



STAFF REPORT INFORMATION ONLY

Internal Audit Activities – Quarterly Update: Q4 2016

Date:	February 9, 2017
To:	TTC Audit and Risk Management Committee
From:	Head of Internal Audit

Summary

The TTC Internal Audit Department activities for the fourth quarter have been summarized in the attached report. The report has been divided into the following five sections:

- **Section A:** Internal Audit Activity: Allocation Charts - depicts in chart format the nature of internal audit services (Assurance and Advisory) categorized by Strategic Objective
- **Section B:** Assurance Audit Projects and Special Requests - summarizes internal audit work (completed and in-progress) during the quarter as well as a final 2016-Year-at-a-Glance summary
- **Section C:** Management Action Plans (MAPs) - summarizes the action plans put forth by management in response to key Internal Audit observations presented this quarter
- **Section D:** Advisory Support Services - outlines various ongoing Internal Audit advisory roles
- **Section E:** Departmental Initiatives - summarizes key internal audit activities and initiatives

Financial Summary

This report has no financial impact as the purpose is to report on TTC Internal Audit activities during Q4 2016.

Comments

During Q4 2016, Internal Audit's focus was to bring closure to 2016 projects while developing a risk-based audit work plan for 2017 and preparing an Education Session for the Audit and Risk Management Committee (ARMC) to facilitate an assessment of their Terms of Reference. The key highlights for the quarter include the following:

- Assurance work on Skilled Trades concluded that the responsibility for monitoring changes in the Ontario College of Trades and Apprenticeship Act and the implications for TTC operations needs to be clearly assigned to ensure compliance with this legislation. Assurance work on Elevating Devices identified the need for Corporate Asset Management Policies and Procedures, and detailed condition assessments to ensure the development of comprehensive asset management plans. Management has committed to pursuing corrective actions as presented in submitted MAPs.
- New Advisory work included transitioning the TYSSE Independent Auditor role to an external assurance service provider as selected by the TYSSE Executive Task Force; providing support in the phased roll-out of SAP; active participation in PRESTO's Joint Executive Committee and Audit Assurance Committee to facilitate communications to the ARMC and TTC Executive Management; and providing support to the TTC Portfolio Management Office with regards to developing and implementing its Project Management Maturity Plan.
- Internal Audit's 2016 Year-at-a-Glance of completed work summarizes the key risks and strategic objectives addressed through the year's Assurance and Advisory projects; and explanations have been provided for deviations from the 2016 Audit Work Plan where projects were deferred, discontinued or cancelled in response to changes in assessed risks and project prioritization throughout the year.
- Efforts to identify potential risk-based Internal Audit Assurance projects and Advisory roles for 2017 began this quarter. This involved a detailed review of a variety of information sources and evaluation of risks that may impact the achievement of Strategic Objectives.
- An ARMC "Education Session" was presented on February 8, 2017. The session was facilitated by Internal Audit and conducted with participation from other TTC risk and compliance management functions, such as Enterprise Risk Management and Legal Counsel. In addition to providing clarification to the ARMC of its current responsibilities as outlined in its Terms of Reference, best practices were discussed for future consideration.

- Progress continues to be made with regards to departmental initiatives such as reviewing the Internal Audit Charter; developing a working protocol with the City of Toronto Auditor General's Office aimed at improving working relationships and avoiding duplication of efforts; and conducting skills gap analyses of current Internal Audit staff and identifying immediate training needs to ensure consistency and quality of work being completed.

Contact

Tara Bal, CPA, CA, MAcc
Head of Internal Audit
Phone: (416) 393-2030
E-mail: Tara.Bal@ttc.ca

