

**Presentation to City Audit Committee  
on November 5<sup>th</sup>, 2025  
Agenda Item AU10.3**

**AUDITOR  
GENERAL**  

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**TORONTO**

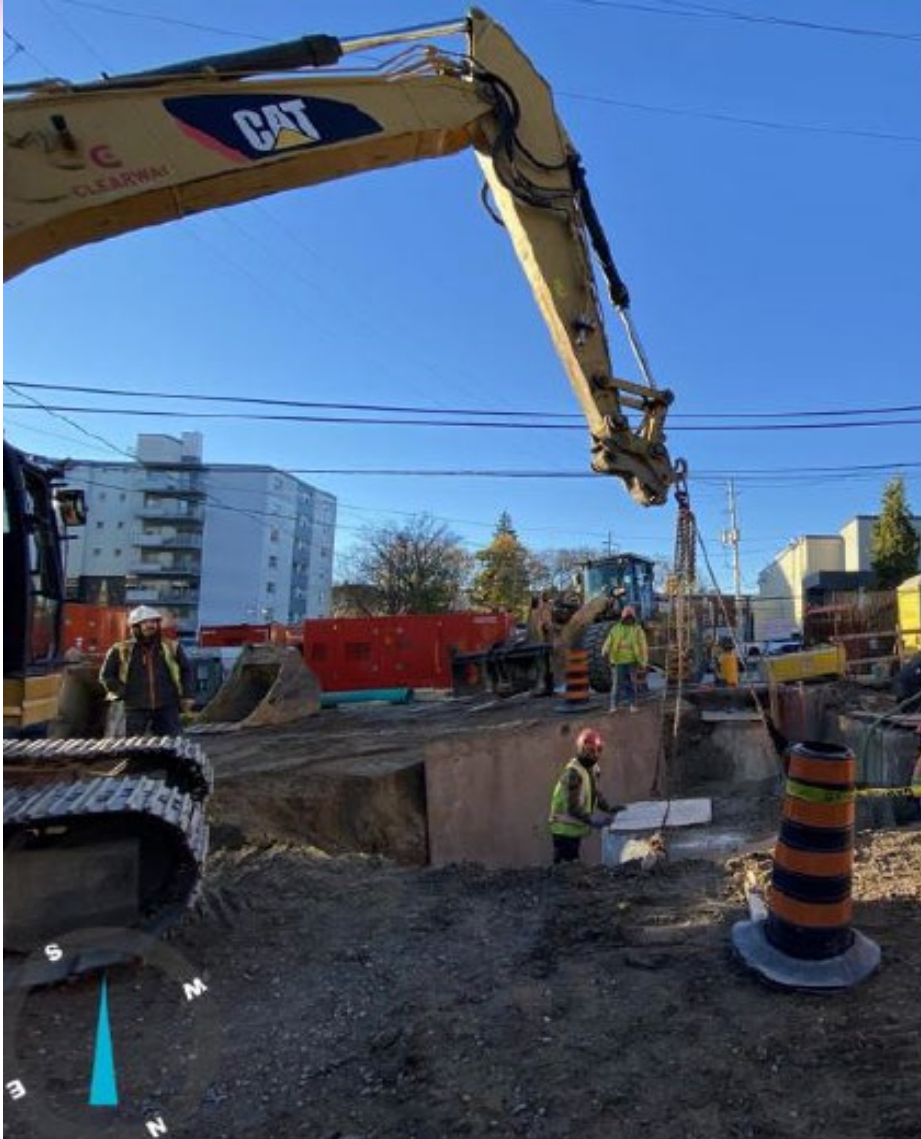
# **Audit of Toronto Water:**

## **Stormwater and Wastewater Contract Management**

