



**For Action
with Confidential Attachment**

Toronto Transit Commission 2024 Follow-up – Status of Previous Auditor General’s Recommendations

Date: June 20, 2024
To: TTC Board
From: Audit & Risk Management Committee

Reason for Confidential Information

This report contains information related to the security of the property of the municipality or local board.

Summary

The Audit & Risk Management Committee on June 5, 2024, reviewed the Toronto Transit Commission 2024 Follow-up – Status of Previous Auditor General’s Recommendations, and forwarded the report to the TTC Board for consideration.

Recommendations

It is recommended that the TTC Board:

1. Receive this report for information and forward this report to City Council for information through the City’s Audit Committee.
2. Direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of property belonging to the TTC.

Attachments

Attachment 1 – Toronto Transit Commission 2024 Follow-up – Status of Previous Auditor General’s Recommendations

Toronto Transit Commission 2024 Follow-up – Status of Previous Auditor General’s Recommendations

Date: May 23, 2024

To: Toronto Transit Commission Audit and Risk Management Committee

From: Auditor General

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report involves the security of property belonging to the Toronto Transit Commission.

SUMMARY

The Auditor General reviews the implementation status of recommendations made through her audit and investigation reports. The results of the review are reported to City Council through the Audit Committee, and for the Toronto Transit Commission (TTC) are first reported to its Audit and Risk Management Committee and its Board.

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.

In this follow-up cycle, we have reviewed the status of 63 out of 87 recommendations reported by management as fully implemented from the following nine reports and one management letter:

- 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, PhaseOne: Improving Controls to Safeguard Inventory, 2016

- Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017
- Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 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
- Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management, 2022

Of the 63 recommendations we selected for review (44 high priority and 19 others), we determined 42 as fully implemented (FI), eight recommendations as no longer applicable and 13 as not fully implemented (NFI). The NFI recommendations include nine recommendations that are considered high priority where we believe management should expedite their implementation.

A recommendation is determined as NFI because the actions taken by management or the extent of improvements did not fully address the issue or management was not able to provide sufficient and appropriate evidence during the follow-up review.

This report provides the status of the implementation of the 177 audit recommendations contained in 11 audit reports, one management letter and one investigation report issued to the Toronto Transit Commission (TTC).

The results of the current follow-up review are summarized in Exhibit 1. In Exhibit 2, we summarize the status of outstanding recommendations by audit report. Refer to Exhibit 3 for a summary of aging of high priority recommendations by report.

The status of the investigation recommendations are included in Attachment 2. The only investigation recommendations are from the report entitled "Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note, 2017". These recommendations were not included in the scope of our current follow-up review. We will be undertaking work to validate management's assertions in the near future.

The results of this follow-up review will be included in our consolidated report on the status of outstanding recommendations to be presented at the City's Audit Committee meeting on July 5, 2024.

We express our appreciation for the co-operation and assistance we received from TTC management and staff in providing regular updates on the status of recommendations in our tracking system, and for their assistance on this follow-up review.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Toronto Transit Commission Audit and Risk Management Committee receive this report for information and forward the report to the Toronto Transit Commission Board (the Board).
2. The Board direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of property belonging to the TTC.
3. The Board forward this report to City Council for information through the City's Audit Committee.

FINANCIAL IMPACT

Please refer to the Section “**SUMMARY OF NOTEWORTHY 2024 FOLLOW-UP REVIEW RESULTS**” in the attached audit report for details about savings from the current follow-up review.

The Auditor General reports on the significant financial and non-financial impacts the TTC realizes by implementing the Auditor General's recommendations through her Annual Report. For the savings that have been realized, please refer to the 2023 annual report entitled: “Auditor General's 2023 Annual Report - Demonstrating the Value of the Auditor General's Office” that was tabled at the February 23, 2024 Audit Committee meeting. The annual report states that every dollar invested in the Auditor General's Office, there is a return of about \$12. The report is available at:

[Auditor General's 2023 Annual Report - Demonstrating the Value of the Auditor General's Office \(toronto.ca\)](#)

Additional savings identified during this follow-up cycle that were not included in the 2023 Annual Report will be reflected in the Auditor General's 2024 Annual Report.

DECISION HISTORY

The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it helps to ensure that management has taken appropriate actions to implement the recommendations from previous Auditor General reports.

Toronto's Municipal Code, Chapter 3, Section 3.1.6 also requires the Auditor General to submit the annual report required under Subsection A to Council through the Audit Committee, which also includes the savings achieved.

The follow-up review is part of the Auditor General's annual work plans. The 2024 Audit Work Plan is available at:

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-240792.pdf>

The Auditor General reports to the City's Audit Committee each year on the implementation status of outstanding recommendations.

The Auditor General's follow-up of outstanding recommendations does not constitute a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). However, we believe that we have performed sufficient work to validate management's assertions on the implementation of recommendations.

COMMENTS

The attached audit report provides the TTC Audit and Risk Management Committee, and the TTC Board with the results of this follow-up review along with the Auditor General's highlight of noteworthy recommendations, such as those that have resulted in financial or non-financial benefits after implementation.

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SIGNATURE



Tara Anderson
Auditor General

ATTACHMENTS

Attachment 1: Toronto Transit Commission Follow-up - Status of Previous Auditor
Generals Recommendations

Attachment 2: Toronto Transit Commission – Auditor General’s Investigation Report
Recommendations

Confidential Attachment 1



Toronto Transit Commission Follow-up – Status of Previous Auditor General’s Recommendations

May 23, 2024

Tara Anderson, CPA, CA, CIA, BAcc
Auditor General

**AUDITOR
GENERAL**

TORONTO



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Executive Summary

The Auditor General (AG) reviews the implementation status of recommendations made through her audit and investigation reports. The results of the follow-up review are reported to City Council through the Audit Committee, and for the Toronto Transit Commission (TTC) are first reported to its Audit and Risk Management Committee and its Board.

This report includes the status of the 177¹ audit recommendations contained in 11 audit reports, one management letter, and one investigation report, issued to the TTC. In Exhibit 2, we summarize the status of outstanding recommendations by audit report.

In this follow-up cycle, we have reviewed the status of 63 out of 87 recommendations reported by management as fully implemented from the following nine reports and one management letter²:

1. Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014
2. Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015
3. Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017
4. Toronto Transit Commission – More Effective Management of Core Components, 2018 (Management Letter)
5. Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 2018

¹ The 177 recommendations include 168 recommendations from the 10 reports with outstanding recommendations (see Exhibit 2 for details) and the nine recommendations from the two reports and one management letter with all the recommendations closed by April 30, 2024 (see Exhibit 1 for details).

² For items #1 - #8, refer to section “**SUMMARY OF NOTEWORTHY 2024 FOLLOW-UP REVIEW RESULTS**” for further details of the recommendations implemented that have a financial impact or made a significant impact to controls, safety, or other high-risk areas. Refer to Exhibit 1 for Results of the Auditor General’s 2024 Follow-up Review.

6. Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, 2019
7. Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, 2019
8. Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management, 2022
9. Audit of Toronto Transit Commission Materials and Procurement Department, Phase One: Improving Controls to Safeguard Inventory, 2016
10. Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs, 2018³

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.

Of the 63 recommendations we selected for review (44 high priority and 19 others), we determined 42 as fully implemented (FI), eight recommendations as no longer applicable, and 13 as not fully implemented (NFI).⁴ The NFI recommendations include nine recommendations that are considered high priority where we believe management should expedite their implementation.

