

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 14, 2009

SUBJECT: INTERNAL AUDIT REPORT – STATION OPERATIONS AND
COLLECTORS

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive for information the attached Internal Audit Report.

BACKGROUND

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

Richard G. Beecroft
Chief Auditor

July 14, 2009
01-23

Attachment - Internal Audit Report

**OPERATIONS BRANCH
RAIL – RAIL TRANSPORTATION DEPARTMENT
STATION OPERATIONS/COLLECTORS**

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EXECUTIVE SUMMARY

This audit assessed the management controls and program delivery of the Station Operations & Collectors Division. An exit meeting was held on February 11, 2009 with the General Manager – Operations Branch and his staff to discuss the audit.

There was agreement with Audit's findings which identified the need for improved monitoring of front-line supervisors, and processes for ensuring performance of supervisory duties are efficiently and effectively tracked. In the absence of direct funds control, Management relies on its front-line supervisors to deter the misappropriation of funds by conducting Collector Fund Counts and Cash Counts. The need to strengthen administrative controls to ensure the prioritization and timely resolution of customer complaints, as well as, compliance with standard operating procedures were also highlighted.

Management has committed to taking action in addressing noted areas of concern.

We wish to express our thanks for the co-operation and assistance from all parties during the course of this audit.

R.G. Beecroft
Chief Auditor

Christine Leach
Audit Manager

FOREWORD

Station Operations/Collectors is responsible for the sale of fare media and collection of fares at subway and SRT stations. The section is also responsible for managing the staffing, opening and closing of subway stations, monitoring passenger traffic flow through the stations, performing station inspections and ensuring that safety and security measures are in place and operating.

AUDIT SCOPE AND OBJECTIVES

SCOPE: A review of key management and operational controls with regards to Station Operations/Collectors for the period January 2007 to August 2008.

OBJECTIVES: To assess the management and operational controls to ensure:

- accountability and reporting relationships are appropriate for the Commission;
- due regard for economy, efficiency and effectiveness; and
- procedures and processes are in place to measure and report on key activities.

To evaluate the adequacy of financial controls to ensure:

- compliance with legislative and TTC requirements;
- timeliness, accuracy, completeness and authorization of transactions and data; and
- safeguarding and controls of assets.

AUDITED ITEMS FOUND ACCEPTABLE

KEY CONTROL	FINDING
Payroll & Attendance	Processes have been put in place to ensure adherence to corporate policies and Employment Standards Act regulations.
Purchasing & Contract Administration	Adequate processes have been put in place to control the petty cash fund, purchasing card, fuel cards, cell phone and long distance telephone usage.

AUDITED ITEMS FOUND UNACCEPTABLE

FINDING #1

SUPERVISION

OBJECTIVE: To ensure front-line supervision is efficiently and effectively managed.

ANALYSIS: Under the current fare media distribution system, Management has limited control in place to allow prevention or timely detection of misappropriation of funds. In an attempt to deter the misappropriation of funds and monitor Collector performance, Management relies on its front-line Supervisors to conduct Fund Counts, Cash Counts and other supervisory tasks. Controls put in place to direct and monitor Supervisors to ensure their accountability and effective supervision of the Collector workforce need to be improved. Specifically:

- There is no process in place or means for capturing data as to the actual work completed by each Supervisor. For example, procedures for tabulating statistics regarding time spent by Supervisors responding to Transit Control calls, sitting in booths to compensate for Collector absences, and performing clerical tasks in the office, have not been established. All of these activities impact on the ability of Supervisors to perform critical funds control tasks. The impact of Collector absenteeism with respect to cancellation of crews is also not being formally tracked and reported. In the absence of complete performance data, current comparisons, trend analyses and workload assessments are deficient.
- Although Collector Supervisors receive peer training and periodically attend Supervisor meetings for collector related activities, no minutes or clarifying guidelines are documented and issued. Formal operating procedures have not been developed and distributed, and no quality assurance program exists to ensure Supervisors are performing key tasks consistently and/or in accordance with Management expectations. Audit noted a wide disparity amongst the Supervisors in the number of Fund Counts, Cash Counts, Visit Slips, and Station Booth Checks each completed during 2007, and 2008 to date, with no documented explanation. Variation in the level of detail included in supporting documentation was also noted.
- The accuracy of certain reported measures is questionable given the method of calculation. Total Funds Counts per Departmental Progress Reports (DPR) represents the combined total of Fund Counts and Cash Counts performed by all Supervisors. While Fund Counts require a Supervisor to independently verify funds on hand,

Cash Counts require only a quick observation to be made with no actual count being performed. As such, they are not comparable, and combining the results skews the results of each individual activity. Minor discrepancies and errors in DPR supporting documentation were also noted, including incidents of mismatched results to the reporting period, and incomplete information.

- There is a lack of formal, on/off-duty direct reporting procedures for Supervisors. Although Supervisors radio into Transit Control at the beginning of their shift, they can do so from anywhere on the system. As such, there is no assurance that they have actually arrived at their designated zones on time.

