

**Management's Response to the Auditor General's Review of
Toronto Zoo Construction Contracts Review - Tundra Project**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	<p>The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, modify the standard templates for call documents and agreements to include:</p> <p>a. A schedule of values allocating the entire contract amount to major segments of the project acceptable to the consultant and the Zoo, on which payments should be based. The schedule should be provided by the contractor prior to the first progress payment</p> <p>b. A right to audit clause.</p>	X		<p>a. Our contract is currently worded to our benefit in that payments are based on the estimates of the CEO (GC 43 – Payments). We do not want to eliminate this right and as such any wording or more detailed requirements with respect to a schedule of values will have to maintain this wording.</p> <p>b. This has never been an issue in earlier projects, nor do we see any advantage to us in this project. However, we agree that the inclusion of a right to audit clause would not be a problem.</p>	<p>This issue will be addressed with Legal Services as part of the City's review of tender documents.</p> <p>See 1 (a) above.</p>

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2.	<p>The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, take appropriate steps to ensure that:</p> <p>a. The Zoo's standard templates for call documents and agreements are compared periodically with City call documents</p> <p>b. Relevant City clauses are adopted, where appropriate</p> <p>c. Any alterations to the Zoo's standard terms and conditions are approved, in writing, by the City Solicitor.</p>	<p align="center">X</p> <p align="center">X</p> <p align="center">X</p>		<p>a. It should be noted that reviews have been undertaken over the years and changes were made as deemed necessary. From the time of the last major capital project the Childrens Wildlife Discovery in 2004, to the Tundra project, a total of eleven (11) changes were made to the front end documents. Contracts are amended based on our staff's experience in contract management and advice from Legal Services.</p> <p>b. We agree that relevant City clauses should be adopted subject to the advice of the project staff and Legal Services.</p> <p>c. Written direction/approval will be obtained for any changes.</p>	<p>This issue will be addressed with Legal Services as part of the City's review of tender documents.</p> <p>See 2 (a) above.</p> <p>See 2 (a) above.</p>

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3.	<p>The Chief Executive Officer, Toronto Zoo, establish policies and procedures for inspection and testing to include:</p> <p>a. Selection and hiring of inspection and testing agency independent of the contractor</p> <p>b. Inspection type, frequency, timing and quality</p> <p>c. Review and monitoring of inspection and testing</p> <p>d. Required level of documentation and retention of inspection and testing reports</p> <p>e. Checklist to facilitate tracking of required inspection and testing processes.</p>	<p align="center">X</p> <p align="center">X</p> <p align="center">X</p> <p align="center">X</p> <p align="center">X</p>		<p>a. The provision in the Tundra Contract was consistent with earlier City contracts and was adopted by the Zoo. Prior to the audit, the Zoo changed this practice for all future contracts. The Zoo engaged the agency directly for the African Rainforest Pavilion South Refurbishment project awarded in 2009-06.</p>	<p>An Instruction to be developed and finalized by 2010-09-30.</p> <p>See 3 (a) above.</p> <p>See 3 (a) above.</p> <p>See 3 (a) above.</p> <p>See 3 (a) above.</p>

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4.	The Chief Executive Officer, Toronto Zoo, develop appropriate controls and processes to ensure inspection reports prepared by inspection and testing agencies, and site review reports prepared by consultants are adequately reviewed and monitored.	X		a. These are currently done by the consultants and the Zoo Project Manager.	A checklist will be developed that requires a sign-off for all consultants and Zoo staff for all inspection reports by 2010-09-30.
5.	The Chief Executive Officer, Toronto Zoo, establish procedures requiring that all change orders provide sufficient business case details for the extra work to identify:				
	a. Whether the extra work is due to errors or omissions by the consultant, contractor or staff	X		a. This information is not identified on the change order, but is added to the comments in the Zoo's electronic approval system (Workplace). Although this is sufficient for internal approvals, additional information will be included for audit purposes.	An Instruction to be developed and finalized by 2010-09-30.
	b. Whether certain costs could be recovered from the consultant or contractor in accordance with contract terms and conditions.	X			See 5 (a) above.

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6.	The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, explore the possibility of pursuing the recovery of additional costs arising from design deficiencies.	X		An opinion has been obtained from Legal Services. The Zoo has put the consultant on notice with respect to a potential claim. Discussions are ongoing with the consultant with the involvement of Legal Services.	As advised by Legal Services.
7.	The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, review the standard contract terms with respect to the accuracy of "as-built" drawings and consider modifying to provide an allowable margin of error.	X		Prior to the audit the Zoo had undertaken additional underground investigations for the next phase of the North Zoo Site Redevelopment project and had advised the auditor of such. The provision for an allowable margin of error is a good addition.	This issue will be addressed with Legal Services as part of the City's review of tender documents.

