



Audit, Risk and Compliance – Flexible Work Plan Status Update

Date: September 9, 2021
To: Audit & Risk Management Committee
From: Head of Audit, Risk and Compliance

Summary

The Audit, Risk and Compliance Department (ARC) purposefully designs its annual work plans to be flexible. This allows ARC to react to emerging issues in an agile manner and focus activities where feasible to either complete planned work or respond to ad-hoc management requests. This report provides an update on the following ARC activities in the 2021 Flexible Work Plan:

1. COVID-19 Health and Safety Risk Analytic and Advisory Work
2. Fraud Risk Identification and Advisory Work
3. Executive Compliance Certificate – Legislation
4. Auditor General Recommendations – ARC Support
5. Other Matters

Recommendations

It is recommended that the Audit & Risk Management Committee:

1. Receive this report for information.

Financial Summary

The implementation of the actions outlined in this report has no additional funding implications beyond the costs of the Audit, Risk and Compliance Department that were included in the 2021 Operating Budget and approved by the TTC Board on December 21, 2020 and City Council on February 18, 2021.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial summary information.

Equity/Accessibility Matters

The TTC is committed to promoting and supporting accessibility, diversity and inclusion in all corporate policies, procedures, processes, programs and services to reflect and respond to the needs of our customers and employees. This includes the TTC's response to the pandemic and efforts to mitigate the potential equity impacts of COVID-19 to customers. Navigating successfully through pandemic uncertainty requires a strategy that focuses on continuous controls improvement and integrated risk management. Therefore, ARC's planned activities for 2021 to date have focused on reviewing mitigation activities associated with heightened and/or emerging pandemic-related risks. The independent work of the ARC Department assures that processes and strategies introduced or revised to address the impact of pandemic risks are reasonable, well-designed and working as intended.

Decision History

The Audit, Risk and Compliance Department's Flexible Work Plan (2021) was approved by the Audit and Risk Management Committee (ARMC) on December 15, 2020. ARC's commitment to intentionally remain agile and responsive to changes in the TTC's risk landscape was highlighted, including the need to avail ARC staff to the TTC CEO and Executive Team as they increasingly and proactively reach out for ARC's assistance to address known issues.

Understanding the need to remain flexible and responsive, as well as the practice of refining the scope of work activities as ARC's comprehension of exposures unfold, is essential to appreciating the expectations embedded in ARC's Flexible Work Plan (2021).

[http://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2020/December 15/Reports/2 Audit Risk and Compliance Report Flexible Work Plan 2021.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2020/December%2015/Reports/2%20Audit%20Risk%20and%20Compliance%20Report%20Flexible%20Work%20Plan%202021.pdf)

Issue Background

While it is not the ARC Department's responsibility to formulate policies or enforce compliance to plans and strategies, we can support those directly accountable and responsible for ensuring such plans achieve stated objectives by offering varying perspectives. In this respect, ARC provides independent assurance and advisory services aimed to continuously improve controls and risk mitigation.

Comments

The following provides an overview of key activities completed to the end of August 2021 by ARC in accordance with its Flexible Work Plan (2021). Specifically:

1. COVID-19 Health and Safety Risk Analytic and Advisory Work

Employee COVID-19 Dashboard

ARC supported the Chief Safety Officer (Acting) in the enhancement of TTC Employee COVID-19 Analysis. Emphasis was given to data normalization and comparison of TTC COVID-19 infection rates to that of the general public. Specifically, using the most granular community infection rate data available (i.e. neighbourhood level, city level, public health unit level), ARC compared actual TTC infection rates by department/division and positions to estimated rates that took into consideration where infected employees live. ARC proposed that this analytic approach could be adopted as a means of monitoring trends, targeting safety COVID-19 checks and managerial oversight, and measuring the impact of COVID-19 mitigation activities.

