



Action Required

Date: July 10, 2018
To: TTC Board
From: TTC Audit & Risk Management Committee
Subject: Auditor General's Report: Review of Toronto Transit Commission (TTC)
Employee Expenses and Reward and Recognition Programs: Opportunities to
Improve Policies and Controls and Save Costs

The subject report, reviewed at the TTC Audit and Risk Management Committee on July 10, 2018, is forwarded to the TTC Board for review and consideration, and forwarding to City Council for information through the City's Audit Committee.

Original signed by Kevin Lee

Head of Commission Services

Attachment: Auditor General's Report: Review of Toronto Transit Commission (TTC)
Employee Expenses and Reward and Recognition Programs: Opportunities to
Improve Policies and Controls and Save Costs

Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs

Date: June 26, 2018

To: Toronto Transit Commission Audit & Risk Management Committee

From: Auditor General

Wards: All

SUMMARY

This audit arose from our two 2017 audits of the Toronto Transit Commission's (TTC) procurement policies and practices and accounts payable functions. During these audits we noted some potential concerns pertaining to Purchase Card (PCard) purchases and employee business expenses, and have included them in this audit. The scope of the audit was expanded to include employee reward and recognition programs.

The objective of this audit was to assess the effectiveness and efficiency of the management of the TTC's employee reward and recognition programs and employee expenses. The period covered during audit testing was fiscal years 2016 and 2017.

With regards to TTC's employee rewards and recognition programs, we found that TTC has not evaluated its programs and therefore does not know if they are effective in achieving their goals. The cost of some of TTC's programs appear to be on the high side compared to other transit and government organizations surveyed. There are control weaknesses and opportunities to improve efficiencies in these programs, particularly the safety related recognition programs.

The two main areas of non-compliance with employee expense policies were a lack of adequate supporting documentation and the level and timing of approval of employee expense claims. In addition, more detailed policies regarding allowable travel/business expenses, refreshments, and petty cash, will provide proper guidance to staff in claiming and approving these expenses.

Our audit provides 20 recommendations. The implementation of these recommendations will help improve the effectiveness, internal controls, and efficiency of TTC's employee rewards and recognition programs, strengthen policies for employee expenses and compliance with those policies, and provide potential cost savings.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate its employee reward and recognition programs to determine if they are achieving intended goals and modify the programs where needed.
2. The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate the costs vs. benefits of its employee reward and recognition programs and consider potential non-monetary recognition strategies as well as whether costs can be reduced.
3. The Board request the Chief Executive Officer, Toronto Transit Commission, to establish a specific purchase code for expenses related to employee rewards and recognition incurred by departments.
4. The Board request the Chief Executive Officer to develop reports and monitor the cost by department of the employee reward and recognition programs and ensure that funds are fairly distributed and used across the various departments.
5. The Board request the Chief Executive Officer, Toronto Transit Commission, to put in place adequate processes and controls to track and reconcile all gift cards for the Zero Injury Award program. Such controls should include steps to ensure only a minimal number of gift cards is kept in inventory and that they are kept locked at all times with adequate access controls.
6. The Board request the Chief Executive Officer, Toronto Transit Commission, to improve controls and efficiency in the Zero Injury program to ensure that:
 - a. Award presentations are occurring within two months of plateau levels being reached in order for eligible employees to receive awards
 - b. Attendance sheet is provided on a timely basis
 - c. Any excess owing for refreshment funds and gift cards is calculated, provided and accounted for.
7. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the cost centres currently eligible for the Zero Injury program to ensure they meet the intent of the safety award program.
8. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure adequate segregation of duties in the process of ordering default gifts to be shipped to employees.

9. The Board request the Chief Executive Officer, Toronto Transit Commission, to seek ways to streamline the IT processes for the safe worker, safe operator and zero injury award programs.

10. The Board request the Chief Executive Officer, Toronto Transit Commission, to use available Presto reports to track and monitor the usage of pensioners' lifetime passes to measure the cost to the organization and mitigate the risk of potential abuse.

11. The Board request the Chief Executive Officer, Toronto Transit Commission, to consider whether to reinstate a minimum number of years of service for pensioners over 60 years old, to ensure the lifetime pass is awarded to recognize length of service. Any potential modifications would need to be part of future negotiations with the unions.

12. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the criteria and current process for issuing free annual passes to non-TTC staff to ensure valid justification and adequate controls, and to minimize lost revenue opportunities.

13. The Board request the Chief Executive Officer, Toronto Transit Commission, to:

- a. continue to strengthen controls and internal reviews regarding allowable employee expenses for business purposes
- b. update policies to ensure they clarify what employee expenses are acceptable for business purposes and those that are not, and communicate the policy requirements to employees.

14. The Board request the Chief Executive Officer, Toronto Transit Commission, to undertake steps to improve compliance with employee expense policy requirements regarding:

- a. the level of supporting documentation needed and importance of retaining the documents in an organized manner
- b. timely approval and submission of claims
- c. appropriate level of signing authority
- d. requirement for evaluations to be completed for external training.

15. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure proper records management is in place and is not dependent upon whether the employee is still working at TTC or not.

16. The Board request the Chief Executive Officer, Toronto Transit Commission, to develop guidelines for business trips, improving clarification on allowable expenses and number of attendees/trips per year.

17. The Board request the Chief Executive Officer, Toronto Transit Commission, to provide additional clarification in the following policies pertaining to:

a. Petty cash policy – refreshments, replenishment guidance, investigative expenses restrictions

b. Corporate travel policy – meal per diems, sundry/incidental charges, extended stays, accommodation rates, foreign exchange rate.

18. The Board request the Chief Executive Officer, Toronto Transit Commission, to update the training approval form to include required sign-off for available budget, prior to the training expense being approved.

19. The Board request the Chief Executive Officer, Toronto Transit Commission, to consider options to reduce accommodation rates for TTC staff on business travel.

20. The Board request the Chief Executive Officer, Toronto Transit Commission, to explore the opportunity to share services for internal training with the City of Toronto for non-transit specific courses.

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

FINANCIAL IMPACT

Combining the 2018 budgeted costs for TTC's employee rewards and recognition programs of \$601,000 and estimated administrative costs of \$422,000, the estimated total cost of these programs is approximately \$1 million per year. It is important for TTC to know whether this investment in its employees is achieving the intended goals and whether there are modifications needed to these programs to improve their effectiveness.

The estimated cost of providing free transit passes to non-TTC staff is \$2 million annually. This is in addition to the estimated \$32.4 million annual lost revenue in providing free transit passes to employees and pensioners. TTC may be able to reduce the costs by ensuring that passes for non-TTC staff are only provided to those who need to extensively use the TTC system for daily work activities.

The implementation of recommendations in this report will likely result in cost savings and improved operating efficiency. The precise extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

The Auditor General's 2018 Audit Work Plan, received by City Council in December 5, 2017, included a review of the management of Purchase Card and business expenses. The work plan is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97443.pdf>

COMMENTS

The objective of our audit was to assess the effectiveness and efficiency of the management of the TTC's employee reward and recognition programs and employee expenses. The period covered during audit testing was fiscal years 2016 and 2017.

In 2017, TTC spent \$448,000 on its employee reward and recognition programs, \$1.2 million on external/internal training, and \$247,000 on business travel. There were also 3,000 Purchase Card transactions totaling over \$2 million.

TTC has a fairly comprehensive rewards and recognition program for its employees and places a high value on recognizing the contributions of employees, particularly related to length of service and safety. However, TTC has not evaluated these programs or the costs vs. benefits, and therefore does not know if they are effective in achieving their goals. In addition there are control weaknesses, particularly in the safety related programs. Approximately 2,000 active gift cards valued at \$50,000 for the Zero Injury awards were stored in a TTC closet with at least five staff having access to them. The gift cards are not tracked or reconciled.

In addition to TTC providing free transit passes to all of its employees and co-op/summer students, it also provides free lifetime passes to all pensioners 60 years and older or with a minimum of 10 years of service and under 60 years old. TTC also provides free transit passes to over 1,200 non-TTC staff, consisting mostly of contractors, at an estimated cost of \$2 million. The total estimated annual cost of all free transit passes provided by TTC is approximately \$34.4 million annually. Some cost savings could be achieved if transit passes for non-TTC staff are provided only to those who require them for daily work on TTC's systems.

The two main areas of non-compliance with policies found in employee expenses were a lack of adequate supporting documentation and the level and timing of approval of employee expense claims. Proper records management will address the lack of supporting documentation found for the PCard samples, as it was partly due to the employee resigning or retiring. Some external training requests were not approved prior to the course being taken and a few items in our travel expense sample did not include the required CEO's approval for travel outside of Canada. Policies need to be further strengthened, particularly for allowable travel expenses, refreshments, and petty cash.

The audit report is attached as Attachment 1. Management responses to audit recommendations are also included in the Attachment.

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: Review of Toronto Transit Commission Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs

AUDIT AT A GLANCE

WHY THIS AUDIT MATTERS

In 2017, TIC spent approximately \$448,000 on its employee reward and recognition programs, \$1.2 million on external and internal training, and \$247,000 on travel. The implementation of these reward and recognition programs and management of employee expenses require considerable staff effort. It is important to ensure these programs and management of expenses are effective and efficient in achieving their intended purposes.

BACKGROUND

TIC reimburses employees for expenses incurred from conducting TIC related business. These include expenses from travel, conferences, hospitality, etc. These purchases can be paid via the Purchase Card (PCard), cheque request or petty cash. Our 2017 audits of TIC's procurement and accounts payable functions identified potential issues with certain PCard purchases, including some of a questionable nature given that TIC is funded by taxpayer dollars. This area was included as part of this audit. During the planning phase of this audit we expanded the scope to also include TIC's reward and recognition programs. TIC recognizes its employees for length of service, retirement, safe worker/operator, and zero injuries without lost time, as well as excellent performance.