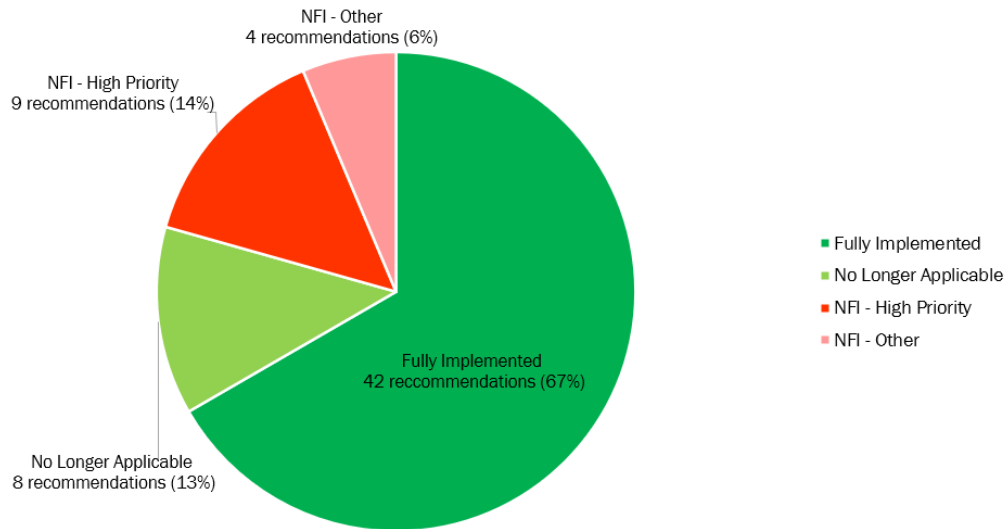
A recommendation is determined as NFI because the actions taken by management or the extent of improvements did not fully address the issue, or management was not able to provide sufficient and appropriate evidence during the follow-up review.

³ For this report, we reviewed one high-priority recommendation that management reported as fully implemented. Refer to Exhibit 1 for the recommendation and status.

⁴ Refer to Exhibit 1 for the listing of the recommendations that are assessed as fully implemented and/or no longer applicable during this follow-up review. The 13 recommendations assessed as not fully implemented (nine high-priority and four others) are included in the listing in Exhibit 2.

The results of our follow-up review are summarized in Figure 1 below:

Figure 1: Auditor General's Validation of Recommendations Reported as Fully Implemented by Management

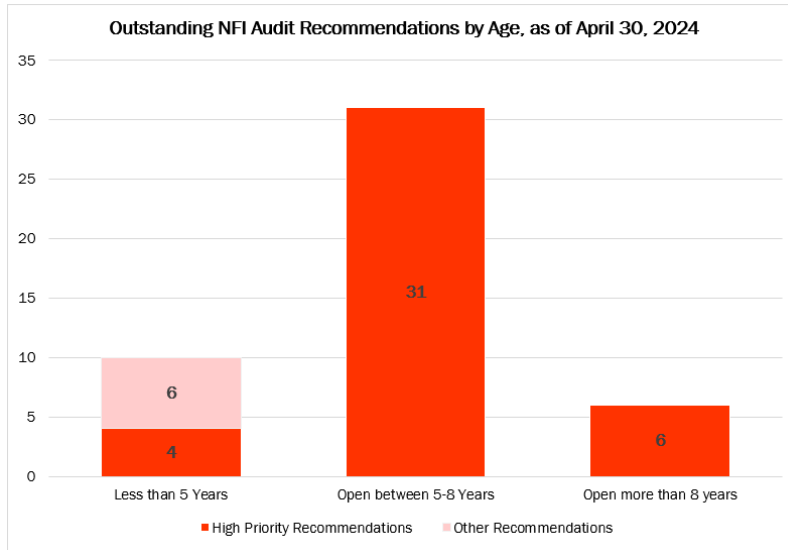


The results of the current follow-up review are summarized in Exhibit 1. TTC has made substantial progress in many areas as discussed in the noteworthy results section of this report.

As of April 30, 2024, out of the 168 recommendations from the 10 reports⁵, 47 (28%) remain not fully implemented (NFI). Figure 2 below provides the length of time the 47 recommendations have been outstanding.

⁵ These are the reports that still have outstanding recommendations by the end of this follow-up review. Refer to Exhibit 2 for details.

Figure 2: Outstanding NFI Audit Recommendations by Age as of April 30, 2024



Note: Recommendations that remain open for more than 5 years are ranked as high priority for management to expedite implementation.

As shown in Figure 2 above, there are a number of recommendations that are high priority and/or have been outstanding for more than five years. It is critical that management expedite the implementation of these recommendations to address concerns raised during the audits in a timely manner.

Refer to Exhibit 3 for a summary of aging of high priority not fully implemented recommendations by reports.

The status of the investigation recommendations are included in Attachment 2. These are from the report entitled "Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note, 2017". These recommendations were not included in the scope of our current follow-up review. We will be undertaking work to validate management's assertions in the near future.

The results of our 2024 follow-up review will be included in our consolidated report on the status of outstanding recommendations to be presented at the City's Audit Committee meeting on July 5, 2024.

We express our appreciation for the co-operation and assistance we received from TTC management and staff in implementing the Auditor General's recommendation tracking system and providing regular updates on the status of recommendations.

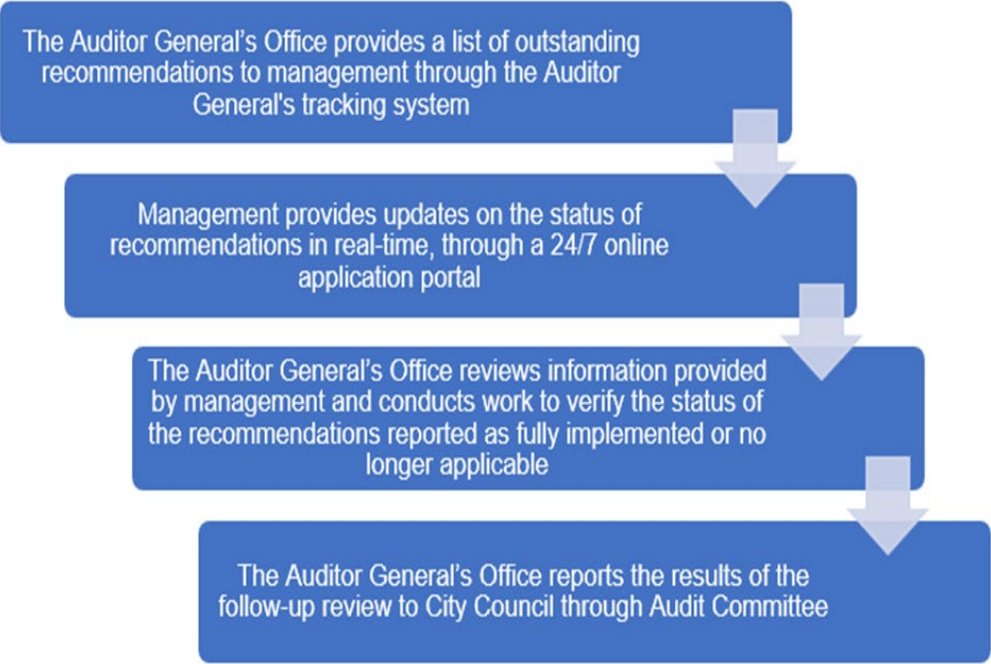
Background

Overview of the Auditor General's follow-up process

Our follow-up process as summarized in Figure 3 below, requires management to review the outstanding recommendations and provide information on their implementation status.

Where management is continuing to take actions to address recommendations and has reported the recommendation as not yet fully implemented, we do not generally conduct follow-up work until it has been reported by management as fully implemented.

Figure 3: Key Steps in the Recommendation Follow-up Process



For recommendations that management has reported as fully implemented or no longer applicable, management is required to provide an explanation as well as sufficient and appropriate supporting documentation. The Auditor General's Office conducts work to verify the status of these recommendations.

We classify recommendations as high priority where there is a significant potential for savings, or high risks such as health and safety, or the recommendation has been outstanding for over five years. Management should expedite the implementation of these recommendations. Looking ahead, we will continue to focus on reports with high priority recommendations.

In each follow-up report, the Auditor General highlights noteworthy recommendations, such as those that have resulted in financial or non-financial benefits after implementation.

SUMMARY OF NOTEWORTHY 2024 FOLLOW-UP REVIEW RESULTS

This section includes noteworthy results from implementing recommendations in the current follow-up review. We considered results as noteworthy where there was either an actual or potential financial benefit, or the actions taken addressed a significant risk or improvement in controls.

1. Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014

In 2013-2014, the Auditor General conducted audits of the TTC's Bus Maintenance and Shops Department and issued two reports.