Attachment

Internal Audit Activities - Quarterly Update: Q4 2016

Internal Audit Activities Quarterly Update

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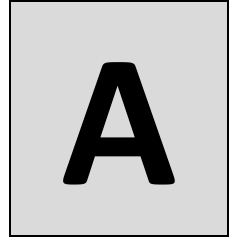
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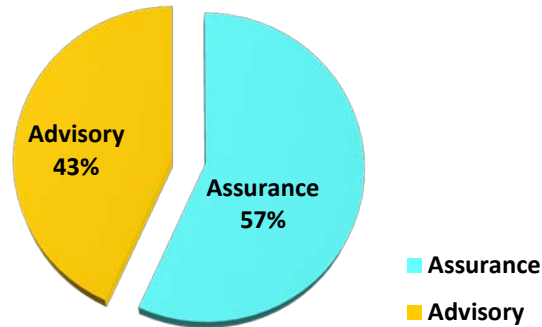
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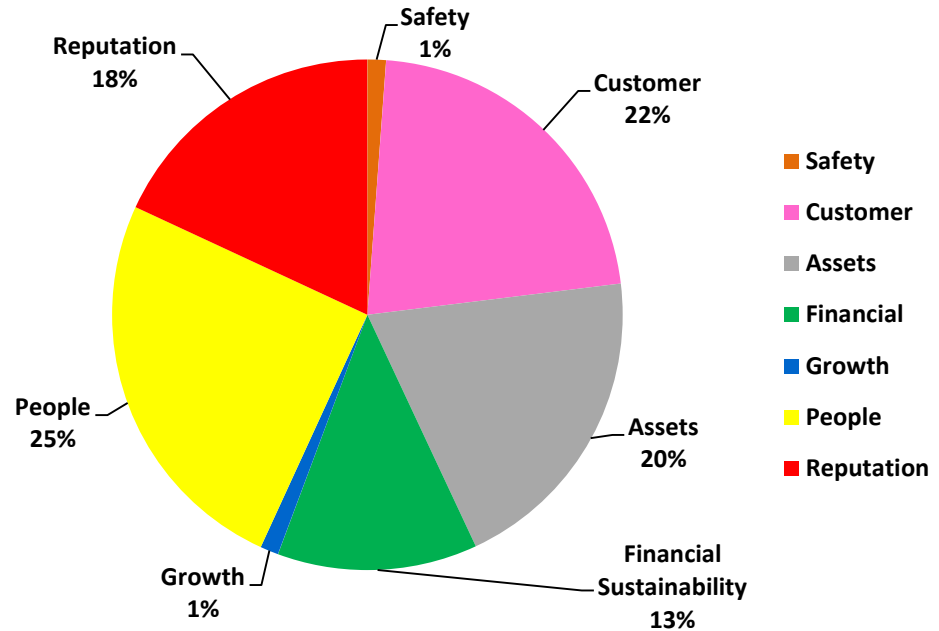


Internal Audit Activity Allocation

By Nature of Service



By Strategic Objective



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

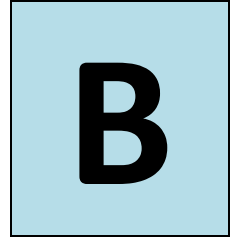
An affordable expansion program that matches capacity to demand.

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.



Internal Audit Activities - Quarterly Update

ASSURANCE: Q4 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)
People	Skilled Trades Management	Shortage of Critical Trades	Completed	Y	February 9, 2017	Y - P
Assets	Elevating Devices Fleet Management Plans (Escalators & Elevators)	Lack of Asset Availability	Completed	Y	February 9, 2017	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 Internal 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'S 2016 YEAR-AT-A-GLANCE

Completed Activities

STRATEGIC OBJECTIVES	ASSURANCE ACTIVITIES [Key Risk]	ADVISORY ACTIVITIES
CUSTOMER	1. Business Intelligence: Key Performance Indicators (KPI's) Preliminary Review [Inappropriate Measures]	1. PRESTO Governance 2. Customer Fare Evasion
SAFETY		3. Risk and Governance Management Committee 4. Enterprise Risk Management Protocol
PEOPLE	2. Skilled Trades Management [Shortage of Critical Trades] 3. MOT – Driver Certification Program (DCP): Specified Inspection Procedures [Regulatory Non-Compliance] 4. Transit Enforcement Unit [Time Theft]	
ASSETS	5. Subway Delays Management [Incomplete Root Cause Analyses and Ineffective Responses] 6. Elevating Devices Management [Lack of Asset Availability] 7. IT Disaster Recovery [Disruption of IT Services and Loss of Data due to a Disaster]	5. Project Management Maturity Plan
GROWTH	8. Capital – Leslie Barns Project: <ul style="list-style-type: none"> • Maintenance Facility • Connection Tracks [Project Delays and Cost Over-Runs] 9. Capital – Leslie Barns Project: Pomerleau Per Diem Rate [Inappropriate and/or Excessive Contractor Charges]	6. TYSSE – Future Audit Considerations (Supported transition of external service provider to role of TYSSE Independent Auditor)

INTERNAL AUDIT'S 2016 YEAR-AT-A-GLANCE

Completed Activities

STRATEGIC OBJECTIVES	ASSURANCE ACTIVITIES [Key Risk]	ADVISORY ACTIVITIES
GROWTH	<ul style="list-style-type: none"> 10. Capital – Union Station Second Subway Platform and Concourse Improvement Project [Project Delays and Cost Over-runs] 11. TYSSE – Move Ontario Trust (MOT) Funds Review [Inappropriate and/or Excessive Charges to the Trust] 12. TYSSE – Carillion Canada Inc. – Staff and Labour Rates [Inappropriate and/or Excessive Contractor Charges] 13. TYSSE – Audit Summary Update: 2008-2015 	
FINANCIAL SUSTAINABILITY	<ul style="list-style-type: none"> 14. Payment Controls Review [Payment Processing Errors/Frauds and Inefficiencies] 15. Fare Media Sales [Incomplete Fare Processing] 16. Payment Controls Review – Data Analytics and Testing [Payment processing errors/frauds and inefficiencies] 17. Contract Management: Purchasing Card Program – Data Analytics and Testing [Inappropriate Use of Purchasing Cards/Misappropriation of Assets] 18. Intria Site Visit [Collector Cash Deposit Bank Errors] 	<ul style="list-style-type: none"> 7. SAP Enterprise System Implementation 8. External Attestation Audit (TTC Financial Statements)