BY THE NUMBERS

- \$1 million - total cost of reward and recognition programs including \$601,000 2018 budget plus \$422,000 of administration costs
- Over 1,200 non-TIC staff receive free transit passes representing lost revenue of \$2 million per year
- 15,500 employees are provided with free transit passes; providing free passes to employees appears to be an industry norm
- 5,849 active pensioners are provided with a free lifetime transit pass

Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs

What we found

Areas Where TIC Does Well:

TIC has a fairly comprehensive rewards and recognition program for its employees and places a high value on recognizing the contributions of employees, particularly related to length of service and safety.

TIC has implemented internal reviews of Purchase Card (PCard) purchases and increased communication to staff of policy requirements following our 2017 audits of TIC's procurement policies and practices and Accounts Payable functions.

Areas That Need Improvement:

- TIC has not evaluated its reward and recognition programs and does not know if they are effective in achieving their goals.
- The cost of some of TIC's recognition programs appear to be on the high side compared to other transit and government organizations surveyed.
- There are control weaknesses and opportunities to improve efficiencies in TIC's recognition programs, mainly in the safety related programs.
- In particular, active gift cards valued at \$50,000 for the Zero Injury awards are stored in an open box of a TIC closet, for which at least five staff have keys. The gift cards are not tracked or reconciled.
- Certain work units that received the Zero Injury awards do not seem to be of high safety risk such as Central Information System, Graphic Services, Supervisory Control and Data Acquisition.
- Over 1,200 non-TIC staff, mostly contractors, receive a free transit pass and many do not appear to need this pass. There are also control weaknesses in the issuance of these passes.
- Six out of 70 items tested in our judgemental audit sample were of a questionable nature that require further clarification in TIC policy, including 407 ETR charges, parking fines, and flowers for sick staff.
- Two main areas of non-compliance with policies for employee expenses were: lack of adequate supporting documentation and the level and timing of approval.
- Fourteen (14) out of 60 items tested for PCards and travel lacked adequate supporting documentation.
- Six out of 49 external training requests were not approved prior to the course being taken and four out of 20 travel items did not have the required CEO's approval for travel outside of Canada.
- TIC policies related to employee expenses need to be further strengthened, particularly for allowable travel expenses, refreshments, and petty cash.

How Recommendations will Benefit TTC

Implementing the 20 recommendations will help TIC to improve the effectiveness, value, and fairness of its employee reward and recognition programs, as well as the controls and efficiencies of these programs. It will also strengthen TIC policies for employee expenses and improve TIC employees' understanding of and the compliance with those policies. Some cost savings could be achieved if transit passes are no longer provided to those non-TIC staff who do not require them for daily work on the TTC systems.

AUDITOR GENERAL'S REPORT

Review of Toronto Transit Commission Employee Expenses and Reward and Recognition Programs:

Opportunities to Improve Policies and Controls and Save Costs

June 26, 2018

Beverly Romeo-Beehler, CPA, CMA, B.B.A., JD, ICD.D, CFF
Auditor General



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EXECUTIVE SUMMARY

This audit came about from two of our previous audits of TTC

In 2017, the Auditor General's Office issued two audit reports on Toronto Transit Commission (TTC) operations:

- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing
- Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management.

During the course of these audits, we noted some potential issues pertaining to certain Purchase Card (PCard) purchases and employee business expenses, including some purchases of a questionable nature given that TTC is funded by taxpayer dollars. Instead of including them as part of the audits of TTC procurement or accounts payable practices, they have been included as part of this audit.

In general, TTC reimburses employees for expenses incurred from conducting TTC related business. These include expenses from travel, conferences, hospitality meals, etc. Such expenses or purchases can be paid via the PCard, cheque request or petty cash.

3,000 Purchase Card transactions in 2017 totaling over \$2M

In 2017, TTC had 189 active PCards incurring more than 3,000 transactions, totaling over \$2 million for the year. Most transactions were for purchasing small dollar business items that did not have a purchasing contract in place and some were for paying miscellaneous departmental expenses.

Internal and external training and travel in 2017 totaled \$1.4M

Based on data provided by staff, expenditures for internal and external staff training were approximately \$576,000 and \$580,000 in 2017. Travel related expenses incurred on business trips and conferences were approximately \$247,000 in 2017.

Employee reward and recognition programs cost approximately \$448k in 2017

During the planning phase of this audit we expanded the scope to also include TTC's employee reward and recognition programs. TTC spent about \$448,000 in 2017 for its reward and recognition programs, and the 2018 cost is expected to increase to \$601,000. The reward and recognition program is administered by a department of nine staff and a Department Head, some of whom also spend a portion of their time on work in other areas.

Audit Objective

The objective of the audit was to to assess the effectiveness and efficiency of the management of TTC's employee reward and recognition programs and employee expenses.

The period covered during audit testing was fiscal years 2016 and 2017.

The main findings of our audit are:

Employee reward and recognition programs may not be effective in achieving their goals

TTC has not evaluated its employee reward and recognition programs and therefore does not know if they are effective in achieving their goals. They have not examined the costs vs. benefits of the programs and whether costs, including administrative costs, can be reduced. Based on our benchmarking comparison, the cost of some of TTC's programs appear to be on the high side. TTC has also not monitored the programs by department to ensure that related funds are fairly distributed.

Controls need improvement in reward and recognition programs

There are control weaknesses that need to be addressed in the reward and recognition programs that have been described in this report. Addressing these control weaknesses will help ensure that only eligible employees are receiving awards for the Zero Injury Awards and Safe Workers/Operator programs.

Opportunities to improve efficiencies in administering safety related recognition programs

There is also opportunity to improve efficiencies by updating IT systems and streamlining processes in administering the safety related recognition programs in particular.

Free transit passes provided to TTC employees, contractors and other non-TTC staff and pensioners, costing approximately \$34.4M annually

Free transit passes are provided by TTC to all of its employees, co-op/summer students, certain non-TTC staff including contractors, and pensioners. The estimated annual cost of providing these free transit passes is approximately \$34.4 million.

Free lifetime transit passes are provided to all pensioners over 60 years old with no minimum years of service required and to those under 60 with at least 10 minimum years of service. This benefit is included in the union agreements. In 2017 there were 5,849 active pensioners with free lifetime passes.

Issuance of free transit passes needs more detailed review

As the purpose of providing pensioners with lifetime passes is to recognize length of service, TTC may want to consider reinstating a minimum number of years of service for pensioners 60 years and older.

Currently over 1,200 non-TTC employees are given free transit passes, equivalent to approximately \$2 million per year in lost transit revenue. Although some contractors may require these passes for daily work on the TTC systems, not all contractors receiving free transit passes appear to need them for this reason, such as those providing human resources, legal, service planning, or finance services. In addition, controls need to be strengthened around the issuance of passes.

Further room for improvement in controls over employee expenses

Since the time of our last audit in 2017, TTC appears to have strengthened its controls and processes regarding the use of PCards on valid expenses. However, there were some items found of a questionable nature such as 407 ETR charges and flowers for sick staff. Controls can be further improved and communication of policies to employees can continue to be strengthened.

Two main areas of non-compliance with policies found in employee expenses:
1. Lack of adequate supporting documentation
2. Level and timing of approval

Two main areas of non-compliance with policies were found during our audit of employee expenses:

1. Lack of Adequate Supporting Documentation

Some items in our employee expense audit sample¹ were approved for payment despite a lack of adequate supporting documentation. For the business travel items, many had photocopies of the receipts, although photocopies are not allowed per TTC's guidelines. In addition, some items in our external training sample were approved without proper support justifying the training need, such as a course outline or conference agenda.

2. Level and Timing of Approval

We noted in our samples instances where the external training requests were approved after the employee had already taken the course. In addition, a few items in our travel expense audit sample were not approved by the CEO as required by TTC policy for travel outside of Canada.

Policies need to be further strengthened, particularly for allowable travel expenses, refreshments, and petty cash.

TTC policies related to employee expenses can be further strengthened and improved. Employees and supervisors would benefit from additional guidance on allowable expenses for reimbursement on business trips. Further improvements to policies are needed in the areas of allowable travel expenses (e.g. meal per diems, incidental charges), refreshments, and petty cash.

Additional potential opportunities to save costs in employee expenses

We also noted the following areas where cost savings may be achieved:

- Accommodation rates appear on the high side, ranging from \$200-\$430 for many of the claims in our audit sample. TTC should identify ways to lower accommodation rates for employees.
- There may be opportunity for TTC to share services with the City of Toronto relating to internal training sessions for non-transit specific courses.

¹ Judgemental audit samples selected based on risk

Conclusion

Conclusion

In our view, the implementation of the recommendations contained in this report will help TTC to improve the effectiveness, value, and fairness of its employee reward and recognition programs. It will help to improve controls and efficiencies in the reward and recognition programs, particularly the safety related recognition programs such as the Zero Injury Award program. It will also strengthen TTC policies for employee expenses and improve TTC employees' understanding of and the compliance with those policies. Some cost savings could be achieved if transit passes are no longer provided to those non-TTC staff that do not require them for daily work on the TTC systems. It is difficult to quantify potential cost savings from the other opportunities identified.

Acknowledgement to TTC management and staff

We express our appreciation for the co-operation and assistance we received from management and staff of TTC's reward and recognition team, and procurement, finance, accounts payable and human resources departments.

