

TTC Board Meeting  
September 15, 2021

**AUDITOR  
GENERAL**  

---

**TORONTO**

# **Toronto Transit Commission (TTC) – Results of 2021 Follow-up of Previous Audit Recommendations**

**Beverly Romeo-Beehler**, FCPA, FCMA, B.B.A., JD, ICD.D, CFF  
Auditor General

**Tara Anderson**, CPA, CA, CIA  
Assistant Auditor General

# Agenda

1. Overview of our Updated Recommendation Follow-up Process
  - List of Previous TTC Audits
  
2. Results of our TTC Follow-up work and Outstanding Recommendations
  - Summary of Noteworthy 2021 TTC Follow-up Review Results
  
3. Next Steps

# 1. Overview of our Updated Recommendation Follow-up Process

- ▶ Our Office implemented a new audit management technology solution - this new system allows management to update the implementation status of outstanding recommendations online throughout the year
  - We continue to review the implementation status of all recommendations made through our audit and investigation reports
  - The results of TTC's review continue to be reported to its Board through its Audit & Risk Management Committee – the consolidated results for Agencies and Corporations are reported to City Council through the City's Audit Committee

# List of Previous TTC Audits

- Review of Wheel-Trans Services – Sustaining Level and Quality of Service Requires Changes to the Program, 2012
- Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014
- Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015
- Audit of Toronto Transit Commission Materials and Procurement Department, Phase One: Improving Controls to Safeguard Inventory, 2016
- Continuous Controls Monitoring Program – Toronto Transit Commission, Employee Overtime and Absenteeism, 2016
- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017
- Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management, 2017

# List of Previous TTC Audits (Cont.)

- Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note, 2017 (Investigation Report)
- Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 2018
- Review of Toronto Transit Commission Procurement Policies and Practices: A Case Study to Improve Future Wheel-Trans Accessible Taxi Services Procurement, 2018
- Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs, 2018
- Toronto Transit Commission – More Effective Management of Core Components, 2018 (Management Letter)
- Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, 2019
- Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, 2019

## 2. Results of our Follow-up Work

- As of August 4, 2021, TTC reported that of the **157 audit recommendations** from the 12 reports, 1 management letter and 1 investigation report:
  - **72** recommendations have been fully implemented
  - **3** recommendations are no longer relevant, and
  - action continues on the remaining **82** recommendations (i.e. work in progress and not fully implemented)
- Given the large number of recommendations reported by management as fully implemented, we focused on verifying the status of high-priority recommendations, followed by other recommendations management reported as fully implemented at the beginning of March 2021

# Results of our Follow-up Work (Cont.)

- We performed follow-up work on 46 audit recommendations (40 high priority and 6 other) reported by management as fully implemented and verified that:
  - 39 (33 high priority and 6 other, 85%) were fully implemented
  - 2 (high priority, 4%) were no longer relevant, and
  - implementation of the remaining 5 (high priority, 11%) recommendations are in progress, but we saw **substantial progress** in implementing the recommendations.
- We did not verify whether the remaining 33 recommendations reported by management as fully implemented are indeed implemented, as they were either not considered high priority and/or validation is in progress for the next TTC follow-up report.

# Results of the Auditor General's Review of the Recommendations Management has Reported as Fully Implemented

Description	Management Assertions				Validation by Auditor General's Office In Progress	Status of Recommendations based on Auditor General's Follow-Up				
	FI High Priority	FI Other	No Longer Relevant	Total		High Priority			Other FI	Total
						FI	No Longer Relevant	NFI		
TTC Audit Reports	45	27	2	74	33	28	2	5	6	41
TTC Management Letter	5	0	0	5	0	5	0	0	0	5
<b>Total</b>	<b>50</b>	<b>27</b>	<b>2</b>	<b>79</b>	<b>33</b>	<b>33</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>46</b>

# Summary of Noteworthy 2021 Follow-up Review Results

We recognize that the TTC has done the hard work in implementing many of our high-priority audit recommendations and has made substantial progress on many of the ones in progress.

Following are the **highlights** of the work done by the TTC:

- **Procurement, Materials Management, and Cores Management** – TTC realized **over \$2 million in net savings in 2020** from aftermarket parts warranty and alternate sourced parts, and **estimates \$2.5 million annual savings by the end of 2021**. TTC also made significant progress to improve the retrieval and tracking of cores. **We also noticed a positive cultural change during our follow-up review**. For example, the TTC Materials Management and the Procurement and Category Management departments have been working closely with the operations/user departments for both of the programs to identify and/or examine parts that can be alternatively sourced or tracked to utilize the aftermarket parts warranty

# Summary of Noteworthy 2021 Follow-up Review Results (cont.)

- **Bus Maintenance** – TTC made significant progress in reducing the standard repair time by two hours for one of its common bus repairs (brake reline) and will likely identify more parts with reduced repair time and increased productivity. TTC has also significantly reduced its internal rebuild of parts and started sourcing the parts from external vendors as it is less expensive.
- **Telecommunication** – TTC achieved cost avoidance by leveraging the City's agreement with its wireless vendor and achieved benefits in completing the conversion of its planned VOIP lines.
- **Wheel-Trans** – TTC undertook significant work and integrated Wheel-Trans customers into the accessible conventional transit system and is expecting cost avoidance once ridership levels increase post the COVID-19 pandemic.

# Summary of Noteworthy 2021 Follow-up Review Results (cont.)

- **Continuous Monitoring of Employee Overtime and Absenteeism** – the prioritization of this area by TTC's CEO and the completion of Wave 1 of the new system by TTC has helped staff to more closely monitor overtime and absenteeism on a continuous basis.
- **TTC Revenue Operations (Fare Evasion and PRESTO Equipment)** – TTC is expecting some recovery of its revenue loss from PRESTO once negotiations conclude.

# Summary of Noteworthy 2021 Follow-up Review Results - Impact

- Some of the areas such as Wheel-Trans and TTC Revenue Operations (fare evasion) were impacted by reduced ridership as a result of COVID-19, and the resulting cost avoidance / increased revenue / savings have not yet been realized by TTC.
- In other areas the impact of the improved service efficiencies / cost avoidance / savings **are in the process of being determined by the TTC staff and we are continuing to work together with management to quantify and report out on these.**

# 3. Next Steps

- **Management also reported an additional 33 recommendations as fully implemented** that we are in the process of validating for a future follow-up report.
- **We will continue to monitor the implementation status of the remaining 82 recommendations** that Management stated as being currently in progress.
- **The consolidated follow-up results** of Agencies and Corporations, including these TTC results, will be reported to the City Audit Committee at its **November 2, 2021** meeting.
- **Thank you** to the TTC management and staff for their cooperation and assistance, including the **Audit and Risk Compliance department** for their assistance in facilitating TTC's regular status updates in the new recommendation tracking system.

