STAFF REPORT
INFORMATION ONLY

Internal Audit Activities – Quarterly Update: Q2 2016

Date:	July 20, 2016
To:	TTC Audit and Risk Management Committee
From:	Head of Internal Audit

Summary

The TTC Audit Department (TTC Audit) adopted a new approach and format for the reporting of its key audit observations, audit activities and resource allocation to the TTC Audit and Risk Management Committee (ARMC), effective the First Quarterly Update of 2016.

This new approach ensures the timely communication of the results of our audit work and related recommendations while allowing Management sufficient time to develop a practical and achievable Management Action Plan. TTC Internal Audit is tracking the status of each required Management Action Plan until its submission to the ARMC by Management, and will ensure finalized action items are incorporated into TTC's Enterprise Risk Management (ERM) database for tracking and completion by responsible parties.

The objective of adopting this change is to eliminate the shortcomings of the traditional audit report format while still meeting professional internal audit standards, including highlighting the risks and related action plans associated with each audit, and ensuring accountability by those responsible for the business process/control/recommendations.

Financial Summary

This report has no financial impact as the purpose is to explain changes made by TTC Internal Audit in the reporting of its audit activities and results of assignments completed.

Contact

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Head of Internal Audit
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Attachment

Internal Audit Activities - Quarterly Update: Q2 2016

Internal Audit Activities
Quarterly Update

Section / Page No.

A

Internal Audit Activity Allocation

By Nature of Service

■ Assurance ■ Advisory

Advisory
27%

Assurance
73%

By Strategic Objective

Customer
1%

Reputation
13%

Assets
32%

People
13%

Growth
6%

Financial
35%
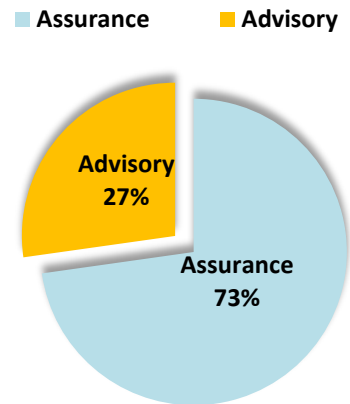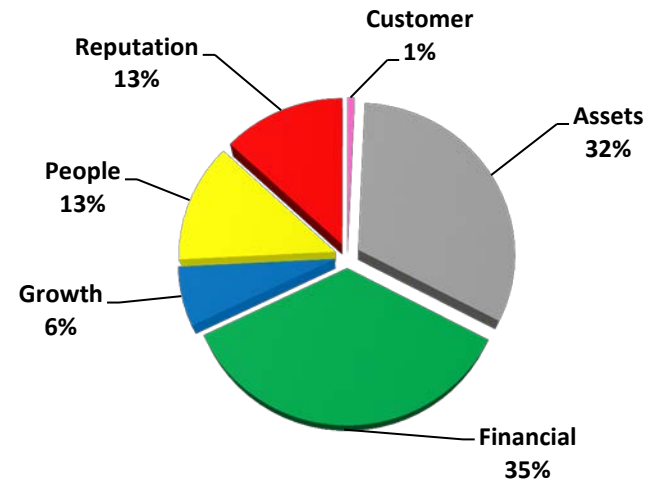
Definition of Strategic Objectives

Safety
A transit system that manages its risks, that protects its customers, contractors and employees, and that minimizes its impact on the environment.

Customer
A transit system that values customers and provides services that meet or exceed customer expectations.

People
An empowered, customer-focused workforce that values teamwork, pride in a job well done, and an organization that actively develops its employees.

Assets
Effective, efficient management of assets that delivers reliable services in a state of good repair.

Growth
An affordable expansion program that matches capacity to demand.

Financial Sustainability
A well-run, transparent business that delivers value for money in a financially viable way.

Reputation
An organization that is transparent and accountable, well-regarded by stakeholders and peers, in which employees are proud to play a part.