BACKGROUND

This audit came about from two of our previous audits of TTC

In 2017, the Auditor General's Office issued two audit reports on Toronto Transit Commission (TTC) operations:

- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing
- Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management.

Purchase Card purchases of a questionable nature noted in previous audits - included in the scope of this audit

During the course of these audits, we noted some potential issues pertaining to certain Purchase Card (PCard) purchases and employee business expenses, including some purchases of a questionable nature given that TTC is funded by taxpayer dollars. Instead of including them as part of the audits of TTC procurement or accounts payable practices, they have been included as part of this audit.

The Auditor General's 2018 Audit Work Plan, received by City Council in December 5, 2017, includes a review of TTC's management of PCard and business expenses.

In general, TTC reimburses employees for expenses incurred from conducting TTC related business. These include expenses from travel, conferences, hospitality meals, etc. Such expenses or purchases can be paid via the PCard, cheque request or petty cash. Other employee business expenses identified in previous audits related to training and employee reward and recognition programs. Some of these expenses are included in departmental budgets and some in a separate corporate level budget.

3,000 Purchase Card transactions in 2017 totaling over \$2 million

In 2017, TTC had 189 active PCards incurring more than 3,000 transactions, totaling over \$2 million for the year. Most transactions were for purchasing small dollar business items that did not have a purchasing contract in place and some were for paying miscellaneous departmental expenses.

Training cost \$1.2 million in 2017

Based on data provided by staff, expenditures for internal and external staff training were approximately \$576,000 and \$580,000 in 2017. Travel related expenses incurred on business trips and conferences were approximately \$247,000 in 2017.

Business travel cost \$247,000 in 2017

During the planning phase of this audit we expanded the scope to also include TTC's employee reward and recognition programs.

Employee reward and recognition programs cost \$448,000 in 2017

TTC spent \$448,000 in 2017 for its reward and recognition programs, administered by a department of nine staff and a Department Head, some of whom also spend a portion of their time on work in other areas.

AUDIT RESULTS

This section of the report contains observations of areas where TTC is doing well and the findings from our audit work followed by specific recommendations.

Areas Where TTC Does Well

Employee Reward and Recognition Programs

TTC has a fairly comprehensive rewards and recognition program for its employees and places a high value on honouring and recognizing the contributions of employees to the organization. The areas recognized appear to align with the values of the organization, and emphasize length of service the most, followed by safety for workers, operators and customers. Our audit highlights certain opportunities for further improvement, and we encourage TTC to continue the practice of rewarding and recognizing its employees.

Employee Expenses

TTC appears to have made progress since our 2017 audits of TTC's procurement policies and practices and Accounts Payable functions by implementing internal reviews of PCard purchases and increased communication to staff of policy requirements. Although our audit identified opportunities for further improvement, we are encouraged to see the improvements made to date.

A. ARE TTC'S EMPLOYEE REWARD AND RECOGNITION PROGRAMS ACHIEVING THEIR GOALS?

Employee reward and recognition programs can help employees feel valued and align behaviours with organization's goals

Employee reward and recognition programs, if properly designed and executed, can help employees feel valued and improve their job satisfaction, and help align employees' behaviours with the organization's goals.

If not properly designed, program can create issues and not provide value to the organization

Organizations should be clear on the intended objectives of the program and periodically evaluate whether or not the objectives are being achieved, and refine the programs. If not properly designed, rewards may not motivate employees or cause any desired change in behaviour.

Programs can sometimes inadvertently create a sense of entitlement and potential fairness issues (e.g. if there are inconsistencies between departments), and not provide value to the organization for the costs expended.

TTC spent approximately \$448,000 in 2017 for all of its employee rewards and recognition programs (see breakdown in Table 1), administered by a department of nine staff and a Department Head whose duties also include special events and other functions within the Communications Department.

See Table 1 for a description of the purpose, rewards provided, and amount spent (2017) and budgeted (2018) for each of TTC's reward and recognition programs.

Table 1: TTC's Employee Reward and Recognition Programs

The purpose, rewards provided, and cost for each of TTC's formal reward and recognition programs include the following:

| Award Category | Length of Service | | Safety | | Performance Related |
|-----------------------------------|--|--|---|---|---|
| Program | Long Service | Retirement | Safe Worker/Safe Operator | Zero Injury (group) | Excellence Awards |
| Purpose | To recognize and reward employees' long service at TTC after five years of service and every five years following | To honour and reward employees retiring from TTC | To recognize and reward safe workers/operators after five years of service and every five years following for no preventable accidents during that time | To recognize and reward departments for reaching a certain number of hours collectively, with zero injuries and no resulting lost time off by employees | To recognize and reward employees for their performance in categories that exemplify the values of TTC such as innovation, safety, teamwork, etc. |
| Reward | Every five years - lapel pin, 25 years and 40+ years choose gift from catalogue, values from \$250 at 25 years to \$500 at 50 year, and annual dinner for 25 years | Framed certificate, model transit vehicle or clock (large if 10+ years of service), annual dinner, free lifetime pass if 60+ years or if 10 years of service, silver memento pass if 20+ years | Five years - lapel pin, 10+ years - gift from catalogue every five years, dollar values increasing from \$50 at 10 years to \$225 at 45 years, plus annual dinner for 35+ years | Plaque, Hudson Bay Company gift card per employee (\$15-\$60), refreshments (\$5-\$12/person), and draw prizes | Semi-annual - framed certificate, memento (pen) and lunch, finalists - annual dinner, winners - award trophy, employee of the year - one extra week of vacation |
| 2017 Actual (Total \$448k) | \$88k | \$152k | \$70k | \$63k | \$70k |
| 2018 Budget (Total \$601k) | \$105k | \$200k | \$125k | \$96k | \$73k |

TTC also has informal rewards called 'Spot Awards' that are for managers to recognize and reward their staff informally when spotted for doing great work (total 2017 actual of \$4,725 and 2018 budget of \$2,000 included in totals above, \$5 gift cards).

A.1. TTC Does Not Know if Employee Reward and Recognition Programs are Effective in Achieving Their Goals

TTC has not evaluated its employee reward and recognition programs

No evaluation of the effectiveness of TTC's employee reward and recognition programs has been performed. As a result, TTC does not know whether these programs are achieving the intended goals of the organization.

It is not clear whether these programs are helping to improve results or not

TTC could be spending up to \$601,000 per year (2018 budget) without benefit to the organization. On the other hand, TTC's safety programs could potentially contribute to improving TTC's safety statistics and help in lowering its WSIB claims. However, without information from evaluating the programs, it is not possible to know if the programs are improving results or whether the programs need to be modified.

Employee feedback is needed on reward and recognition programs, particularly with upcoming RFP

In addition, the contract with the sole vendor for employee gifts is coming up soon for Request For Proposal (RFP) and there has not been employee feedback on whether changes should be made to this arrangement. Although some employee feedback has been received on the Excellence awards and related events, there has been no recent feedback on the other recognition programs.

18% of eligible employees not ordering reward gifts by deadline and receiving default gifts instead

For safe worker and safe operator rewards, approximately 18 per cent of eligible employees in 2017 did not order their reward gifts by the deadline (and default gifts are ordered for them), which raises a question as to its value and whether changes should be considered.

Recommendation:

- 1. The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate its employee reward and recognition programs to determine if they are achieving intended goals and modify the programs where needed.**

A.2. Costs of Reward and Recognition Programs May Outweigh Benefits

As part of our audit we benchmarked employee reward and recognition programs of nine other transit organizations in Canada and the US, as well as the City of Toronto and the provincial governments of Ontario and BC. See Exhibit 1 for a comparison of the awards provided for the long service, retirement, and safety related recognition programs.

Cost of some of TTC's employee reward and recognition programs appear high compared to other transit and government organizations

In comparison to the surveyed transit and government organizations, the awards provided for TTC's recognition programs for length of service and safety appear to be on the high side.

The transit organizations in the US (and the Ontario provincial government and City of Toronto) spent much less on their employee reward and recognition programs in comparison to TTC. These organizations recognize their employees through presentations of certificates and pins.

TTC's employee reward and recognition programs appear fairly generous for those awards involving a gift selection:

- For safe worker and safe operator awards given in five year increments, eligible employees choose their award from a gift catalogue with gifts valued at \$50 for 10 years and up to \$225 for 45 years. Depending on the number of total years, the gift may be a luggage set, a ring, a watch, etc. and generally does not contain a TTC logo.
- Long service awards for 25 years and 40, 45 and 50 years also include a gift selection (ranging from \$250 at 25 years to \$500 at 50 years) from a catalogue and appear generous.

Duplicate Awards or Celebrations for the Same Recipients

Some employees can potentially receive two awards in the same year for safety

By comparison, most other organizations surveyed did not have a Zero Injury Program. Although this program rewards the whole group of workers, it includes the same potential eligible recipients as the safe worker reward. The average frequency of a cost centre (i.e. a departmental unit) receiving a zero injury award is once per year, so employees can potentially receive two awards for safety in the same year.

Employees are recognized at a semi-annual lunch and annual dinner banquet for receiving the excellence award

For TTC's excellence awards, some of the employees who are recognized at the semi-annual lunch are also invited to the annual dinner awards banquet. It is not clear whether any additional benefit is achieved by rewarding the same employees already recognized for their excellence at a semi-annual event with an additional annual dinner rewards banquet.

In addition, there is sometimes duplication of the celebration of the same award with department level celebrations and TTC dinner award celebrations (long service, retirement and excellence awards).

