

**Management’s Response to the Auditor General’s
Review of Infrastructure Stimulus Funding – Opportunities Exist to Improve
Controls over Construction Projects**

<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>City Council request the City Manager, in consultation with the City Solicitor, ensure</p> <p>a) exceptions, amendments, or interpretations of program guidelines and grant and contribution agreements are clearly documented</p> <p>b) City practices not consistent with agreement terms and conditions are approved by Council as required, and reported to the appropriate federal or provincial Minister in order to ensure transparency.</p>	<p align="center">X</p> <p align="center">X</p>		<p>a) All exceptions and required amendments, to-date, for the Canada-Toronto ISF agreement, and the Ontario-Toronto RInC-REC agreement, have been formally approved, and signed off by all parties, where required, under the terms of the agreements.</p> <p>b) Addressed as required to successfully implement the City's stimulus program.</p>	<p>a) The City Manager's Office will document guidelines and practices used in the administration of the ISF and RInC-REC contribution agreements. We anticipate that this and other lessons learned documented will be used as a best practice for future funding programs coordinated through the City Manager's Office. This will be completed by the summer of 2012.</p> <p>b) The guidelines noted in a) above will advise staff when City practices non consistent with agreement terms and conditions require additional Council authorities, and additional reporting to federal and/or provincial partners.</p>

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				<p>City staff have consistently sought and obtained Council authorities on numerous occasions, where required, to implement the stimulus program, in addition to the original September 2009 Council approval sought and obtained. For example, Council authorities were obtained in 2010 and 2011 when new projects were added to the City's stimulus roster, to approve capital variances on a regular basis, and to extend the completion deadline for projects that faced unforeseen challenges, as allowed by the federal government.</p> <p>All exceptions to stimulus program terms and conditions or amendments to funding agreements proposed by the City, have been formally approved and signed off by the appropriate City, Provincial, and/or Federal official.</p>	

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2.	City Council request the City Manager report publicly on the stimulus overall program effects on improving City infrastructure assets and overall capital program.	X		The City Manager's Office agrees that providing timely and accurate information on the City's stimulus program is essential. In keeping with this principle, the City Manager's Office launched a public webpage at the start of the City's stimulus program in the fall of 2009 (http://www.toronto.ca/stimulus_fund/) to provide public information on the City's stimulus program. This webpage includes project and funding information for each Council approved project within a map-based application so that residents can locate projects by program area and/or neighbourhood. The economic impact of these public investments has also been communicated, both on the website, and to Council.	Included within reports on the state of infrastructure as part of the annual capital budget process as well as the annual financial report.

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3.	City Council request the City Manager ensure the City-wide prioritization framework for capital projects is complied with as part of the annual and long-term financial planning process. The project ranking be considered as part of the City’s overall capital program funding allocation.	X		<p>The City's capital program is ranked in accordance with the following priorities:</p> <ul style="list-style-type: none"> • State of good repair • Service improvements • Growth-related projects <p>The need for City programs and agencies to comply is reinforced in the capital manual of instructions. Compliance is formalized through the annual administrative review process.</p>	Will be reinforced through the multi-year 2013 financial planning process.
4.	City Council request the Director, Purchasing and Materials Management Division, direct staff to comply with existing policies and procedures requiring periodic audits of the use of rosters.	X		PMMD staff have been reminded to ensure that timely completion of audits are conducted on each roster file, as required under PMMD procedures.	Completed. PMMD Managers and Supervisors have been directed to remind Buyers of this requirement at monthly staff meetings and to review the roster files that they are responsible for quarterly to ensure that quarterly audits are being done in accordance with the procedure.

