



STAFF REPORT ACTION REQUIRED

Toronto Zoo Construction Contracts Review – Tundra Project

Date:	March 29, 2010
To:	Board of Management of the Toronto Zoo
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

Attached is the Auditor General's report entitled "Toronto Zoo Construction Contracts Review – Tundra Project". This review was conducted as part of the Auditor General's 2009 Annual Work Plan.

The objective of this review was to assess the adequacy of controls in tendering, award and management of construction contracts. The review focused on the construction and consulting contracts related to the Tundra Project.

Our review identified a number of issues related to construction management, contract administration and procurement policies and procedures.

RECOMMENDATIONS

The Auditor General recommends that:

1. the Board of Management Toronto Zoo adopt the following recommendations in the attached Auditor General's report entitled "Toronto Zoo Construction Contracts Review – Tundra Project:

- "1. The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, modify the standard templates for call documents and agreements to include:
 - 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

- b. A right to audit clause.
2. The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor, take appropriate steps to ensure that:
 - a. The Zoo's standard templates for call documents and agreements are compared periodically with City call documents
 - b. Relevant City clauses are adopted where appropriate
 - c. Any alterations to the Zoo's standard terms and conditions are approved, in writing, by the City Solicitor.
 3. The Chief Executive Officer, Toronto Zoo, establish policies and procedures for inspection and testing to include:
 - a. Selection and hiring of inspection and testing agency independent of the contractor
 - b. Inspection type, frequency, timing and quality
 - c. Review and monitoring of inspection and testing
 - d. Required level of documentation and retention of inspection and testing reports
 - e. Checklist to facilitate tracking of required inspection and testing processes.
 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.
 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
 - b. Whether certain costs could be recovered from the consultant or contractor in accordance with contract terms and conditions.

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.
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.
8. The Deputy City Manager and Chief Financial Officer review capital billing procedures and take appropriate steps to:
 - 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
 - b. Communicate such policies and procedures to the agencies, boards and commissions.
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.
10. The Chief Executive Officer, Toronto Zoo, in consultation with the City Solicitor:
 - a. review the City checklist for assessing bid irregularities and develop a similar checklist appropriate for the Zoo
 - b. develop procedures to conduct a periodic review of any changes to City of Toronto procurement practices and adopt changes, as appropriate
 - c. review and update draft purchasing policies and submit them for Board approval.
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.
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.
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.”

2. the Board of Management Toronto Zoo forward this report to the City's Audit Committee for information.

FINANCIAL IMPACT

The implementation of recommendations in this report will strengthen controls, improve accountability, enhance the overall effectiveness of contract management and payment processes, and may result in payment recoveries.

DECISION HISTORY

The review was included in the Auditor General's 2009 Audit Work Plan in view of the extent of ongoing capital expenditures.

COMMENTS

The report entitled "Toronto Zoo Construction Contracts Review–Tundra Project" is attached as Appendix 1. Management's response to the report is attached as Appendix 2.

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

- Appendix 1: Toronto Zoo Construction Contracts Review – Tundra Project
- Appendix 2: Management's Response to the Auditor General's Review of Toronto Zoo Construction Contracts Review – Tundra Project