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Auditor General

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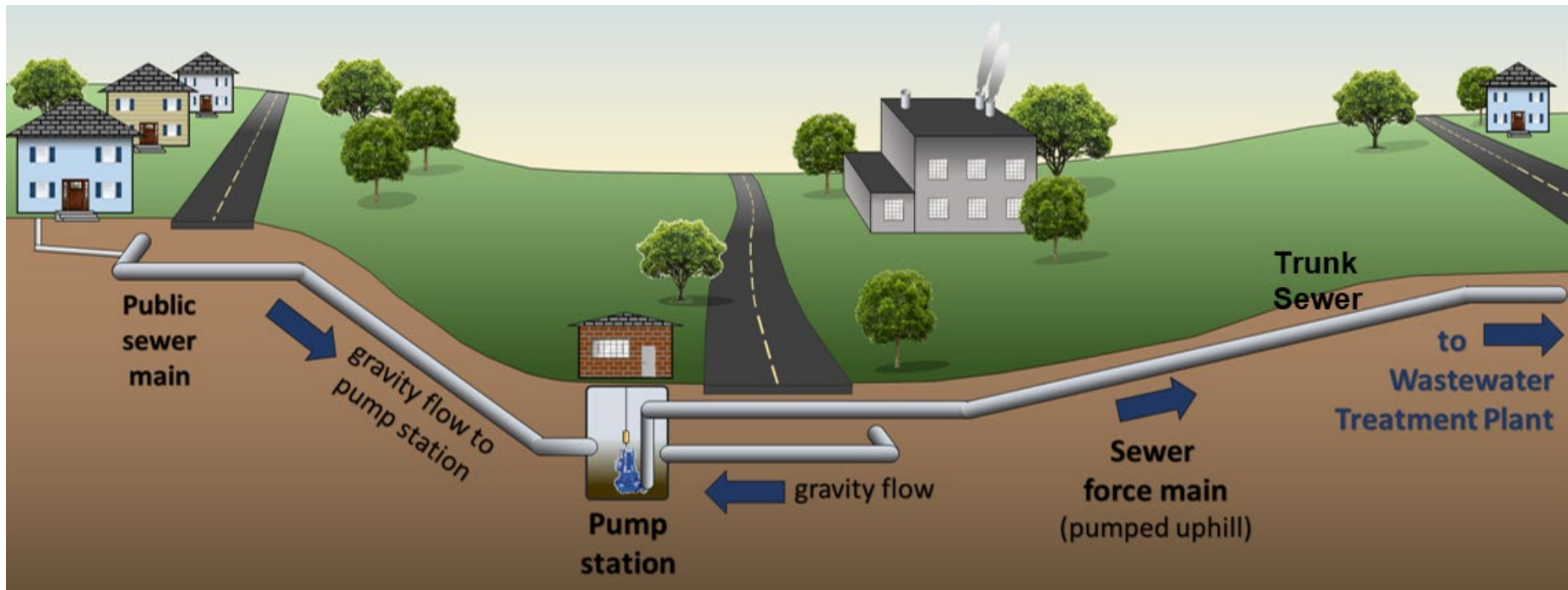
# Presentation Overview



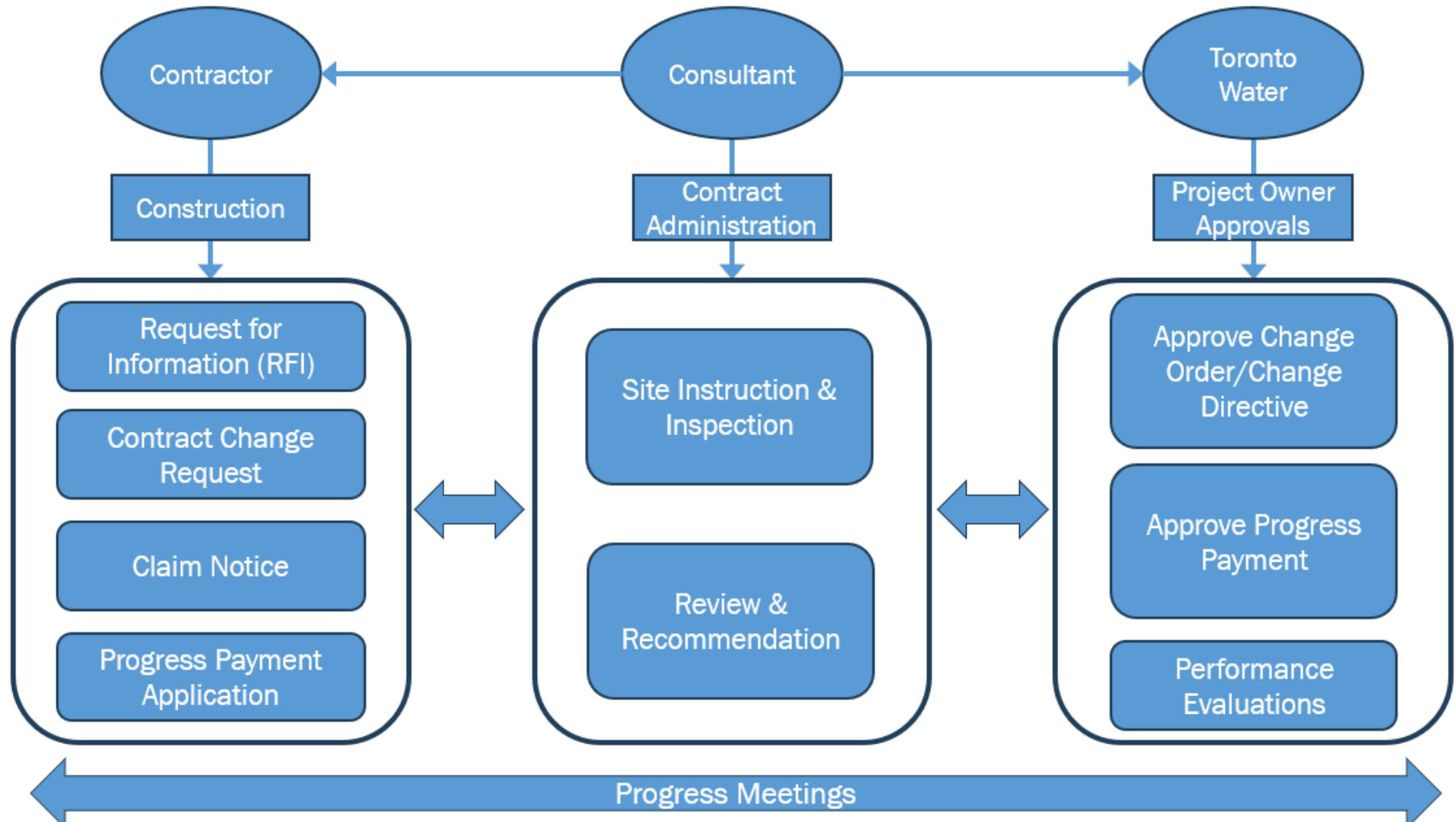
1. Background
2. Why This Audit Matters
3. Audit Objectives
4. Key Audit Findings and Recommendations
5. Closing Remarks