INTERNAL AUDIT'S 2016 YEAR-AT-A-GLANCE

Completed Activities

STRATEGIC OBJECTIVES	ASSURANCE ACTIVITIES [Key Risk]	ADVISORY ACTIVITIES
REPUTATION	<ul style="list-style-type: none"> 19. Tools Usage [Inappropriate Use and Purchasing of Tools] 20. Fuel Card Management [Inappropriate Use of Fuel Cards] 21. IPAC Paving [Contract Administration Errors and Employee/Vendor Fraud] 	<ul style="list-style-type: none"> 9. Employee/Vendor Misconduct/Fraud 10. City of Toronto Auditor General Co-ordination and Communication

INTERNAL AUDIT'S 2016 YEAR-AT-A GLANCE

Deferred/Discontinued/Cancelled ASSURANCE PROJECTS

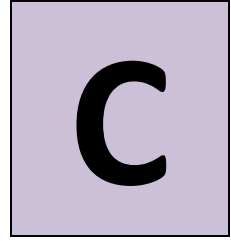
STRATEGIC OBJECTIVES	Assurance Project Title and Explanation	Deferred	Discontinued/ Cancelled
SAFETY	1. Customer Safety and Security (elements to be considered in a future audit)	Deferred	
CUSTOMER	2. Surface Route Management (number of service level changes in 2016 to address crowding and other issues; relationship between service levels and work force planning to be considered in a future audit; as well as impact on overtime)	Deferred	
PEOPLE	3. 2015 Driver Certification and Operator Recruitment (MTO Specified Procedures were completed in 2016; operator recruitment no longer considered a high risk area warranting internal audit review)		Cancelled
	4. Short-Term Absenteeism (item included in City Auditor General Work Plan; also, absenteeism trend reviewed as part of Auditor General's CCM work)		Cancelled
GROWTH	5. Capital – Wilson Yard Expansion Project (deferred pending KPMG Capital Program Review results; coordinated implementation of recommendations being addressed by TTC Portfolio Management Office to improve project management controls; enhanced governance via TTC's use of Project Review Board)		Cancelled
	6. Capital – Fire Ventilation Program (see #5 – however, elements to be considered in a future audit)	Deferred	
	7. Capital – TYSSE – Independent Auditor 2016 Audit Work Plan (TTC Internal Audit ceased to serve as TYSSE Independent Auditor; supported transition to external service provider by providing future audit consideration information)		Cancelled
	8. Accessibility Program – Easier Access (see #5)		Cancelled
FINANCIAL SUSTAINABILITY	9. Management Committees – Self Assessment (Management did not require the assistance of Internal Audit as originally requested)		Discontinued
	10. Work Order Processes and Controls (Following preliminary work discussions, management requested Internal Audit to review preliminary asset management plans prepared for escalators and elevators – work completed Q4 2016)		Discontinued

INTERNAL AUDIT'S 2016 YEAR-AT-A GLANCE
Deferred/Discontinued/Cancelled ASSURANCE PROJECTS

STRATEGIC OBJECTIVES	Assurance Project Title and Explanation	Deferred	Discontinued/ Cancelled
FINANCIAL SUSTAINABILITY	11. Information Technology Projects (item included in City Auditor General Work Plan; elements to be considered in a future audit)	Deferred	
	12. 2015 Automatic Train Control – Contract Compliance (not considered an audit priority relative to other emerging risks)		Cancelled
	13. Purchase of Light Rail Vehicles (LRVs) – Contractual Compliance (issues well known and being acted upon by TTC Executive Management)		Cancelled
	14. Inventory System Controls (item included in City Auditor General Work Plan and completed in 2016)		Cancelled

