

TTC AUDIT COMMITTEE REPORT NO.

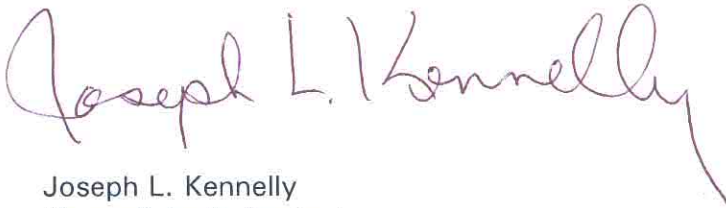
MEETING DATE: October 26, 2012

SUBJECT: TTC AUDIT REPORT – AUDIT OF MATERIALS AND
PROCUREMENT - INVENTORY MANAGEMENT SECTION

INFORMATION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee receive for information the attached Audit Report and Management Responses.



Joseph L. Kennelly
Head of Audit (Acting)

October 26, 2012
1-27

Attachment – TTC Audit Report

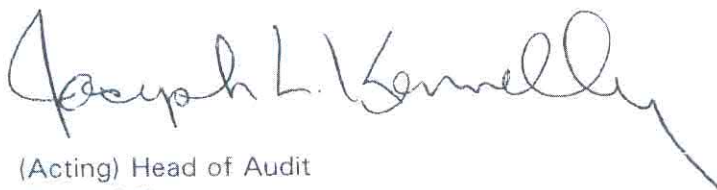
TORONTO TRANSIT COMMISSION

TO Vince Rodo
FROM Joseph Kennelly
DATE July 4, 2012
SUBJECT Audit of Materials and Procurement – Inventory Management Section

We have completed our audit work for the Materials and Procurement Department – Inventory Management Section. No significant risks were identified during audit planning, so further audit work was not warranted past the planning phase.

The Department is well managed and internal controls were concluded to be functioning satisfactorily. Staff within the Section continues to work with ITS Staff to address issues following the implementation of the IFS Purchasing and Inventory modules.

If you would like to set up a meeting to discuss the above matters, please do not hesitate to call our office.



(Acting) Head of Audit
CEO's Office

Copy: Jim Lee
Terry Webb
Susan Sartor
Christine Leach

01-27
File No. 12-50062

TORONTO TRANSIT COMMISSION

TO Joseph Kennelly

FROM Chris Leach

DATE June 4, 2012

SUBJECT Audit of Materials and Procurement Department – Inventory Management Section

We have completed our audit work for the Materials and Procurement Department - Inventory Management section. No significant risks were identified during audit planning, so further audit work was not warranted past the planning phase.

In 2003, the Commission approved the award of a contract to Industrial Financial System (IFS) for the purchase of the Vehicle Work Order System and the Inventory System, which included a completely integrated Purchasing module. This system replaces legacy systems, including the Materials Management System, which up until May 2011 was used by Inventory Management.

Staff within the section continues to work with ITS Staff to address issues following the implementation of the IFS Purchasing and Inventory modules. We offer the following for Management's attention and consideration:

- Management should review current key performance indicators (KPI's) and develop indicators for the Quality Control function that is now within the control of Inventory Management.
- Policies and procedures that govern inventory management practices should continue to be reviewed and updated, including testing standards and processes for the Quality Control function. Management is aware that standard operating procedures (SOP's) need to be updated and/or developed, but a reasonable timeframe needs to be established for completion of this task.

We would like to thank the Inventory Management Staff and Management for all the assistance and cooperation provided to us during our audit.



Audit Manager
CEO's Office - Audit

TORONTO TRANSIT COMMISSION

TO Joseph Kennelly
FROM Jim Lee
DATE August 27, 2012
SUBJECT Audit of Materials and Procurement Department - Inventory Management Section

In response to your memo dated June 4, 2012 and your recommendations regarding the Inventory Management Section.

Materials & Procurement, Inventory Management Section will be looking at your recommendation over the next several months.

- The development and review of key performance indicators (KPI) regarding the Q.C. area is underway. The current QA system is an old version of Access and we need to have it updated to a newer version of Access so the data can be transferred to provide KPI's. We are putting together the requirements and submitting an IT ticket so it is anticipated to be completed by the end December 2012.
- We currently have policies and procedures in Inventory Management that are followed for the QA area and a continual review of policies and procedures in Inventory Management are ongoing and updated regularly as routine maintenance of the new materials management system. The updating of procedures will be ongoing as we continue to work with IFS, making some changes to better suit our business.
- Review testing standards, processes and update procedures in the Q.C. area. We have the Safety Procedures which are being updated from the Safety Department to M&P Department standard format. The procedures will be updated with some modifications by the end of December 2012.

Thank you for your recommendations and observations during your audit process and we look forward to working with you in the future.



Manager - Materials & Procurement

9-63
Attachment(s)

Copy: Terry Webb
Chris Leach
Susan Sartor