The Phase 1 report, focused on maintenance and warranty administration related to conventional buses, and included 18 recommendations to help improve effectiveness and efficiency of preventative maintenance inspections, quality of repairs, staff training, the economy of bus rebuild functions, and warranty administration. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-67395.pdf>

Seventeen out of 18 recommendations were closed in prior years. During the current follow-up review cycle, we followed up on the last recommendation that management reported as fully implemented. However, the recommendation still requires further actions and was determined as not fully implemented.

Recommendation 8 required management to:

- a) establish standard repair times for the common bus repairs,
- b) develop procedures to monitor efficiency of bus repair activities, and
- c) incorporate the standard repair times into part of technician performance evaluation.

We verified that TTC management has implemented parts b) and c) of the recommendation; however, during the current follow-up review, we noticed that TTC has stopped its practice to continuously identify common bus repairs and assess whether there are opportunities to establish more standard repair times (part a) of the recommendation.

TTC management was also not able to demonstrate that the established standard repair times for preventative and corrective maintenance activities that have already been identified represent a significant portion of Bus Maintenance's total operation.

TTC management, however, recognizes, that reviewing preventative maintenance and correct maintenance activities is a continuous and ongoing practice that is required to update standard repair times. TTC management advised us that Bus Maintenance, since the follow-up audit, have reassigned the review and analysis of Standard Repair Times to a designated manager.

2. Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015

The Phase 2 report focused on management and maintenance of non-revenue fleet, and included 21 recommendations pertaining to management structure, vehicle and equipment acquisition, inventory management, rental vehicles, garage operations, and warranty administration. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-79717.pdf>

Fourteen out of 21 recommendations were closed in prior years. During the current follow-up review cycle, we followed up on six recommendations that management reported as fully implemented. We verified that management has fully implemented one recommendation, one recommendation is no longer applicable but the other four recommendations were determined as not fully implemented. TTC management has been taking steps to improve its management of non-revenue vehicles.

Of the four recommendations, two recommendations are related to oversight of the non-revenue vehicles and additional measures and tools are required to fully implement these recommendations. For the remaining other two recommendations, we concluded as not fully implemented because TTC is not able to provide us with sufficient reliable data to verify that the changes are effective, and that the intent of our recommendations have been addressed. For example:

Recommendation 18 required management to take steps to shorten garage service turnaround time for non-revenue fleet by addressing issues pertaining to garage capacity, availability of technicians, parts availability, and maintenance scheduling. TTC advised us that the following steps have been taken to address the recommendation:

- materials and procurement parts delivery time has been shortened
- a new large facility was procured to further expand TTC's capacity to repair non-revenue vehicles.

In order to verify effectiveness of the changes, we requested inspection records to determine whether service turnaround time has been shortened. However, TTC management was unable to demonstrate through work orders that service turnaround times have improved. Therefore, we concluded this recommendation as not fully implemented. We will verify the implementation status in a future follow-up review.

3. Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017

4. Toronto Transit Commission – More Effective Management of Core Components, 2018 (Management Letter)

Our audit report on procurement included 19 recommendations to help improve the management of inventory, the efficiency of the purchasing activities, and controls over non-competitive purchases. The report is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105264.pdf>

Eight out of 19 recommendations were closed in prior years. During the current follow-up review cycle, we followed up on five recommendations that management reported as fully implemented. We determined that all five recommendations have been fully implemented. In particular, TTC was able to collect sufficient data to demonstrate cost savings from improved core management processes.

Furthermore, our management letter included six recommendations to improve the management of core components. Five out of six recommendations were closed in prior years. During the current follow-up review cycle, we followed up on the remaining recommendation that management reported as fully implemented. We verified that the last recommendation has been fully implemented.

Recommendation 2 (from the audit report) required management to undertake steps to improve the tracking and retrieving of cores in order to maximize the use of cores in vehicle rebuild programs and avoid paying for additional core charges when purchasing remanufactured parts. In our 2021 follow-up review, we highlighted that TTC had made significant progress to improve the retrieval and tracking of core components. Since then, TTC management further improved its KPIs and rolled the practice out to additional store rooms. Based on the data provided by TTC, by implementing the recommendation, we estimated that the savings are in the range of \$4 million to \$9.4 million in the past 5.5 years (\$0.74 million to \$1.7 million annually). Furthermore, TTC's Materials Management team started to manage additional cores since TTC discontinued its internal rebuild program for engines and transmissions in 2021 and has been realizing savings as expected.

TTC management advised that they are continuously working on the remaining six outstanding recommendations. By implementing these recommendations, TTC may be able to achieve additional savings through its improved strategic sourcing of goods and services and implementation should be expedited on these recommendations.

5. Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 2018

The Auditor General completed an audit of the TTC's telecommunication contracts and payments in 2018. The report entitled "Toronto Transit Commission: Managing Telecommunication Contracts and Payments" was tabled at the TTC's May 29, 2018 Audit and Risk Management Committee meeting. This TTC report contained 13 recommendations focusing on:

- a. Improving controls in acquisition and management of telecommunication services,
- b. Reducing costs by timely discontinuing services that are not needed, and
- c. Strengthening invoice verification to avoid overpayments.

The audit report is available at:

<https://www.toronto.ca/legdocs/mmis/2018/au/bgrd/backgroundfile-117559.pdf>

During our current follow-up review cycle, we followed up on nine recommendations that management reported as fully implemented. We determined that eight out of nine recommendations have been fully implemented, and the remaining one recommendation relating to improving controls on tracking of mobile devices still requires further actions and was determined as not fully implemented. TTC management advised that actions are in progress on this recommendation and that new system implementation is expected to be complete by Q4 2024.

Key highlights of the result of our current follow-up are provided below:

A. Disconnection of unused data circuits

Recommendation 4 required the TTC to review the unused 250 voice and data communication circuits that were identified during the audit and disconnect those that were not needed. The TTC completed the review and identified 60 out of 250 circuits as no longer needed. The subscription of these circuits was cancelled resulting in savings of \$195,000 annually (or a total of \$975,000 over 5 years).

B. Improvements in the TTC's invoice verification and approval process

Recommendations 5 and 7 required the TTC to improve their telecommunication invoice verification process. We found that the TTC has taken actions and improved the process by training staff and initiating detailed verification of invoices with the contracted rates.

Our review of a selected sample of invoices from 2022 to 2023 noted savings of \$52,000, as TTC staff avoided overpayments on 17 invoices due to improved invoice verification. Overall, TTC may have prevented more overpayments because of improved verification of invoices initiated since 2021.

6. Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, 2019

The audit of the TTC's revenue operations was conducted in two phases. The focus of the Phase one audit report was on fare evasion and fare inspection. The report contains 27 recommendations to:

- Decrease TTC's fare evasion rates
- Increase passenger revenue, and
- Improve the effectiveness and efficiency of TTC's fare inspection program

The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-130632.pdf>

Four out of 27 recommendations were closed in prior years. At the beginning of the current follow-up review, TTC management reported 10 recommendations as fully implemented. After our initial interviews and discussions, management decided to change five of the recommendations back to in-progress due in part to the issues identified in the fare evasion study conducted by TTC's Audit, Risk and Compliance department and reported out at the March 19, 2024 TTC Audit and Risk Management Committee meeting.

Out of the five recommendations left as management reporting as fully implemented, we determined that one recommendation has been fully implemented, three recommendations are no longer applicable, and the remaining one recommendation still requires further actions and was determined as not fully implemented.

Recommendation 16 required management to make the necessary changes to the Child PRESTO cards, including negotiating with Metrolinx to provide a different light and sound on PRESTO card readers for Child PRESTO cards from other concession types.

As a result of implementing this recommendation, based on the data TTC provided on PRESTO fare payment taps, the number of taps by Child PRESTO cards dropped significantly in the several weeks following the system change. The number of taps for Child PRESTO cards decreased from over 215,000 taps per week to less than 41,000 taps per week, a decrease of 170,000 taps (79 per cent). For the same period of time, there was an increase of over 170,000 payment taps using PRESTO cards for adults, with the exception of the Thanksgiving holiday week (week of October 10, 2021). If we assume that 50 per cent of the decreased taps in Child PRESTO cards resulted in a corresponding increase in paid taps, then we estimate TTC's passenger revenue has increased by approximately \$13.5 million annually due to a reduction in the fraudulent use of Child PRESTO cards by persons older than the age of 12.

