

MINUTES

Toronto Transit Commission

Audit Committee Meeting
Thursday, February 19, 2015

A meeting of the TTC Audit Committee commenced at 1:40 pm on Thursday, February 19, 2015 in Committee Room #3, 2nd Floor, City Hall, Toronto in order to discuss business related to the Committee.

A. Heisey Q.C. (Chair), M. Adamson, V. Crisanti (TTC Audit Committee members), A. Byford, (Chief Executive Officer), G. Shortt (Chief Operations Officer), M. Roche (Head of Finance/Treasurer), J. Lee (TTC Head – Materials and Procurement), J. Kennelly (Head of TTC Audit), T. Coelho (Manager - TTC Audit) and D. McDonald (Co-ordinator – Secretariat Services) were present.

K. Rowe (TTC Chair's office) was also present.

C. Russell and T. Dewan (PricewaterhouseCoopers) were present for item 3(a).

B. Romeo-Beehler (City Auditor General), A. Ash (Director – Auditor General's Office) and J. Ying (Senior Audit Manager, Auditor General's Office) were present for items 2(a), 2(b) and New Business Item 4(a).

R. Wong (Head - Bus Maintenance) was also present for items 2(a) and 2(b).

A. Heisey was in the Chair

Declaration of Interest - Municipal Conflict of Interest Act

Nil

Committee of the Whole Resolution

Nil

Minutes of the Previous Meeting

Chair Heisey moved that the TTC Audit Committee approve the minutes of the meeting held on Tuesday, July 29, 2014.

The motion by the Chair Heisey carried.

Business Arising Out of the Minutes

Nil

Public Presentations

Nil

Notice of Motions

Nil

Motions Without Notice

Nil

Items of Which Notice Has Previously Been Given

Nil

Items Deferred From Last Meeting to Permit Debate/Public Presentations

Nil

1. Reports with Confidential Attachments (Committee Of The Whole)

Nil

2. Presentations

- (a) Auditor General's Report – Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance
- (b) Auditor General's Report – Review of Toronto Transit Commission Non-Revenue Vehicle Fuel Card Controls Need Immediate Improvement

Alan Ash, Director, Auditor General's Office and Jane Ying, Senior Audit Manager, Auditor General's Office gave a verbal presentation on reports 2(a) & 2(b) above.

After a round of questions and speaking on the items, Chair Heisey moved the following motion:

That the Audit Committee:

1. Receive the reports from the Auditor General and approve forwarding the reports to the TTC Board Meeting on March 26, 2015;
2. Request staff report back to the May 21, 2015 Audit Committee meeting with a progress report on implementation of the recommendations in the Auditor General's report; and
3. Request staff report back to the May 21, 2015 Audit Committee meeting on how TTC will be using GPS for fleet and equipment management and maintenance and the progress for implementation.

The motion by the Chair carried.

The Audit Committee adopted the item, as amended.

During discussion of the foregoing, Chair Heisey, in accordance with Section 41(b) of the By-law to Govern Commission Proceedings, requested that New Business item #4(a) "Request the City of Toronto Auditor General to Review the TTC Board Motion Amending the Accessible Taxi Service Contract" be added to the agenda by way of a majority vote of the members present.

Those present voted unanimously to add the new business item to the agenda. (See item #4(a) for minute)

3. Other Business

- (a) PricewaterhouseCoopers (PWC) Consolidated Financial Statement Audit Plan – Year Ended December 31, 2014

Cathy Russell, Partner, Audit and Assurance Group, PricewaterhouseCoopers LLP provided a high level overview of the report.

The Audit Committee received the report for information.

(b) TTC Audit Department – Organizational Independence

The Audit Committee received the report for information.

(c) TTC Audit Department – Risk Assessment Process

During discussion of this report, staff was requested to consider infrastructure and equipment robustness in relation to weather and environmental impact as a risk factor to be used in the planning and prioritization of audit assignments.