Potential to Achieve the Same Effectiveness with Less Costly Programs

TTC could learn from the transit organizations that appear to have effective recognition programs with minimal monetary spending

Compared to spending by similar organizations, there could be an opportunity for cost savings. However, it is difficult to determine how to go about reducing costs without an evaluation of the program's effectiveness and employee feedback on its value. TTC would benefit from learning from similar organizations that appear to have effective programs in place using several non-monetary recognition strategies.

Costs to Administer Program Are High

Costs even higher than \$601,000 due to administration costs

In addition to the \$601,000 2018 budget for TTC's rewards and recognition programs, there is also the cost of administering the programs. The costs to administer the program (estimated at approximately \$422,000, see below) appear fairly high as well and add to the total cost.

Estimated \$413,000 for the cost to administer the programs

Costs to administer the programs include nine staff and a Department Head at a cost of approximately \$413,000 based on a percentage of their time devoted to employee rewards and recognition.

Executive resources devoted to the program

In addition, 15 executives review nomination information and meet for an hour three times a year, as part of a committee to review nominees and choose winners for the Excellence Award program. The estimated cost of the executive time is approximately \$9,000. (two hours x three times per year x 15 executive x \$100/hour). Although not part of the hard costs of the program, the combined administrative cost of approximately \$422,000 is also part of the total cost.

It costs about \$1 M per year at the corporate level to provide the programs

Combining the 2018 budgeted costs and estimated administrative costs, the estimated total cost of TTC's reward and recognition programs is approximately \$1 million per year.

When TTC is assessing the costs vs benefits of its employee reward and recognition programs, it is important to also include and consider the administrative costs.

Recommendation:

- 2. The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate the costs vs. benefits of its employee reward and recognition programs and consider potential non-monetary recognition strategies as well as whether costs can be reduced.**

A.3. Distribution by Departments May Not Be Fair

Amount spent on recognition from department budgets not tracked separately

It is difficult for TTC to determine the additional costs of its employee reward and recognition programs spent by departments and to track the fair distribution of funds by departments. This is because each department has discretion to use their own budget and petty cash/cheque request expenditures for refreshments on recognition presentations. Some departments may choose to be fairly generous in using the funds for such purposes and others may not.

No specific code for recognition funds spent by departments

These purchases are generally coded to materials and supplies, instead of a unique code to assist with monitoring costs overall and by department. Without financial information readily available by a specific code for this program, it is difficult to know the true total cost of the recognition programs as well as the cost by department. This financial information would allow TTC to evaluate the value for money, as well as the fair distribution of funds by departments.

Potential fairness issue could exist

If distribution is not fair and other employees are aware, this can create a disincentive instead of an incentive, and the goals of the programs may not be achieved. It is important to monitor and ensure that rewards are distributed fairly, so that the programs are providing incentives and not disincentives to employees.

Recommendations:

- 3. The Board request the Chief Executive Officer, Toronto Transit Commission, to establish a specific purchase code for expenses related to employee rewards and recognition incurred by departments.**
- 4. The Board request the Chief Executive Officer to develop reports and monitor the cost by department of the employee reward and recognition programs and ensure that funds are fairly distributed and used across the various departments.**

B. IMPROVING CONTROLS AND EFFICIENCIES OF REWARD AND RECOGNITION PROGRAMS

B.1. Control Weaknesses Need to Be Addressed in Zero Injury Program

We noted some control weaknesses in the employee reward and recognition programs that should be addressed. The Zero Injury Program has a number of control weaknesses, particularly in the follow-up after presentations have occurred.

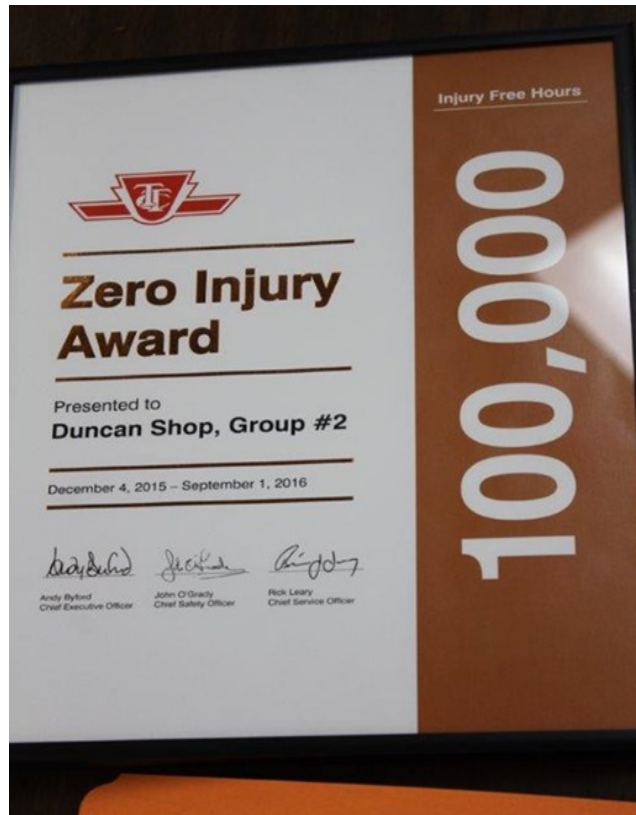
Departments are eligible for this award when achieving a certain number of hours as a group with zero injuries and no lost time off

As described in Table 1 on page 10, the Zero Injury Award program is for group performance of departments that are considered safety sensitive. The departments are eligible for this award when they have achieved a certain number of hours as a group with zero injuries and no resulting lost time off by any of the employees in that group. The level of awards vary depending on the level of hours achieved:

- Refreshments for a presentation, ranging from \$5/person to \$12/person
- Hudson Bay Company gift cards given to each of the employees in the group, ranging from \$15 to \$60, with \$25 being the most common value provided
- Draw prizes for the presentation.

The presentation takes about 1 to 1.5 hours of time and is generally done during work hours at the department site. All employees for the department attend as well as up to 10 guests including some executive and senior managers of TTC, representatives from the union, and representatives from the safety committee. The presentation may be held twice in order to ensure employees from all shifts can attend. For 2017, most eligible departments received the awards once for the year and there were 23 departments that achieved the award level. See Figure 1 for a photo of the plaque received by an example department.

Figure 1: Example of a Zero Injury plaque



Gift Cards Not Tracked, Reconciled or Stored Properly

Gift cards are not tracked or reconciled

There were approximately 2,000 active gift cards valued at about \$50,000 (estimated average \$25 each, gift cards range from \$15 to \$60) that were sitting in an open box in a locked TTC inventory closet. At least five staff have keys to the closet. See the photo in Figure 2.

When excess gift cards are returned they are added to the box. The gift cards are not tracked or reconciled and staff were not able to tell us the exact value of the gift cards in the box. There is opportunity for gift cards to be taken and used by staff, with a low chance of discovering the gift cards are missing, as a result of the poor controls in this area.

Figure 2: Picture of opened box of gift cards for Zero Injury program



Zero Injury Award Presentations Not Timely

TTC's policy requires that Zero Injury Award presentations be completed within two months of groups reaching their plateau level of zero injuries without lost time. Fourteen (14) out of 16 Zero Injury Award presentations in 2016 and all 23 presentations in 2017 were not held within the timeframe required by the policy.

Some Zero Injury Award presentations as late as 1.5 years after group reached safety plateau level

Some presentations were as late as 1.5 years after achieving the number of hours for the zero injury award. The reason stated is that some departments preferred having presentations in the summer months when it is slower for work and more staff are available to attend. Turnover can be significant in 1.5 years, therefore the lack of timeliness can defeat the intent of the presentation and awards (gift cards, draw prizes and refreshments). New employees were receiving rewards that they did not earn and many eligible employees were no longer in that department and did not appear to have received their rewards.

Proper Follow-up of Potential Excess Funds/Gift Cards Not Done

Excess gift cards and funds not being followed up properly

Policy requires all receipts and excess funds and gift cards to be returned within one month of the Zero Injury Award presentation. Following the presentation, department managers are required to calculate any excess funds and return them, along with any excess gift cards and the signed attendance sheet.

From reviewing a small sample of these attendance sheets, we found that not all of the eligible employees attended the presentation and additional employees attended that were not on the eligibility list. However, there was no follow-up by staff to enquire about whether all eligible employees received the awards, and whether the excess funds and gift cards were properly calculated, returned, and accounted for.

Only eligible recipients should be receiving the reward and there is a risk that employees are receiving gift cards and/or refreshments that are not eligible. This also raises a question as to whether these rewards are valued by employees given the lack of timeliness of presentations and the number of eligible employees not attending the presentations.

Questionable Cost Centres Eligible for Zero Injury Awards

Some questionable non-union departments eligible for Zero Injury Award such as Graphics department

Some departments (non-union cost centres) that are considered eligible for the Zero Injury awards do not seem to be of high safety risk such as Graphics, Communications, Revenue Operations, Materials and Procurement, and Training and Development. Of these departments, the following areas received Zero Injury awards in either 2016 or 2017:

- Central Information System
- Revenue and Security Equipment Maintenance
- Graphic Services
- Supervisory Control and Data Acquisition

The TTC's safety committee has not performed any specific review to determine which cost centres should be eligible for these awards. One exception is the most recent addition of the Training and Development department which has submitted written justification with approval by TTC's Chief Safety Officer. The justification provided is that trainers are instructing drivers, operators, and heavy equipment maintenance staff, in live situations, and are subject to the same hazards as those working full-time in those environments.

The award eligibility and qualification process requires considerable manual administrative work by TTC staff. This additional cost should be weighed against the benefits when TTC decides which cost centres are eligible for the award program, if processes cannot be streamlined.