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8.	<p>The Deputy City Manager and Chief Financial Officer review capital billing procedures and take appropriate steps to:</p> <p>a. Establish policies and procedures with respect to capital billings from agencies, boards and commissions, including the timing and frequency of billings, payment of holdback and receipt of external funding</p>	X		<p><u>Zoo management</u></p> <p>a. We agree that it would be beneficial for the City to have a policy for capital billings.</p> <p>To clarify the reference in section 2.3 of the report, the Zoo bills the City based on the status of completion of the contract. As such, the amount would include holdbacks and results in a timing issue as the reimbursement of the holdback by the City does occur prior to the Zoo's final payment to the contractor. As discussed with audit staff, any policy developed should deal with the handling of holdbacks and address the timing issue from a billing and City reimbursement perspective to ensure that expenditure reporting aligns with capital budget timing and approvals. The policy would also need to ensure that, from an accounting perspective, the billings reflect the gross amount of the transaction prior to offset by funding from other sources to correctly reflect the asset value reported on the City's balance sheet.</p>	To be discussed with City Finance.

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				<p><u>Director of Accounting Services</u> Established policies and procedures have been in place for a number of years which deal with the payments of capital expenditures by, and reimbursements to the ABCs. We will review these procedures and provide detailed guidance, as required.</p> <p>Holdbacks are properly handled by the organization making payments to the vendor. Requiring a further holdback at the City would result in increased costs of administration which would exceed any interest savings.</p>	
	<p>b. Communicate such policies and procedures to the agencies, boards and commissions.</p>	X			<p><u>Director of Accounting Services</u> Accounting Services will communicate policies and procedures regarding capital billings and repayments to the ABCs formally.</p>

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9.	The Deputy City Manager and Chief Financial Officer take appropriate steps to provide agencies, boards and commissions with appropriate capital reports on a periodic basis to facilitate the reconciliation of all capital accounts.	X		<p><u>Zoo management</u> We acknowledge that there has been significant improvement in the information included on quarterly variance report updates provided by the Financial Planning Division (FPD) and the life-to-date totals. However, it would be very useful to have 'read only' access to City SAP reports to validate on a timely basis that Capital Billings have been charged to the intended accounts, facilitating an improved reconciliation of the capital on a quarterly or semi-annual basis.</p> <p><u>Director of Accounting Services</u> Accounting Services currently reconciles accounts with all ABCs as part of year-end procedures, as well as on an as requested basis. All ABCs also have access to Accounting Services staff and can request SAP capital reports and assistance with reconciliations at any time. Provision of access to SAP to non-city employees is not recommended, but capital reports can be saved and emailed to interested parties, as requested.</p>	

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10.	<p>The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor:</p> <p>a. review the City checklist for assessing bid irregularities and develop a similar checklist appropriate for the Zoo</p> <p>b. develop procedures to conduct a periodic review of any changes to City of Toronto procurement practices and adopt changes, as appropriate</p> <p>c. review and update draft purchasing policies and submit them for Board approval.</p>	<p align="center">X</p> <p align="center">X</p> <p align="center">X</p>		<p>a. Zoo Instructions (Divisional policies) already exist covering bid irregularities. Copies were provided to the Auditors.</p> <p>b. Toronto Zoo purchasing staff already review procurement practices and purchasing documents in comparison to the City practices, and PMMD documents on a periodic basis and adopt changes as appropriate. As well, staff also compare Zoo procurement practices to other agencies of the City and other municipalities in the GTA.</p> <p>c. The revised purchasing policies were awaiting arrival of a new CEO prior to enactment. The revised Financial Authorities By-law is in development and will be submitted to the Board for approval following CEO review.</p>	<p>We will incorporate a checklist into the policy by 2010-09.</p> <p>On-going.</p> <p>The Bylaw will finalized by 2010-09-30.</p>

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11.	The Chief Executive Officer, Toronto Zoo, establish a guideline for adequate documentation to support procurement decisions and retention requirements, and develop procedures to monitor staff conformance with the guideline.	X		The retention period for Purchasing related documents (including RFP's, RFQ's and RFT's) is already specified in the Zoo's Records Retention Bylaw. An Instruction will be developed outlining the retention requirements for documentation used to support procurement decisions, the responsibility for retention, and the appropriate monitoring process.	An Instruction will be developed by 2010-09-30.
12.	The Chief Executive Officer, Toronto Zoo, review all current contracts to ensure Fair Wage approval has been obtained and documentation of such approval is retained.	X		We confirm that Fair Wage approval has been obtained for all recent contracts with documentation on file.	Complete.
13.	The Toronto Zoo Board of Management review and confirm spending authority limits for amounts exceeding approved commitments and consider establishing a fixed dollar limit on each instance.	X		Staff will review the issue and make recommendations to the Board regarding the new Financial Authorities By-Law.	Recommendations to the Board by 2010-09-30.