

AUDIT AT A GLANCE

Audit of Toronto Water: Stormwater and Wastewater Contract Management

WHY THIS AUDIT MATTERS

Maintaining City sewer systems in a state of good repair is essential to provide reliable sewer services for Toronto and maximize a return on assets. Aging infrastructure and lack of maintenance can lead to asset failures.

BACKGROUND

Toronto Water engages and oversees contractors and consultants to carry out state-of-good-repair (SOGR) projects. Contractors are responsible for all construction-related tasks while consultants oversee project and contractor management.

This audit assessed whether Toronto Water has systems and processes in place to ensure that SOGR projects for local sewers, forcemains, and pump stations are delivered according to the expected outcomes and contract terms and conditions.

BY THE NUMBERS

- **\$3.11M** paid for additional consultant fees/material and supply price escalation due to delays. Another **\$3.5M** is currently under dispute.
- **\$122K** in overpayments from a mark-up overage the consultants did not catch while reviewing contractor invoices.
- **57%** (20 of 35) of sampled change orders and **91%** (32 of 35) of sampled progress payments lacked required documentation, making it difficult for the City to assess their validity, increasing legal and financial risks.
- **64-79%** of time for 3 of 5 sampled projects – consultants did not meet required 5 day response time for contractor information requests. On average, consultants took **5 to 35 working days** to respond, and in **10 extreme cases took over 4 months**.

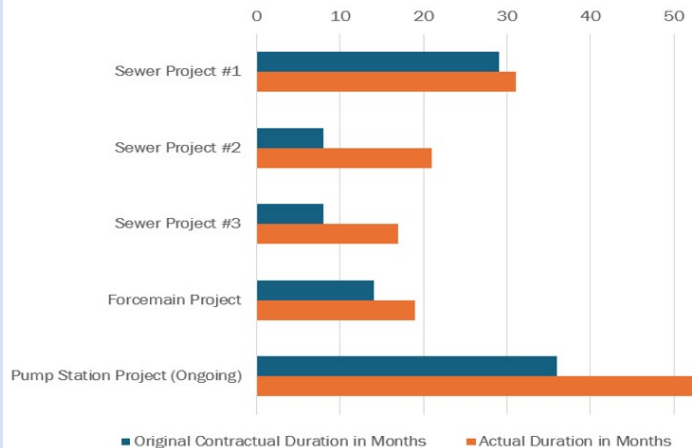
HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the 12 recommendations contained in this report will help Toronto Water improve the effectiveness and efficiency of its contract management oversight of SOGR projects.

WHAT WE FOUND

A. Ensuring Projects Remain on Schedule and All Time Extensions and Liquidated Damages Are Properly Supported and Documented

- Many projects took longer than originally planned to complete. 94 per cent (17 of the 18) of projects completed between January 2020 and March 2025 did not meet the originally planned substantial performance date. Delays may cause public inconvenience, financial exposure for the City, and increased risk of leaks and environmental contamination.



Four out of the five sampled projects ran over the originally planned timeline by approximately 2-13 months, and one ongoing project has exceeded its scheduled completion date by 17 months.

- For all 17 projects, there were requests and approvals to extend their deadlines. However, contractor requests to extend project deadlines were not always supported by adequate documentation, yet Toronto Water approved the requests based on consultants' recommendations. When time extensions are approved, the City cannot claim liquidated damages (pre-estimated compensation for losses incurred by the City) and recover financial losses due to project delays.
- #### B. Improving Adherence to Change Directives Process and Ensuring Change Orders Are Properly Documented, Analyzed and Tracked
- 16 of the 18 completed projects were on budget, with change orders covered by provisional and contingency allowances.
 - In 23 of 35 change orders sampled, work was performed before issuance of a change order. 18 of those samples lacked evidence of City's approval because the City's change directive process was not followed, making it challenging to defend against disputes. No training or refreshers were provided to project managers on City requirements.
 - Toronto Water does not have a centralized way to track change orders and project delays, analyze delay trends, identify systemic root cause of delays, and better plan for provisional items on future projects.
- #### C. Implementing Better Performance Management for Consultants and Contractors
- We observed incomplete consultant inspection records that did not comply with City requirements (e.g. documentation was not maintained separately for each work site). We also noted delayed responses from consultants to contractors, and progress payments without all required documentation.
 - Toronto Water needs to strengthen vendor accountability and oversight to ensure all contract changes and progress payments are adequately supported, diligently reviewed and approved.
 - Contractor and consultant performance evaluations were not completed for some and completed late for others. Toronto Water has limited performance measures to drive and monitor performance of consultants, contractors, and the overall SOGR program.