Joe Kennelly, Head of TTC Audit advised that rather than add this item as a risk factor to the risk assessment process he would include it as part of the Enterprise Risk Management (ERM) evaluation and review identified in the TTC Audit Department – 2015 Audit Work Plan (report 3(d)).

The Audit Committee received the report, without amendment, for information.

The meeting recessed at 3:20 pm.

The Audit Committee meeting re-convened on Wednesday, February 25, 2015 at 8:30 am in Council Chamber at City Hall, Toronto in order to continue discussions on business related to the Committee.

A. Heisey Q.C. (Chair), M. Adamson, V. Crisanti, G. De Baeremaeker and N. Di Donato (TTC Audit Committee members), A. Byford, (Chief Executive Officer), V. Rodo (Chief Financial and Administration Officer), G. Shortt (Chief Operations Officer), J. Kennelly (Head of TTC Audit), T. Coelho (Manager - TTC Audit) K. Watson (Head – Bus Transportation) E. Wiggins (Senior Manager – Wheel-Trans), David LoPresti (Assistant Manager – Contracted Taxi Services), J. Lee (Head – Materials and Procurement), and D. McDonald (Co-ordinator – Secretariat Services) were present.

K. Rowe (TTC Chair's office) was also present.

A. Heisey was in the Chair.

3. Other Business (continued)

(d) TTC Audit Department - 2015 Audit Department Work Plan

Chair Heisey moved the following motion regarding the TTC Audit Project – PRESTO System – Follow-up Review of TTC Controls identified in the 2015 Audit Department Work Plan.

The TTC Audit Committee recommends that the TTC Board request the Metrolinx Board to provide details on the PRESTO related financial controls to:

- 1) Ensure bank level accuracy in financial transactions involving customers and their bank accounts,
- 2) Ensure appropriate fares are collected,
- 3) Identify major variances,
- 4) Ensure the TTC collects revenues due to it on a timely basis, and
- 5) That there is an appropriate governance structure in place to ensure this.

This report has been requested for the March 26 TTC Board meeting.

The motion by Chair Heisey carried.

The Audit Committee adopted the item as amended; noting that as previously advised under item 3(c) above, staff would include infrastructure and equipment robustness in relation to weather and environmental impact as part of the Enterprise Risk Management (ERM) evaluation and review identified in this report.

(e) TTC Audit Department – Recommendation Performance Scorecard Report Update for the Period April to September 2014

The Audit Committee received the report for information.

(f) TTC Audit Department Report – Semi-Annual Update for the Period July – December 2014

The Audit Committee received the report for information noting that once staff has compiled a list of all unclosed internal audits they will report back to the Committee on whether the allocation of 2% of Audit resources, dedicated to follow-up audits, is sufficient for the number of outstanding items identified.

(g) TTC Audit Report – Attendance Management – “At Work Program”

The Audit Committee received the report for information.

(h) TTC Audit Report – Contract Management Review of Information Technology Technical Services Assistance Contracts

The Audit Committee received the report for information.

(i) TTC Audit Report – Contract Administration for the Purchase of Subway Cars

The Audit Committee received the report for information.

(j) TTC Audit Report – Disposal of Surplus Computers, Servers and Digital Photocopiers and Removal of Data from the Hard Drives

The Audit Committee received the report for information.

(k) TTC Audit Report – Station Modernization Program – Dufferin Station and Pape Station

The Audit Committee received the report for information.

4. New Business (see minute following #2(a & b) above where this item was added to the agenda)

(a) Request the City of Toronto Auditor General to Review the TTC Board Motion Amending the Accessible Taxi Service Contract

The following motion was approved in principle at the meeting on February 19, 2015 and was before the Audit Committee for ratification on February 25, 2015.

Moved by: TTC Audit Chair A. Heisey, QC

Seconded by: TTC Commissioner M. Adamson (Audit Member)

Whereas the TTC Board in May 2011 requested the Auditor General to expand its scope of the review of Wheel-Trans to include Contract Compliance & Customer Satisfaction.