Recommendations:

- 5. The Board request the Chief Executive Officer, Toronto Transit Commission, to put in place adequate processes and controls to track and reconcile all gift cards for the Zero Injury Award program. Such controls should include steps to ensure only a minimal number of gift cards is kept in inventory and that they are kept locked at all times with adequate access controls.**
- 6. The Board request the Chief Executive Officer, Toronto Transit Commission, to improve controls and efficiency in the Zero Injury program to ensure that:**
 - a. Award presentations are occurring within two months of plateau levels being reached in order for eligible employees to receive awards**
 - b. Attendance sheet is provided on a timely basis**
 - c. Any excess owing for refreshment funds and gift cards is calculated, provided and accounted for.**

- 7. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the cost centres currently eligible for the Zero Injury program to ensure they meet the intent of the safety award program.**

B.2. Handling of Gift Ordering and Receipt Needs Improvement in Controls

Default gifts ordered when employees don't order gift awards by deadline

When eligible employees for the safe worker and safe operator gift awards do not select and order their gifts by the deadline, despite reminders sent, a default gift is ordered by TTC reward and recognition staff and sent directly to the employee's home address.

Same staff member reconciles invoice to items shipped and also provides shipping address to vendor

The same staff member who orders the default gifts provides the employees' addresses to the vendor for shipment and also reconciles the invoice to items shipped. This lack of segregation of duties presents a risk that the staff member could potentially order gifts for themselves or others without it easily being discovered. Although we did not note any issues in our audit sample, this lack of control represents a risk that should be mitigated.

Recommendation:

- 8. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure adequate segregation of duties in the process of ordering default gifts to be shipped to employees.**

B.3. Outdated IT Systems and Manual Processes Creating Inefficiencies

Outdated IT systems and manually intensive processes are creating inefficiencies in administering TTC's reward and recognition programs.

Determining eligibility for the safe worker and safe operator awards takes six months of time for one staff member

Determining the eligible safe workers and safe operators awards each year (approximately 710 safe workers and 530 safe operators) requires manual review and processing work that takes a total of six months for one staff member to complete. This is due to the need to access, review and verify individual employees' records in multiple systems, including their absence and safety information.

Additional inefficiencies created by including non-union cost centres in the Zero Injury program

That same staff member must also manually input and track safety information for five non-union cost centres to determine eligibility for the safe worker and zero injury programs, as the information for non-union cost centres is not contained in the same safety database as the union cost centres.

Updating the related IT systems would likely benefit other cost centres as well

As TTC is migrating to a new SAP system, it will be beneficial to ensure the new system is designed to include functions that improve efficiencies in the processes for the safety related recognition programs. The IT systems for the recognition programs are used by other cost centres for other purposes (e.g. payroll and human resources), so updating the related IT systems would likely benefit other cost centres as well.

Recommendation:

- 9. The Board request the Chief Executive Officer, Toronto Transit Commission, to seek ways to streamline the IT processes for the safe worker, safe operator and zero injury award programs.**

C. FREE TRANSIT PASSES PROVIDED

Free transit passes provided for TTC employees, pensioners, contractors and other non-TTC staff

TTC provides free transit passes to all of its full-time, part-time and temporary employees, as well as its co-op students and summer students. When employees retire, they continue to receive a free transit pass for their lifetime as described in the section below. In addition, TTC provides free transit passes to certain non-TTC staff, including contractors, as described further below.

15,500 free transit passes for TTC employees, co-op and summer students

TTC issued approximately 15,500 free transit passes in 2018 to its employees. Providing free employee transit passes appears to be the industry norm, based on the transit organizations we surveyed.

Estimated total cost of providing the free transit passes for all three categories is \$34.4 million per year

The estimated annual cost of providing all of these free transit passes is \$34.4 million as outlined in Table 2 below. The estimated annual cost below assumes that all users are using the transit passes actively and consistently for the full year. Discounted 12 month metro pass rates (with seniors rate used for pensioners) are used for these estimates.

Table 2: Estimated Annual Cost of Providing Free Transit Passes

| Category | # of People | Monthly Rate | Estimated Annual Cost |
|-----------------|--------------------|---------------------|------------------------------|
| Employees | 15,500 | \$134 | \$24,924,000 |
| Pensioners | 5,849 | \$107 | 7,510,116 |
| Non-TTC Staff | 1,228 | \$134 | 1,974,624 |
| Total | 22,577 | | \$34,408,740 |

C.1. Lifetime Pensioners Passes

Figure 3: Sample of old and new style pensioners lifetime passes



Pensioners receive free lifetime passes with no minimum years of service if 60 years of age or older

Free lifetime transit passes (see photo in Figure 3 above) are provided to all pensioners over 60 years old with no minimum years of service required and to those under 60 with at least 10 minimum years of service. This benefit is included in the union agreements. Staff advised that in the previous union agreements there was a minimum of 10 years of service required for pensioners 60 years and older to receive the lifetime passes.

Intent of lifetime pass is to honour and reward the retired employees' length of service to TTC

The intent of the pensioner's lifetime pass is to honour and reward the retired employees' length of service to TTC, and the free transit pass continues the benefit of a free transit pass that all TTC employees are entitled to.

5,849 active pensioners have free lifetime transit passes estimated at \$7.5M in annual lost revenue

In 2017 there were 5,849 active pensioners with free lifetime passes. Providing the benefit of a free lifetime pass to pensioners represents a potential lost revenue opportunity to TTC on an annual basis of \$7.5 million as shown in Table 2, using the discounted monthly metro pass at a senior's rate (65+ years) of \$107, and assuming the pensioners are consistently and actively using the pass for the full year.

An estimation of lost revenue opportunity from the lifetime passes based on actual usage of the passes is not currently possible as the usage is not currently being tracked; however, the financial impact is likely still significant.

The new Presto style tap cards (shown in Figure 3 above on right hand side) offer new usage information reporting not previously available. Going forward, TTC can track the usage of the lifetime pensioner passes to accurately measure the cost to the organization, and mitigate the risk of abuse.

Providing pensioners with lifetime passes appears to be an industry norm

It is important to note that all but one of the transit organizations that we surveyed also provide their pensioners with a free lifetime pass, so it appears to be the industry norm. However, there was varied practice among the transit organizations regarding minimum number of years of service, ranging from none to 23 years. See Exhibit 1 under the Retirement Awards column for the benchmarking results regarding lifetime passes.

Generally the purpose of providing a lifetime pass to a pensioner is to honour their long-time commitment to the organization. With no minimum number of years of service for those 60 years and older, it is possible that employees could start working at TTC in their late 50's and retire with free lifetime passes at the age of 60 with only a few years of service. This is not in keeping with the intent of the lifetime passes. TTC should consider whether to reinstate a minimum number of years of service for pensioners over 60 years old, to ensure the reward is recognizing length of service. We recognize this would need to be part of future negotiations with TTC unions.

Recommendations:

- 10. The Board request the Chief Executive Officer, Toronto Transit Commission, to use available Presto reports to track and monitor the usage of pensioners' lifetime passes to measure the cost to the organization and mitigate the risk of potential abuse.**
- 11. The Board request the Chief Executive Officer, Toronto Transit Commission, to consider whether to reinstate a minimum number of years of service for pensioners over 60 years old, to ensure the lifetime pass is awarded to recognize length of service. Any potential modifications would need to be part of future negotiations with the unions.**

C.2. Free Transit Passes Provided To Non-TTC Staff

In addition to providing free transit passes to employees and free lifetime passes to pensioners, TTC provides free transit passes to certain non-TTC staff including contractors.

Free transit passes provided to over 1,200 non-TTC staff

Non-TTC staff that receive these free transit passes include (2017 totalled 1,228 passes, breakdown of volume below):

- contractors (1,093)
- janitorial contractors (96)
- unpaid co-op students (7)
- City Councillors and Commissioners (3)
- current and former members of Advisory Committee on Accessible Transit (ACAT) Wheel-trans representatives (29).

According to staff, janitorial contractors receive the passes so that they can use TTC's system to travel to/from subway stations to be cleaned. They must be in uniform and their pass includes a photo.

Some contractors receive free transit passes and don't appear to need the passes

Staff explained that some contractors receive passes as they have daily work on the TTC system, and it is possible that TTC may otherwise be paying their travel as part of the cost of the contract. However, we noted that not all contractors receiving free transit passes appear to need them for this reason, such as those providing human resources, legal, service planning, or finance services. Although staff explained that these contractors are sometimes required to travel to the various TTC locations, it is not unusual for contractors to need to do so and typically such contractors would be expected to pay for their own travel costs with the compensation received.

Other non-TTC staff noted above receive them so that they can experience TTC transit service, according to staff. However, the use of day passes could accomplish this goal instead of providing a free pass for the full year.

Additional lost revenue opportunity for TTC of \$2 million

These passes represent lost revenue opportunity of approximately \$2 million for the year in 2017 as shown in Table 2 on page 23, while there is less apparent benefit to be gained by TTC in granting at least some of these passes.

Improving Controls of Free Transit Passes Provided to Non-TTC Staff

Problematic approval process

In addition to the lost revenue opportunity, there are also control weaknesses we noted with the issuance of these free transit passes. We tested a small sample of passes in 2017 and 2018 and found that for 2017:

- two out of six were not properly approved
- the approval form for one pass could not be located
- one form did not include written justification for the pass provided.

The use of an electronic form that has been implemented starting in 2018 may help to avoid these issues.

Contractor passes can be requested by non-management staff

Furthermore, we noted that the requestor of passes is not required to be at a manager level and there is no signing authority list showing who has authority to request/approve the free passes. These control weaknesses could result in free transit passes being issued to people who should not be eligible for the passes and represents potential lost revenue to TTC.