Contact Tracing and Reporting

The World Health Organization identified contact tracing as a key strategy for interrupting chains of transmission of COVID-19 in February 2021. ARC initiated work to understand the TTC's contact tracing process and procedures, as well as additional reporting requirements of Toronto Public Health (TPH) following the issuance of a Letter of Instruction by Toronto's Medical Officer of Health on January 4, 2021. The Letter requires employers in the City of Toronto permitted to be open under the Reopening Ontario Act to take additional measures to reduce the spread of COVID-19.

Based on a limited review of case file documentation retained by Safety and Environment staff, ARC highlighted opportunities for improving case management to ensure evidence that substantiates the TTC's compliance with TPH notification timelines regarding clusters and/or outbreaks of positive COVID-19 cases is readily available. Following ARC's review, the Chief Safety Officer (Acting) indicated that monitoring of any changes to government-imposed protocols (i.e. vaccination) is ongoing to ensure that the TTC's contact tracing and screening processes are aligned.

Bus Disinfection

A key health and safety protocol implemented as part of the TTC's early response to the pandemic was to enhance vehicle cleaning and disinfection. In fall 2020, ARC conducted a focused review of the TTC's Bus Disinfection Program to assess compliance with the Ministry of Transportation's Guidance for Public Transit Agencies and Passengers in Response to COVID-19. The Ministry's directions indicated twice daily disinfection of frequently touched surfaces in transit vehicles. These expectations were based on the Public Health Ontario Cleaning and Disinfecting Guideline

established in March 2020. Our work involved assimilating a variety of manual and digital data sources and defining clear disinfection criteria and assumptions. ARC's analysis indicated a high rate of nightly bus disinfection prior to the vehicles entering service, as well as disinfection of Airport Express buses after each trip.

However, interrupting service and redirecting buses for midday disinfections was logistically challenging given competing service requirements to reduce crowding and the geographical dispatching of buses throughout the GTA. In addition, Vehicle Management expressed concerns regarding the corrosion caused by the disinfecting chemicals, the high costs of disinfecting vehicles twice a day, and the questionable efficacy of twice daily disinfection given a growing understanding that the virus can spread through airborne transmission. Therefore, in addition to continuing with the pursuit of other engineered vehicle safety measures (i.e. installation of enhanced filters, operator barriers, etc.), ARC suggested that discussions with Public Health Ontario should be initiated to revise disinfection frequency requirements.

In August 2021, the TTC's Chief Safety Officer (Acting) communicated to the Executive Team that she had been informed that the disinfection requirements had been reduced to once daily, therefore, any TTC decision to scale back vehicle midday disinfection would now be supported. A revised Public Health Ontario (PHO) Cleaning and Disinfection Guideline, dated July 31, 2021, now indicates that "indoor surfaces that are frequently touched should be cleaned and disinfected at least once per day and when visibly dirty". Performing daily vehicle disinfection is achievable. As of August 16, 2021, the TTC has notified its contractor, TBM Services Inc., that Public Health Ontario vehicle disinfecting guidelines have been revised which may, in turn, affect the frequency of disinfecting services required.

2. Fraud Risk Identification and Advisory Work

Due to the pandemic, the TTC quickly adapted systems to enable approximately 1,800 employees to work remotely. Many of the TTC's controls designed to prevent or detect errors and fraud were redesigned and/or performed remotely, increasing the risk that gaps in the exercising of due diligence and oversight may exist. Controls over procurement, payment and other processes are inherently vulnerable, and exposure to cybersecurity threats due to external environmental factors has increased for many organizations.

ARC is identifying and categorizing types of fraud and wrongdoing risks to which the TTC is exposed. ARC is also documenting the TTC's current state of fraud risk mitigation measures, including controls designed to prevent, detect, deter and respond to incidents. ARC advocates and supports the continual strengthening of the TTC's anti-fraud program and has assessed some higher-risk areas by reviewing internal controls. To date, areas reviewed and key observations include the following:

Electronic Approval Payment Processes

In March 2020, procurement and payment staff shifted to working remotely due to the pandemic. At the Chief Financial Officer's request, ARC conducted a limited review of Electronic Funds Transfer (EFT) payment processes and controls over master vendor record modifications in fall 2020. At the time of ARC's review, it was noted that approximately 75% of the TTC's payments to vendors are processed by EFT, and that EFT usage is likely to increase over time. Efforts to adopt ARC's recommendation to enhance fraud awareness training and understanding of cyber phishing scams for gatekeeper roles have been made. The TTC's Accounts Payable Department intends to dedicate resources to ensure other opportunities for improvement are implemented, including the use of checklists to ensure vendor requests for banking changes are authenticated and digitization of records to aid in reviewing documentation remotely.

