

**Management’s Response to the Auditor General’s Review of
Mid Term Review of the Union Station Revitalization: Managing Risks in a
Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar 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>City Council request the Deputy City Manager and Chief Financial Officer to implement additional status reporting for large capital projects, including the Union Station Revitalization including:</p> <p>a. Additional detail in capital budget and capital variance reports; and</p> <p>b. Separate status reporting to City Council for large capital projects. Thresholds on milestone slippage and cost escalation should be developed to determine the frequency and extent of such reporting.</p>	X		<ul style="list-style-type: none"> • Recommendations 1-4 could readily be consolidated into one recommendation that addresses the overall new reporting requirements for extra-ordinary capital projects (definition required), including Union Station including identification of the issues that are to be addressed in this report. <u>As recommended, this becomes a City wide requirement if implemented.</u> • One consolidated recommendation would also make the reporting expectations clearer; an annual report that addresses the key aspects associated with the delivery of the project including: <ul style="list-style-type: none"> • Overall Project Status • Budget/Financial Status • Schedule Status • Major Challenges and Project Risks • Customer and Stakeholder Relations/Impacts 	<p>a. Beginning in 2014, the capital variance reports will include additional detail on large capital projects, including life to date information, milestones and milestone slippages and any cost escalations.</p> <p>b. For the 2013 capital budget process, detailed information will be provided specifically on Union Station – including milestones and life to date information in the analyst briefing notes submitted to Budget Committee.</p>

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2.	<p>City Council request the Deputy City Manager and Chief Financial Officer to report periodically to City Council to provide:</p> <p>a. An update on the forecasted final cost to complete each stage of construction; and</p> <p>b. Explanations for significant variances from the original phase construction budgets and any remedial action planned or necessary.</p>	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 1. 	<ul style="list-style-type: none"> • To be addressed as part of Recommendation No. 1, Item b).

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3.	City Council request the Deputy City Manager and Chief Financial Officer to report back to City Council in supplementary status reports, the nature of any work that will be omitted from the Union Station Revitalization and the related impact on the timing and cost of future state of good repair and service improvement projects within the overall Capital Plan for Union Station.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 1. 	<ul style="list-style-type: none"> • To be addressed as part of Recommendation No. 1, Item b).

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4.	<p>City Council request the Executive Director, Facilities Management to report to City Council annually on the actual progress of the Union Station Revitalization project against the baseline schedule for each stage of construction. Such reports to include:</p> <p>a. Explanations for significant delays;</p> <p>b. Plans to make up for schedule delays; and</p> <p>c. Identification of any significant costs resulting from the implementation of schedule recovery plans.</p>	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 1. 	<ul style="list-style-type: none"> • To be addressed as part of Recommendation No. 1, Item b).

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5.	<p>City Council request the Executive Director, Facilities Management to obtain and monitor adherence to the General Contractor/Construction Manager’s critical path schedule. Monitoring activities should include:</p> <p>a. Identification, analysis and resolution of any deficiencies or impracticalities in the critical path schedule;</p> <p>b. Written communication of any disagreement with delays reported and changes made to the critical path schedule; and</p> <p>c. Tracking of the causes of delays.</p>	X		<ul style="list-style-type: none"> • The active management of the many aspects of contractual obligations, deliverables and relationships with our GC/CM and the Consultant has been and will continue to be a major focus of the dedicated and experienced USRP team working on the delivery of this extremely complex project. • Project delivery model places considerable responsibility on the GC/CM and Consultant to perform their role professionally in support of the overall goals and objectives of the project however the recommended direction suggests more direct involvement on the part of project staff into the monitoring, documenting and reporting on these roles and as such may necessitate additional resources to undertake effectively. 	<ul style="list-style-type: none"> • Implemented. Ongoing. • Critical path schedule updates received and being reviewed by City. • Project staff continue to focus on key aspects of project delivery, including schedule management. • Recommendations 5, 7, 9, 12, 14, 15, 16, 19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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6.	City Council request the City Manager to ensure that the responsible City division develop and implement, for all significant and complex capital projects, an enhanced process for assessing and managing project risks. The risk assessment should be comprehensive prior to the start of the project and be continuously reviewed and updated.	X		<ul style="list-style-type: none"> • Impacts across City divisions, not just FM&RE. • FM&RE would be pleased to share the framework that has been developed for the Union Station project for the development of this risk management strategy for possible implementation on a City wide basis. 	<p>The assessment and management of project risks for significant and complex capital projects is led by the City division responsible for the capital project and supported by various internal resources needed to address their respective areas of risk management.</p> <p>Internal City resources include Legal Services, Internal Audit and Corporate Finance's Corporate Financial Strategies and Insurance and Risk Management . Internal City resources support the City division responsible for capital project by identifying financial, insurance, operational and contractual risks associated with significant and complex capital projects.</p> <p>The City Manager's Office, and the internal City resources named above, will work together to:</p> <ul style="list-style-type: none"> · ensure that a comprehensive risk assessment process, including mitigation measures and the identification of different risks and their project impacts, is incorporated into existing processes involving significant and complex capital projects; and • ensure that the risk register is updated and remains complete and current.