Project Title	Key Risk Project Focus	Overall Opinion	Internal Audit Executive Summary
Management Action Plan* (MAP) Required			
Skilled Trades Management	Shortage of Critical Trades Legislative Compliance - OCTAA	Action Required	<p>The Ontario College of Trades (College) and Apprenticeship Act, 2009 (OCTAA) governs the practice of trades in Ontario. Employed individuals in the presently classified 22 compulsory trades must be members of the College. The TTC employs approximately 1,700 skilled trade workers. Of the 29 trades employed at the TTC, 8 were classified as compulsory trades under OCTAA as at June 2016, namely coach technicians, automotive technicians, general body repairpersons, electricians, plumbers, refrigeration & air conditioning mechanics, sheet metal workers and steamfitters, and the remaining were classified as voluntary.</p> <p>Internal Audit reviewed TTC's skilled trades to assess whether the TTC has effective processes:</p> <ul style="list-style-type: none"> • to identify and monitor all skilled trades and ensure compliance with the Ontario College of Trades and Apprenticeship Act, 2009 (OCTAA); and • to ensure skilled trades employees are members in good standing with the College as required <p>We observed that each operating area independently monitors their respective skilled tradespersons. Licenses for sampled compulsory trades workers were all found active and in good standing with the College as required.</p> <p>However, we noted for the samples tested, licensing requirements in job descriptions were last revised prior to the passing of the 2009 OCTAA legislation. In addition, responsibility for monitoring changes in OCTAA legislation and the implications for TTC operations have not been assigned.</p> <p>Management has agreed with our observations and has developed appropriate action plans. Please see Section C for details.</p>

Project Title	Key Risk Project Focus	Overall Opinion	Internal Audit Executive Summary
Management Action Plan* (MAP) Required			
Elevating Devices Fleet Management Plans	Lack of Asset Availability Escalator & Elevator Fleet Management Plans	Action Required	<p>Internal Audit reviewed the Toronto Transit Commission's (TTC's) Elevating Devices Section (EDS) – Escalator and Elevator Fleet Management Plans (FMPs) that were presented to the Asset & Growth Committee in January 2015 and February 2016 respectively. Our audit objective was to provide assurance that the TTC's Elevating Device Section's policies, procedures and processes support the FMPs and provide -</p> <ul style="list-style-type: none"> • on-going detailed knowledge of fleet condition • acceptable approved service levels • maintenance plans to maximize productive capacity and availability • sufficient information for informed asset management decisions <p>We observed that EDS has broadly articulated FMPs to address its aging fleet, despite an absence of documented Corporate Asset Management Policies and Procedures.</p> <p>However, we have identified the following specific control improvements to achieve plan outcomes:</p> <ul style="list-style-type: none"> • need for corporate level asset management policies and direction to define asset management terms, roles, responsibilities and accountabilities; • detailed condition assessments to include both mechanical and structural assessments for informed overhaul/ replacement decisions; • in-depth risk identification and management of escalator replacement program to meet project milestones; • optimized use of Maximo, the Computerized Maintenance Management system for complete capture of maintenance work orders; • additional succession planning measures in elevator section; • improved segregation of duties around contract payments; and • maintenance record keeping to support full contractual compliance and maintain information for decision-making. <p>Management has agreed with our observations and has developed appropriate action plans. Please see Section C. for details.</p>



Management Action Plan (MAP) – Skilled Trades Management

Risk: Shortage of Critical Trades (Q4 2016 - NEW)

Internal Audit	Key Internal Audit Observations & Comments	Management Action Plans	Expected Outcome	Task Accountability/ Responsibility	Target Date
Q4 2016	<p>Verification of Skilled Trades Licenses and Review of Job Descriptions - We observed that each operating area independently monitors their respective skilled tradespersons. Licenses for sampled compulsory trades workers were all found active and in good standing with the Ontario College of Trades, namely coach technicians, automotive technicians, electricians, plumbers, refrigeration & air conditioning mechanics, sheet metal workers and steamfitter. However, we noted licensing requirements in job descriptions for these sampled trades were last revised prior to the passing of the 2009 OCTAA legislation.</p>	<p>Human Resources will review the job descriptions for the 8 compulsory skilled trades to ensure licensing terminology is consistent with current legislation. Applicable Union groups will be advised accordingly of any changes in job descriptions.</p>	<p>Licensing terminology in job descriptions will be consistent with current legislation.</p>	<p>Human Resources <i>Chief People Officer- Gemma Piemontese</i></p> <p>Operations <i>Chief Operating Officer- Mike Palmer</i></p>	Q1/2017
Q4 2016	<p>Trade Classification and Legislative Changes - We observed that responsibility for: actively monitoring changes in OCTAA legislation; communicating relevant impacts to operating areas; partnering on behalf of the TTC; and serving as liaison with regulatory bodies administering this legislation has not been assigned to a specific position.</p> <p>On December 8, 2016, the Ontario Legislature passed amendments to OCTAA. This will impact compliance and enforcement policies, and the trade classification process. The implications of these legislative changes on the TTC will need to be assessed to ensure the organization is prepared and remains compliant.</p>	<p>Operations and Human Resources will discuss and agree as to the position responsible for monitoring OCTAA legislative changes that impact the TTC. This position will develop protocols to obtain classification and regulatory change updates from the College of Trades and communicate these broadly to the organization.</p> <p>Heads of Departments will ensure proactive action plans are put in place to address trade classification reviews or legislative updates that may require revision of job descriptions, job qualifications and/or apprenticeship programs in their respective areas.</p>	<p>Proactive monitoring of applicable legislation and emerging issues that may impact skilled trades licensing and management.</p>	<p>Human Resources <i>Chief People Officer- Gemma Piemontese</i></p> <p>Operations <i>Chief Operating Officer- Mike Palmer</i></p>	Q1/ 2017

