



## STAFF REPORT ACTION REQUIRED

### Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions

<b>Date:</b>	May 31, 2010
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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The Auditor General's 2009 Audit Work Plan included a review of construction contracts. This particular review relates to the renovation of 129 Peter Street Assessment and Referral Centre and Homeless Shelter.

The objective of this review was to assess the adequacy of controls in the management of the contract.

This report contains 14 recommendations. The implementation of these recommendations will improve the way the City manages its contracts and ensure that significant capital projects and requests for capital funding are accurately reported to Council.

#### RECOMMENDATIONS

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**The Auditor General recommends that:**

1. The City Manager direct all staff to prepare reports which contain accurate and complete financial impact statements. Such reports to address all financial implications both capital and operating. Reports relating to capital acquisitions contain information on required future state of good repair budgetary requirements.

2. The City Manager direct all staff that under no circumstances should capital lease agreements be negotiated prior to consultation with the Deputy City Manager and Chief Financial Officer. The City Manager further advise all staff that potential lease agreements only be consummated after compliance with City policy.
3. The Deputy City Manager and Chief Financial Officer propose amendments to the Financial Control By-law requiring that final total capital project costs for all major capital projects are reported to the appropriate Standing Committee. Such reporting include a comparison of costs to budget as well as a comparison of actual completion date to projected completion date.
4. The City Manager direct staff, when requesting Council approvals for additional financing, to include complete project costs, including management fees and direct salary costs, and budget information as well as estimated project completion dates in all reports.
5. The City Manager direct that the Design, Construction and Asset Preservation section of the Facilities Management Division be designated as the lead project manager for all renovation projects. The role of client divisions be clearly defined.
6. The City Manager, in consultation with the Executive Director, Facilities Management, require that project charters be prepared for all capital projects. Project charters should define the scope of work, objectives, key deliverables, and project timelines and be approved in writing by both the Design, Construction and Asset Preservation section and the client division.
7. The City Manager, in consultation with the City Clerk, give consideration to the development of a process or a protocol which would enable Councillors, when considering Motions, to be advised of the financial implications of such Motions. If this is not possible prior to decisions being made then consideration be given to providing this information at a subsequent meeting.
8. The Executive Director, Facilities Management, in consultation with the Director, Purchasing and Materials Management, project managers and external consultants, ensure that project design documents are complete and as accurate as possible prior to tender issue.
9. The Executive Director, Facilities Management, be given sole authority to make decisions on the method by which accessibility requirements be incorporated in all relevant tender documents. The design of construction and renovation projects be required to comply with the City's Accessibility Design Guidelines and any new requirements under the Accessibility for Ontarians with Disabilities Act, 2005.

10. The Director, Design, Construction and Asset Preservation, comply with the City's asbestos management policy that requires tender documents include a building asbestos assessment report and building asbestos record. In addition, if necessary and practical, an intrusive asbestos survey should be completed prior to commencing renovations or construction work to confirm the presence of asbestos in the building.
11. The City Manager direct all staff involved in the design of major construction and renovation projects to ensure that all tender and design documents are complete and signed off by the Facilities Management Division and incorporate the scope of work as agreed with the client division.
12. The Executive Director, Facilities Management, on a case by case basis, evaluate the need to conduct detailed building condition assessments prior to tendering major construction and renovation projects. The results of assessments be adequately documented and conveyed to project management staff.
13. The City Manager direct that Design, Construction and Asset Preservation staff consult with Divisions at the design stage of all projects. Appropriate sign off of all drawings be standard practice by Design, Construction and Asset Preservation staff in consultation with Division staff. Such a process be incorporated into the Project Charter.
14. The Executive Director, Facilities Management, ensure that contractor invoices and change orders are calculated in accordance with the terms of the relevant contract. Further, the Executive Director, Facilities Management, take action as warranted after consultation with the City Solicitor to recover any excess change order amounts paid to the 129 Peter Street contractor.

## **Financial Impact**

The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

## **COMMENTS**

This report provides the results of the Auditor General's review of the 129 Peter Street Assessment and Referral Centre and Homeless Shelter renovation. This review was conducted as part of the Auditor General's Annual Work Plan.

The Auditor General's report entitled "Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions" is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

## **CONTACT**

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## **SIGNATURE**

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Jeffrey Griffiths, Auditor General

09-CMO-01

## **ATTACHMENTS**

Appendix 1: Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions

Appendix 2: Management's Response to the Auditor General's Review of Management of Capital Project 129 Peter Street – Shelter, Support and Housing Administration, Facilities Management and Real Estate Divisions