



STAFF REPORT ACTION REQUIRED with Confidential Attachment

PRESTO Fare Payment System for TTC – Processes and Controls Assessment

Date:	February 9, 2017
To:	TTC Audit and Risk Management Committee
From:	Head of Finance
Reason for Confidential Information:	This report involves the security of the property of the TTC

Summary

As the PRESTO deployment across the TTC continues, the TTC anticipates dramatic growth in PRESTO card usage on the TTC by the end of 2017. To ensure the completeness, accuracy, and timeliness of revenues processed and settled through the PRESTO system, TTC engaged PriceWaterhouseCoopers LLP (“PWC”) to perform an independent assessment of the sufficiency of PRESTO’s business processes and controls over revenue processing. This report informs the Committee of the results of the “TTC PRESTO Fare Payment System Business Process and Controls Gap Assessment” report prepared by PWC.

Recommendations

It is recommended that the Board:

1. Receive the confidential information as set out in Confidential Attachment 1; and
2. Authorize that the information provided in the Confidential Attachment 1 remain confidential in its entirety as it contains advice which involves the security of property of the TTC.

Financial Summary

There are no financial implications resulting from the adoption of this report.

Accessibility/Equity Matters

There are no accessibility or equity issues resulting from the adoption of this report.

Background

As the TTC moves toward implementing PRESTO across the TTC's transit network, the amount of revenue to be processed through the PRESTO system will grow dramatically and will be an area of significant focus by TTC's external auditor for TTC's fiscal 2017 financial statement audit. As such, the TTC requires a high degree of confidence that the PRESTO system will process and settle all revenues owed to the TTC in a complete, accurate, and timely manner.

PRESTO currently provides all participating public transit agencies with an independent service auditor's report (the CSAE 3416 report) which is prepared by an external auditor (currently Ernst & Young LLP (EY)). This CSAE 3416 report is intended to provide assurance over PRESTO's internal controls over financial reporting to all participating transit agencies. The CSAE 3416 report also recommends that certain complementary controls be performed by transit agencies themselves as part of an effective internal control environment and these transit agency controls are explicitly stated as being out-of-scope of the CSAE 3416 report. This limitation in the report reflects the operational model common to all participating agencies – other than the TTC – where agencies own their PRESTO devices and are responsible for their maintenance and operation. However, under the Metrolinx and TTC Master E-Fare Collection Outsourcing Agreement of November 2012, PRESTO is contractually obligated to design, implement, operate, and maintain the PRESTO system and devices on behalf of the TTC in almost all aspects (known as a Managed Services model). As such, given the limitations of PRESTO's current service auditor report, it was prudent for the TTC to ensure PRESTO's CSAE 3416 report provides the TTC with the requisite audit assurance that TTC revenues are processed and settled in a complete, accurate, and timely basis by the PRESTO system.

With PRESTO card usage set to grow exponentially by the end of 2017, and due to the limitations of PRESTO's service auditor's report, TTC engaged PWC in late 2015 to perform an independent assessment of the sufficiency of PRESTO's business processes and controls over revenue processing. This assessment provides the TTC with a baseline view of the current internal control framework of the PRESTO system from which the TTC, together with PRESTO, can work toward obtaining a high degree of confidence in the integrity of the revenue-related business processes and controls of the PRESTO system.

Comments

In assessing the PRESTO business and IT processes related to revenue processing, PWC worked closely with PRESTO, EY, and the TTC to document and review existing processes and controls to develop an independent view of unmitigated financial reporting and business risks related to TTC's revenue. This work included reviewing PRESTO's CSAE 3416 report which PWC noted was designed to meet the common assurance needs of a broad range of participating public transit agencies, none of which have a "Managed Services" contract similar to the Metrolinx and TTC Master E-Fare Collection Outsourcing Agreement.

Please refer to the confidential attachment for further details of PWC's findings.

Contact

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Attachments

Confidential Attachment: PRESTO Fare Payment System for TTC – Processes and Controls Assessment