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7.	City Council request the Executive Director, Facilities Management to ensure the General Contractor/ Construction Manager implement their proposed risk management process within the agreed lump sum amount for Fixed General Accounts and Fee Price.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Risk register has been updated as of September 2012. Staff reviewing register but also currently being utilized as one of the tools to manage the project. • Risk Management process identified in contract documents will be implemented as part of the overall suite of tools being used to manage this complex project. • Project staff continues to focus on key aspects of project delivery, including risk management. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and will be implemented to the extent required to provide proper administration and management of the project.

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8.	City Council request the Deputy City Manager responsible for the oversight of significant and complex capital projects where the Construction Manager model is being used, to ensure that the Construction Manager is engaged in sufficient time to allow for an effective review of design and contract documents.	X		<ul style="list-style-type: none"> • Current City processes do not facilitate the fast track delivery of projects including timely retention of project staff and pre-construction services of a construction manager. 	<ul style="list-style-type: none"> • Working within the existing processes and procedures will not resolve the issue and address the recommendation so will have to develop a new approach to significantly improve performance regarding this issue. • Regarding timing for implementing the improvement; this will require another significant and complex capital project where the Construction Manager model is being used.

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9.	City Council request the Executive Director, Facilities Management, in consultation with the City Solicitor, to ensure adherence to procedures for the retention of critical and other relevant records related to the head lease, design, construction, and contract administration of the Union Station Revitalization.	X		<ul style="list-style-type: none"> Existing documentation retention procedure for DCAP is in place. Consolidation of City/Consultant and GC/CM records within the City's files can be undertaken, given sufficient resources. Overall document management strategy for a project of this complexity and magnitude will be built upon the fundamentals and guidance of the DCAP procedure. Sufficient staff are not currently available to review and develop a comprehensive document management strategy. All documentation required continues to be fully available and accessible for City staff. Project delivery model places considerable responsibility on the GC/CM and Consultant to perform their role professionally in support of the overall goals and objectives of the project however the recommended direction suggests more direct involvement on the part of project staff into the monitoring, documenting and reporting on these roles and as such may necessitate additional resources to undertake effectively. 	<ul style="list-style-type: none"> In the interim, current staff will endeavor to retain key additional records of information identified through this audit. As the process is now complete, the Head Lessee documentation has been collected and will be consolidated for record keeping purposes within the Real Estate division. Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and will be implemented to the extent required to provide proper administration and management of the project. Project resource impacts to be identified in 2012.

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10.	City Council request the Executive Director, Facilities Management, to implement procedures to ensure trade contracts are accurately and completely scoped prior to issuing competitive tenders.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • GC/CM have staff in place, but more critically, the time, to provide the required input into the future stages of the project to improve performance on this issue. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and will be implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.
11.	City Council request the Executive Director, Facilities Management, review fees paid to the Prime Consultant and ensure that fees payable for contract administration align with actual progress of each Stage of construction.	X		<ul style="list-style-type: none"> • The active management of the many aspects of contractual obligations, deliverables and relationships with our GC/CM and the Consultant has been and will continue to be a major focus of the dedicated and experienced USRP team working on the delivery of this extremely complex project. 	<ul style="list-style-type: none"> • Implemented. Ongoing.

