



Decision: Auditor General's Report – Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management

At its meeting on October 16, 2017, the TTC Board adopted the recommendations in the Auditor General's report, as follows:

The Auditor General recommends that:

1. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the results of the sampled invoices and potential overpayments identified by the Auditor General in this report, assess whether additional overpayments exist in other related invoices from the same vendors, and recover the overpayments from the vendors where appropriate.
2. The Board request the Chief Executive Officer, Toronto Transit Commission, to enhance the existing invoice verification processes to provide reasonable assurance that invoices are paid according to the contract terms and prices. Consideration should be given to:
 - a. Provide guidelines and training to user department approvers on the importance of invoice verification and the specific information that should be reviewed prior to invoice approval.
 - b. Incorporate monitoring measures to verify, at least on a sample basis, that the approved invoices by user departments have been adequately reviewed to be consistent with contract terms and prices.
3. The Board request the Chief Executive Officer, Toronto Transit Commission, to maintain a reasonably accurate and complete Vendor Master File to minimize the risk of duplicate or incorrect payments to vendors. Steps to be undertaken should include, but not be limited to:
 - a. Conduct a one-time comprehensive review of vendor accounts to purge the large number of duplicate and inactive accounts.
 - b. Implement adequate system functionalities to enable staff to update vendor account records in the system.
 - c. Periodically review the vendor account records to ensure the required information is obtained and accurately entered into the system.
 - d. Ensure staff responsible for creating vendor accounts or maintaining the Vendor Master File are provided with an updated and comprehensive procedure manual outlining the key information requirements and processes.
4. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure conflicts of interest are properly managed. Such steps should include, but not be limited to:
 - a. Ensure employee vendor match is conducted on an annual basis.
 - b. Provide training and reminders to the appropriate staff to reinforce the importance of disclosing actual and perceived conflicts of interest.
 - c. Hold employees who fail to disclose potential conflicts of interest accountable.



5. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the current payment process and identify opportunities to further reduce the number of late payments and to take advantage of early payment discounts.
6. The Board request the Chief Executive Officer, Toronto Transit Commission, to review and enhance current cheque request policies to ensure adequate use of cheque requests by staff. Steps should be taken, but not be limited, to:
 - a. Clearly define the items that can be procured using cheque requests.
 - b. Regularly review and identify repeated cheque request purchases that should have been procured using Purchase Orders or Blanket Contracts.
 - c. Clarify the monitoring measures and responsible departments in the policy.
7. The Board request the Chief Executive Officer, Toronto Transit Commission, to review and update Supplier Information Management System (SIMS) and Industrial Financial System (IFS) user access rights and privileges periodically to ensure adequate segregation of duties and access controls.
8. The Board request the Chief Executive Officer, Toronto Transit Commission, to continue its effort to increase the use of Electronic Fund Transfer for vendor payments, in particular for vendors who receive multiple payments from the agency per month.
9. The Board request the Chief Executive Officer, Toronto Transit Commission, to identify opportunities to further improve the efficiency of the duplicate payment identification and verification process.
10. The Board forward this report to City Council for information through the City's Audit Committee.