B

Internal Audit Activities - Quarterly Update

ASSURANCE: Q2 2016
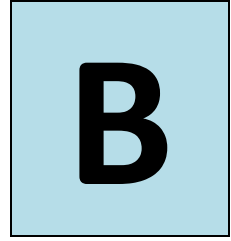
Strategic Objective	Audit Title	Key Risk Assessed	Status	MAP* Required Y/N	MAP* Submission ARMC Date	2016 Audit Plan Y/N Audit Project (P) Special Request (R)
Financial Sustainability	Payment Controls Review – Data Analytics & Testing	Payment Processing Errors/Frauds & Inefficiencies	Completed	Y	July 20, 2016	Y - P
Financial Sustainability	Contract Management: Purchasing Card Program – Data Analytics & Testing	Inappropriate Use of Purchasing Cards	Completed	Y	July 20, 2016	Y - P
People	MTO - Driver Certification Program (DCP): Specified Inspection Procedures	Regulatory Non-Compliance	Completed	N	N/A	Y - P
People	Skilled Trades Management	Shortage of Critical Trades	In-Progress	----	----	Y - P
Assets	Subway Delays Management	Incomplete Root Cause Analyses and Ineffective Responses	In-Progress	----	----	Y - P
Assets	Escalators Management	Lack of Asset Availability	In-Progress	----	----	N – P

Internal Audit Activities - Quarterly Update

ASSURANCE: Q2 2016

Strategic Objective	Audit Title	Key Risk Assessed	Status	MAP* Required Y/N	MAP* Submission ARMC Date	2016 Audit Plan Y/N Audit Project (P) Special Request (R)
Assets	Elevators Management	Lack of Asset Availability	In-Progress	----	----	N – P

*Management Action Plan (MAP) Required

YES   A formal Management Action Plan is required to address audit outcomes and areas highlighted for action and/or improvement; it is Management's responsibility to prepare a MAP to the satisfaction of the ARMC; TTC Audit will track the development of the MAP until submission to the ARMC.

NO   No formal Management Action Plan (MAP) is required given the nature of audit work completed and/or results.

Internal Audit Activities - Quarterly Update

ASSURANCE: Q1 2016 (Updated)

Strategic Objective	Audit Title	Key Risk Assessed	Status	MAP* Required Y/N	MAP* Submission ARMC Date	2016 Audit Plan Y/N Audit Project (P) Special Request (R)
Safety	Transit Enforcement Unit (TEU)	Time Theft	Completed	Y	February 11, 2016	Y - P
Customer	Fare Media Sales	Incomplete Fares Processing	Completed	Y	February 11, 2016	Y - P
Customer	Business Intelligence: Key Performance Indicators (KPI's) Preliminary Review	Inappropriate Measures	Completed	N	N/A	Y - R
Financial Sustainability	Payment Controls Review	Payment Processing Errors/Frauds & Inefficiencies	Completed	Y	July 20, 2016	Y - P
Financial Sustainability	Tools Usage	Inappropriate Use & Purchasing of Tools	Completed	Y	July 20, 2016	Y - P
Financial Sustainability	Fuel Card Management	Inappropriate Use of Fuel Cards	Completed	Y	July 20, 2016	Y - R
Financial Sustainability	IPAC Paving	Contract Administration Errors & Employee/Vendor Fraud	Completed	Y	July 20, 2016	Y - R

Internal Audit Activities - Quarterly Update

ASSURANCE: Q1 2016 (Updated)

Strategic Objective	Audit Title	Key Risk Assessed	Status	MAP* Required Y/N	MAP* Submission ARMC Date	2016 Audit Plan Y/N Audit Project (P) Special Request (R)
Financial Sustainability	IT Disaster Recovery	Disruption of IT Services & Loss of Data Due to a Disaster	Completed	Y	July 20, 2016	Y - P
Financial Sustainability	Intria Site Visit	Collector Cash Deposit Errors	Completed	N	N/A	N - R
Growth	Union Station Second Subway Platform and Concourse Improvement Project	Project Delays & Cost Over-Runs	Completed	Y	TBD	Y - P
Growth	Leslie Barns Project: • Maintenance Facility • Connection Tracks	Project Delays & Cost Over-Runs	Completed	Y	TBD	Y - P
Growth	Leslie Barns Project: Pomerleau Per Diem Rate	Inappropriate and/or Excessive Contractor Charges	Completed	N	N/A	Y - R
Growth	TYSSE: Move Ontario Trust (MOT) Funds Review	Inappropriate and/or Excessive Charges to the Trust	Completed TYSSE Binder	N	N/A	Y - R

