

**Management's Response to the Auditor General's Review of
Management of Construction Contracts – Leaside Bridge Structure Rehabilitation Contract**

<u>Rec No</u>	<u>Recommendation</u>	<u>Agree (X)</u>	<u>Disagree (X)</u>	<u>Action Plan/ Time Frame</u>
1.	The Executive Director, Technical Services Division, ensure that where possible all tender quantities contained in construction contract tenders are accurate and are representative of actual quantities required to complete the contract.	X		Complete. A directive was issued to staff on March 13, 2007.
2.	The City Manager, in consultation with the City Solicitor, review the content of all standard construction contracts in order to ensure that contract provisions are clear, consistent and enforceable.	X		Review of standard form of construction contracts to be completed by June 30, 2008.
3.	The Executive Director, Technical Services, ensure that staff are aware of their levels of authority in regards to the approval of amendments to City contracts. Further steps be taken to monitor compliance with this level of authority.	X		Regularly scheduled reviews of Change Order Summaries to monitor compliance will be implemented by July 1, 2007.
4.	The Executive Director, Technical Services, direct that any renegotiation of contracts terms which appear to be ambiguous, unclear or inconsistent only be conducted after consultation with the City's Legal Services Division. All such consultations be documented.	X		An instruction will be issued to staff prior to April 30, 2007.

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5.	The Executive Director, Technical Services Division, ensure that documentation supporting all reductions in tender quantities and tender prices is completed and retained. Any negotiated reductions in tender amounts be approved by appropriate staff.	X		Complete. An instruction to staff was issued in January 2007.
6.	The Executive Director, Technical Services Division, evaluate the appropriateness of the current quality control policies and procedures and make the changes necessary to increase the effectiveness of the current process.	X		Develop and implement a Deficiency Action Log for use by project managers by December 31, 2007.
7.	The Deputy City Manager and Chief Financial Officer, in consultation with the City Solicitor, review the tender evaluation process particularly as it relates to the impact recoveries from third parties may have on the award of contracts.	X		Refer this matter to the DCM/CFO and Legal for review.
8.	The Executive Director, Technical Services Division, review the current practice relating to the billing and recovery of costs from third parties, and ensure procedures are developed for the timely billing and recovery of all related costs.	X		Complete. An instruction to staff was issued on March 22, 2007.

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9.	The Deputy City Manager and Chief Financial Officer consider the implementation of a policy for the recovery of administration fees relating to the management of contracts by the City on behalf of third parties. Such a policy be included in the Technical Services Capital Works Projects Procurement and Administration Manual.	X		Refer this matter to the DCM/CFO and Legal Division for review.
10.	The Executive Director, Technical Services Division, review the process for determining and approving all payroll overhead calculations. In regard to the Leaside Bridge contract, payroll overhead overpayments should be determined and recovered.	X		<p>Review the Leaside Bridge contractor's billings to determine if an overpayment occurred and pursue recovery if warranted prior to finalization of contract in 2007.</p> <p>A review of the process for determining and approving payroll burden will be completed by December 31, 2007. Any resulting process modifications will be implemented by March 31, 2008.</p>

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11.	The Executive Director, Technical Services Division, ensure that the Division's existing procedural requirements identifying the due dates for all warranty inspections are performed for all projects. Details of all warranty inspections be clearly documented and approved by senior management. Deficiencies identified during the warranty inspection process be documented along with the specific steps undertaken to address these deficiencies.	X		Issue instruction to staff regarding warranty requirements by July 1, 2007.