Recommendation:

- 12. The Board request the Chief Executive Officer, Toronto Transit Commission, to review the criteria and current process for issuing free annual passes to non-TTC staff to ensure valid justification and adequate controls, and to minimize lost revenue opportunities.**

D. IMPROVING COMPLIANCE AND POLICIES FOR EMPLOYEE EXPENSES

This report section addresses areas of concern first noted in two of our previous audits of TTC

During the two Auditor General's audits of TTC regarding procurement and accounts payable in 2017, we noted some potential issues pertaining to certain Purchase Card (PCard) purchases and employee business expenses, including some purchases of a questionable nature given that TTC is funded by taxpayer dollars. Instead of including them as part of the audits of TTC procurement or accounts payable practices, they have been included as part of this audit and the findings follow below.

In general, TTC reimburses employees for expenses incurred from conducting TTC related business. These include expenses from travel, conferences, hospitality meals, etc. Such expenses or purchases can be paid via the PCard, cheque request, or petty cash.

The findings described below are based on reviewing judgemental samples from the following areas for the fiscal years 2016 and 2017:

- Travel expense
- External training and internal training expense
- Cheque requests without purchase orders
- PCard transactions

It should be noted that in selecting the sample we focussed on higher risk items and judgementally selected those that had potential to not be for legitimate business purposes according to TTC's policies.

D.1. Better Clarification of Allowable Employee Expenses

TTC is making improvements to controls and processes around PCards

Since the time of our 2017 audits, it appears that TTC is working to improve controls and the related processes.

Recommendation 16 in our 2017 procurement audit report requests TTC *"to undertake steps to review and enhance the monitoring and controls of the Purchase Card program. Such steps should include a review of the level of staff resource, effectiveness of the current spot audits, and the transaction review and approval process."*

Part of the improvement resulting from previous audit recommendations is that TTC staff are conducting internal analysis and reviews of PCard purchases to identify and follow-up on potential issues regarding purchases of a questionable nature.

Employee expenses of a questionable nature found in our judgemental audit sample were four out of 40 for PCards and two out of 30 for Cheque Requests

The number of items of a questionable nature found in our judgemental audit sample was four out of 40 for PCards and two out of 30 for Cheque Requests.

For two of the total six items found, the supporting documentation was not available, so it is difficult for us to determine whether these two were for business purposes or not. The nature of these two items without supporting documentation were:

- sports apparel
- musical presentation

There is still further work to improve in this area given items found in this audit, e.g. 407 ETR charges reimbursed but a restricted item in policy

We found the following items in our audit sample of expenses with a questionable nature. The only item that was clearly a restriction not allowed in TTC policy were the 407 ETR charges. The others require further clarification in policy as to what is considered allowable or not.

- 407 ETR charges
- Parking fines
- Two out of seven TTC staff meals for an investigation included alcohol
- Flowers for sick staff

Although some of the expenses above may be considered acceptable for private sector organizations and are not financially significant, the TTC is funded by taxpayers and more prudence needs to be taken with use of public funds. It appears there is still some room for further improvement in the controls in this area, in clarifying whether these types of purchases are acceptable in policies, and in communicating policies to employees and supervisors responsible for approving claims.

Recommendation:

- 13. The Board request the Chief Executive Officer, Toronto Transit Commission, to:**
 - a. continue to strengthen controls and internal reviews regarding allowable employee expenses for business purposes**
 - b. update policies to ensure they clarify what employee expenses are acceptable for business purposes and those that are not, and communicate the policy requirements to employees.**

D.2. Non-compliance with Policies

We audited a judgemental sample of items from travel expense, external and internal training expense, as well as cheque requests without purchase orders and PCard transactions during the fiscal years 2016 and 2017. The applicable TTC policies included:

- Corporate travel policy
- External training policy
- Guidelines related to reimbursable expenses
- Purchasing Card (PCard) guidelines
- Procurement policy/guidelines
- Petty cash policy.

We found two main areas of non-compliance with policy that were either fairly frequent or significant in nature, and a few other less significant issues.

14 out of 60 sampled transactions were approved for payment without adequate supporting documentation

Payments were often approved without proper supporting documentation attached

Four out of 40 PCard transactions and ten out of 20 business travel items (from a judgemental sample) did not include adequate supporting documentation.

- The lack of supporting documentation found for the PCard samples was partly due to the employee resigning or retiring. Proper records management would ensure that documentation is organized in a manner that it will not matter whether the employee has resigned or retired, in order to locate and retrieve that documentation.
- For the business travel sample, eight of the ten had photocopies of the majority of the receipts, however photocopies are not acceptable according to TTC's guidelines related to reimbursable expenses.

If claims are approved without supporting documentation, employees may be reimbursed for invalid or inappropriate expenses or inaccurately calculated claims.

13 out of 49 training requests sampled did not include supporting detail, e.g. course outline or conference agenda

Thirteen out of 49 external training requests did not include supporting detail to justify the need for training, e.g. course outline. Supervisors approving training requests should have enough information to know whether a training need is being met and justified, prior to approval. Approving training requests without supporting details such a course outline or conference agenda may result in providing training that may not meet employees' training needs or may not be the most cost effective way of meeting those needs.

Approvals need improvement in timing and ensuring the appropriate level/person is approving

External training requests were approved after course already taken for 6 out of 49 in our audit sample

Six out of 49 external training samples were not approved prior to the course being taken. Although there is an electronic workflow document for employees to request approval for training requests, it is not always being approved prior to an employee registering for and taking the course. It is possible that a verbal or emailed 'ok' may have been provided by the employee's supervisor. However, not following the controls in place increases the risk that the approved training may not meet an employee's training needs, the timing may conflict with operational needs, the training may not be cost effective, and funds may not have been available in the department's budget.

Travel expenses for trips outside of Canada did not include CEO approval required per TTC policy for four out of 20 in our audit sample

Four out of 20 travel samples were not approved by all of the required sign-offs according to TTC policy. In all four samples, approval was obtained up to the department head level, but CEO approval was not obtained. TTC has developed policies that outline the appropriate level of authority for approvals of certain dollar thresholds and when additional levels of approval are required. For trips outside of Canada, CEO approval is currently required. However, staff are not always following those policies, and it is not clear whether staff are aware of the policies. More effort appears to be needed to communicate policies to staff.

Other areas for improvement to comply with policies

Two areas of frequent non-compliance were:

1. Training evaluations not being submitted and therefore no confirmation of employee attending course/conference

2. Travel reimbursements not often submitted within 20 days as required by policy

The other areas of non-compliance with policy that were either not as frequent in occurrence or as significant in nature included the following:

- Training evaluations are not being submitted after external training courses as required by policy (and therefore no control functioning to confirm employee attendance at course/conference). We were advised that the electronic workflow does not provide a prompt to employees to remind them to complete the evaluation.
- Travel reimbursement forms are commonly not submitted within 20 days as required by policy
- A training expense transaction was split into two transactions when the PCard limit was not high enough; the use of a Purchase Order (PO) may have been more appropriate
- Minor calculation errors in two employee travel reimbursement claims

Recommendations:

- 14. The Board request the Chief Executive Officer, Toronto Transit Commission, to undertake steps to improve compliance with employee expense policy requirements regarding:
 - a. the level of supporting documentation needed and importance of retaining the documents in an organized manner**
 - b. timely approval submission of claims**
 - c. appropriate level of signing authority**
 - d. requirement for evaluations to be completed for external training.****
- 15. The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure proper records management is in place and is not dependent upon whether the employee is still working at TTC or not.**

D.3. Policy Improvements Needed

We compared TTC's policies on travel and training to the City of Toronto's policies. Based on this comparison combined with observations during our audit, we found areas in TTC's policies that can be improved. These include the following:

Employees and supervisors would benefit from additional guidance on allowable expenses for reimbursement on business trips

Guidelines Need to be Developed for Business Trips

There is some variation amongst TTC supervisors approving claims for what is considered acceptable regarding meal per diems, incidental charges, etc. on travel for business trips. Employees and supervisors would benefit from additional guidance on what is allowable and what is not. Without additional guidance provided, there can be items reimbursed that are not most cost effective or appropriate. Supervisors would also benefit from guidance on what constitutes a reasonable number of business trips per employee/year and a reasonable number of attendees per business trip.

TTC policies need to be further clarified for travel expenses, refreshments, and petty cash.

Policies Need to be Strengthened for:

- Refreshments – including meeting related meals, graduations, training, etc.
- Petty cash – how much and when to replenish and replenishment limits
- Travel reimbursement - meal per diems, sundry/incidental charges, extended stays, and accommodation rates allowed. For example, there is a lack of clarity on the following:
 - meal per diem charges allowed for non-stay out of town training (e.g. Hamilton)
 - no proper support appears to be required to indicate if conference included meals
 - whether sundry per diem includes extra baggage and roaming charges or not
 - pro rate or full per diem charge for conference or trip finished before midday.
- Guidance on what foreign exchange rate to use and the support required for it (e.g. actual rate from credit card statement and inclusion of credit card statement in supporting documentation).

We understand that TTC is currently updating the policies on petty cash, travel and reimbursable expenses. These updated policies should be examined to ensure they address the improvement opportunities identified above.

Training Approval Form Should Include Budget Check and Approval

External training request approvals should include a check on whether there is available budget and documentation that the budget is sufficient

The training workflow form does not include an area reminding supervisors to check and document whether there is available budget prior to approving the external training expense. An additional area in the form could be similar to that already included on TTC's purchase authorization form. Without confirming budget availability, there is a risk that other necessary expenses may need to be reduced within department spending in order to balance the training budget by the end of the year, or departments may spend more than their training budget for the year.