In our 2019 audit report, we identified opportunities for the TTC to protect its passenger revenue and reduce its fare evasion rates. This included recommended improvements to the efficiency and effectiveness of its fare inspection program. At the time of our audit, we estimated that the TTC's overall the fare evasion rate was 5.4 per cent weighted average rate with a loss passenger revenue of \$61 million due to fare evasion in 2018.

TTC management requested its Audit, Risk and Compliance department to complete a re-baseline measurement of the fare evasion rate post COVID-19. According to the study, TTC estimated that the overall fare evasion rate has increased to 11.9 per cent weighted average rate (streetcar 29.6%, subway stations 6.3%, buses 12.9%) with an estimated loss passenger revenue of \$123.8 million (Streetcar \$30.2 million, Subway stations \$26.5 million, Bus \$67.1 million) due to fare evasion in 2023. At TTC's Audit and Risk Management Committee meeting on March 19, 2024, it was adopted:

"That the Audit & Risk Management Committee direct the CEO to propose a faster and more thorough action plan to address the problems identified in the 2023 Fare Evasion Study and to present it to the TTC Board for approval in May 2024."

Currently, 19 of the 27 recommendations are still outstanding, which includes the recommendation concluded to be not fully implemented from this follow-up review. In our 2019 audit report, we estimated that a one percentage point reduction in fare evasion would result in about \$11 million additional annual passenger revenue based on 2018 ridership. Implementing the outstanding recommendations from this report should help TTC reduce the fare evasion rate and increase its passenger revenues. TTC management advised that they are working on a fare compliance strategy which will aim to address many of these NFI recommendations.

7. Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, 2019

The focus of the Phase two audit report was on PRESTO/TTC fare equipment and PRESTO revenue. The audit report included 34 recommendations to help both TTC and Metrolinx address issues with the functionality of the PRESTO fare equipment and the incident management process, improve the accuracy and completeness of the availability calculation of PRESTO card readers, as well as provide TTC with required information/data to monitor and address its risks related to completeness of PRESTO revenue.

The report is available at:

<https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-139138.pdf>

Two out of the 34 recommendations were closed in prior years. During the current follow-up review cycle, we followed up on 27 recommendations that management reported as fully implemented. We verified that 18 of these recommendations have been fully implemented, four of these recommendations are no longer applicable, and the remaining five recommendations still require further actions and were determined as not fully implemented.

During our current follow-up process, we verified that many of the recommendations from the 2019 audit have been fully implemented and that the TTC and Metrolinx have worked together to improve the availability and reliability of PRESTO fare equipment, including taking the following actions:

- Upgraded the PRESTO fare payment devices
(Recommendation 1)
- TTC and Metrolinx have both improved their incident management processes **(Recommendations 8, 9, 13)**
- Metrolinx has upgraded its software and improved its reporting capabilities, and now provides the necessary data/information to TTC, for TTC staff to monitor the availability of PRESTO fare payment devices
(Recommendations 3, 5, 6, 10)

As a result, we estimated that TTC is now recording an additional \$1.56 million in fare revenue in 2023. Moving forward, we estimated that TTC will be recording \$1.9 million more annually compared to revenue recorded at the time of the original audit, as a result of improvements to the availability of PRESTO fare equipment.

Recommendation 29 required the TTC and Metrolinx to undertake steps to ensure that there were sufficient controls in place to ensure completeness of TTC's revenue, including the sales of transit period passes (e.g. monthly pass) and transit tickets (e.g. single-ride tickets). During our current follow-up process, we verified that two new controls were implemented by Metrolinx that are designed to identify missing sales transactions of both transit period passes and transit tickets, and subsequently remit the corresponding revenue to TTC.

As a result of these new controls, TTC received a total of \$191,000 from missing transit period pass and ticket sale transactions for the period from July 2019 to December 2023.

Recommendations 2 and 4 required TTC and Metrolinx to work together to ensure that the PRESTO card reader availability rate calculation includes all vehicles and devices that were in-service. While improvements have been made with TTC's Vision system being integrated with Metrolinx's PRESTO system, our follow-up audit procedures tested samples of daily availability rate calculations and identified that in our samples there were approximately 1-2% of devices still missing in each of the availability rate calculations. These missing devices were not identified by TTC due to gaps in their availability rate validation procedures. TTC should ensure that all in-service vehicles and PRESTO devices are properly integrated with the PRESTO system and included in the availability rate calculation.

Currently, 10 of the 34 recommendations are still outstanding, which include the five not fully implemented recommendations from this follow-up review.

Five of the outstanding recommendations will help improve the completeness of the fare equipment availability rate calculations, as well as the completeness of transactions uploaded to the Central System.

The other five of the outstanding recommendations relate to TTC and Metrolinx finalizing the Service Level Agreement, revenue loss methodology, and implementation plan for the remaining contractual obligations and deliverables. TTC management advised us that work is underway, together with Metrolinx, to address these outstanding recommendations.

8. Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management, 2022

Cyberattacks are widely considered to be one of the most critical operational risks facing organizations.

As a large City organization with reliance on information technology for its transit operations, the TTC is an attractive target for cyber threat actors to gain unauthorized access to its information systems and disrupt operations for financial gains and other malicious purposes.

The Auditor General has been proactive in performing cybersecurity audits at the City and its Agencies and Corporations and has completed several cybersecurity audits since 2015. The Auditor General completed her Phase 1 audit of cybersecurity at the TTC in April 2022. The report was tabled at the TTC's April 14, 2022 Board meeting and contained six confidential recommendations to improve controls. The Phase 1 public report is available at:

Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management

During our current follow-up cycle, we followed up on five recommendations that management reported as fully implemented. We determined that all five recommendations have been fully implemented. One recommendation was determined as fully implemented in the previous follow-up cycle. See **Confidential Attachment 1** for the status of recommendations from this report.

Conclusion

We will continue to verify recommendations reported by management as fully implemented, focusing on selected reports with high-priority recommendations with our available resources, and will report our results in future follow-up reports.

While management continues to make progress in implementing recommendations, the Auditor General has not yet verified all recommendations reported by management as fully implemented. However, this does not slow or impact management's ability to continue to make further progress on addressing outstanding recommendations and to take appropriate action to address risks and achieve intended savings and efficiencies.

We would like to express our appreciation for the co-operation and assistance we received from management and staff at the Toronto Transit Commission.

Exhibit 1: Toronto Transit Commission – Results of the Auditor General’s 2024 Follow-up Review

#	Auditor General Reports & Recommendations In Scope	In Scope Recommendations	Auditor General Assessment		
			Fully Implemented	No Longer Applicable	Not Fully Implemented
1	Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration (2014)	1			1
2	Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance (2015)	6	1	1	4
3	Audit of Toronto Transit Commission Materials and Procurement Department, Phase One: Improving Controls to Safeguard Inventory (2016)*	3	3		
4	Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings (2017)	5	5		
5	Toronto Transit Commission: Managing Telecommunication Contracts and Payments (2018)	9	8		1
6	Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs (2018)	1			1
7	Toronto Transit Commission – More Effective Management of Core Components, 2018 (Management Letter)*	1	1		
8	Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection (2019)	5	1	3	1
9	Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue (2019)	27	18	4	5
10	Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management (2022)* (see CONF ATT1)	5	5		
Total		63	42	8	13

* All the recommendations from the two audit reports and one management letter were closed by the end of the follow-up review, with a total of nine recommendations closed during the current follow-up review.

LISTING OF THE RECOMMENDATIONS THAT ARE CLOSED⁶ DURING THE 2024 FOLLOW-UP PROCESS⁷

Report Title: Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015

No.	Recommendation
<i>Fully Implemented</i>	
#7	The Board request the Chief Executive Officer to ensure that vehicle life cycle costs are actively monitored and analyzed as part of the non-revenue fleet management functions. A re-assessment of the current non-revenue vehicle replacement criteria should be undertaken to ensure the criteria are effective in preventing excessive maintenance and repair costs.
<i>Not Applicable</i>	
#20	The Board request the Chief Executive Officer to establish a formal warranty management process for non-revenue vehicles and fleet equipment such that warranty claims are maximized.