Management Action Plan (MAP) – Elevating Devices Section Fleet Management Plans

Risk: Lack of Asset Availability (Q4 2016 - NEW)

Internal Audit	Key Internal Audit Observations & Comments	Management Action Plans	Expected Outcome	Task Accountability/ Responsibility	Target Date
Q4 2016	<p>Corporate Asset Management Policies and Procedures - The Elevating Devices Section (EDS) prepared Fleet Management Plans (FMPs) without the benefit of documented corporate level Asset Management Policies and Procedures.</p> <p>EDS' FMPs address key elements including asset inventory, service levels, capital programs and workforce needs. The FMPs however lack corporate definition and classification of key elements like 'critical' assets, 'target' service levels and 'formal' condition assessments. In addition, roles and responsibilities of significant FMP stakeholders have not been articulated. For example - Engineering, Construction & Expansion (ECE) Group's role in developing design specifications and capital program project management; and Finance's role in funding planned lifecycle costs.</p> <p>Overall, operational areas would benefit from formally documented corporate level Asset Management Policies and Procedures.</p>	<p>Management has created the framework for focused State of Good Repair (SOGR) and improved overall asset management.</p> <p>Currently, the Terms of Reference for a newly formed Asset Management Committee (AMX) have being drafted and are being reviewed by the CEO for approval. This executive committee with membership from relevant functional areas including Operations, ECE, Materials & Procurement and Finance will begin work in early 2017.</p> <p>An Enterprise Asset Management (EAM) Coordinator has been appointed and the TTC will adopt ISO 55000/1 standards to streamline TTC's EAM practices, policies and procedures.</p>	Defined, coordinated approach to ensure desired asset management outcomes	<p>Operations Group</p> <p><i>Chief Operating Officer– Mike Palmer</i></p> <p>CEO's Group</p> <p><i>Chief of Staff – Joan Taylor</i></p> <p>Other Contributing Chiefs will include Chief Capital Officer, Chief Service Officer and Chief Financial and Administrative Officer</p>	Q1/2017
Q4 2016	<p>Condition Assessments – EDS has not conducted detailed condition assessments (mechanical and structural) of its escalators and elevators as at the date of the audit.</p> <p>The overhaul/ replacement schedules developed for both escalators and elevators are based on limited internal condition assessments, which have formed the basis for the Overhaul Programs. Approximately 175 escalators and 12 elevators have been overhauled to date.</p>	<p>ECE had issued an RFP for Escalator Condition Assessments, however received no qualified submissions. A revised RFP will be issued with an anticipated award date of March 2017, with input from EDS and others as applicable. A scan of the previous proponents will be conducted as a precursor to ascertain areas of change needed.</p> <p>EDS will request ECE to include funds to undertake similar condition assessments and recommendation(s) on prioritization of replacements for Elevators in the 2018 budget cycle.</p>	Detailed asset condition assessments will ensure optimized timing and prioritization of asset overhaul / replacement decisions	<p>Operations Group</p> <p><i>Head of Plant Maintenance – Glen Buchberger</i></p> <p><i>Manager, Elevating Devices – Haroon Nuri</i></p> <p>Engineering, Construction & Expansion Group</p> <p><i>Chief Project Manager – Jane Murray</i></p> <p><i>Project Management/ Contract Management Team</i></p>	Q1/2017 2018 Capital Budget Submission

Management Action Plan (MAP) – Elevating Devices Section Fleet Management Plans

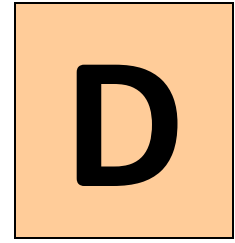
Risk: Lack of Asset Availability (Q4 2016 - NEW)

