



Minutes

Toronto Transit Commission Audit & Risk Management Committee

Meeting No.: 16

Meeting Date: Tuesday, February 26, 2019

A meeting of the TTC Audit & Risk Management Committee was held in the 7th Floor Executive Board Room, 1900 Yonge Street on Tuesday, February 26, 2019 commencing at 9:00 a.m. The meeting recessed at 10:58 a.m. to meet in-camera. The Audit & Risk Management Committee re-convened the public session at 11:12 a.m.

Present at Closed Session

J. De Laurentiis and A. Heisey, Q.C. (Members), T. Bal, C. Leach, J. Lim, N. Pazzano, K. Lee and C. Finnerty were present.

A. Heisey was in the Chair.

Present at Public Session

J. De Laurentiis and A. Heisey, Q.C. (Members), C. Greenwood (Chief Service Officer), S. Reed Tanaka (Chief Capital Officer), K. Watson (Deputy Chief Executive Officer – Operations), D. Wright (Chief Financial Officer), T. Bal (Head of Audit, Risk and Compliance), S. Conforti (Head of Finance/Treasurer), C. Leach (Director – Internal Audit), K. Lee (Head of Commission Services) and C. Finnerty (Co-ordinator – Secretariat Services) were present.

B. Romeo-Beehler, T. Anandarajan, T. Anderson, S. Chan, I. Hu, S. Mohammed, S. Noh, L. Wright (Auditor General's Office) were present for Item 2.

C. Russell (PricewaterhouseCoopers LLP) was present for Items 3 and 4.

A. Heisey was in the Chair.

Declaration of Interest - Municipal Conflict of Interest Act

Nil

Minutes of the Previous Meeting

Commissioner De Laurentiis moved that the Audit & Risk Management Committee approve the minutes of the meeting held on Tuesday, July 10, 2018.

The motion by Commissioner De Laurentiis carried.

Business Arising Out of the Minutes

Nil

Public Presentations

Nil

Presentations/Reports/Other Business

1. Appointment of Chair – Audit & Risk Management Committee

Commissioner Heisey nominated Commissioner Lalonde for the position of Chair.

On a majority vote of the Board, Commissioner Lalonde was elected as Chair.

2. Auditor General's Report – Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection

Beverly Romeo-Beehler, Auditor General (City of Toronto), and Stephen Conforti, Head - Finance and Treasurer (TTC) each delivered presentations on this item.

Following the presentations and rounds of questions and speaking the Committee approved the Auditor General's recommendations, as follows:

The Auditor General recommends that:

1. The Board request the Chief Executive Officer, Toronto Transit Commission, to set acceptable targets for its fare evasion rates (by mode and overall) and to develop short and long-term strategies to reduce the fare evasion rates and the resulting revenue loss, while ensuring good customer service.
2. The Board request the Chief Executive Officer, Toronto Transit Commission, to raise customer awareness and understanding of the importance of paying the appropriate fare, as well as the PRESTO card payment process, Proof-of-Payment system, and consequences if found evading fare.
3. The Board request the Chief Executive Officer, Toronto Transit Commission, to:
 - a. Accurately measure and publicly report on the fare evasion rate every year; and
 - b. Reports from Internal Audit on fare evasion study should be made public.