Report Title: Audit of Toronto Transit Commission Materials and Procurement Department, Phase One: Improving Controls to Safeguard Inventory, 2016

No.	Recommendation
<i>Fully Implemented</i>	
#5	The Board request the Chief Executive Officer to take steps to improve access controls to safeguard inventory at all Toronto Transit Commission satellite stores including: <ul style="list-style-type: none"> a. Assessing the costs and benefits of converting open stores to the 24/7 model. b. Increasing staff compliance with the requirement to accurately record all inventory items removed from stores, and c. Exploring other options that can improve access controls to inventory at open stores.
#6	The Board request the Chief Executive Officer to review the current state of physical security at Toronto Transit Commission inventory facilities in particular the satellite stores to ensure a reasonable level of physical security at all sites.
#8	The Board request the Chief Executive Officer to review and improve the current physical count practice at Toronto Transit Commission stores, consisting of both cycle and strip counts, to achieve consistent and accurate physical count results. This should include a review of the merits and practicality of requiring staff to conduct daily “strip counts” at Toronto Transit Commission satellite stores.

⁶ Recommendations are considered closed when they are assessed as fully implemented or not applicable.

⁷ Refer to Confidential Attachment 1 for the recommendations from the audit report “Toronto Transit Commission Cybersecurity Audit Phase 1: Critical IT Assets and User Access Management”.

In addition, the listing excludes the recommendation from the Management Letter “Toronto Transit Commission – More Effective Management of Core Components”.

Report Title: Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017

No.	Recommendation
<i>Fully Implemented</i>	
#2	The Board request the Chief Executive Officer, Toronto Transit Commission, to undertake steps to improve the tracking and retrieving of cores in order to maximize the use of cores in vehicle rebuild programs and avoid paying for additional core charges when purchasing remanufactured parts.
#5	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure procurement policies and procedures provide clear directions and guidelines for Buyer's Discretion purchases and its subsequent amendment, and applicability of the dollar threshold.
#6	The Board request the Chief Executive Officer, Toronto Transit Commission, to implement measures to monitor compliance with Buyer's Discretion procurement policy requirements, and to ensure the requirements are effectively communicated to staff involved in the procurement process.
#8	The Board request the Chief Executive Officer, Toronto Transit Commission (TTC) to formalize the process and requirements for seeking client department input in the bid evaluations for purchases involving subjective criteria or complex technical aspects. The formalized procedure should be posted on TTC intranet to be accessible by all staff.
#10	The Board request the Chief Executive Officer, Toronto Transit Commission, to consider publishing a notice of sole source intent prior to engaging in non-competitive procurement for large dollar value sole source purchases where only one company is known to supply the goods or services, but others may exist.

Report Title: Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 2018

No.	Recommendation
<i>Fully Implemented</i>	
#2	The Board request the Chief Executive Officer, Toronto Transit Commission, to expedite the evaluation of the land lines excluded from Phase 1 VOIP implementation, and a detailed plan should be developed for implementation of VOIP throughout the TTC to achieve intended savings.
#3	The Board request the Chief Executive Officer, Toronto Transit Commission, to develop and implement procedures to: <ul style="list-style-type: none"> a. Maintain an up-to-date inventory of all telecommunication services (wireless plans, land lines, cellular modem subscriptions and communication circuits). b. Identify and disconnect unused telecommunication services (wireless plans, land lines, cellular modem subscriptions and communication circuits) on a timely basis.

	Information reports, such as phones with no activity and staff with multiple phone lines should be developed for ongoing periodic review.
#4	The Board request the Chief Executive Officer, Toronto Transit Commission, to review and evaluate the unused telecommunication services identified during the audit, and terminate those services that are no longer needed.
#5	The Board request the Chief Executive Officer, Toronto Transit Commission, to develop a procedure to have end-user department staff review and verify telecommunication service invoices before payment.
#7	The Board request the Chief Executive Officer, Toronto Transit Commission, to: a. Update current invoice verification procedure to include the use of available electronic data provided by vendors. b. Ensure staff conduct detailed invoice verification as per the documented invoice verification procedure.
#10	The Board request the Chief Executive Officer, Toronto Transit Commission, to obtain missing telecommunication service pricing agreements identified during the audit and ensure that all payments adhere to the agreed prices. The overpayments, if any, relating to prior periods should be recovered from the vendors accordingly.
#11	The Board request the Chief Executive Officer, Toronto Transit Commission, to implement a process for TTC capital projects involving information technology work to ensure: a. IT Services Department is consulted for technology related work; b. Detailed estimates are prepared during planning, and adequately reviewed prior to the award of the work; c. Purchase orders are issued on a timely basis prior to the start of the work; d. Adequate documentation is obtained before payments are approved.
#12	The Board request the Chief Executive Officer, Toronto Transit Commission, to implement a telecommunication inventory management system to track all wireless devices and equipment from time of purchase to disposal.

Report Title: Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, 2019

No.	Recommendation
<i>Fully Implemented</i>	
#16	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to make the necessary changes to the Child PRESTO cards so that bus and streetcar operators can spot inappropriate use of PRESTO concession cards including:</p> <ul style="list-style-type: none"> a. Negotiate with Metrolinx to provide a different light and sound on PRESTO card readers for Child PRESTO cards from other concession types; and b. Perform cost benefit analysis and consider making change to Toronto Transit Commission revenue vehicles to include display of the PRESTO concession type for bus and streetcar operators.

<i>Not Applicable</i>	
#13	The Board request the Chief Executive Officer, Toronto Transit Commission, to re-assess whether there is a critical need to issue Child PRESTO cards, balancing provision of good customer service with the risk of fraudulent use of the Child Cards.
#15	The Board request the Chief Executive Officer, Toronto Transit Commission, to explore ways to provide a Child PRESTO Card that is visually different from an Adult PRESTO card, including further negotiation with Metrolinx to issue visually different PRESTO cards for adults and children aged 12 and under.
#19	The Board request the Chief Executive Officer, Toronto Transit Commission, to work with Metrolinx to determine the feasibility of temporarily suspending the Child PRESTO cards on the Toronto Transit Commission until appropriate controls are in place.

Report Title: Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, 2019

No.	Recommendation
<i>Fully Implemented</i>	
#1	The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx and its vendors to: <ul style="list-style-type: none"> a. identify the root cause for frozen and intermittent PRESTO card readers; b. develop a method to detect above issues in the device monitoring software tool; and c. ensure frozen and intermittent readers are included in the PRESTO card reader availability calculation.
#3	The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to: <ul style="list-style-type: none"> a. explore ability to have more frequent pinging while ensuring impact on device performance and customer experience is minimized; and b. discuss using the most frequent device status during an interval instead of the latest event for the availability rate calculation.
#5	The Board request the Chief Executive Officer, Toronto Transit Commission, to continue discussions with Metrolinx to: <ul style="list-style-type: none"> a. obtain the daily PRESTO card reader availability spreadsheet for all seven days of the week, including weekends and holidays in Canada; and b. ensure that TTC's availability calculation includes holidays in the country of PRESTO's vendor.