# Background – Toronto's Sewer System

Our audit covered local sewer, forcemain, and pump station state-of-good-repair (SOGR) projects.



# Background – Roles and Responsibilities



# Why This Audit Matters



Maintaining the City's sewer systems in a state of good repair is essential for providing reliable sewer services to Toronto residents and businesses and maximizing a return on assets.

# Audit Objectives

This audit aimed to answer:

1. Does Toronto Water's **contract management oversight** ensure the work of consultants and contractors meets the expected outcomes and terms and conditions defined in the contracts?
2. Are **contract payments supported, accurate, and authorized** by Toronto Water in accordance with the City's policies and procedures?



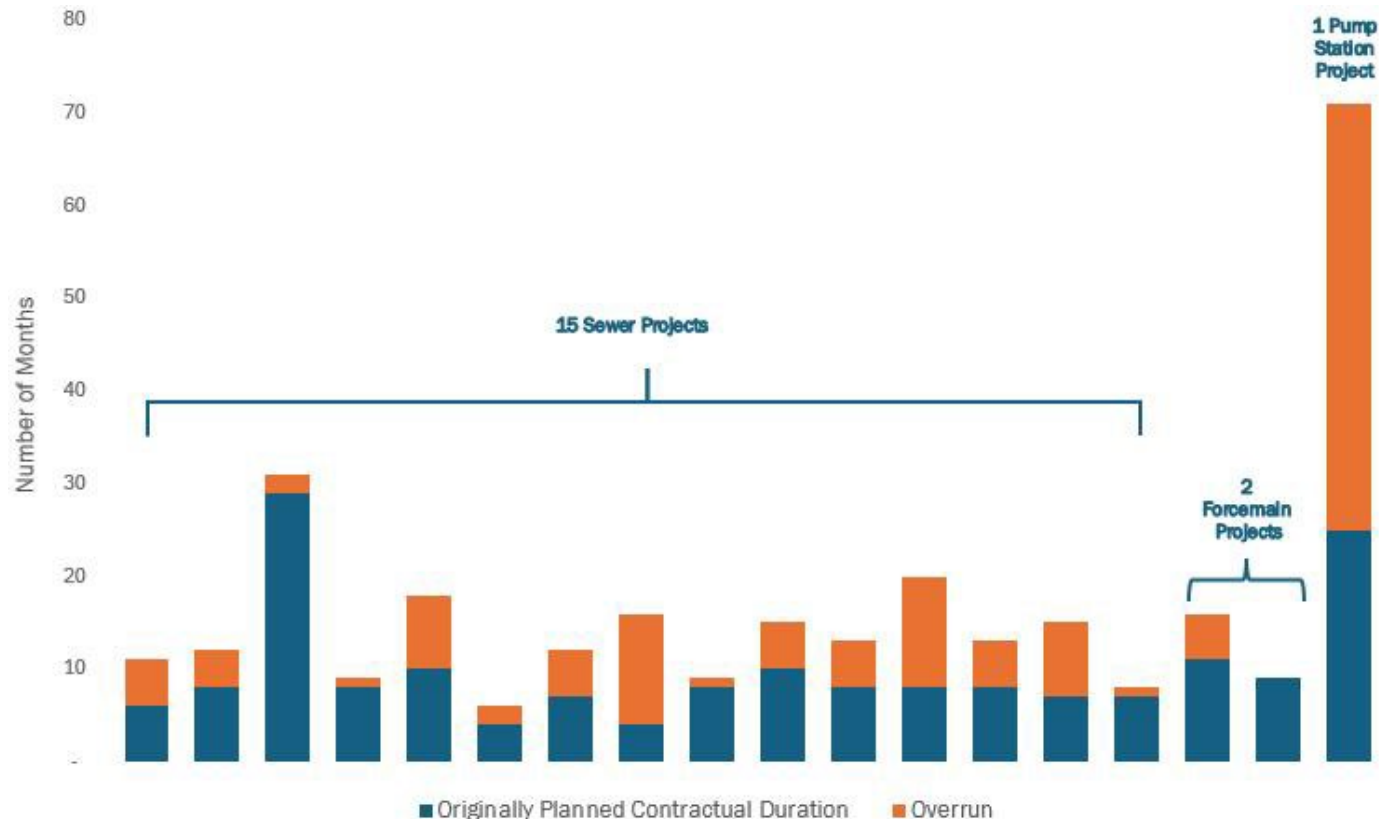
# Key Audit Findings and Recommendations