RECOMMENDATIONS:

Management needs to strengthen its controls and processes for directing and monitoring front-line Supervisors to ensure accountability and effective supervision of the Collector workforce. Consideration should be given to:

- Implementing a process whereby all Supervisors are required to report actual work activities completed. Information reported should be detailed so that it can be readily verified;
- Developing formal Collector Supervisor training guidelines, operating procedures and a quality assurance program. Variations in Supervisor performance should be monitored and corrective action taken where appropriate;
- Reviewing performance measures to ensure they are relevant and reported fairly; and
- Establishing formal direct reporting in/out procedures for Supervisors.

MANAGEMENT'S RESPONSE:

Station Supervisors in the field receive work details and take direction from Transit Control in response to hundreds of unpredictable customer and employee incidents at 69 subway stations daily. (e.g. slips and falls, fare disputes, facility/equipment issues, customer complaints, Collector fund shortages, fare media distribution issues, etc.). During intervals between Transit Control details, Station Supervisors are tasked to coach 364 Collectors and 25 transitional workers, conduct Collector fund counts, investigate Customer Service Communications, and conduct station and booth equipment audits. Three Station Supervisors are divided into three zones during peak times and two station Supervisors work in two zones during off-peak times.

In response to this audit finding, we will introduce new initiatives designed to capture data regarding the actual work completed by each Supervisor.

- At the end of each month, divisional management will request Station Supervisors to submit copies from their respective evidence notebooks on three randomly selected days, i.e. one day Monday to Friday, one Saturday, and one Sunday. We will then compare line items in the Supervisors' notebooks with Transit Control's ICS data for the same days. (The ICS computer system captures each call to which a Supervisor is sent).
- Every e-mail communication sent by divisional management to Station Supervisors at their field office at Yonge/Bloor will be retained in a dedicated computer file for future audit. This will provide an audit trail verifying supervisory work details.
- We are preparing formal procedures for conducting Supervisory and Clerical funds counts.
- All Station Supervisors will continue to book on with Transit Control at the beginning of their shifts.

Status: Completed

FINDING #2

ADMINISTRATION

OBJECTIVE: To determine whether administrative activities are being efficiently and effectively managed.

ANALYSIS: Administrative control weaknesses and non-compliance with standard operating procedures and/or best practices were noted. Specifically:

- No process has been put in place to prioritize and ensure the timely investigation of Collector related customer service complaints (CSR's). All complaints received are treated the same. A review of Marketing & Public Affairs statistics indicated that replies were past due for 61% of all 2007 Collector complaints.
- Approximately 55% of 2007 Collector CSR's were for Collector discourtesy, and 21% for short changing. The quality of customer service provided by Collectors to the public is a function of the training, supervision and professionalism of the Collector workforce. The elimination of its internal screening math test, and exceptionally high training pass rate, is regarded by Management as a contributing factor to the poor quality of collectors.
- Incidents of non-compliance with overtime sign-up and justification processes for one Supervisor were noted both in 2007 and 2008. Specifically, overtime worked by this individual had not been posted and made available to all Supervisors, nor properly explained and supported after the fact. In 2007, overtime for this Supervisor was 653hrs, the highest, and in some cases, three times that of other Supervisors. For 10mos of the year, her regular hours (6am-2pm) are reported as United Way, such that all collector related activities performed during these months are paid as overtime.

RECOMMENDATIONS:

Management should rectify identified areas of weakness by ensuring appropriate controls are in place, and compliance thereof is sufficiently monitored. Consideration should be given to:

- Prioritizing customer service complaint investigations to ensure timely resolution; and
- Adherence to overtime justification, assignment and documentation processes. United Way activities performed full-time by a Supervisor for a substantial part of the year should be managed and monitored separately by appropriate Senior Management.

MANAGEMENT'S RESPONSE:

A provision in the Collective Agreement requires that a signed statement be received within 21 days before an incident/complaint can be recorded on the employee's departmental record. It is, therefore, not always possible to achieve quick turnaround times as less than ten percent of complaints are accompanied by a signed statement. Also, it is important to note that the Commission's acceptance of complaints by e-mail has virtually doubled the number of complaints we now receive. Be this as it may, we have introduced a new system to prioritize customer complaints. The most serious complaints, i.e. "Discourtesy", "Human Rights", "Incorrect Fare Media Sold", are flagged and a signed statement from the complainant is requested in every instance. As well, complaints of this nature are now e-mailed directly to divisional management (in addition to being inputted into CSC database) for a more immediate response. Repeat offenders are given Sensitivity Training by Human Resources Dept. and are subject to the Grievance Procedure in the spirit of progressive discipline.

We are continuing to meet with Marketing and Customer Service staff to review CSC processes/response times and identify areas for improvement.

Four years ago, The Training Department increased Collectors "Initial" training from eight to fifteen days and, in 2009, the collectors "Recertification" training has been increased from two to three days. Substantial enhancements were made to the customer service component of these training programs and we are hopeful that Collectors will be better equipped to deal with customers and resolve conflict.

All supervisory requirements for special events have always been, and continue to be, authorized by the Superintendent or Assistant Superintendent. All e-mails pertaining to the scheduling and justification of supervisory overtime are now being retained in a separate computer file for easy audit.

With respect to the Supervisor referenced in the third bullet, we will ensure that all Supervisors adhere to our procedure for signing and covering open work.

Status: Completed