Internal Audit	Key Internal Audit Observations & Comments	Management Action Plans	Expected Outcome	Task Accountability/ Responsibility	Target Date
Q4 2016	<p>Escalator Replacement Program Risk Management - There are residual risks to achieving the objectives of the Escalator Replacement Program. The Escalator Replacement Program is a capital project to replace escalators that have exceeded their useful operating life and where replacement parts are no longer available.</p> <p>To meet its state of good repair objectives, the Escalator FMP requires the replacement of two escalators each year commencing in 2015, while ensuring standards and quality expectations are met in an economical way. The Escalator Replacement Program was first approved in the 2007-2011 Capital Budget. The Program was to replace 11 escalators by 2015 at an estimated final cost of \$9.9M. To date, the program remains on hold, due to the difficulty of vendors to deliver on the specifications in the tender. Of the \$2.9M of costs charged to this program in 2015, \$2.7M relate to re-allocation of costs from the Union Station Second Platform and Concourse Improvements Project (Union Project). ECE has informed Internal Audit that these costs relate to the new escalators replaced in the Union Project. Union Station escalators were not on the original list of escalators to be replaced under the escalator replacement program; however the program does allow for other escalators to be prioritized, depending on identified needs.</p>	<p>EDS will work with ECE to identify and address risks to the achievement of the Escalator Replacement Program objectives.</p> <p>In order to avoid a reoccurrence of the problems encountered with the escalators on the Sheppard Line, a new escalator specification was developed and a Request for Prequalification of escalator suppliers was issued in 2013. Unfortunately, only one manufacturer demonstrated they could meet TTC requirements. Design commenced immediately for the replacement of King escalators, several shop drawing submissions were rejected by TTC as they did not conform to the contract requirements and following many meetings the contract was terminated.</p> <p>The project team along with EDS commenced investigating alternative replacement options immediately. Specifications for new escalators and escalator replacements are being developed to be more inclusive of other manufacturers. In addition, a two envelope tender process requesting bidders to submit product details along with the pricing will be utilized for future bids.</p>	<p>A broader specification is anticipated to increase competitiveness and significantly improve the chances of achieving the key project target of replacing two escalators per year</p> <p>The two envelope bid process is intended to increase the level of confidence by utilizing early indicators (e.g. shop drawing development submission illustrating that the proposed equipment meets TTC's requirements prior to being awarded)</p>	<p>Operations Group</p> <p><i>Head of Plant Maintenance – Glen Buchberger</i></p> <p><i>Manager, Elevating Devices – Haroon Nuri</i></p> <p>Engineering, Construction & Expansion Group</p> <p><i>Chief Project Manager – Jane Murray</i></p> <p><i>Project Management / Contract Management team</i></p>	Q1/2017
Q4 2016	<p>Computerized Maintenance Management Software (CMMS) – Currently, Maximo is only used to track escalator emergency work order bookings and their closure, and corrective maintenance work orders to calculate the availability performance metric. As of the date of the audit, there was over a year of backlog in entering escalator preventive maintenance records into Maximo. A deferred capital project to implement hand-held devices would allow for the automatic update of work orders into Maximo, thus eliminating manual forms and duplicate data entry.</p>	<p>The vacancy of Administrative Support Clerk in EDS was filled on October 3rd, 2016 and addressing the information backlog is a priority. All maintenance data will now be entered into Maximo on a consistent and ongoing basis. It is expected that information on Maximo relating to all elevating devices will be up to date by June 15, 2017.</p> <p>Plant Maintenance will actively pursue Information Technology Services (ITS) for prioritization and deployment of hand-held technology for its 80 escalator mechanics.</p>	<p>Elimination of duplicate maintenance record data entry and enhanced use of technology for asset management information and planning</p>	<p>Operations Group</p> <p><i>Head of Plant Maintenance – Glen Buchberger</i></p> <p><i>Manager, Elevating Devices – Haroon Nuri</i></p>	June 15, 2017

Management Action Plan (MAP) – Elevating Devices Section Fleet Management Plans

Risk: Lack of Asset Availability (Q4 2016 - NEW)