Internal Audit Activities - Quarterly Update

ASSURANCE: Q1 2016 (Updated)

Strategic Objective	Audit Title	Key Risk Assessed	Status	MAP* Required Y/N	MAP* Submission ARMC Date	2016 Audit Plan Y/N Audit Project (P) Special Request (R)
Growth	TYSSE: Audit Summary Update – 2008 to 2015	N/A – Presented for Information Only	Completed TYSSE Binder	N	N/A	N - R
Growth	TYSSE: Future Audit Considerations	N/A – Presented for Information Only	Completed TYSSE Binder	N	N/A	Y - P
Growth	TYSSE: Carillion Canada Inc. – Staff & Labour Rates	Inappropriate and/or Excessive Contractor Charges	Completed TYSSE	N	N/A	Y - R

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Internal Audit Activities – Quarterly Update

Q2 2016

ASSURANCE: FINANCIAL SUSTAINABILITY (Completed)			
AUDIT TITLE	Key Risk Assessed	Primary Accountability Group(s)	Page No.
Management Action Plan* (MAP) Required			
Payment Controls Review– Data Analytics & Testing	Payment Processing Errors/ Frauds & Inefficiencies	Corporate Services	1
Contract Management: Purchasing Card Program – Data Analytics & Testing	Inappropriate Use of Purchasing Cards/ Misappropriation of Assets	Corporate Services	3

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Internal Audit Activities - Quarterly Update

ASSURANCE: FINANCIAL SUSTAINABILITY
Q2 2016

Ref#	Audit Title	Key Risk Assessed	Audit Focus	Overall Opinion	Key Audit Observations & Comments
			Management Action Plan* (MAP) Required		
1	Payment Controls Review – Data Analytics & Testing	Payment Processing Errors/Frauds & Inefficiencies	Accounts Payable: IFS Payments *Total CDN Payments Population:* 2015 - $2.1 B 2016 (YTD May) - $800.2 M Out of Scope: • Payroll • Purchasing Card	Actions Required	**Accounts Payable Processing Procedures & Reports:** Procedures for processing invoices by the Accounts Payable (A/P) section need to be updated to reflect changes that followed the implementation of the IFS System. In addition, the development of new/revised data analytic reports will improve management's ability to monitor A/P performance and IFS payments. Once new/revised reports are finalized, the expected frequency and procedures for their use will need to be documented and communicated to relevant staff. **Data Analytics – Duplicate Payments:** A report that identifies potential duplicate IFS payments is currently being designed. A review of all 2015 and 2016 IFS payments is being completed and a final tally of confirmed duplicates and related collection efforts will be communicated to Senior Management. Based on Internal Audit's follow-up results to date, the actual number of confirmed duplicates is negligible and corrective action, including issuing credit memos, has been initiated. By adjusting certain report parameters, potential duplicate payments may also be identified before final payment is processed, thereby preventing them from occurring in the future. **Data Analytics – Employee/Vendor Address Information:** A report that identifies TTC employee and vendor address matches should be completed annually to identify potential conflict of interest situations. While no issues have been noted in the past when such

Internal Audit Activities - Quarterly Update

ASSURANCE: FINANCIAL SUSTAINABILITY
Q2 2016

Ref#	Audit Title	Key Risk Assessed	Audit Focus	Overall Opinion	Key Audit Observations & Comments
					comparisons were made, no report was run in 2015. An updated comparison has been initiated and further analysis is pending final review of the report. **Data Analytics – Lost Discounts:** An improved report designed to readily identify those vendors for which attention needs to be focused to realize available discounts has been developed.Initial results suggest attention needs to be given to the receiving and processing of stocked bus parts from one particular vendor to which the majority of lost discounts in 2015 and 2016 relates.To ensure complete results, purchase discount terms for all purchase order types need to be input into IFS in a timely manner. **Data Analytics – Material Returns:** Internal Audit noted improved reports are required to effectively manage material returns to ensure credits for which TTC is entitled are received.