Recommendations:

- 16. The Board request the Chief Executive Officer, Toronto Transit Commission, to develop guidelines for business trips, improving clarification on allowable expenses and number of attendees/trips per year.**
- 17. The Board request the Chief Executive Officer, Toronto Transit Commission, to provide additional clarification in the following policies pertaining to:**
 - a. Petty cash policy – refreshments, replenishment guidance, investigative expenses restrictions**
 - b. Corporate travel policy – meal per diems, sundry/incidental charges, extended stays, accommodation rates, foreign exchange rate.**
- 18. The Board request the Chief Executive Officer, Toronto Transit Commission, to update the training approval form to include a required sign-off for available budget, prior to the training expense being approved.**

E. COST SAVING OPPORTUNITIES FOR EMPLOYEE EXPENSES

During the audit we identified two areas related to employee expenses where TTC can achieve potential cost savings:

E.1. Accommodation Rates

There is potential cost saving opportunity by considering options to reduce accommodation rates for employee travel

Accommodation rates appear high on some claims, ranging from \$200 to \$430 per night. Eleven (11) out of the 20 travel claims in our judgemental audit sample had rates above \$200/night for accommodation. TTC's annual cost for travel expense in 2017 was \$247,000, which included accommodation.

High accommodation rates may be unavoidable depending on the city and time of year. Examples of locations with higher rates noted in our audit sample included:

- Charleston, South Carolina, USA
- New York City, New York, USA
- London, England
- Hockley Valley resort (conference hotel) in Orangeville, Ontario
- Toronto, Ontario (for staff from Thunder Bay).

There is room to explore cost saving measures for TTC in obtaining lower accommodation rates. TTC could use a corporate travel agent to get the most economical rates for employees, coordinate with other government agencies to try and get government rates, or negotiate with specific hotels/chains to obtain reduced rates, particularly in areas where travel is most frequent and/or costly.

Recommendation:

- 19. The Board request the Chief Executive Officer, Toronto Transit Commission, to consider options to reduce accommodation rates for TTC staff on business travel.**

E.2. Opportunity to Share Services for Internal Training

In some instances, TTC is not able to reach the minimum class size (six) per internal training session delivered by a vendor, mostly for non-transit specific courses such as writing skills. Or TTC may have 'no shows' less than five business days before the course, and still be charged for the training cost of those employees, without finding replacement employees in time.

Opportunity to share services for internal training with the City of Toronto for non-transit specific courses

The City of Toronto offers a wide variety of training courses to staff. There is opportunity to explore shared services with the City of Toronto regarding training, particularly for training that is not transit specific, such as writing, Excel, and project management courses. Sharing services may lessen the challenges in achieving minimum class size for TTC and improve the value for money spent on internal training.

Recommendation:

- 20. The Board request the Chief Executive Officer, Toronto Transit Commission, to explore the opportunity to share services for internal training with the City of Toronto for non-transit specific courses.**

CONCLUSION

This report presents the results of our review of TTC's employee reward and recognition programs and employee expenses.

TTC needs to evaluate and monitor its reward and recognition programs to ensure they are effectively achieving their goals, providing value-for-money, and are distributed fairly by departments. Controls need to be strengthened, particularly for the safety related programs. Efficiencies can be improved by streamlining the related processes and updating IT systems.

With regards to employee expenses, we found some items of a questionable nature, indicating that controls and communication of policy requirements to employees can continue to improve further. We also found non-compliance with TTC policies, including a lack of adequate supporting documentation and issues in the timing and level of approvals. Policies need to be further improved for travel expenses, refreshments and petty cash. There are potential cost saving opportunities by negotiating lower accommodation rates for employees, and exploring shared services for internal training sessions.

Our audit provides 20 recommendations to help in improving the effectiveness, value, controls and efficiencies of the employee reward and recognition programs. It will also help to strengthen TTC policies for employee expenses and improve TTC employees' understanding of and compliance with those policies. Cost savings could be achieved if transit passes are no longer provided to non-TTC staff who do not require them for daily work on the TTC systems. It is difficult to quantify potential cost savings from the other opportunities identified.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

In 2017, the Auditor General's Office issued two audit reports on TTC operations:

- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing, and
- Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management.

During the course of these audits, we noted some potential issues pertaining to certain Purchase Card purchases and employee business expenses. Instead of including them as part of the audits of TTC procurement or accounts payable practices, they are included in this audit.

The Auditor General's 2018 Audit Work Plan, received by City Council in December 5, 2017, included a review of the management of Purchase Card and business expenses.

The objectives of this review was to assess the effectiveness and efficiency of the management of TTC's employee expenses and reward and recognition programs.

This audit covered the period from January 1, 2016 to December 31, 2017.

This audit included a review of the following:

- Policies, procedures and guidelines pertaining to business expenses, PCards and employee recognition programs
- Processes and controls put in place to ensure compliance with policies and guidelines
- Practices of other transit agencies regarding employee expenses and recognition programs
- Individual purchase files and supporting documentation

Our audit methodology included the following:

- Review of applicable policies and procedures
- Interview with key management and operational staff
- Analysis of payment data and records
- Site visits for walkthroughs and file review
- Perform a financial and cost savings analysis
- Review of related previous Auditor General's reports

**Compliance with
generally accepted
government auditing
standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

EXHIBIT 1 BENCHMARKING OF REWARD AND RECOGNITION PROGRAMS

| Organizations | Long Service | Retirement | Safe Worker/Safe Operator | Zero Injury (group) |
|---|---|---|--|--|
| Toronto Transit Commission (TTC) | Every 5 years - lapel pin, 25 yrs and 40+ yrs choose gift from catalogue (values range from \$250 at 25 years to \$500 at 50 years), and annual dinner for 25 yrs | Framed certificate, choice of model transit vehicle or clock (large if 10+ yrs of service), annual dinner, free lifetime pass if 60+ yrs or if minimum 10 yrs service, silver memento pass if 20+ yrs service | 5 yrs - lapel pin, 10+ years - in addition to pin, choose gift from catalogue every 5 years, dollar values increasing from \$50 at 10 yrs to \$225 at 45 yrs, plus annual dinner for 35+ yrs | Plaque, HBC gift card per employee (\$15-\$60 depending on plateau reached), refreshments (\$5-12/person, and draw prizes (value increases based on plateau level) |
| Canadian Transit Organizations: | | | | |
| Via Rail | every 5 years - pin with logo and invited to annual celebration and service recognition event | Receive mounted locomotive valued at approximately \$150 and invited to annual celebration and service recognition event, lifetime pass (min 1 yr of service) including spouse (limits on travel since covers Canada) | none | none |
| Ottawa Transit (Ottawa-Carleton Regional Transit Commission - OC Transpo) | every 5 years - pin, at 25 yrs+ receive gift selection in five year increments (average cost \$200), annual lunch for 25+ years | gift valued at an average of \$200, annual lunch (min 10 yrs service), lifetime pass (no minimum yrs of service) | Safe driving and trans secure - gift of nominal value, pin, annual brunch/lunch | none |
| Montreal Transit (Société de transport de Montréal - STM) | 25 years only - watch/pen/jewellery \$275-\$325 and dinner | gift valued at \$100, lifetime pass (no minimum yrs of service) | annual banquet dinner for safe driving | none |

| Organizations | Long Service | Retirement | Safe Worker/Safe Operator | Zero Injury (group) |
|--|--|--|--|--|
| Calgary Transit | every 5 years - pin, certificate and monetary award, at 25 yrs - invited to corporate dinner event | annual dinner, for min 10 yrs service - gift and certificate | safe operator achievement award for \$100 per year, 20 year safe driving milestone award for \$2,000 | none |
| BC Transit | every 5 years - gift selected by employee based on points level awarded, informal pizza/food truck refreshments, and 20+ yrs - annual dinner | gift selected by employee with min 5 years of service | Safe driver/worker in 5 year increments - gift selection by employee based on points, informal pizza/food truck refreshments | none |
| TransLink (Greater Vancouver, BC) | every 5 years - pin and certificate, at 25 yrs+ - lunch | dept level celebration - cake/refreshments, lifetime pass (minimum 2 yrs of service) including spouse | Coast Mountain Bus of TransLink just launched Driving Excellence and Safe Worker program | none |
| United States of America - Transit Organizations: | | | | |
| Chicago Transit Authority | every 5 years - certificates, top ten longest tenured - recognition at Board meeting | certificate and lapel pin of old fashioned token, lifetime pass for those collecting pension (no minimum yrs of service) | dept refreshments if KPIs, safety levels achieved, customer commendations | Operations (terminal) - group recognition, refreshments for monthly zero safety violations, Maintenance - quarterly group recognition, refreshments for zero accidents |

| Organizations | Long Service | Retirement | Safe Worker/Safe Operator | Zero Injury (group) |
|--|---|--|---|---|
| Boston Transit (Massachusetts Bay Transportation Authority - MBTA) | none provided | lifetime pass (minimum 23 yrs of service) | safe driving - annual pin, top 50-60 bus operators receive lunch and entered in safety competition with top 12 receiving certificates and top 4 receiving cash awards (\$100, \$300, \$500, \$1000) | annual lunch for top safety rail and bus operating facility |
| Transit organization A ² | certificates, letters and some token pins | certificates, letters and some token pins, lifetime pass (minimum 10 yrs of service) | coffee/danish presentation when safety goals reached | coffee/danish presentation when safety goals reached |
| Government Organizations: | | | | |
| City of Toronto | 25 years - watch with City logo and lunch | none provided | n/a | n/a |
| Ontario provincial government | every 5 years - pin and certificate, at 25 yrs - commemorative book, optional lunch provided at formal recognition ceremony every 2 years | none provided | n/a | n/a |
| BC provincial government | every 5 years - pin, at 25 yrs+ receive award selection (up to \$75 for 25 yrs, up to \$300 at 35+ yrs), annual dinner for 25+ years | Left to discretion of individual depts and their budget, corporately recommend gift of max \$100. Gifts are not to exceed the CRA policy limit of \$500 (combined) annually. | n/a | n/a |

² Specific name of the organization cannot be disclosed.