Internal Audit	Key Internal Audit Observations & Comments	Management Action Plans	Expected Outcome	Task Accountability/ Responsibility	Target Date
	<p>Further, EDS corrects deficiencies in Technical Standards & Safety Authority (TSSA) inspection reports (regulatory requirement) within the required timelines. Each escalator foreman keeps track of these deficiencies independently and follows through on their resolution. If such data is fed into Maximo, a more complete understanding and tracking of escalator performance can be achieved.</p>			<p>Corporate Services Group</p> <p><i>Head of Information Technology Services – Anthony Iannucci</i></p>	
<p>Q4 2016</p>	<p>Elevator Section Administration:</p> <p>Succession Planning - During the period under audit, the elevator section was handled by one Supervisor, who has been running the section single-handedly for many years. This Elevator Supervisor, who administers and monitors the out-sourced elevator maintenance contract, can opt for retirement in the next year. The section has well developed processes and practices however these have not been documented and there is a risk that institutional knowledge will leave with this Supervisor, when he retires.</p> <p>Segregation of Duties - The elevator section has difficulty in implementing effective segregation of duties as the section is managed by one Supervisor. Currently, the same person can initiate, verify and approve invoices for work below \$10,000.</p> <p>Elevator Maintenance Reports Filing - The section has established schedules with detailed work routines for planned maintenance, and has designed specific forms to capture signed completion of these tasks. However, there is a filing backlog due to a shortage of administrative support.</p> <p>Management of Elevator Maintenance Data - There is a risk that historical maintenance and repair data may be lost, as the maintenance records are primarily generated by the third party maintenance service provider. Over the years, different contractors have provided maintenance services and submitted maintenance information in different formats. While historical information is available, it is not consolidated in one maintenance management system.</p>	<p>Sectional staff vacancies in EDS have been filled and two positions are now dedicated to elevators.</p> <p>(a) A Senior Inspector – Elevating Devices, who is a licensed mechanic, has been assigned to the Elevator Section and is shadowing the Elevator Supervisor full time since November 7, 2016. This allows for succession planning in retaining and building upon existing institutional knowledge. The dedicated position also enables the section to redistribute payment authorization duties to facilitate proper segregation of duties.</p> <p>(b) The vacancy of Administrative Support Clerk in EDS was filled on October 3rd, 2016 and addressing the information backlog is a priority. All maintenance data will now be entered into Maximo on a consistent and ongoing basis. It is expected that information in Maximo relating to all elevating devices will be up to date by June 15, 2017.</p>	<p>Succession planning for elevator section, proper segregation of duties in the payment authorization process and improved maintenance information for asset management planning and decision-making</p>	<p>Operations Group</p> <p><i>Head of Plant Maintenance – Glen Buchberger</i></p> <p><i>Manager, Elevating Devices – Haroon Nuri</i></p>	<p>June 15, 2017</p>



Internal Audit Activities - Quarterly Update

ADVISORY: Q4 2016

Strategic Objective	Advisory Services Title	Status	Internal Audit Activities Description	2016 Audit Plan Y/N
SAFETY	Risk & Governance Committee (RGX)	Ongoing	Standing member of the TTC RGX Committee; attending and actively contributing to regularly scheduled meetings.	Y
SAFETY	Enterprise Risk Management (ERM)	Ongoing	Supporting TTC Management in its ongoing efforts to implement the ERM Program.	Y
SAFETY		Complete	Developed a protocol with TTC's Risk Management Group to assist in populating TTC's ERM database with Management Action Plans put forth in response to internal audits and audits completed by the City Auditor General (AG); and to facilitate monitoring their implementation by responsible TTC management.	
CUSTOMER	Customer Fare Evasion	Ongoing	Liaison with TTC's Customer Development Department to provide advice and support on customer fare evasion strategies.	N
CUSTOMER	PRESTO Governance	Ongoing	<p>Standing member of the PRESTO Audit and Assurance Committee (PAAC), representing TTC in accordance with the governance structure outlined in TTC's Master Agreement with PRESTO</p> <p>Attend Joint Executive Committee (JEC) meetings as required (NEW)</p>	Y

Internal Audit Activities - Quarterly Update

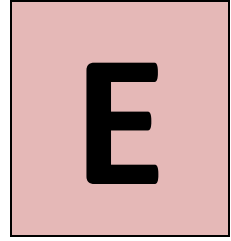
ADVISORY: Q4 2016

Strategic Objective	Advisory Services Title	Status	Internal Audit Activities Description	2016 Audit Plan Y/N
FINANCIAL SUSTAINABILITY	PRESTO System	Ongoing	<p>Advise TTC's Finance Department on financial reporting risks and controls to ensure appropriate mitigation strategies are in place and external audit requirements are met; and</p> <p>Review PRESTO 3416 report (Service Auditors' Report) and the PwC Gap Analysis report to facilitate appropriate action items in collaboration with Metrolinx staff.</p>	Y
GROWTH	Project Management Maturity Plan Growth	Ongoing	Supporting the efforts of TTC's Portfolio Management Office to develop and implement recommendations put forth by KPMG in its TTC Capital Program Review report.	N
GROWTH	TYSSE – Independent Auditor Transition	Completed	Supported the TYSSE Executive Task Force's decision to select an external service provider (PwC) to replace TTC Internal Audit as its TYSSE Independent Auditor.	N
REPUTATION	Employee/Vendor Misconduct/Fraud	<p>Ongoing</p> <p>In-Progress</p>	<p>Supporting TTC Management in its efforts to deter fraud, strengthen fraud mitigation strategies and control frameworks, and develop/implement a systematic Fraud Prevention Program.</p> <p>Current quarter initiatives include the following:</p> <ul style="list-style-type: none"> • Review of processes/controls surrounding disposal of scrap metals • Review of processes/controls surrounding gathering, storing, returning and/or disposal of lost articles • Regular communications with and support to the Special Investigations unit, including contract compliance and data analytics 	N