Internal Audit Activities - Quarterly Update

ASSURANCE: FINANCIAL SUSTAINABILITY
Q2 2016

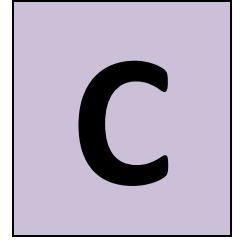| Ref#	Audit Title	Key Risk Assessed	Audit Focus	Overall Opinion	Key Audit Observations & Comments
2	Contract Management: Purchasing Card Program – Data Analytics & Testing	Inappropriate Use of Purchasing Cards/ Misappropriation of Assets	National Bank Financial Group – Purchasing Card Program 5yr contract – effective July 1/12; upset limit of $12.8 million 2015: 3,765 transactions valued at $2.2 M	Actions Required	**Purchasing Card (P-Card) Management:** Following Internal Audit's review of P-Cards, management updated the guidelines governing the issuance and use of these cards. However, more emphasis needs to be placed on monitoring adherence to restrictions and ensuring the quality of explanations and related documentation submitted in support of purchased items is retained. Internal Audit also noted that the reconciliation to confirm that all 181 P-Cards have been appropriately issued is a manual, time-consuming process that is prone to error. **Data Analytics – Exception Reports:** Internal Audit noted limitations in the P-Card reporting tools available to management. This prompted the design of new exception reports using service provider data to identify restricted or questionable card purchases and potential transaction splitting. Utilizing these new exception reports, Internal Audit selected a sample of highlighted items for follow-up. While all transactions were approved, given the restrictive or unique nature of items purchased, additional explanations, details and approvals should be documented to withstand public scrutiny and clearly serve as evidence that TTC emergency/exception criteria were met. The expected use and frequency of these final reports need to be outlined in the purchasing card guidelines, as well as, the expanded documentation expectations when restricted purchases are made.

Internal Audit Activities – Quarterly Update

Q2 2016

<table>
<tr><td colspan="4" style="background:yellow">**ASSURANCE: PEOPLE (Completed)**</td></tr>
<tr><td>**AUDIT TITLE**</td><td>**Key Risk Assessed**</td><td>**Primary Accountability Group(s)**</td><td>**Page No.**</td></tr>
<tr><td colspan="4">**No Management Action Plan* (MAP) Required**</td></tr>
<tr><td>MTO - Driver Certification Program (DCP): Specified Inspection Procedures</td><td>Regulatory Non-Compliance</td><td>Human Resources</td><td>1</td></tr>
</table>

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Ref #	Audit Title	Key Risk Assessed	Audit Focus	Overall Opinion	Key Audit Observations & Comments
					No Management Action Plan* (MAP) Required
1	MTO - Driver Certification Program (DCP): Specified Inspection Procedures	Regulatory Non-Compliance	Completion of MTO Specified Procedures Date of Inspection: March 31, 2016	N/A	**BACKGROUND** **Ministry of Transportation (MTO) Driver Certification Program (DCP):** The MTO's Driver Programs Office administers the DCP, a voluntary program under which the MTO grants certain types of organizations the authority to train and test drivers for upgrading or renewing classes of licenses and endorsements. All training programs under the DCP must include a curriculum that meets or exceeds MTO's standards; and each license class requires a separate curriculum. External auditors and MTO monitor the delivery and maintenance of the DCP program(s) delivered by these organizations to ensure ministry standards are met and maintained. The TTC, having successfully completed the application process is a designated Recognized Authority (RA). The RA nominates an employee as the Recognized Authority Official (RAO) who is directly responsible for the administration of the RA's DCP. The designated RAO at the TTC is the Head – Training and Development. **DCP 2016 Inspection Requirement:** MTO requires an independent inspection report to be submitted by RAs upon request. MTO notified TTC on February 8, 2016 that a Specified Procedures Inspection Report was due July 1, 2016; and failure to comply would result in applied sanctions. MTO's Specified Procedures cover various aspects of the DCP, namely requirements relating to the RA, RAO, Signing Authorities and Vehicle Inspection Checklists. The MTO's list of acceptable auditors includes internal auditors with credentials and a separate reporting structure. Hence, the TTC's Internal Audit Department is eligible to perform the Specified Procedures and meet MTO's inspection requirements. **RESULTS** **DCP Specified Procedures Inspection Report:**TTC Internal Audit completed the specified inspection procedures and electronically submitted the results as required to the MTO on June 14, 2016. The Report identified "NIL" exceptions, ie., no major or minor program infractions/exceptions to the compliance requirements tested were noted. Work performed covered the period July 1, 2014 (date of last inspection) to March 31, 2016, and samples tested for each specified procedure were calculated in accordance with MTO's stated methodology as required to cover the population of 1,772 license upgrades and renewals.