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12.	City Council request the Executive Director, Facilities Management to ensure controls are implemented to verify, on a periodic random test basis, labour costs against source documents such as time sheets or services records.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and will be implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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13.	<p>City Council request the Executive Director, Facilities Management to ensure controls are implemented to monitor the Reimbursable General Accounts. Controls should include:</p> <p>a. Authorization of work plans for significant components in accordance with the Phase 2 Agreement including monthly forecast to completion; and</p> <p>b. Timely comparison of the total amounts billed by component to budgets in the Phase 2 Agreement and investigation of any significant variances.</p>	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Required work plans for Phase 2 reimbursable general accounts received and being reviewed by City staff. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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14.	<p>City Council request the Executive Director, Facilities Management to implement procedures to reduce design errors and omissions. Such procedures to include:</p> <p>a. Ensuring that design work is properly reviewed and authorized;</p> <p>b. Ensuring the Prime Consultant and General Contractor/Construction Manager carry out surveys of the site;</p> <p>c. Ensuring the General Contractor/Construction Manager performs a review to confirm the “constructability” of the design; and</p> <p>d. Evaluating the performance of the Prime Consultant at frequent intervals.</p>	<p align="center">X</p>	<p align="center">X</p> <p align="center">X</p>	<ul style="list-style-type: none"> • See comments; Recommendation No. 5. • Item a): Design work is reviewed for general compliance, however detailed reviews not consistent with industry practice. • Item b): Project team will use informed judgment about the extent of additional pre-construction surveys required. • Item c) GC/CM have staff in place, and more critically, the time, to provide the required input into the future stages of the project to significantly improve performance on this issue. • Item d) Consultant evaluation and performance feedback is provided on an ongoing basis during the daily close interaction between the City project team and the Consultant 	<ul style="list-style-type: none"> • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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15.	City Council request the Executive Director, Facilities Management to establish a process to ensure the cost of extra work is determined in accordance with the terms of the Master Agreement. Criteria should be established as guidance for when independent cost estimates or reviews are required for the pricing of change orders.	X		<ul style="list-style-type: none"> • Professional judgment of the management staff involved in each individual issue is used being used to determine the value of expending project funds on third party reviews. • See comments; Recommendation No. 5 	<ul style="list-style-type: none"> • Will document the current process which identifies staff experience and expertise as the key criteria in determining the requirements for independent reviews in 2012.
16.	City Council request the Executive Director, Facilities Management to ensure previously approved change orders are reviewed to ensure compliance with the terms of the Master Agreement and, where applicable, change orders are revised and credits owing to the City for pricing errors are obtained.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Review complete. Any required adjustments will be processed before end of 2012.

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17.	City Council request that the Executive Director Facilities Management expedite the identification of and billing for additional work undertaken and paid for by the City for third parties.	X		<ul style="list-style-type: none"> • Staff, together with GC/CM currently expediting this activity, within the constraints of existing staffing resources. • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Existing staff, together with GC/CM staff will continue to expedite this activity as effectively as possible until additional resources become available to make further improvements. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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18.	City Council request the Executive Director, Facilities Management to ensure adherence to operating procedures for change orders and change directives. Adherence should be evidenced in the official records retained in the City’s possession.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • On-going. • Reference Recommendation 9 above in regards to construction document records retention. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.

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19.	City Council request the Executive Director, Facilities Management to enforce the General Contractor/ Construction Manager’s adherence to key controls in their “Project Quality Management Plan” within the agreed lump sum amount for Fixed General Accounts and Fee Price.	X		<ul style="list-style-type: none"> • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Project Quality Management Plan, provided by GC/CM has been updated and is under further review by City staff. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts to be identified in 2012.

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20.	City Council request the Executive Director, Facilities Management to establish a process to track and follow up on issues, deficiencies, and non-conformance identified through site reviews, inspections, and testing.	X		<ul style="list-style-type: none"> • Current processes already address all major issues on an ongoing basis. • See comments; Recommendation No. 5. 	<ul style="list-style-type: none"> • Additional tracking and reporting has been implemented as part of the enhanced documentation requirements identified in this audit. • Recommendations 5,7,9,12,14,15,16,19-22 will be prioritized and implemented to the extent required to provide proper administration and management of the project. • Project resource impacts will be identified in 2012.