Internal Audit Activities - Quarterly Update

ADVISORY: Q4 2016

Strategic Objective	Advisory Services Title	Status	Internal Audit Activities Description	2016 Audit Plan Y/N
REPUTATION	City Auditor General: TTC Audit Work	Ongoing Ongoing	<p>Attending City Audit Committee meetings as required.</p> <p>Supporting TTC Management as required and deemed appropriate in response to planned audit work and ad hoc requests initiated by the City of Toronto Auditor General.</p> <p>Activities include:</p> <p><i>Continuous Controls Monitoring (CCM)</i></p> <ul style="list-style-type: none"> • Overtime – 2015 vs 2014 • Absenteeism – 2015 vs 2014 <p><i>Audits</i></p> <ul style="list-style-type: none"> • Inventory Controls (2015/16) • Employee Drug and Health Benefit Claims • Procurement Processes and Accounts Payable 	Y



Internal Audit Activities - Quarterly Update

DEPARTMENTAL INITIATIVES: Q4 2016

Item #	Internal Audit Initiative	Description	Expected Outcome	Target Date
1	Communications & Reporting Relationship: Audit & Risk Management Committee (ARMC)	<p>Discussions with past and present ARMC members and the TTC Board Chair for purposes of reviewing the ARMC Terms of Reference document (approved Nov/15) and the need for annual confirmation of adherence to the TTC Board.</p> <p>Other topics discussed and/or to be elaborated upon during a proposed ARMC Education Session include the expectations and responsibilities of the ARMC, the role of TTC Internal Audit Department, formal reporting and communication protocol expectations.</p>	<p>ARMC presentation and Q&A forum; clarity and enhanced understanding of the role of TTC Internal Audit</p> <p>Updated ARMC "Terms of Reference"; confirmation of the ARMC's adherence thereof to the TTC Board</p>	<p>ARMC Education Session: Feb 8/17 (Completed)</p> <p>ARMC Terms of Reference: Feb 9/17</p>
2	Review: Internal Audit Charter	<p>Review of the TTC Internal Audit Charter with key stakeholders and benchmarking against comparable external parties (e.g. City of Toronto Internal Audit) and professional standards (the Institute of Internal Auditors - IIA). Following the ARMC Education Session, final revisions will be made to reflect updated ARMC expectations and professional best practices.</p>	<p>Updated Internal Audit Charter</p>	<p>ARMC Meeting: May/17 (In-Progress)</p>

Internal Audit Activities - Quarterly Update

DEPARTMENTAL INITIATIVES: Q4 2016

Item #	Internal Audit Initiative	Description	Expected Outcome	Target Date
3	Ongoing Risk Assessment & Annual Internal Audit Work Plan Development	Conducting numerous meetings with key stakeholders, including TTC Chiefs and Heads, to discuss key risks and concerns impacting their areas of responsibility. Identifying and evaluating potential audit projects against various risk factors to prioritize assurance and advisory work for the remainder of 2016 and inclusion in the 2017 Plan.	2017 Internal Audit Work Plan	ARMC Meeting: Feb 9/17 (Completed)
4	Communication Protocol: City of Toronto Auditor General's Office (AGO)	Introductory meetings with the AG and her staff to discuss past challenges, current audits and future working protocol aimed at improving working relationships, avoiding duplication of efforts, and increasing the AGO's reliance on TTC Internal Audit work.	Formal AG Communications Protocol	In-Progress

Internal Audit Activities - Quarterly Update

DEPARTMENTAL INITIATIVES: Q4 2016

Item #	Internal Audit Initiative	Description	Expected Outcome	Target Date
5	Internal Audit Staff: Skills Gap Analysis, Training Needs Assessment & Delivery, and Organizational Restructuring	<p>Conducting skills gap analyses of current Internal Audit staff and identifying immediate training needs to ensure consistency and quality of work being completed. Customized audit training being arranged with PwC and information sessions with TTC Subject Matter Experts (SMEs) on complex projects (eg. SAP, PRESTO).</p> <p>Redefining and benchmarking critical audit capabilities, skill sets and professional certification requirements going forward, and working with TTC Human Resources to address Employee Engagement Survey (EES) action items and existing challenges with recruitment and retention of seasoned internal audit staff.</p>	<p>Resource Plan & Motivated Team (i.e. improved EES Score):</p> <ul style="list-style-type: none"> • Updated Job Descriptions & Organizational Structure • Customized 1-day Training (risk based/transit focus) session • TTC Information Sessions: <ul style="list-style-type: none"> ○ PRESTO ○ SAP ○ CAD/AVL 	<p>TBD</p> <p>Jan 31/17</p> <p>November 10/16 November 03/16</p>
6	Data Analytic and Audit Software Tools	Exploring opportunities to use ACL software for data analytics and establishing standardized templates using the Department's MKInsight audit software	Fully utilized software to drive efficiencies and complete data analytics & improved quality and consistency of internal audit documentation.	Ongoing