C

Internal Audit Activities – Quarterly Update

Management Action Plans*

STATUS: FINANCIAL SUSTAINABILITY					
AUDIT TITLE	Key Risk Assessed	ARMC Presentation Date	MAP Status @ ARMC July 20/16	Primary Accountability Group(s)	Page No.
Q2 2016					
Payment Controls Review – Data Analytics & Testing	Payment Processing Errors/Frauds & Inefficiencies	July 20, 2016	Submitted	Corporate Services	1
Contract Management: Purchasing Card Program – Data Analytics & Testing	Inappropriate Use of Purchasing Cards/ Misappropriation of Assets	July 20, 2016	Submitted	Corporate Services	2
Q1 2016					
Payment Controls Review	Payment Processing Errors/Frauds & Inefficiencies	May 25, 2016	Submitted	Corporate Services	1

Internal Audit Activities – Quarterly Update

Management Action Plans*

STATUS: FINANCIAL SUSTAINABILITY					
AUDIT TITLE	**Key Risk Assessed**	**ARMC Presentation Date**	**MAP Status @ ARMC July 20/16**	**Primary Accountability Group(s)**	**Page No.**
Tools Usage	Inappropriate Use & Purchasing of Tools	May 25, 2016	Submitted	Operations Group/ Corporate Services	3
Fuel Card Management	Inappropriate Use of Fuel Cards	May 25, 2016	Submitted	Operations Group/ Corporate Services	5
IPAC Paving	Contract Administration Errors & Employee/Vendor Fraud	May 25, 2016	Submitted	Operations Group/ Corporate Services/ Human Resources	7
IT Disaster Recovery	Disruption of IT Services & Loss of Data Due to a Disaster	May 25, 2016	Submitted	Corporate Services	9

Internal Audit Activities – Quarterly Update

Management Action Plans*

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Management Action Plan (MAP) – Payment Controls Review

Risk: Payment Processing Errors/Frauds & Inefficiencies

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q2-2016	**Data Analytics:** Efforts to develop/enhance data analytic reports to assist in monitoring adherence to A/P metrics and accuracy of payment processing will continue. Upon finalization of each new/revised report, the expected frequency and procedures for their use will be documented and communicated to relevant staff.	Development of data analytic reports to assist in detecting purchasing irregularities and potential fraudulent transactions.	**Corporate Services Group** Head – Finance: Mike Roche	Dec 31/16
Q1-2016	**Vendor master file** set-up processes and file clean-up measures will be undertaken to enhance controls and administrative efficiencies. Areas of focus will include: • Redundant Record Purge (M&P) • Payment Activation (Finance) • Naming Conventions (M&P)	Improved purchase order and invoice processing efficiencies, and mitigation of risk of overpayment errors/fraud due to duplicate vendor records.	**Corporate Services Group** Head – M&P: Jim Lee Head – Finance: Mike Roche	Sept 30/16 Completed
Q1-2016	**Process Efficiency:** Efforts to redesign processes and improve processing efficiencies will continue. Areas of focus include: • e-payment options • low dollar/high volume transactions – billing options • invoice ageing and materials returns	Identification of potential savings and/or dollar impact of failure to address processing inefficiencies across departments.	**Corporate Services Group** Head – Finance: Mike Roche	Dec 31/16