4. The Board request the Chief Executive Officer, Toronto Transit Commission, to further improve the fare inspection program by ensuring:
 - a. Adequate training to Fare Inspectors on data collection and why this work is important to Toronto Transit Commission;
 - b. Development of realistic and clear performance expectations; and
 - c. Implementation of ongoing monitoring of staff performance and regular review of inspection data.
5. The Board request the Chief Executive Officer, Toronto Transit Commission, to explore system wide options that can help prevent and reduce fare evasion on streetcars with multiple doors and Proof-of-Payment policy.
6. The Board request the Chief Executive Officer, Toronto Transit Commission, to expand its fare inspection program to include buses and develop effective fare inspection methods for buses.
7. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that bus operators and streetcar operators are instructed and trained to press the fare dispute key whenever the appropriate fare is not paid. Data from the fare dispute keys should be routinely analyzed and used to aid in the strategic allocation of fare enforcement resources.
8. The Board request the Chief Executive Officer, Toronto Transit Commission, to expand its fare inspection program to include coverage of subway station entrances.
9. The Board request the Chief Executive Officer, Toronto Transit Commission, to take the necessary actions to reduce the number of illegal entries, particularly at automatic subway entrances, including:
 - a. Perform a cost-benefit analysis of continuing to keep the automatic entrances open, whether to install high gates in high-risk entrances at subway stations, and whether to station Toronto Transit Commission staff at some of these entrances;
 - b. Complete work on the fare gate sensors and fare gate event data reporting, so that information can be used to determine the rate of illegal entries at subway stations and to strategically allocate fare inspection resources; and
 - c. Ensure security camera video is monitored on a regular basis.
10. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure the contracted service requirements are upheld regarding functionality of Metrolinx Single Ride Vending Machines and PRESTO Card Readers, and recover from Metrolinx lost passenger revenue.

11. The Board request the Chief Executive Officer, Toronto Transit Commission, to review current TTC fare gate functionality issues, and develop and implement short and long-term strategies to improve fare gate functionality to reduce revenue loss.
12. The Board request the Chief Executive Officer, Toronto Transit Commission, to instruct and train crash gate staff on Toronto Transit Commission (TTC) policy, to request the fare collector to close the TTC fare gate when unattended by TTC staff, and to ensure fare collectors are trained in this task.
13. The Board request the Chief Executive Officer, Toronto Transit Commission, to re-assess whether there is a critical need to issue Child PRESTO cards, balancing provision of good customer service with the risk of fraudulent use of the Child Cards.
14. The Board request the Chief Executive Officer, Toronto Transit Commission, to *NOT* distribute the Toronto Transit Commission's promotional Child PRESTO cards until appropriate controls are in place.
15. The Board request the Chief Executive Officer, Toronto Transit Commission, to explore ways to provide a Child PRESTO Card that is visually different from an Adult PRESTO card, including further negotiation with Metrolinx to issue visually different PRESTO cards for adults and children aged 12 and under.
16. The Board request the Chief Executive Officer, Toronto Transit Commission, to make the necessary changes to the Child PRESTO cards so that bus and streetcar operators can spot inappropriate use of PRESTO concession cards including:
 - a. Negotiate with Metrolinx to provide a different light and sound on PRESTO card readers for Child PRESTO cards from other concession types; and
 - b. Perform cost benefit analysis and consider making change to Toronto Transit Commission revenue vehicles to include display of the PRESTO concession type for bus and streetcar operators.
17. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure adequate controls are in place and consistently applied in the issuance of Child PRESTO cards by Distributors.
18. The Board request the Chief Executive Officer, Toronto Transit Commission, to find ways with Metrolinx to either seize or obtain confirmation of deactivation for Child PRESTO cards found to be fraudulently used.
19. The Board request the Chief Executive Officer, Toronto Transit Commission, to work with Metrolinx to determine the feasibility of temporarily suspending the Child PRESTO cards on the Toronto Transit Commission until appropriate controls are in place.
20. The Board request the Chief Executive Officer, Toronto Transit Commission, to conduct a cost-benefit analysis of Transit Fare Inspectors vs. Transit Enforcement

Officers with a view to improving the effectiveness and efficiency of the fare inspection program.

21. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the level of authority, tools and uniform provided to Transit Fare Inspectors to ensure they can carry out their duties in a safe and effective manner.
22. The Board request the Chief Executive Officer, Toronto Transit Commission, to take steps to improve the speed, reliability, and functionality of PRESTO hand-held devices for fare inspections. Such steps should include, but not be limited to:
 - a. Improving tracking and reporting of the functionality and repairs of the hand-held devices;
 - b. Finalizing the Service Level Agreement with Metrolinx, which should specify a level of speed and functionality for the hand-held devices that meets Toronto Transit Commission's business requirements; and
 - c. Holding Metrolinx accountable for its contracted service requirements on the speed, reliability and functionality of the hand-held devices supplied to the Toronto Transit Commission.
23. The Board request the Chief Executive Officer, Toronto Transit Commission, to improve the effectiveness of the off-boarding inspection process to minimize the number of passengers walking away from fare inspection, including measures such as installation of temporary or permanent physical barriers where feasible, and assigning a sufficient number of Transit Fare Inspectors and Transit Enforcement Officers for the off-boarding inspection.
24. The Board request the Chief Executive Officer, Toronto Transit Commission, to provide Transit Fare Inspectors with efficient access to the previous fare evader database during inspections.
25. The Board request the Chief Executive Officer, Toronto Transit Commission, to improve the effectiveness and consistency of the scheduling practices of its fare inspection program to:
 - a. Ensure the route and timing coverage is risk-based and strategic; and
 - b. Increase the use of plain clothed Transit Fare Inspectors as it enables a more accurate assessment of fare evasion rates and a more effective inspection program.
26. The Board request the Chief Executive Officer, Toronto Transit Commission, to explore ways to increase actual inspection time by Transit Fare Inspectors including:
 - a. Automating the manual ticketing process and the recording and reporting of fare inspection results;

- b. Assessing the feasibility of establishing an internal fare evasion ticket appeal process, similar to Metrolinx (GO Transit); and
- c. Exploring ways to reduce travel time by Transit Fare Inspectors between their reporting and lunch locations and assigned routes.

27. The Board request the Chief Executive Officer, Toronto Transit Commission, to finalize updating the TTC By-law No.1 and enhance the Fare Inspection Policies and Procedures manual to ensure they are up to date and include sufficient details to facilitate consistent fare inspections.

28. The Board forward this report to City Council for information through the City's Audit Committee.

3. PricewaterhouseCoopers LLP 2017 Management Letter Follow-up Report

It is recommended that the Audit & Risk Management Committee:

- 1. Receive the report; and
- 2. Approve forwarding a copy of the report to the TTC Board and then to the City Clerk for appropriate handling.

Approved

4. PricewaterhouseCoopers LLP Consolidated Financial Statements Audit Plan for the Year-Ended December 31, 2018

Cathy Russell, PricewaterhouseCoopers LLP was present for this item and delivered a verbal summary of the audit plan.

The Audit & Risk Management Committee received this item for information.

5. Internal Audit Report: Divisional Clerk Resource Management (2018 Flexible Work Plan Update)

It is recommended that the TTC Audit and Risk Management Committee:

- 1. Receive the confidential information as set out in the Internal Audit Report: Divisional Clerk Resource Management (2018 Flexible Audit Plan Update) report for information, noting that it is to remain confidential in its entirety as it contains information about labour relations.
- 2. Forward a copy of the confidential information as set out in the Internal Audit Report: Divisional Clerk Resource Management (2018 Flexible Audit Plan Update) to the TTC Board for information, noting that it is to remain confidential in its entirety as it contains information about labour relations.

Approved

6. Internal Audit Report: Changes to Select Contract Terms and Conditions (2018 Flexible Work Plan Update)

It is recommended that the TTC Audit and Risk Management Committee:

1. Receive the Internal Audit Report: Changes to Select Contract Terms and Conditions (2018 Flexible Audit Plan Update) for information.
2. Forward a copy of the Internal Audit Report: Changes to Select Contract Terms and Conditions (2018 Flexible Audit Plan Update) to the TTC Board for information.

Approved

7. Audit, Risk and Compliance Report: An Integrated Strategy & Flexible Work Plan (2019)

Commissioner Heisey requested that this item be held for an in-camera discussion related to an identifiable individual, including municipal or local board employees, in order to address management matters as they related to the internal audit process.

Upon re-convening in public session, the Audit & Risk Management Committee approved the staff recommendations, as follows:

It is recommended that the TTC Audit and Risk Management Committee:

1. Approve the Audit, Risk and Compliance Report: An Integrated Strategy & Flexible Work Plan (2019) with attachments.
2. Forward a copy of the Audit, Risk and Compliance Report: An Integrated Strategy & Flexible Work Plan (2019) with attachments to the TTC Board for information.

Approved

The meeting adjourned at 11:13 a.m.