#6	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to:</p> <ul style="list-style-type: none"> a. ensure the availability calculation of PRESTO vending machines includes all out-of-service incidents, including the status when the coin box is full, and the machine is not available for the customer to pay by coins; and b. provide TTC with the detailed back-up data/information that supports the weekly availability rate.
#8	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to:</p> <ul style="list-style-type: none"> a. ensure that PRESTO's vendor's monitoring team is consistently logging tickets for all out-of-service card readers, even if able to successfully recover remotely; and b. regularly receive a log of devices that successfully re-boot.
#9	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to:</p> <ul style="list-style-type: none"> a. provide training and communication to TTC forepersons for them to log all tickets in PRESTO's incident management system (ServiceNow) for PRESTO issues identified by TTC staff, including TTC operator sign-in sheets; and b. require TTC technicians to maintain a log of PRESTO devices reset, including whether the reset was successful or not in resolving the PRESTO issue, and provide this to TTC forepersons and PRESTO repair staff.
#10	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to discuss with Metrolinx:</p> <ul style="list-style-type: none"> a. enabling data extraction from the device monitoring software tool in a usable format; b. consideration of updating to a new version of device monitoring software tool that includes reporting capability; and c. the ability to maintain and obtain data logs for greater than 60 days from the device monitoring software tool.
#11	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to request Metrolinx to regularly provide a running list for all swapped devices, including the device IDs for both the original and swapped devices and mapping to the vehicle.</p>
#12	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to request Metrolinx to ensure that for all PRESTO card readers, an inventory log is regularly provided to TTC, including mapping by device IDs to the vehicle numbers.</p>

#13	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure the TTC Bus Transportation department:</p> <ul style="list-style-type: none"> a. reiterates the importance to TTC Operators to sign in all PRESTO issues, even if they are a daily or intermittent occurrence; b. evaluates the need for additional communication and/or training for TTC Operators on the sign-in process; and c. implements a process that reconciles all vehicles to the sign-in sheets to ensure all are signed in, and for any not signed in, a separate list is maintained which includes the reason for not being signed in and whether there were any issues.
#15	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to run daily reporting on warnings for the coin box being full or 75 per cent full, and ensure those streetcars, at a minimum, are made available for the nightly coin collection.</p>
#17	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to:</p> <ul style="list-style-type: none"> a. establish a governance framework that addresses the governance gap, by re-starting and continuing the Joint Executive Committee as envisioned in the Operational Services Agreement; and b. formalize that TTC's contractual and operational issues are appropriate to address directly with Metrolinx at the Joint Executive Committee table, and includes regular status, service, and planning review meetings.
#19	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to identify and agree upon outcome areas and targets, and to measure and monitor those areas.</p>
#23	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to make necessary changes to require proper approval sign-off by TTC for Metrolinx to be able to withdraw amounts from TTC's revenue bank account.</p>
#24	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with its vendor, to continue to make improvements to the functionality of fare gates, and to hold its vendor accountable to meet the target availability rate for TTC fare gates.</p>
#27	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to identify fare gate incident priorities in TTC's work order management system and track targets for second line maintenance by its vendor based on those incident priorities.</p>
#28	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to negotiate with its vendor to receive all relevant data and information regarding calculation of the fare gate service credit.</p>
#29	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to:</p>

	<ul style="list-style-type: none"> a. ensure the required controls are both sufficiently and clearly covered in the CSAE 3416 report or through another mechanism(s); and b. ensure the assurance specifically includes that the interface controls between the device level and subsystems are adequately designed and operating effectively.
<i>Not Applicable</i>	
#16	The Board request the Chief Executive Officer, Toronto Transit Commission, to work with Metrolinx to evaluate whether the coin collection needs to occur more frequently for new streetcar vending machines.
#26	The Board request the Chief Executive Officer, Toronto Transit Commission, to continue efforts in expediting the implementation of FareGo 3.9 in order to streamline the fare gate incident management process.
#30	The Board request the Chief Executive Officer, Toronto Transit Commission, to continue to pursue the receipt of device level data (revenue related transaction and error event logs) from PRESTO in accordance with its Master Agreement with Metrolinx.
#34	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to request Metrolinx to:</p> <ul style="list-style-type: none"> a. include controls related to the retailer network in next year's CSAE 3416 report or obtain a separate CSAE 3416 report from its vendor for the retailer network; and b. receive a reconciliation from Metrolinx of retailer sales transaction receipts listing with the sales extract report from PRESTO's central system, to monitor potential missing revenues.

Exhibit 2: Toronto Transit Commission – Status of Auditor General Reports^{8,9} with Outstanding Recommendations

Auditor General Reports	Audit Report Recommendations	Closed Recommendations	Management Reported as Implemented	Not Fully Implemented
Reports Reviewed in 2024 Follow-up Process				
Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration (2014)	18	17	0	1
Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance (2015)	21	16	0	5
Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings (2017)	19	13	0	6
Toronto Transit Commission: Managing Telecommunication Contracts and Payments (2018)	13	12	0	1
Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs (2018)	20	2	13	5
Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection (2019)	27	8	0	19
Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue (2019)	34	24	0	10

⁸ This Exhibit excludes the two audit reports completed in late 2023 as we give management one year prior to starting our follow-up: 1) Audit of the Toronto Transit Commission's Streetcar Overhead Assets: Strengthening the Maintenance and Repair Program to Minimize Asset Failures and Service Delays (November 2023) and 2) Toronto Transit Commission Cybersecurity Audit – Phase Two: Overall Network Security and Cybersecurity Assessment of Select Critical Systems (November 2023). These reports contain 20 and nine recommendations respectively (or 29 recommendations in total).

⁹ Exhibit 2 excludes the two audit reports and one management letter where all the recommendations were closed by the end of the follow-up review, with a total of nine recommendations closed during the current follow-up review. Refer to Exhibit 1 for details. Together with the total of 168 recommendations in this Exhibit, we are providing a status of recommendations for a total of 177 recommendations.

Reports Not Reviewed in 2024 Follow-up Process ¹⁰				
Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management (2017)	9	4	5	0
Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note, 2017 (Investigation Report)¹¹	3	1	2	0
Review of Toronto Transit Commission Procurement Policies and Practices: A Case Study to Improve Future Wheel-Trans Accessible Taxi Services Procurement (2018)	4	0	4	0
Total	168	97	24	47

LISTING OF THE OUTSTANDING RECOMMENDATIONS^{11, 12} BY END OF THE 2024 FOLLOW-UP PROCESS

Report Title: Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, 2014

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#8	The Board request the Chief Executive Officer to establish standard repair times for common bus repairs, develop procedures to monitor efficiency of bus repair activities, and incorporate the standard repair times into part of technician performance evaluation. (High-Priority)¹³

Report Title: Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, 2015

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#4	The Board request the Chief Executive Officer to conduct detailed reviews of utilization levels of non-revenue vehicles and equipment to identify and minimize underutilized vehicles and equipment. (High-Priority)¹³

¹⁰ These three reports have a combined total of 11 recommendations that are reported as fully implemented by TTC management but have not been verified by the AG's Office and will be verified in a future follow-up cycle.

¹¹ Refer to Attachment 2 for recommendations from the investigation report "Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note".

¹² Recommendations are considered outstanding when they are assessed as not fully implemented during Auditor General's (AG's) 2024 Follow-up Review, reported as not fully implemented by TTC management, and/or reported as fully implemented by TTC management but have not been verified by the Auditor General's Office.

¹³ These are high-priority recommendations that were assessed as not fully implemented (NFI) during the current follow-up review.

#13	The Board request the Chief Executive Officer to take steps to improve non-revenue vehicle user compliance with scheduled maintenance, including steps to address user concerns. (High-Priority) ¹³
#15	The Board request the Chief Executive Officer to improve the effectiveness of the Vehicle Work Order system for non-revenue fleet management. Steps to be taken should include but not be limited to: <ul style="list-style-type: none"> a. Addressing existing preventive maintenance scheduling issues in the system; b. Ensuring adequate system access is provided to garage management staff; c. Re-assessing the practicality of existing data entry controls; d. Ensuring accuracy of system generated management reports; and e. Expanding the existing system reports to include reports on fleet management key performance indicators. (High-Priority) ¹³
#18	The Board request the Chief Executive Officer to take steps to shorten garage service turnaround time for non-revenue fleet by addressing issues pertaining to garage capacity, availability of technicians, parts availability and maintenance scheduling. (High-Priority) ¹³
<i>Reported as Not Fully Implemented by TTC Management</i>	
#14	The Board request the Chief Executive Officer to ensure accurate and up-to-date non-revenue vehicle kilometrage data are obtained to facilitate effective preventive maintenance scheduling. (High-Priority)

