as smoothly as originally desired due to the heavy workload by both Operations and Service Delivery Control areas to recast and set up monitoring reporting tools for the 2013 Budget. Therefore, management acknowledges the finding and will work to document the budget processes by the end of 2014 so that future new incumbents do not face similar challenges or steep learning curves.</p>	<p>Overall, the experience of replacing System 33 was positive but work still needs to be done to enhance the granularity of overtime. Meetings are scheduled for late October/14 to discuss further requirements. Success will depend on Divisional process changes for data capture and reporting, as well as, time code expansion.</p> <p>In the meantime, the current incumbent in Operations Control responsible for Subway Transportation completed divisional visits with both management and clerical staff to gain an understanding of processes, provide management with exposure to budgeting and cost control, and to get a better understanding of cost behavior to improve analysis/control of expenses.</p>	<p>Ongoing</p>	<p>End of 2014</p>



# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
<p><b>STRATEGY AND CUSTOMER EXPERIENCE GROUP</b></p> <p><b>PRESTO CARD USER ENTITY CONTROLS</b></p> <p><b>FINDING #1:</b></p> <p>Management should formally communicate to Metrolinx the TTC's requirements with respect to:</p> <ul style="list-style-type: none"> <li>• Access to transaction data that allows the TTC Finance Department to reconcile revenue received from PRESTO in a more efficient manner, e.g., this would include PRESTO data from "initial tap" at the device level through to final settlement with TTC.</li> <li>• Revenue related adjustments that are reconciled and accounted for on a timelier basis, e.g., this would include automated checks and balances within the PRESTO System to ensure that missing, delayed and/or exception transactions are processed in a more timely and efficient manner.</li> </ul>	<p>Agreed. TTC is dependent upon PRESTO to provide access to transactional data and to improve or upgrade the PRESTO System. In the short-term TTC will continue to work with PRESTO to identify and implement improvements to the current PRESTO System reporting and procedures as part of the Wave 1 implementation scheduled to begin in November 2014. In the longer-term these data and reconciliation issues will be addressed as part of the full system-wide implementation of PRESTO at TTC, in accordance with the TTC stipulated business requirements and terms and conditions of the TTC-Metrolinx Master Agreement, executed on November 12, 2012.</p>	<p>Ongoing discussions with Metrolinx and TTC Farecard Team are underway to ensure data accuracy and completeness.</p>	<p>Underway</p>	<p>TBD</p>

# APPENDIX – SUMMARY OF OUTSTANDING RECOMMENDATIONS



Recommendations	Initial Management Response/Action	Follow up Management Response	Status	Completion Date
<p><b>FINDING #2:</b></p> <p>Management should:</p> <ul style="list-style-type: none"> <li>Formalize the TTC policy and related controls for obtaining access to the PRESTO System, and establish a process with PRESTO that ensures only approved documented requests by the TTC are allowed access to TTC data on the PRESTO system.</li> </ul> <ul style="list-style-type: none"> <li>On a periodic basis request a listing from PRESTO identifying TTC users with access to the PRESTO System.</li> </ul>	<p>The Farecard Team will implement a process for internal request/approval of PRESTO data access and then document and submit these requests to PRESTO in accordance with the PRESTO data access protocols.</p> <p>The Farecard Team will request quarterly updates from PRESTO Operations listing individuals with PRESTO System TTC data access.</p>	<p>The Farecard Team has continued to work with PRESTO to establish a TTC request/approval process that would enable TTC employees to obtain authorized access to the PRESTO System Service Provider Website and associated data reports. The Wave 1 implementation has been delayed and is currently scheduled to occur in December 2014. PRESTO has not, as yet, completed the following task which are pre-requisites to the finalization of our internal request/approval process:</p> <ul style="list-style-type: none"> <li>PRESTO is in the process of revising their current Service Provider User Access Request Form(s) to accommodate all the new TTC specific devices and monitoring systems.</li> <li>PRESTO User Group Descriptions must also be updated accordingly.</li> <li>Service Provider Web access and PRESTO Service Desk training has not, as yet, been scheduled.</li> </ul> <p>The Farecard Team requested an update from PRESTO Operations listing individuals who have access to TTC data via the PRESTO system. PRESTO provided the listing of TTC employees that currently have access, but have not, as yet, provided the list of PRESTO employees that have access to the TTC's PRESTO data.</p>	<p>Underway</p>	<p>Prior to PRESTO Wave 1, implementation currently scheduled to occur in December 2014</p> <p>December 2014</p>