

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 14, 2009

SUBJECT: Internal Audit Report (January – June 2009)

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive for information the attached Internal Audit Report covering the period January – June 2009.

BACKGROUND

Internal Audit provides the Toronto Transit Commission (TTC) with independent evaluations of the efficiency and effectiveness of control systems, and operations. Internal Audit is also required to provide recommendations for improvement.

DISCUSSION

The report discusses recent Internal Audit activities. The actual reports for completed audits, including Management responses, are presented as individual agenda items.

On a semi-annual basis outstanding recommendations are reviewed with the appropriate management representative. All actions taken to implement a recommendation are verified through standard audit procedures. Attached is our Internal Audit Report which includes all Implemented and Underway recommendations for the period of January - June 2009.

July 14, 2009
01-23
Attachment - Internal Audit Report

INTERNAL AUDIT REPORT

Covering Period:

JANUARY – JUNE 2009

CONTACT: Dick Beecroft
Chief Auditor
(416) 393-3691

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FOREWORD

The Internal Audit Department provides the Toronto Transit Commission (TTC) with independent evaluations of risk, and assessments on the effectiveness of control systems, quality of performance, and efficiency of operations.

SCOPE OF ACTIVITY

Audits are planned based on the application of risk factors such as: assets at risk, prior audit results, formality and compliance, handling of cash, impact on operations, information system indicators including the complexity of computerization involved, and the systems' contribution to decision-making. The results are documented in the Audit Plan which is approved annually by the Audit Committee.

The Internal Audit Department carries out the following activities in accordance with its mandate:

- Comprehensive Audits – to assess control systems and the achievement of value-for-money in operational areas.
- Capital Audits – to review project expenditures to verify the accuracy of amounts claimed for work completed.
- Special Requests – to address areas of immediate concern or exposure as identified by Management's request.
- System Development Reviews – to provide input to system development and other technology projects.
- Assist External Auditor – in support of the annual audit of the Financial Statements of the TTC.

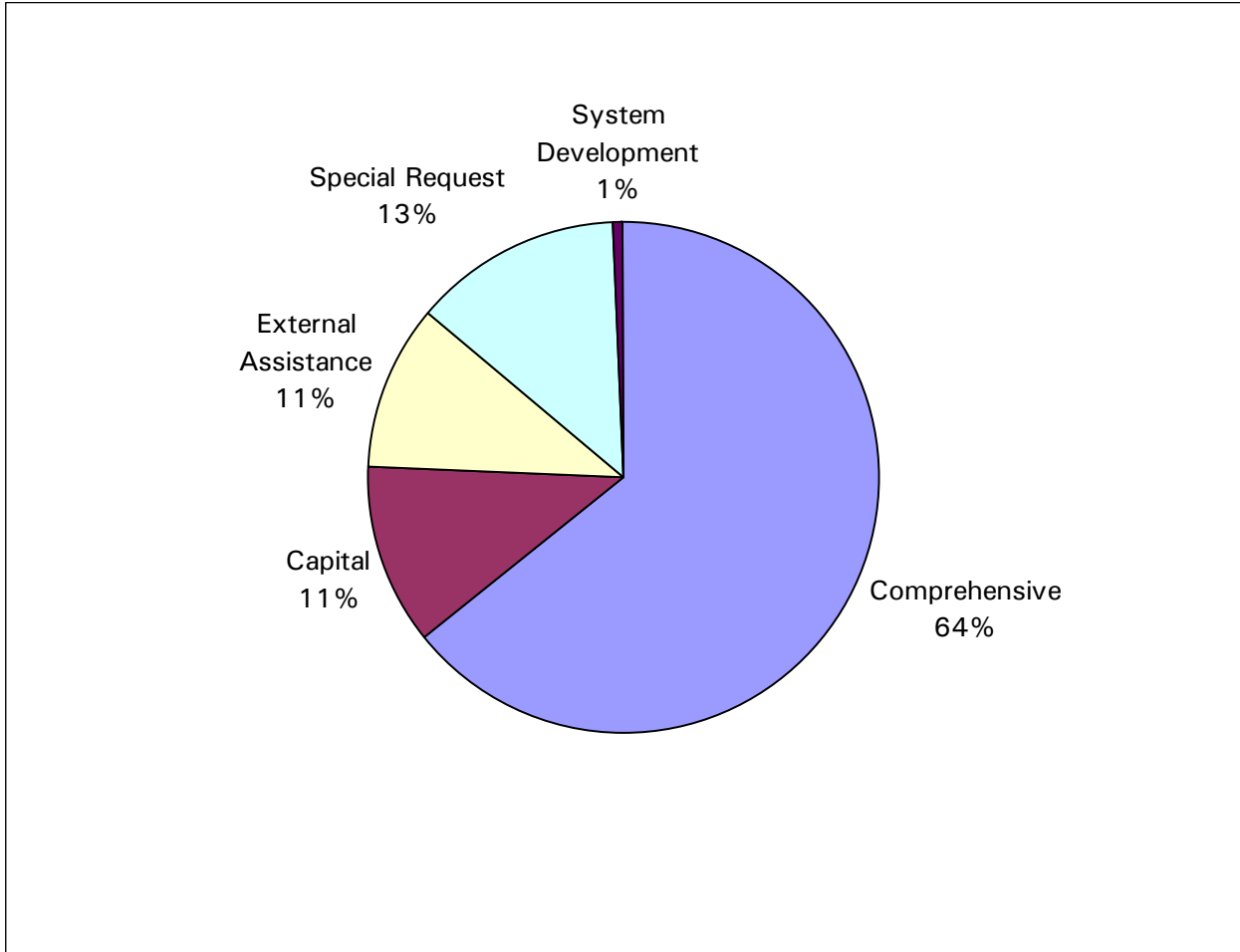
This report covers the main audit activities from January – June 2009.