Report Title: Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, 2017

No.	Recommendation
<i>Reported as Not Fully Implemented by TTC Management</i>	
#7	The Board request the Chief Executive Officer, Toronto Transit Commission, to identify strategies to improve response rate for competitive procurement and such strategies to include but not be limited to: <ul style="list-style-type: none"> a. providing free viewing of tender documents or detailed notices of tenders; b. extending bid response time for complex specifications; c. Identifying alternate sources of supply and revise its current minimum quotes requirement to invite five or more suppliers where low bid response rates are evident. (High-Priority)
#12	The Board request the Chief Executive Officer, Toronto Transit Commission, to establish a comprehensive Blanket Contract policy and procedural requirements detailing minimum dollar threshold and ongoing review and renewal processes. (High-Priority)
#13	The Board request the Chief Executive Officer, Toronto Transit Commission (TTC), to reduce annual purchase costs where feasible by establishing Blanket Contracts or expanding existing price agreements with vendors of concentrated spending and repetitive

	purchases. Periodic analysis of TTC's overall purchase activities to identify Blanket Contract opportunities should also be undertaken. (High-Priority)
#14	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that all procurement policies, procedures, and forms are up to date and that staff have a single-point electronic access to procurement policies, procedures and forms. (High-Priority)
#15	The Board request the Chief Executive Officer, Toronto Transit Commission (TTC), to regularly report to the Board on TTC's procurement statistics and performance indicators. (High-Priority)
#19	The Board request the Chief Executive Officer, Toronto Transit Commission, to report to the Board on an annual basis on savings achieved as a result of implementing the recommendations from this report, including information regarding: - identifying alternate sourcing, - pursuing aftermarket parts warranty, - initiating further Blanket Contracts or expanding the product catalogue of existing Blanket Contracts, - retrieving and tracking cores. (High-Priority)

Report Title: Toronto Transit Commission: Managing Telecommunication Contracts and Payments, 2018

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#13	The Board request the Chief Executive Officer, Toronto Transit Commission, to implement policies and procedures relating to: <ul style="list-style-type: none"> a. Enrollment of devices on wireless device management application. b. Requiring timely return of existing wireless devices when new devices are issued. c. Tracking of returned devices, ensuring timely deletion of corporate data on returned devices and maintaining records of data deletion. (High-Priority)¹³

Report Title: Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs, 2018

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#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. (High-Priority)¹³
<i>Reported as Not Fully Implemented by TTC Management</i>	
#14	The Board request the Chief Executive Officer, Toronto Transit Commission, to undertake steps to improve compliance with employee expense policy requirements regarding:

	<ul style="list-style-type: none"> 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. <p>(High-Priority)</p>
#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. (High-Priority)
#17	The Board request the Chief Executive Officer, Toronto Transit Commission, to provide additional clarification in the following policies pertaining to: <ul style="list-style-type: none"> 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. <p>(High-Priority)</p>
#19	The Board request the Chief Executive Officer, Toronto Transit Commission, to consider options to reduce accommodation rates for TTC staff on business travel. (High-Priority)
<i>Reported as Fully Implemented by TTC Management Not Yet Verified by AGO</i>	
#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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#6	The Board request the Chief Executive Officer, Toronto Transit Commission, to improve controls and efficiency in the Zero Injury program to ensure that:

	<ul style="list-style-type: none"> 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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)
#13	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to:</p> <ul style="list-style-type: none"> 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. (High-Priority)
#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. (High-Priority)
#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. (High-Priority)

Report Title: Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, 2019

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#8	The Board request the Chief Executive Officer, Toronto Transit Commission, to expand its fare inspection program to include coverage of subway station entrances. (High-Priority)¹³

Reported as Not Fully Implemented by TTC Management	
#1	The Board request the Chief Executive Officer, Toronto Transit Commission, to set acceptable targets for its fare evasion rates (by mode and overall) and to develop short and long-term strategies to reduce the fare evasion rates and the resulting revenue loss, while ensuring good customer service. (High-Priority)
#3	The Board request the Chief Executive Officer, Toronto Transit Commission, to: a. Accurately measure and publicly report on the fare evasion rate every year; and b. Reports from Internal Audit on fare evasion study should be made public. (High-Priority)
#4	The Board request the Chief Executive Officer, Toronto Transit Commission, to further improve the fare inspection program by ensuring: <ul style="list-style-type: none"> a. Adequate training to Fare Inspectors on data collection and why this work is important to Toronto Transit Commission; b. Development of realistic and clear performance expectations; and c. Implementation of ongoing monitoring of staff performance and regular review of inspection data. (High-Priority)
#5	The Board request the Chief Executive Officer, Toronto Transit Commission, to explore system wide options that can help prevent and reduce fare evasion on streetcars with multiple doors and Proof-of-Payment policy. (High-Priority)
#6	The Board request the Chief Executive Officer, Toronto Transit Commission, to expand its fare inspection program to include buses and develop effective fare inspection methods for buses. (High-Priority)
#7	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that bus operators and streetcar operators are instructed and trained to press the fare dispute key whenever the appropriate fare is not paid. Data from the fare dispute keys should be routinely analyzed and used to aid in the strategic allocation of fare enforcement resources. (High-Priority)
#9	The Board request the Chief Executive Officer, Toronto Transit Commission, to take the necessary actions to reduce the number of illegal entries, particularly at automatic subway entrances, including: <ul style="list-style-type: none"> a. Perform a cost-benefit analysis of continuing to keep the automatic entrances open, whether to install high gates in high-risk entrances at subway stations, and whether to station Toronto Transit Commission staff at some of these entrances; b. Complete work on the fare gate sensors and fare gate event data reporting, so that information can be used to determine the rate of illegal entries at subway stations and to strategically allocate fare inspection resources; and c. Ensure security camera video is monitored on a regular basis. (High-Priority)

#10	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure the contracted service requirements are upheld regarding functionality of Metrolinx Single Ride Vending Machines and PRESTO Card Readers, and recover from Metrolinx lost passenger revenue. (High-Priority)
#11	The Board request the Chief Executive Officer, Toronto Transit Commission, to review current TTC fare gate functionality issues, and develop and implement short and long-term strategies to improve fare gate functionality to reduce revenue loss. (High-Priority)
#17	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure adequate controls are in place and consistently applied in the issuance of Child PRESTO cards by Distributors. (High-Priority)
#20	The Board request the Chief Executive Officer, Toronto Transit Commission, to conduct a cost-benefit analysis of Transit Fare Inspectors vs. Transit Enforcement Officers with a view to improving the effectiveness and efficiency of the fare inspection program. (High-Priority)
#21	The Board request the Chief Executive Officer, Toronto Transit Commission, to review the level of authority, tools and uniform provided to Transit Fare Inspectors to ensure they can carry out their duties in a safe and effective manner. (High-Priority)
#22	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to take steps to improve the speed, reliability, and functionality of PRESTO hand-held devices for fare inspections. Such steps should include, but not be limited to: Improving tracking and reporting of the functionality and repairs of the hand-held devices;</p> <ul style="list-style-type: none"> a. Finalizing the Service Level Agreement with Metrolinx, which should specify a level of speed and functionality for the hand-held devices that meets Toronto Transit Commission's business requirements; and b. Holding Metrolinx accountable for its contracted service requirements on the speed, reliability and functionality of the hand-held devices supplied to the Toronto Transit Commission. <p>(High-Priority)</p>
#23	The Board request the Chief Executive Officer, Toronto Transit Commission, to improve the effectiveness of the off-boarding inspection process to minimize the number of passengers walking away from fare inspection, including measures such as installation of temporary or permanent physical barriers where feasible, and assigning a sufficient number of Transit Fare Inspectors and Transit Enforcement Officers for the off-boarding inspection. (High-Priority)
#24	The Board request the Chief Executive Officer, Toronto Transit Commission, to provide Transit Fare Inspectors with efficient access to the previous fare evader database during inspections. (High-Priority)
#25	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to improve the effectiveness and consistency of the scheduling practices of its fare inspection program to:</p> <ul style="list-style-type: none"> a. Ensure the route and timing coverage is risk-based and strategic; and