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5.	<p>City Council request the Director, Purchasing and Material Management Division, modify existing purchasing procedures to encompass multiple award purchases. Such procedures to include:</p> <p>a) The evaluation of cost as an additional criteria for the assignment of all task orders</p> <p>b) The requirement for documentation in each task order file in support of vendor choice for order assignment</p> <p>c) Guidelines for task orders, defining limitations on the inclusion of activities and materials not included in the initial competitive call and General Services Contract.</p>	X		<p>The Procedure for Using an Established Roster to Obtain Professional, Consultant or Other Services, found at: http://insideto.toronto.ca/purchasing/pdf/rosters.pdf is currently being revised to include these recommendations.</p>	To be completed in the Q4, 2011

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6.	City Council request the General Manager, Parks, Forestry and Recreation, in consultation with the City Solicitor review the risks, benefits, and costs of inspection and testing agency hiring practices with a view to establishing criteria for determining when the City, its consultant, or its contractor should hire and pay the agency.	X			Parks, Forestry & Recreation will review and document the risks, benefits, and costs of inspection and testing practices and report back to the Auditor General in one year's time.

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7.	City Council request the General Manager, Transportation Services and General Manager, Parks Forestry and Recreation, ensure all staff managing construction projects, sufficiently document actions taken to respond to test results failing to meet specifications.	X			<p>Parks, Forestry & Recreation will provide training to Capital Projects staff that will include documentation of actions responding to failed test results. Training to be completed before the 2012 construction season.</p> <p>Transportation Services: Material testing forms, which are contained in the Division's "Road Operations Contract Inspection Manual" were reviewed, revised and consolidated to ensure clear documentation and tracking. The revised form will be implemented for the 2012 construction season.</p> <p>Refresher training sessions for affected staff will be held prior to the start of the 2012 construction season.</p>

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8.	<p>City Council request the General Manager, Transportation Services and General Manager, Parks, Forestry and Recreation, establish and implement procedures to ensure staff adhere to quality assurance procedures including:</p> <p>a) Materials testing and inspections</p> <p>b) Final inspections and deficiency lists</p> <p>c) Weight verification.</p> <p>Additional training be provided regarding the level of documentation retained to demonstrate compliance with policies and procedures.</p>	X		<p>Transportation Services implemented a "Road Operations Contract Inspection Manual" in April 2010. This manual outlines quality assurance procedures for a) and c) (pg. 44).</p>	<p>Transportation Services: Procedures for b) (final inspection and deficiency lists) will be incorporated in the "Road Operations Contract Inspection Manual" and implemented prior to the 2012 construction season. Refresher training for affected staff on the procedures for a), b), and c) will be undertaken prior to commencement of the 2012 construction season.</p> <p>Parks, Forestry & Recreation will provide training to Capital Projects staff that will include project documentation to be retained to ensure the Division is able to demonstrate compliance with policies and procedures. Training to be presented at PFR Capital Projects Staff Meeting, January 2012</p>

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9.	City Council request the City Manager direct appropriate divisions to ensure staff managing construction projects adhere to operating procedures requiring payments against contingency be supported by change orders. Further, that change directives, RFQ issued by divisions, and/or change orders be approved by the appropriate signing authority prior to commencement of extra or additional work.	X			The City Manager will by memorandum notify Division Heads of the necessity to adhere to operating policies and procedures and to ensure that appropriate training is provided. To be completed by year end.
10.	City Council request the General Manager, Transportation Services, provide additional training regarding procedures for managing extra work in accordance with the Road Operations Contract Inspections Manual.	X			Refresher training for affected staff on procedures for managing extra work will be delivered prior to commencement of the 2012 construction season.

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11.	City Council request the General Manager, Transportation Services, establish procedures for review of significant variances from estimated quantities and approval in accordance with signing authorities. Such procedures to include issuance of change directives and change orders be required for variances exceeding acceptable tolerances.	X		Transportation Services will review and amend its Road Operations Inspections manual to clarify procedures involving the approval of significant variances from estimated quantities. Given the nature of the Division's contracts, which generally involve maintenance activities at numerous locations, and are based on unit rates and estimated quantities, the Division, in consultation with Legal Services, incorporates languages in the contracts to address quantity variances in a manner that ensures the work can be carried out efficiently	Transportation Services will review and amend its "Road Operations Inspections Manual" to clarify procedures for review and approval of significant variances from estimated quantities prior to the 2012 construction season, and incorporate instruction on these requirements to affected staff in the aforementioned refresher training.