In this period, the following audits were completed and are included as Audit Committee Agenda Items:

- Comprehensive Audits:**
- **S/E/C – Electrical/Electrical Engineering/Practices and Procedures**
 - **Materials & Procurement - Inventory Planning**
 - **Training Department**
 - **Station Operations and Collectors**
 - **Streetcar Carhouses/Technical Services**
 - **Revenue Operations**
- Capital Audits:**
- **Reserved Transit Lanes On St. Clair Avenue**
 - **Pre-cast Tunnel Liner Rehabilitation Program**
 - **Mid-Life Bus Rebuild Program**

AUDIT RESOURCES

The distribution of audit resources for the current reporting period (January – June 2009) is portrayed in the chart below:



STATUS OF COMPREHENSIVE AUDITS

	PLANNED	IN PROGRESS	COMPLETED
<i>2007 AUDIT PLAN</i>			
S/E/C – Electrical/Electrical Engineering/Practices and Procedures	√		√
Materials & Procurement Department – Inventory Planning	√		√
<i>2008 AUDIT PLAN</i>			
Human Resources – Occupational Health & Claims Management	√	√	
Human Resources – Employee Relations/Compensation and Benefits (Carry-Forward to 2009)	√	√	
Support Services (Carry-Forward to 2009)	√	√	
Training Department	√		√
S/E/C Department – Signals (Deferred to 2009)	√	√	
Station Operations and Collectors	√		√
Bus Transportation Department (Carry-Forward to 2009)	√	√	
Streetcar Carhouses /Technical Services	√		√
Revenue Operations Department	√		√
Pension Fund Society (Carry-Forward to 2009)	√	√	
Safety Department – Quality Assurance & Engineering/Field Operations/System Safety Reporting	√	√	
<i>2009 AUDIT PLAN</i>			
Employment Services/Administration Planning & Development	√		
Human Rights Unit	√	√	
Station/Tunnel/Building Equipment/Plant Maintenance Engineering	√		
Harvey Shop	√		
YUS/BD/Subway Divisions	√	√	
Station Operations/Collectors	√		
Duncan Shop/Fleet Management	√		
Treasury Services	√	√	
Project Management/Quality Assurance	√	√	
Graphic Services	√		
Property Development	√	√	
Revenue Operations	√		