	<p>b. Increase the use of plain clothed Transit Fare Inspectors as it enables a more accurate assessment of fare evasion rates and a more effective inspection program.</p> <p>(High-Priority)</p>
#26	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to explore ways to increase actual inspection time by Transit Fare Inspectors including:</p> <ul style="list-style-type: none"> a. Automating the manual ticketing process and the recording and reporting of fare inspection results; b. Assessing the feasibility of establishing an internal fare evasion ticket appeal process, similar to Metrolinx (GO Transit); and c. Exploring ways to reduce travel time by Transit Fare Inspectors between their reporting and lunch locations and assigned routes. <p>(High-Priority)</p>
#27	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to finalize updating the TTC By-law No.1 and enhance the Fare Inspection Policies and Procedures manual to ensure they are up to date and include sufficient details to facilitate consistent fare inspections.</p> <p>(High-Priority)</p>

Report Title: Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, 2019

No.	Recommendation
<i>Assessed as Not Fully Implemented During 2024 Follow-up Process</i>	
#2	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to determine the best method to capture complete and accurate information on in-service vehicles for the PRESTO card reader availability calculation, including assessing TTC's Vision system for this purpose.</p>
#4	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to:</p> <ul style="list-style-type: none"> a. ensure missed devices in the device monitoring software tool are identified by PRESTO and communicated to TTC; b. determine and address the underlying issue for missed devices in the device monitoring software tool; and c. obtain back-up for the weekly card reader availability rate calculations.
#20	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to agree upon and finalize the Service Level Agreement, and to utilize an Expert Panel as outlined in the Operational Services Agreement if needed.</p> <p>(High-Priority) ¹³</p>

#25	The Board request the Chief Executive Officer, Toronto Transit Commission, to consider refining its fare gate availability calculation methodology to better account for partially available fare gates.
#31	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that there are transactions reported from all in-service vehicles and fare gates by doing a reconciliation against transactions received from PRESTO's central system.
<i>Reported as Not Fully Implemented by TTC Management</i>	
#7	The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to restore the contracted deliverable of the credit and debit card fare payment method on the new streetcars, with estimated timing provided by Metrolinx. (High-Priority)
#18	The Board request the Chief Executive Officer, Toronto Transit Commission, to request a schedule and plan from Metrolinx for the remaining contracted deliverables of TTC.
#21	The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to obtain the required information to refine their estimate of revenue loss due to malfunctioning PRESTO fare equipment. (High-Priority)
#22	The Board request the Chief Executive Officer, Toronto Transit Commission, to work together with Metrolinx to come to an agreement on a methodology for the revenue loss claim acceptable to both parties, and leverage its contractual governance framework of the Expert Panel if needed. (High-Priority)
#32	The Board request the Chief Executive Officer, Toronto Transit Commission, to improve controls that verify whether there were transactions reported from offline devices when they reconnect back to the network.

Report Title: Review of Toronto Transit Commission Accounts Payable Functions: Improving Invoice Verification and Vendor Account Management, 2017

No.	Recommendation
<i>Reported as Fully Implemented by TTC Management Not Yet Verified by AGO</i>	
#2	The Board request the Chief Executive Officer, Toronto Transit Commission, to enhance the existing invoice verification processes to provide reasonable assurance that invoices are paid according to the contract terms and prices. Consideration should be given to: <ul style="list-style-type: none"> a. Provide guidelines and training to user department approvers on the importance of invoice verification and the specific information that should be reviewed prior to invoice approval. b. Incorporate monitoring measures to verify, at least on a sample basis, that the approved invoices by user departments have been adequately reviewed to be consistent with contract terms and prices.
#3	The Board request the Chief Executive Officer, Toronto Transit Commission, to maintain a reasonably accurate and complete Vendor Master File to minimize the risk of duplicate or

	<p>incorrect payments to vendors. Steps to be undertaken should include, but not be limited to:</p> <ul style="list-style-type: none"> a. Conduct a one-time comprehensive review of vendor accounts to purge the large number of duplicate and inactive accounts. b. Implement adequate system functionalities to enable staff to update vendor account records in the system. c. Periodically review the vendor account records to ensure the required information is obtained and accurately entered into the system. d. Ensure staff responsible for creating vendor accounts or maintaining the Vendor Master File are provided with an updated and comprehensive procedure manual outlining the key information requirements and processes.
#5	The Board request the Chief Executive Officer, Toronto Transit Commission, to review the current payment process and identify opportunities to further reduce the number of late payments and to take advantage of early payment discounts.
#6	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to review and enhance current cheque request policies to ensure adequate use of cheque requests by staff. Steps should be taken, but not be limited, to:</p> <ul style="list-style-type: none"> a. Clearly define the items that can be procured using cheque requests. b. Regularly review and identify repeated cheque request purchases that should have been procured using Purchase Orders or Blanket Contracts. c. Clarify the monitoring measures and responsible departments in the policy.
#9	The Board request the Chief Executive Officer, Toronto Transit Commission, to identify opportunities to further improve the efficiency of the duplicate payment identification and verification process.

Report Title: Review of Toronto Transit Commission Procurement Policies and Practices: A Case Study to Improve Future Wheel-Trans Accessible Taxi Services Procurement, 2018

No.	Recommendation
<i>Reported as Fully Implemented by TTC Management Not Yet Verified by AGO</i>	
#1	The Board request the Chief Executive Officer, Toronto Transit Commission, to review the necessity and the risks associated with stipulating a minimum driver rate in the upcoming accessible taxi services procurement. Financial, operational, legal and procurement risks should be considered, in consultation with legal and procurement experts.
#2	The Board request the Chief Executive Officer, Toronto Transit Commission, in the event that a minimum driver rate is included in the upcoming accessible taxi services procurement, to ensure that the appropriate financial staff assess the accuracy, completeness, and reasonableness of the financial estimate of driver income.

#3	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that draft call document for accessible taxi services, and other Wheel-Trans contracted services, is sufficiently and thoroughly reviewed to minimize the need for addendums and changes.
#4	The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure that the appropriate subject matter experts, including finance and risk management staff, are involved at the planning stage of the upcoming accessible taxi services procurement process and the final review of the call document.

Exhibit 3: Toronto Transit Commission – Aging of High-Priority Not Fully Implemented Recommendations¹⁴ as of April 30, 2024

Report Titles	Less than 5 Year	Between 5-10 years	More than 10 Years
Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase One: Bus Maintenance and Warranty Administration, January 2014			1
Review of Toronto Transit Commission Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance, February 2015		5	
Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings, May 2017		6	
Toronto Transit Commission: Managing Telecommunication Contracts and Payments, May 2018		1	
Review of Toronto Transit Commission (TTC) Employee Expenses and Reward and Recognition Programs: Opportunities to Improve Policies and Controls and Save Costs, June 2018		5	
Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection, February 2019		19	
Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue, October 2019	4		
Total	4	36	1

¹⁴ Recommendations are considered not fully implemented when they are assessed as not fully implemented during the AG's 2024 Follow-up Review and/or reported as not fully implemented by TTC management. Refer to Exhibit 2 for the specific recommendations.

**AUDITOR
GENERAL**

TORONTO



TORONTO TRANSIT COMMISSION – AUDITOR GENERAL’S INVESTIGATION REPORT RECOMMENDATIONS

Report Title: Auditor General's Office - Review of Complaint Regarding the June 29, 2016 Toronto Transit Commission Briefing Note, 2017

No.	Recommendation
#1	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to provide more clarity in relation to the assumptions being relied on when the information is used in briefing notes.</p> <p>Status: Closed (The recommendation was assessed as fully implemented in prior year follow-up review.)</p>
#2	<p>City Council request the City Clerk implement protocols defining when it is appropriate to share briefing notes, as well as an online public repository to house briefing notes, bulletins, announcements and similar communications issued by City divisions and agencies, similar to the one maintained by the City of Vancouver, and direct the City Manager to ensure that City divisions and agencies submit copies of any such correspondence to the City Clerk for the register.</p> <p>Status: Management reported as No Longer Applicable (to be verified by Auditor General in future follow-up cycle)</p>
#3	<p>The Board request the Chief Executive Officer, Toronto Transit Commission, to ensure its briefing note distribution protocols align with and integrate seamlessly with the City distribution protocols.</p> <p>Status: Management reported as Fully Implemented (to be verified by Auditor General in future follow-up cycle)</p>