Purchasing Card (P-Card) Program

In August 2020, the TTC Procurement and Category Management (PCM) Department introduced a change to the TTC's P-Card program by increasing the single-card transaction threshold to \$5,000 from \$250. While this authorized change provides for a more efficient and cost-effective means for TTC cardholders to directly purchase and receive non-repetitive, low-dollar value and/or non-stock goods and services, the expanded use of P-Cards across the organization increases the risk of potential P-Card abuse. At PCM's request, ARC conducted a limited review to assess program enhancements and control initiatives implemented following the threshold changes. ARC noted that PCM:

- Implemented certain controls to monitor P-Card usage and identify potentially questionable transactions, which included developing and distributing monthly management reports to TTC Department Heads in support of management's proactive monitoring of P-Card expenditures. However, streamlining the monthly reporting tools to enhance ease of use and functionality would provide TTC Department Heads with a better insight into departmental expenses, trends and transactions requiring management attention.
- Should consider implementing a risk-based approach for their monthly spot audits, and communicate the results thereof to applicable TTC Management. This would enhance TTC Department Heads' awareness of non-compliance, and lessons learned could be incorporated into ongoing training and communication programs.

Since completing our work, it is our understanding that PCM has benchmarked its P-Card program with the City of Vancouver, Mississauga and Calgary, making comparisons for several areas including reporting and audits. The feasibility of automating the reporting capabilities and enhancing analytics shared with Department Heads are being explored with the support of ITS; and the number of P-Card transaction audits being performed by PCM staff has increased. PCM is requiring

Departmental sign-off on their P-Card audits, and greater visibility is being given to areas of concern by conducting routine trend analysis.

TTC Internal Employee Fraud Risks and Annual Reporting

The TTC employs more than 16,000 employees and is susceptible to occupational fraud similar to other organizations. The TTC has experienced losses due to fraud, including most notably the Health Benefits Fraud uncovered in 2015. The cost, time and effort expended on this fraud incident continue today. Other fraud schemes the TTC needs to be vigilant against include potential time, absence and sick benefits abuse, conflict of interest schemes, and property theft (i.e. tools, inventory).

ARC initiated lines of inquiry with the TTC's Investigative Services Unit (ISU) to understand specific fraud schemes and statistics relating to the TTC's Integrity Line and other investigative services. ISU is recruiting a Data Analyst and intends to present a report to the TTC Board in early 2022 in accordance with the TTC's Whistle Blower Reporting and Protection Policy. As per Chapter 192, Article 46.1 Agency Policies of the Toronto Public Service Bylaw, the TTC is required to adopt a disclosure of wrongdoing and reprisal protection policy, which the TTC's Whistleblower policy reflects, and to report annually to the Board. Annual reporting to the TTC Board will provide:

- Trending data and information relating to the identification and resolution of wrongdoing at the TTC;
- An opportunity to promote and communicate to employees and contractors how complaints received through the Integrity Line are processed and resolved; and
- Support to Audit and Risk Management Committee members to inform their annual response to the required fraud reporting inquiries of the TTC's external auditors.

3. Executive Compliance Certificate – Legislation

The ARMC endorsed the development of a TTC Executive Compliance Certificate (ECC) and annual attestation process on February 11, 2020. A draft certificate was presented to the ARMC on September 24, 2020. This initiative was prompted by an ARMC request for the primary purpose of supporting the ARMC in fulfilling its oversight responsibilities over legislative compliance; and in turn, will provide the CEO and ARMC members a formal mechanism for demonstrating accountability in reporting Executive compliance assertions.