STATUS OF CAPITAL AUDITS

CONSTRUCTION/CONSULTANT ASSIGNMENTS	PLANNED	IN PROGRESS	COMPLETED
<i>2007 AUDIT PLAN</i>			
Reserved Transit Lanes on St. Clair Avenue	√		√
<i>2008 AUDIT PLAN</i>			
Pre-cast Tunnel Liner Rehabilitation Program	√		√
Subway Asbestos Removal (Carry-Forward to 2009)	√		
Victoria Park Terminal Replacement	√	√	
System Security Safety Upgrades	√	√	
Mid-Life Bus Rebuild Program (Carry-Forward to 2009)	√		√
Queensway Bus Garages Renovations (Carry-Forward to 2009)	√	√	
20-Year SRT Overhaul (Carry-Forward to 2009)	√	√	
<i>2009 AUDIT PLAN</i>			
Mount Dennis Bus Garage	√	√	
Roofing Rehabilitation	√	√	
On-Grade Paving Rehabilitation Program	√	√	
Bus Rapid Transit (Spadina to York University)	√	√	
Kipling Station Improvements	√	√	
Wilson Complex Modifications	√	√	
Masonry Structure Restoration	√		
Sheppard East LRT (Transit City)	√		
Toronto-York Spadina – Management Design & Engineering	√		
Toronto-York Spadina - Construction	√		

AUDIT FOLLOW-UP REPORTS

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OPERATIONS:

- S/E/C – Signals and Signals Engineering (July 2006) 8
- Plant Maintenance - Station/Tunnel/Building Equipment, Maintenance Engineering, Revenue and Security Equipment Maintenance (September 2006) 9
- Plant Maintenance - Stations and Building Maintenance (December 2006) 11
- Streetcar Way (December 2007) 12
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OPERATIONS:

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- S/E/C - Communications and Communications Engineering (May 2006) 24
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- Transit Control and Analysis Procedures (June 2008) 35

EXECUTIVE:

- Information Technology Services - Application Services (March 2006) 38
- Marketing & Customer Service and Planning Department (October 2007) 39
- Materials and Procurement – Purchasing and Sales (May 2008) 41

ENGINEERING AND CONSTRUCTION:

- Construction Department (May 2007) 42

STATUS OF AUDIT RECOMMENDATIONS

Total number of recommendations "Underway" at the beginning of the period.	26
Plus – Number of recommendations "Added" since beginning of period	+ 20
Minus – Number of recommendations verified as "Implemented"	– 10
Total number of recommendations currently "Underway"	36

The following table summarizes the status of the recommendations by Department:

	BEGINNING OF PERIOD	ADDED	IMPLEMENTED	UNDERWAY
<i>OPERATIONS BRANCH</i>				
S/E/C - Electrical (February 2005)	3			3
Special Constable Services Department (November 2005)	1			1
S/E/C – Communications and Communications Engineering (May 2006)	2			2
S/E/C – Signals and Signals Engineering (July 2006)	2		1	1
Plant Maintenance – Station/Tunnel/Building Equipment, Maintenance Engineering, Revenue and Security Equipment Maintenance (September 2006)	2		2	0
Plant Maintenance – Station and Building Maintenance (December 2006)	1		1	0
Wheel-Trans - Customer Service and Planning (November 2007)	2			2
Streetcar Way (December 2007)	3		1	2
Track & Structure (May 2008)	1	14	5	10
Transit Control/Analysis and Procedures (June 2008)	4	4		8
<i>EXECUTIVE BRANCH</i>				
Information Technology Services – Application Services (March 2006)	1			1
Marketing and Public Affairs Department (October 2007)	3			3
M&P - Purchasing & Sales (May 2008)	0	2		2
<i>ENGINEERING & CONSTRUCTION BRANCH</i>				
Construction Department (May 2007)	1			1
TOTAL	26	20	10	36