

Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations & Processes to Hold Contractors Accountable to New Contract Terms

Date: June 28, 2023
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

Contracted winter maintenance services are part of the City's snow and ice management plan that is designed to prioritize the safety and mobility of all road, sidewalk, cycle, and path users. Nearly \$1.5 billion in winter maintenance contracts (over a 10-year term) were awarded in December 2021.

This follow-up report addresses City Council's December 2021 decision for the Auditor General to review the terms of the new winter maintenance contracts (2022-2032) against previous recommendations, and to review current Transportation Services' contract management processes to hold winter maintenance contractors accountable to the contract terms.

This report also provides the status of recommendations from two previous Auditor General's reports on the City's winter maintenance program:

1. [Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes](#) (October 2020)
2. [Winter Road Maintenance Program - Phase 2 Analysis: Deploying Resources](#) (June 2021)

The 26 recommendations in the Auditor General's 2020 and 2021 reports were made in the context of the previous (2015-2022) winter maintenance contracts. In our current follow-up review, we assessed whether management's actions, in the context of the new (2022-2032) contracts, addressed the intent of the previous recommendations – to improve the efficiency and effectiveness of contract management and divisional processes designed to hold contractors accountable to the contract terms.

During our follow-up, we verified that 10 recommendations have been fully implemented and one recommendation is no longer applicable in the context of the new (2022-2032) contracts. Management is continuing work to implement 15 recommendations (in the context of the new winter maintenance contracts).

Report	Verified as fully implemented	In progress (not yet fully implemented)	No longer relevant / applicable	Total
Audit of Winter Road Maintenance Program – Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes (October 2020)	9	13	0	22
Winter Road Maintenance Program – Phase 2 Analysis: Deploying Resources (June 2021)	1	2	1	4
Total	10	15	1	26

The report in Attachment 1 provides the Audit Committee and members of City Council with the detailed results of our follow-up and management's action plan for recommendations that are not yet fully implemented.

The report also details lessons learned from the first winter season (2022/23) of the new contracts (2022-2032) for Transportation Services to continue working on as they implement more robust processes, tools, and reporting, in advance of the second winter season. Our findings are summarized in the following three areas:

- A. Strengthening processes to consistently enforce payment criteria and apply liquidated damages
- B. Ensuring robust monitoring of contractor performance
- C. Continuing to implement systems and tools to improve efficiency and effectiveness of contract management

Our report includes four new recommendations to highlight areas for continuous improvement when administering the current contracts going forward. Management has agreed to all four recommendations and management's response to these additional four recommendations is included in the report.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Transportation Services Division to ensure all substituted equipment have been approved through the appropriate change order process, and ensure in future years, where the contractor requests the use of substitute equipment, that the Division ensures that the proposed rate is reflective of existing contract pricing, or if no existing contract pricing is applicable, comparable contract pricing for what the equipment can deliver.
2. City Council request the General Manager, Transportation Services Division to make the necessary updates to the Winter Maintenance Contract Administration Manual, provide continuing training, and ensure consistent and ongoing compliance over the duration of the contracts to ensure:
 - a. Staff verify that equipment is at the designated City Depot in accordance with the contracted mobilization and demobilization dates for every winter season and retain sufficient and appropriate records of such verification
 - b. Staff appropriately determine instances where liquidated damages should apply and retain sufficient and appropriate records to support the Division's application of liquidated damages
 - c. Staff perform the required field audits and retain sufficient and appropriate documentation of their observations to support the Division's application of price adjustments
3. City Council request the General Manager, Transportation Services Division to ensure activations for each winter event are accurately captured electronically to support monitoring contractor compliance with contract requirements on equipment activations and mobilizations.
4. City Council request the General Manager, Transportation Services Division to implement a process to ensure all contractor deficiencies related to winter maintenance services are captured in a timely manner in a central system that facilitates monitoring effective contractor performance.

FINANCIAL IMPACT

The recommendations contained in this report do not have any financial impact.

Effectively implementing the recommendations from the Auditor General's two previous reports on the winter maintenance program, as well as the four new recommendations in this report, will help the Transportation Services Division manage the new winter maintenance contracts in a more effective and efficient manner, including monitoring contractor performance to ensure contracted service levels are achieved.

DECISION HISTORY

On October 23, 2020, the Audit Committee considered the Auditor General's report, [Audit of Winter Road Maintenance Program - Phase One: Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes](#). The 22 recommendations included in the Phase 1 audit report were aimed at modernizing Transportation Services' management of winter operations, improving the efficiency and effectiveness of the winter road maintenance program, resolving contract management and contractor performance issues, and measuring and meeting the Council-approved service levels.

On July 7, 2021, the Audit Committee considered the Auditor General's report, [Winter Road Maintenance Program - Phase 2 Analysis: Deploying Resources](#). The Auditor General's Phase 2 report contained four recommendations and highlighted that based on the 2015-2022 contractor rates and unit-priced contract model in use at the time of the report, contracting for services provided the City better value for money than an in-house solution. The Phase 2 report also identified that based on historical daily fleet utilization under the 2015-2022 contract model, there were opportunities for savings that could have been gained by reducing the fleet size and adjusting fleet deployment to more closely align with historical fleet usage.

The recommendations from these Auditor General reports were made in the context of the 2015-2022 winter maintenance contracts. Those contracts expired at the end of the 2021/22 winter season.

On December 15, 2021, City Council authorized the award of new winter maintenance contracts. At the same time, City Council adopted a motion¹ to add the following reviews to the Auditor General's 2022 Work Plan:

- a. a review of the City of Toronto's Negotiated Request For Proposal process;
- b. a review of the terms of the winter snow maintenance contracts against previously provided winter maintenance Auditor General recommendations; and
- c. a review of Transportation Services' contract management process, to ensure internal processes are sufficient to hold winter maintenance contractors accountable to the contract terms.

The results of the Auditor General's review of the City of Toronto's Negotiated Request for Proposals for Winter Maintenance Services (part a. above) are detailed in a separate report titled "A Review of the Procurement and Award of the Winter Maintenance Performance-Based Contracts" that will also be considered by Audit Committee on July 7, 2023.

¹ [Agenda Item History - 2021.IE26.4 \(toronto.ca\)](#)

This follow-up addresses City Council's request for the Auditor General to review the terms of the winter snow maintenance contracts against previous recommendations and to review current Transportation Services' contract management processes to hold winter maintenance contractors accountable to the contract terms (parts b. and c. above).

COMMENTS

The Auditor General's follow-up process is important, as it helps to ensure that management has taken appropriate actions to implement the recommendations from previous Auditor General reports. Ongoing follow-up of previous Auditor General recommendations is regularly included in the Auditor General's annual work plan, including the [Auditor General's Office 2023 Work Plan \(toronto.ca\)](#).

A high level summary of the key findings from the follow-up are provided in the one-page At a Glance.

Attachment 1 provides the Audit Committee and members of City Council with the detailed results of our follow-up, management's action plan for recommendations that are not yet fully implemented, and management's response to the four new recommendations included in the report.

It should be noted that this follow-up was not an audit of the implementation and enforcement of the new contracts. Rather, this follow-up focused on the implementation status of prior recommendations in the context of the new contracts. We did not review all processes to enforce every contract clause or whether contract terms were sufficient. We only reviewed those that were relevant to the implementation of our prior recommendations.

The Auditor General's follow-up of outstanding recommendations does not constitute a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). However, we believe that we have performed sufficient work to validate management's assertions on the implementation of recommendations.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Winter Maintenance Program Follow-Up: Status of Previous Auditor General's Recommendations & Processes to Hold Contractors Accountable to New Contract Terms