Management Action Plan (MAP) – Purchasing Card Program Review

Risk: Inappropriate Use of Purchasing Cards/Misappropriation of Assets

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q2-2016	**Purchasing Card Management:** Consideration will be given to automating the reconciliation process between issued Purchasing Cards and active employees, as well as, monitoring purchasing card activity to minimize inactive card fees.	Improved efficiency and accuracy of reconciliations and minimization of inactive card fees.	**Corporate Services Group** Head – M&P Jim Lee	Dec 31/16
Q2-2016	**Data Analytics:** Efforts to develop/enhance data analytic reports to assist in monitoring adherence to TTC's Purchasing Cards Program will continue. Upon finalization of each new/revised report, the expected frequency and procedures for their use will be documented and communicated to relevant staff, as well as, expanded documentation requirements when restricted purchases are made. .	Development of data analytic reports to assist in detecting inappropriate use of corporate purchasing cards and possible cost savings. Materials & Procurement (M&P) to provide management reports to user group management to manage their cardholder employee activity, consumption and budgets.	**Corporate Services Group** Head – M&P Jim Lee	Dec 31/16

Management Action Plan (MAP) – Tools Usage

Risk: Inappropriate Use & Purchasing of Tools

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Tools Inventory Register:** Each cost center will establish an inventory register of tools and equipment that records pertinent purchasing details (e.g., acquisition date, serial number) and a TTC asset number or engraved identifier if feasible. Valuable tools will be stored in a restricted area to which access is controlled and monitored, tools will be signed in/out as appropriate, and broken tools will be exchanged for replacements. Regularly scheduled physical counts of tools will be conducted to validate tools inventory on hand. The tool inventory listing will be updated based on the results of the count.	A properly maintained tools inventory listing that accounts for the existence, availability and location of each tool, which reduces potential loss or theft of tools, which in turn reduces tools replacement costs.	**Operations Group** Head – Plant Maintenance: Glen Buchberger	Dec 31/16
Q1-2016	**Data Analytics:** Materials & Procurement (M&P) to investigate feasibility of developing a data analytic report designed to detect tool purchasing irregularities and evaluate actual usage of items will become standard practice of operational management. Areas of focus will include: • trend analysis of tools usage and purchases per cost center against cost center requirements; • purchases of tools covered by employee annual tool allowance; • repetitive tool purchases and review of reasonableness of need; • price inconsistencies for "on-basket" tool purchases; and • volume of "off-basket" purchases and opportunity for discount prices.	Proactive detection and deterrence of errors, inappropriate tool purchases and tool theft, as well as, identification of potential savings. M&P will develop a Tool Report that will be provided to the Operations group to manage their tool consumption and adherence to purchasing policies and procedures.	**Corporate Services** Head – M&P Jim Lee **Operations Group** Head – Plant Maintenance: Glen Buchberger	Aug 31/16 Dec 31/16

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Policies and procedures** governing the purchasing of tools will be reiterated by M&P to all cost centres and adherence consistently monitored.	Enhanced accountability and adherence to reasonable tools management expectations.	**Corporate Services** Head – M&P Jim Lee	Aug 31/16
	Operations group will reiterate and communicate to applicable areas permissible tool purchases, rules around tool allowances, and processes for replacement, etc. Guidelines for reporting questionable purchases and patterns to senior management and/or the TTC's Integrity Hotline for follow-up and investigation, if deemed necessary, will be established and followed.		**Operations Group** Head – Plant Maintenance: Glen Buchberger	Dec 31/16

Management Action Plan (MAP) – Fuel Card Management

Risk: Inappropriate Use of Fuel Cards

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**City Fuel Stations:** The justification for the operational decision of using City Fuel Sites as primary fueling stations will be documented. Standard operating procedures will be developed to ensure dispensing processes are consistent with City requirements and the requirement for TTC employees to comply mandated.	Significant reduction in the use of TTC fuel cards and elimination of the human element as transactions are automatically logged wirelessly between the City's pumps and the TTC. FOB keys will be used to dispense fuel into jerry cans and off road equipment. Preventive control against inappropriate fuel card usage and reduction in risk of transaction errors and administrative inefficiencies.	**Operations Group** NRV Fleet Manager: Ian Jordan	Q1 2017
Q1-2016	**Service Level Agreement (SLA):** A TTC Service Level Agreement will be established to distinguish between TTC and City roles and responsibilities, define agreed upon performance measures and standards, and to facilitate monitoring of initial and ongoing costs.	Clear expectations and processes will facilitate efficient and effective fuel management of Non-Revenue Vehicles (NRV) and monitoring of costs.	**Operations Group** NRV Fleet Manager: Ian Jordan	Q1 2017