In collaboration with the TTC Legal Department, ARC developed an Executive Compliance Certificate – Legislation to be signed off by all TTC Executives. Legal staff prepared summaries outlining compliance and due diligence expectations for 15 key statutes and their applicability to the TTC; and delivered three Executive legal education sessions by the end of Q2 2021. These sessions were designed to provide TTC

Executives with a high-level overview of key statutes and bylaws that impact or may impact the TTC on a day-to-day basis. The goal of the sessions was to ensure each Executive is reasonably aware of their legislative compliance obligation in signing the Certificate to attest that:

- To the best of their knowledge, and on behalf of their staff, their group is compliant with the obligations set out in the listed statutes and bylaws; and
- Any non-compliance matters are to be listed on the Certificate.

TTC Legal staff also accommodated requests from Executives to provide additional or tailored sessions to their staff to assist with a better understanding of legislative matters. Finally, Legal and ARC representatives are conducting individual sessions with each Executive to ensure any particular questions are addressed before their sign-off for the period of October 1, 2020 to September 30, 2021. Following such, the package of signed ECCs will be reviewed by the CEO and submitted to the ARMC at its December 2021 meeting.

Efforts to improve processes and controls for legislative compliance will continue to be an area of focus for ARC. This will involve undertaking a systematic approach to map the identified statutes and regulations to operational activities and programs for purposes of informing frontline management, establishing compliance-testing initiatives and further supporting Executives in completing future ECCs.

4. City of Toronto Auditor General Recommendations

The TTC's CEO requested ARC to actively support accountable Executives as they drive closure to outstanding City of Toronto Auditor General (AG) recommendations. In response, ARC adopted a phased approach to strengthen Executive engagement and oversight for the overall implementation of AG recommendations, as well as to reiterate the importance of making control improvements continuously and linking them back to AG Recommendations where possible.

Specifically, in late 2020, ARC initiated actions to ensure updated management responses for all 157 outstanding AG recommendations were submitted using the AG's new action tracking software (TeamMate). ARC staff facilitated the review and approval of updated management responses to AG recommendations by accountable Executives prior to their submission into TeamMate. Given the occurrence of Executive level and other managerial staff changes since the completion of most AG audits, ARC also supported their efforts to review AG observations and incorporate any new perspective into updated responses to address the AG's underlying concerns.

To better understand the challenges hindering the implementation of AG recommendations, ARC identified common themes and root causes expressed by accountable Executives. Similarly, ARC supported accountable Executives as they discussed and reached a consensus with the AG regarding further actions required to

bring closure to recommendations initially put forth by TTC Management as fully implemented, but assessed by the AG to be still in progress through their follow-up work.

Finally, ARC hosted an Executive Workshop on August 10, 2021 where accountable Executives had the opportunity to discuss with the CEO their implementation challenges and actions/timelines for fully implementing outstanding AG recommendations. Considerations and next steps for addressing root causes and preventing delays going forward were also presented.

5. Other Matters

ARC continues to respond to requests put forth by TTC Executives, and to support a variety of initiatives by offering different perspective and insights. Two areas in particular where ARC has extended efforts include:

- *External Investigation Process:* ARC is working with the Human Rights and Investigation Department to formalize internal processes and decision making points as part of the establishment of the Fare Inspector and Special Constable Complaints (FISCC) Office and for reporting FISCC-related external investigations to the Board.
- *SAP-OT:* ARC continues to identify possible diagnostics that could aid in developing overtime reduction strategies while the TTC awaits the completion of the SAP Time and Attendance (Phase 2) project. ARC also reviewed the SAP project governance structure and noted general compliance with expectations for Executive Sponsors, Project Sponsors and the SAP Steering Committee to meet regularly, resolve issues and document decisions in minutes in accordance with the Project Charter for the period from July 2019 to July 2021.

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