APPENDIX 1: Management’s Response to the Auditor General’s Report Entitled: “Review of Toronto Transit Commission Employee Expenses and Reward and Recognition Programs”

Recommendation 1: The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate its employee reward and recognition programs to determine if they are achieving intended goals and modify the programs where needed.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will review the Rewards and Recognition Program to evaluate whether the Program’s success is aligned with the intended goals and determine if modifications are required. Target completion date is Fall 2019.

Recommendation 2: The Board request the Chief Executive Officer, Toronto Transit Commission, to evaluate the costs vs. benefits of its employee reward and recognition programs and consider potential non-monetary recognition strategies as well as whether costs can be reduced.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

A cost benefit analysis will be completed as part of the above noted Rewards and Recognition Program review.

Recommendation 3: The Board request the Chief Executive Officer, Toronto Transit Commission, to establish a specific purchase code for expenses related to employee rewards and recognition incurred by departments.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will improve the tracking of expenditures associated with the Rewards and Recognition program as part of the SAP implementation. Target completion date is January 2019.

Recommendation 4: The Board request the Chief Executive Officer to develop reports and monitor the cost by department of the employee reward and recognition programs and ensure that funds are fairly distributed and used across the various departments.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will monitor the costs of the Rewards and Recognition program subsequent to the completion of the effectiveness review.

Recommendation 5: The Board request the Chief Executive Officer, Toronto Transit Commission, to put in place adequate processes and controls to track and reconcile all gift cards for the Zero Injury Award program. Such controls should include steps to ensure only a minimal number of gift cards is kept in inventory and that they are kept locked at all times with adequate access controls.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Gift cards which had previously been located in a locked room have been moved to a secure safe in tamper proof bags/containers.

Gift cards have been counted and inventoried by serial number. A process to control distribution is currently being developed and will be implemented by September 2018.

Recommendation 6: The Board request the Chief Executive Officer, Toronto Transit Commission, to improve controls and efficiency in the Zero Injury program to ensure that:

- a. Award presentations are occurring within two months of plateau levels being reached in order for eligible employees to receive awards
- b. Attendance sheet is provided on a timely basis
- c. Any excess owing for refreshment funds and gift cards is calculated, provided and accounted for.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

- a. As part of the review of the Rewards and Recognition Program, TTC Staff will assess the best mechanism to award employees for Zero Injury to ensure they are being rewarded in a reasonable timeframe.
 - b. TTC Staff will implement a follow up process to ensure the attendance sheet is provided on a timely basis. Target implementation date is January 2019.
 - c. TTC staff will develop a form to be completed following each presentation detailing all expenses incurred, including the serial numbers of gift cards distributed to employees. Target implementation date is January 2019.
-

Recommendation 7: The Board request the Chief Executive Officer, Toronto Transit Commission, to review the cost centres currently eligible for the Zero Injury program to ensure they meet the intent of the safety award program.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will review the cost centres currently eligible for the Zero Injury Program to ensure they meet the intent of the Program.

Recommendation 8: The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure adequate segregation of duties in the process of ordering default gifts to be shipped to employees.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

The current process will be changed to ensure adequate segregation of duties. Target completion date is September 2018.

Recommendation 9: The Board request the Chief Executive Officer, Toronto Transit Commission, to seek ways to streamline the IT processes for the safe worker, safe operator and zero injury award programs.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will engage with our IT lead to see where there are opportunities to leverage technical solutions to streamline the process for these programs.

Recommendation 10: The Board request the Chief Executive Officer, Toronto Transit Commission, to use available Presto reports to track and monitor the usage of pensioners' lifetime passes to measure the cost to the organization and mitigate the risk of potential abuse.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will leverage PRESTO data to track and monitor the usage of pensioners' lifetime passes. Target implementation date is January 2019.

Recommendation 11: The Board request the Chief Executive Officer, Toronto Transit Commission, to consider whether to reinstate a minimum number of years of service for pensioners over 60 years old, to ensure the lifetime pass is awarded to recognize length of service. Any potential modifications would need to be part of future negotiations with the unions.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

We are constrained by current Collective Bargaining Agreement (CBA) language which provides that 'The TTC will change its policy to provide a transit pass to any regular employee who retires at age 60 or older, regardless of years of service.

This item will be considered as part of future CBA negotiations with the Union and we will review non-union policy to this effect.

Recommendation 12: The Board request the Chief Executive Officer, Toronto Transit Commission, to review the criteria and current process for issuing free annual passes to non-TTC staff to ensure valid justification and adequate controls, and to minimize lost revenue opportunities.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff will reassess the issuance of courtesy passes to City Counsellors and Commissions, members of the Advisory Committee on Accessible Transit, contractors and co-op students, including established guidelines. Target completion date is January 2019.

TTC Staff will also consider providing single ride tokens/passes in lieu of time-based passes as appropriate. Completion date is January 2019.

It should be noted that the new PRESTO pass is programmed with an expiry date. When the pass holder leaves the TTC the PRESTO card must be collected and returned. If for some reason they were unable to collect the PRESTO card, the card issuer can be notified and the card deactivated.

Recommendation 13: The Board request the Chief Executive Officer, Toronto Transit Commission, to:

a. continue to strengthen controls and internal reviews regarding allowable employee expenses for business purposes

b. update policies to ensure they clarify what employee expenses are acceptable for business purposes and those that are not, and communicate the policy requirements to employees.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Acknowledging the Auditor General's findings, TTC Staff have initiated a review to strengthen controls and internal review of allowable employee expenses. Target completion date is January 2019.

Recommendation 14: The Board request the Chief Executive Officer, Toronto Transit Commission, to undertake steps to improve compliance with employee expense policy requirements regarding:

a. the level of supporting documentation needed and importance of retaining the documents in an organized manner

b. timely approval and submission of claims

c. appropriate level of signing authority

d. requirement for evaluations to be completed for external training.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

a. M&P will continue to reinforce the requirement that all supporting PCard documentation must be retained in an organized manner at their TTC work location.

- b. The Corporate Travel Policy is currently being revised to allow 60 days for the traveller to submit their Travel Expense Voucher along with appropriate supporting documentation, including credit card statements. The revised policy will be approved by January 2019.
- c. Finance is currently establishing a procedure for the processing of Request for Travel Approvals (RTA) and Travel Expense to ensure it includes verification of appropriate authorization prior to the preparation of the Travel Expense Voucher. Should the RTA require additional approvals, Finance will forward the RTA accordingly. The procedure will be implemented by January 2019.
- d. The current Training policy reads – “*After the employee has attended, they must complete the Evaluation Survey using the Electronic Workflow at which time their training profile will be updated*”. TTC Staff will update the policy and workflow process to better facilitate the trainee’s awareness for and access to the Evaluation Survey. The target date for completing the updates is January 2019.

Recommendation 15: The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure proper records management is in place and is not dependent upon whether the employee is still working at TTC or not.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

A Corporate Communication will be by issued by September 2018 to all PCard holders, reconciliation clerks and Department Heads that proper P-Card record management (both hard copy and electronic) must be maintained at all times in an organized manner at the various work locations, in accordance with TTC’s record retention policy.

Recommendation # 16: The Board request the Chief Executive Officer, Toronto Transit Commission, to develop guidelines for business trips, improving clarification on allowable expenses and number of attendees/trips per year.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Revisions to the Corporate Travel Policy are currently under review to clarify allowable expenses and the number of attendees/trip per year. Target date for approval of the revised Corporate Travel Policy is February 2019.

Recommendation # 17: The Board request the Chief Executive Officer, Toronto Transit Commission, to provide additional clarification in the following policies pertaining to:

- a. Petty cash policy – refreshments, replenishment guidance, investigative expenses restrictions
- b. Corporate travel policy – meal per diems, sundry/incidental charges, extended stays, accommodation rates, foreign exchange rate.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

a. TTC Staff will review the Expense Reimbursement policy to address the recommendation with a target completion date of January 2019.

b. The Corporate Travel Policy is currently under review to clarify the above noted expense items. Target date for approval of the revised Corporate Travel Policy is February 2019.

Recommendation 18: The Board request the Chief Executive Officer, Toronto Transit Commission, to update the training approval form to include required sign-off for available budget, prior to the training expense being approved.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Training and Employee Development is updating the training approval form in Sharepoint Workflow to include an area that requires sign off that budget is available prior to final approvals.

Recommendation 19: The Board request the Chief Executive Officer, Toronto Transit Commission, to consider options to reduce accommodation rates for TTC staff on business travel.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

As part of the review of the revised Corporate Travel Policy, TTC staff will assess how best to manage the costs of accommodation for business travel. Target date for approval of the revised Corporate Travel Policy is February 2019.

Recommendation 20: The Board request the Chief Executive Officer, Toronto Transit Commission, to explore the opportunity to share services for internal training with the City of Toronto for non-transit specific courses.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

TTC Staff explore shared training opportunities with the City of Toronto where possible and leverage the use of SKILLSOFT E-Learning catalogue courses. TTC Staff will continue to explore future opportunities with the City.