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Fuel Cards - Exceptions:** Fuel cards will still be required for car washes and emergency purchases at retail locations. Exception based criteria will be established and monitored. User groups will proactively use available data analytics to monitor adherence to exception criteria and to identify questionable transactions and fuel usage trends for follow-up.	Improved oversight of NRV Fuel Management and the City Fuel Site program via the active monitoring of TTC's adherence to defined exception based criteria for use of fuel cards.	**Operations Group** NRV Fleet Manager: Ian Jordan	Q1 2017
Q1-2016	**Fundamental Fuel Card Control:** Updated and revised Fuel Card Procedures will be communicated to user groups.	Enhanced accountability with clear reiteration of user group responsibilities and control expectations.	**Corporate Services Group** Head - M&P: Jim Lee	Dec 31/16

Management Action Plan (MAP) – Plant Maintenance Contract Administration (IPAC) Follow-up Review

Risk: Contract Administration - Errors & Employee/Vendor Fraud

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Segregation of Duties & Automated Controls:** TTC management acknowledges the benefits of automated 2-way and 3-way matching systems as outlined by PwC in its Internal Control Gap Analysis (2012) of paving contracts but considers it currently impractical for the Materials & Procurement Department (M&P) to administer all contracts. Similarly, costs associated with pursuing an enterprise system solution that re-engineers and streamlines financial payment business processes across departments are prohibitive.	Acceptance of residual risks associated with lack of action in regards to the implementation of automated matching systems and enterprise solutions will be communicated to the ARMC and senior management.	**Corporate Services Group**	Completed
Q1-2016	**Data Analytics:** Data analytic reports designed to detect unusual transactions, spending patterns and questionable items will be developed for use by those with contract administration responsibilities. Areas of focus may include: • Number of contract amendments and extensions; • Budget/scope deviations; • Price variances and incidents of contract non-compliance.	Proactive detection and deterrence of errors and employee/vendor fraud, and identification of potential savings.	**Corporate Services Group** Head - M&P: Jim Lee	Dec 31/16

Management Action Plan (MAP) – Plant Maintenance Contract Administration (IPAC) Follow-up Review

Risk: Contract Administration - Errors & Employee/Vendor Fraud

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Fraud Awareness Training:** Fraud awareness training and related topics may be presented to relevant groups as appropriate, contingent upon available resources.	Enhanced employee understanding of error/fraud red flags and processes for detecting/reporting possible wrong-doing and abuse in TTC procurement and payment processes.	**CEO's Office-Human Resources**	Completed

Management Action Plan (MAP) – IT Disaster Recovery

Risk: Disruption of IT Services & Loss of Data Due to a Disaster

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Systems Resiliency, Service Continuity and Testing Plans:** A presentation/report to the ARMC on the current state of affairs with respect to the TTC's establishment and maintenance of disaster recovery and emergency management plans for IT elements will be put forth to facilitate members' understanding. Topics will include ITS management's rationale to: • Opt for a systems resiliency and service continuity approach as opposed to a disaster recovery-based third party vendor facility and data back-up strategy; • Deviate from testing targets that validate and refresh DR plans to ensure a state of readiness and ability to protect the TTC from disruption of critical services or data loss; and • Hire a permanent resource to lead, maintain and monitor the TTC's DR Roadmap progress and planning for Corporate Computing and overall resilience, replication and back-up status on a regular basis.	Identification and evaluation of risks associated with a complete and simultaneous disruption of service at both data centres triggered by a disaster, as well as, risks associated with a lack of verified preparedness. Enhanced understanding by the ARMC.	**Corporate Services Group** Head – IT Services: Anthony Iannucci	Oct 31/16

Management Action Plan (MAP) – IT Disaster Recovery

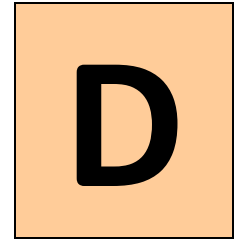## Risk: Disruption of IT Services & Loss of Data Due to a Disaster