Whereas the Auditor General's report entitled Review of Wheel-Trans Services - Sustaining Level and Quality of Service Requires Changes to the Program was submitted to the Board on December 19, 2012 and subsequently referred to the Advisory Committee on Accessible Transit and the TTC's Audit Committee for review.

Whereas a staff report entitled Wheel-Trans Taxi Contracts – Procurement Timelines Update was also before the Board on December 19, 2012 in which the Board approved that staff be directed to undertake a new RFP for taxi contract services, and that the process have oversight provided by a Fairness Commissioner; and

That the Chief Executive Officer be authorized to extend the current contracts, if necessary, for a period of up to 6 months, and that the current upset contract limits be adjusted proportionately, subject to satisfactory discussions with the existing contractors on the extension period.

Whereas a contract for a Fairness Commissioner was awarded to JD Campbell and Associates in February 2013 in accordance with the Auditor General's recommendations and the direction of the TTC Board.

Whereas an RFB was issued on October 13, 2013 which addressed the 4 major recommendations of the Auditor General including "the requirement for Contractors to inform drivers of their rights and responsibilities"

Whereas The Board at its meeting on January 28, 2014 authorized the award of contracts for the Accessible Taxi Service to 4 companies in the upset limit of \$120,000,000 for a five year duration from Notification of Award, on the basis of the highest total weighted scores with contracts to commence July 6, 2014.

Whereas the Board at its meeting on July 23, 2014 had before it a letter from Spiros Bastas, President, Accessible Transportation Association of Ontario regarding Wheel-Trans Accessible Taxi Contracts – Job Action.

Whereas the Board received the correspondence without recommendations and subsequently approved reconsideration of the matter on a two-thirds vote of the members present. The Board referred the communication to staff to meet with the contractors and to report back to the August meeting.

Whereas the Board at its meeting on August 19, 2014 approved amendment of the Accessible Taxi Service Contract to add HST to the minimum driver rate.

Be it resolved that the TTC Audit Committee, through the TTC Board:

Request the City of Toronto Auditor General to review the TTC Board decision made at the August 19, 2014 meeting in which TTC approved a motion to amend the Accessible Taxi Service Contract to add HST to the minimum driver rate; and comment and provide recommendations on the following:

1. The value for money issues raised by the decision; and
2. The implications for TTC procurement processes in future and any recommendations flowing therefrom.

A chronology on Wheel-Trans Accessible Taxi Contracts was also submitted with this motion.

Councillor De Baeremaeker asked if the Committee would consider a friendly amendment to the motion.

In accordance with Section 50(c) of the By-law to Govern Commission Proceedings, this item was re-opened for consideration on a majority vote by way of a motion moved by Chair Heisey who voted with the prevailing side when this item was originally decided.

Commissioner De Baeremaeker moved that the City of Toronto Auditor General also be requested to review the recommendations in the staff report approved by the Board at its meeting on January 28, 2014.

The motion by Commissioner De Baeremaeker carried.

The amended motion read as follows:

Be it resolved that the TTC Audit Committee, through the TTC Board:

Request the City of Toronto Auditor General to review the recommendations in the staff report approved by the Board at the January 28, 2014 meeting and the TTC Board decision made at the August 19, 2014 meeting in which TTC approved a motion to amend the Accessible Taxi Service Contract to add HST to the minimum driver rate; and comment and provide recommendations on the following:

1. The value for money issues raised by the decision; and
2. The implications for TTC procurement processes in future and any recommendations flowing therefrom.

The motion as amended carried.

Commissioner DeBaeremaeker asked staff to forward the audio tapes from the January 28, 2014 and the August 19, 2014 TTC Board meetings to the City Auditor General to assist them in their review.

5. Correspondence

Nil

The meeting adjourned at 9:35 am