



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Review of 2015 Pan American/Parapan American
Games' Capital Projects**

Date:	April 17, 2014
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's 2013 Work Plan included a review of capital projects approved by Council in preparation for the 2015 Pan American/Parapan American Games.

In November 2009 the City of Toronto was selected to host the 2015 Pan American/Parapan American Games. Council approved funding of \$96 million as the City's contribution for a festival site at Nathan Phillips Square, a new sports centre and upgrades to City-owned assets to be used as training and competitive venues during the 2015 Games.

By the end of December 31, 2013 expenditures of approximately \$38.7 million have been recorded for work performed on 10 capital projects.

The objective of this review was to assess the adequacy of management practices and level of due diligence exercised over project deliverables, City contributions and payments.

Based on our review, it is our view that staff are appropriately managing the capital projects for which they are responsible. Payments made by the City for costs incurred and invoices sent to third parties for reimbursement receive an adequate and appropriate level of management review and approval and are in accordance with third-party funding agreements.

We did identify certain minor administrative issues which need to be addressed. These issues have not been included in this report. We have discussed these matters with management who have agreed to make the necessary improvements to practices and procedures.

RECOMMENDATION

The Auditor General recommends that:

1. This report be forwarded to City Council for information.

Financial Impact

There is no financial impact arising from this report.

Background

The review focused on City practices and processes. Procedures followed by other partners such as Infrastructure Ontario and the TORONTO 2015 Pan Am/Parapan Am Games Organizing Committee (TO2015) were not part of this review.

The audit covered the period from the start of each project to December 31, 2013 and included the following:

- Review of key agreements
- Review of operational processes agreed upon between TO2015, Infrastructure Ontario and the City
- Review of the City's payment approval process
- Interviews with staff
- Review of available independent consultant reports
- Review of financial statements and project status reports prepared by TO2015
- Examination of documents and records
- Review of audit reports previously issued by the Auditor General regarding construction contract management
- Other procedures deemed appropriate

The preparations for the 2015 Games involve several different parties, the most significant being the City of Toronto, TO2015, and Infrastructure Ontario. In recent months there have been a number of media reports relating to control over certain expenditures and the process used for awarding certain contracts. These reports have all related to TO2015. The City has no involvement, influence or control in these areas and as such they were not included in this review.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Comments

The Pan American/Parapan American Games are a multi-sport event held every four years involving competitors from all countries of the Americas. In November 2009, the Pan American Sports Organization awarded the City of Toronto the right to host the 2015 Games. The Pan American Games will take place during July 10-26, 2015 followed by the Parapan American Games from August 7-14, 2015.

In February 2011, Council approved \$96 million for 9 Pan American/Parapan American Games' capital projects. A tenth project, the West Channel Venue for hosting certain open water events was added in 2013.

All three levels of government are involved to ensure necessary sporting venues and facilities are in place for the 2015 Games. A not-for-profit corporation, TO2015, was incorporated with the mandate to plan, organize, promote, finance and stage the 2015 Pan American/Parapan American Games.

The City's role is to enable and support the 2015 Games and provide the City's share of funds. In some cases this means acting as project manager while for other projects it means participation in various committees, teams or work groups.

In all cases, City staff are responsible for ensuring payments made by the City for costs invoiced and invoices sent to third parties for reimbursement are reviewed, approved and in accordance with Council approval and/or third-party funding agreements.

The City Manager's Office has overall responsibility for oversight and coordination of the 2015 Pan American/Parapan American Games activities assigned to the City. In support of this Program the Parks, Forestry and Recreation Division has established a Pan/Parapan Am Games Office.

Staff in the Pan/Parapan Am Games Office represent the City on various committees, teams and work groups for each of the projects provided City funding to ensure the City's interest is protected.

Table 1 below shows the budget and amount spent up to December 31, 2013 for all capital projects where the City is a funding partner. Additional information on the total cost of these projects and the relative funding responsibilities is included as Appendix 1.

**Table 1 – List of Projects
(Budget and Expenditure to December 31, 2013)**

Project	Total City Budget (in \$000s)	City Expenditure to 12/31/2013 (in \$000s)
Toronto Pan Am Sports Centre	\$52,345	\$22,499
Toronto Pan Am Sports Centre Site Remediation	23,000	13,165
Etobicoke Olympium Retrofit	8,800	970
Resurfacing of Cycling Course	4,196	-
West Channel Reconstruction	2,420	-
Nathan Phillips Square Festival Site	1,824	1,824
York Track Retrofit	1,596	34
Centennial Track Resurfacing	730	82
BMX Track	678	70
Birchmount Track Resurfacing	456	28
Total	\$96,000	\$38,672

The agreements with TO2015 and Infrastructure Ontario for each of these projects effectively provides that the City’s commitment is restricted to the Council approved budget amount for each project. Cost overruns, if any, will be borne by the Province.

CONCLUSION

This review focused on four 2015 Games projects. Two of these are being managed by the City and two by Infrastructure Ontario, a provincial entity. The remaining projects had either not started or were only just getting underway.

City managed projects include remediation of the site for the new sports centre and revitalization of Nathan Phillips Square. Both projects are complete and our review confirmed that the City was reimbursed for costs incurred in accordance with agreements signed by the third party. The City budget for the soil remediation project was \$23.0 million and final actual expenditures for the City were \$12.4 million.

For the Nathan Phillips Square festival site, the City’s share of the total budget of \$4.1 million was \$1.8 million. The City received \$2.3 million from TO2015 for its share of the costs incurred.

The other two projects with a combined budget of \$61.1 million are managed by Infrastructure Ontario. These are the construction of the new sports centre and the project to upgrade the Etobicoke Olympium. The City’s interest in decisions regarding project status and direction is being effectively carried out through staff membership and attendance at project committee and team meetings.

For each of these projects, we reviewed detail of transactions to assess whether adequate control was exercised over City expenditures. All transactions we reviewed had appropriate management review and approval, adequate supporting documents and were

in accordance with agreements with the respective funding partners. Based on our audit work procedures currently in place are adequate.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

13-CMO-01

ATTACHMENTS

Appendix 1: Cost Sharing Arrangement and Organization Acting as Project Manager
By Project

**Cost Sharing Arrangement and Organization
Acting as Project Manager By Project**

Project	Total (in \$000)	City (in \$000s)	Partner's Share (in \$000s)	Project Manager
Toronto Pan Am Sports Centre	\$248,830	\$54,743	\$194,087	IO
Toronto Pan Am Sports Centre Site Remediation	52,000	20,580	29,000	City
Etobicoke Olympium Retrofit	20,000	8,800	11,200	IO
Resurfacing of Cycling Course	9,537	4,196	5,340	City
West Channel Reconstruction	5,500	2,420	3,080	City
Nathan Phillips Square Festival Site	4,146	1,824	2,322	City
York Track Retrofit	3,628	1,596	2,032	IO
Centennial Track Resurfacing	1,659	730	929	IO
BMX Track	1,547	681	866	City
Birchmount Track Resurfacing	1,037	456	581	IO
Total	\$347,884	\$96,026	\$249,437	

(IO - Infrastructure Ontario)