Audit Points	Management Action Plan	Expected Outcome	Accountability Responsibility	Target Date
Q1-2016	**Enterprise Risk Management (ERM) Status:** ITS Management will work with the ERM team to incorporate IT Disaster Recovery risks and controls into the ERM database.	Enhanced documentation of controls designed to mitigate IT services disruptions and data loss in the case of a disaster, and of residual risks considered to be acceptable.	**Corporate Services Group** Head – IT Services: Anthony Iannucci	Mar 31/17
Q1-2016	**DR Roadmap:** Delivery of the DR Roadmap will begin with a comprehensive Business Impact Analysis and progress will be actively monitored. Improvements throughout the lifecycle of the program will be reported to maintain momentum for the DR vision of a reliable, documented, approved and proven level of DR preparedness.	A comprehensive Business Impact Analysis process that ensures TTC business needs and interdependencies are properly addressed.	**Corporate Services Group** Head – IT Services: Anthony Iannucci	Mar 31/18

Internal Audit Activities – Quarterly Update

Management Action Plans*

STATUS: GROWTH					
AUDIT TITLE	**Key Risk Assessed**	**ARMC Presentation Date**	**MAP Status @ ARMC July 20/16**	**Primary Accountability Group(s)**	**Page No.**
Q1 2016					
Union Station Second Subway Platform and Concourse Improvement Project	Project Delays & Cost Over-Runs	May 25, 2016	Outstanding	Corporate Services	N/A
Leslie Barns Project: • Facility • Connection Tracks	Project Delays & Cost Over-Runs	May 25, 2016	Outstanding	Operations Group/ Corporate Services	N/A

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D

Internal Audit Activities - Quarterly Update

ADVISORY: Q2 2016

Strategic Objective	Audit Title	Status Ongoing In-Progress	Internal Audit Activities Description	2016 Audit Plan Y/N
Safety	Risk & Governance Committee (RGX)	Ongoing	Standing member of the TTC RGX Committee; attending regularly scheduled RGX meetings.	Y
Safety	Enterprise Risk Management (ERM)	Ongoing In-Progress	Supporting TTC Management in its ongoing efforts to implement the ERM Program. Assisting TTC's Risk Management Group in the development of a streamlined approach to populate TTC's ERM database with Management Action Plans put forth in response to internal audits and audits completed by the City Auditor General (AG) to hold Business Process and Control owners accountable for managing risks and action items as required.	Y
Customer	Customer Fare Evasion	Ongoing	Supporting TTC's Customer Development Department with its third party conducted fare evasion study, being done to determine a system-wide baseline evasion rate. Audit has performed fare evasion studies of specific types of evasion in the past. Audit's support ensures knowledge transfer of past methodologies and/or issues to consider while conducting such studies.	N - NEW
Financial Sustainability	PRESTO System	Ongoing Ongoing	Standing member, representing the TTC on the PRESTO Audit and Assurance Committee (PAAC) in accordance with the governance structure outlined in TTC's Master Agreement with PRESTO; attending regularly scheduled meetings. Advising TTC's Finance Department on financial reporting risks and controls of the PRESTO system.	Y

Internal Audit Activities - Quarterly Update

ADVISORY: Q2 2016

Strategic Objective	Audit Title	Status Ongoing In-Progress	Internal Audit Activities Description	2016 Audit Plan Y/N
		Ongoing	Reviewing PricewaterhouseCoopers Risk Gap Analysis and supporting Management's efforts to prepare Management Responses in collaboration with Metrolinx staff.	
		Ongoing	Reviewing PRESTO 3416 report (Service Auditors' Report) to assess and plan appropriate internal audit work, if required, around existence and effectiveness of TTC complementary controls.	
Financial Sustainability	**Employee/Vendor Misconduct/Fraud**	Ongoing	Supporting TTC Management in its efforts to deter fraud, strengthen fraud mitigation strategies and control frameworks, and develop/implement a systematic Fraud Prevention Program.	**N - NEW**
Reputation	**City Auditor General: TTC Audit Work**	Ongoing	Attending City Audit Committee meetings.	Y
		Ongoing	Supporting TTC Management as required and deemed appropriate in response to planned audit work and ad hoc requests initiated by the City Auditor General. Activities include: *Continuous Controls Monitoring (CCM)* • Overtime – 2015 vs 2014 • Absenteeism – 2015 vs 2014 *Audits* • Inventory Controls (2015/16) • Health and Dental Benefits (NOTE: check name) • Procurement	