- A. Ensuring Projects Remain on Schedule and All Time Extensions and Liquidated Damages Are Properly Supported and Documented
- B. Improving Adherence to Change Directives Process and Ensuring Change Orders Are Properly Documented, Analyzed and Tracked
- C. Implementing Better Performance Management for Consultants and Contractors



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

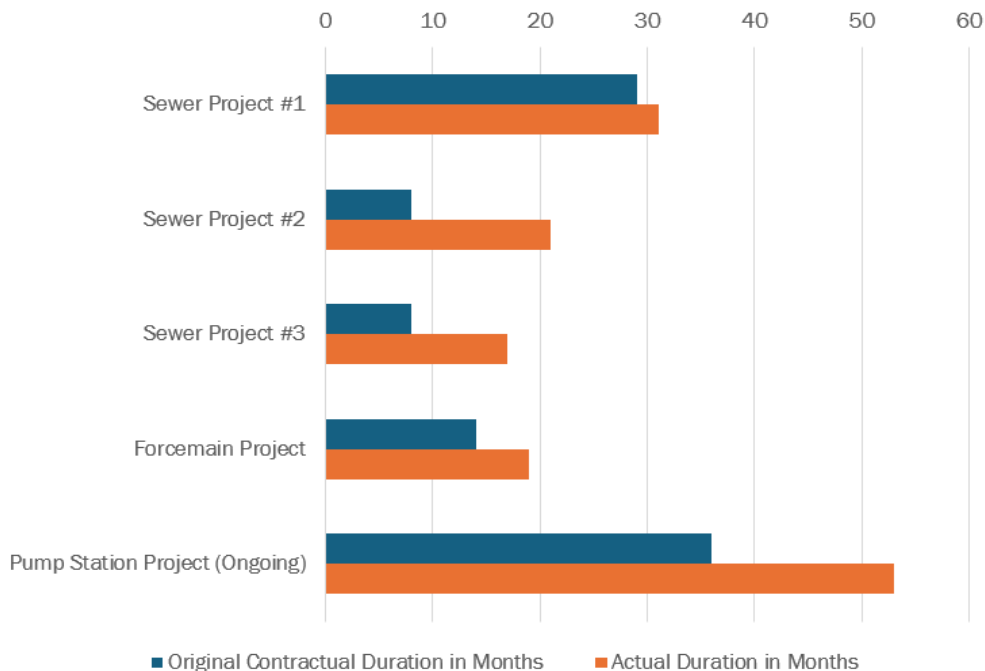
## Project Schedule Variance Compared to Originally Planned Contractual Duration





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

## Original vs. Actual Project Duration



## Impact of Delays:

- Prolonged public inconvenience
- Significant financial risks
- Potential leaks and environmental contamination

No centralized system to track all project delays, analyze delay trends across projects, or identify the systemic root cause of delays

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



Approved time extensions were not always sufficiently supported and verified



Rationale for not assessing liquidated damages was not always documented

## B. Improving Adherence to Change Directives Process and Ensuring Change Orders Are Properly Documented, Analyzed and Tracked

Although 16/18 completed projects were on budget (with provisional and contingency allowances):



Change directives process was not followed, and change orders were not always supported



No training or refreshers were provided to project managers on City's requirements



Insufficient data analysis of change orders to inform lessons learned



Vendor compensated \$442K for price escalation despite contract not having a price adjustment mechanism

# B. Improving Adherence to Change Directives Process and Ensuring Change Orders Are Properly Documented, Analyzed and Tracked

City paid **\$122K** extra for a mark-up overage the consultants did not catch during their review of contractor invoices.

Sample Contractor Quote to the City

Description	Price
Subcontractor #1 - Labour and Material	20,048.00
Subcontractor #1 - 15% Subcontractor Mark-up	3,007.20
Subcontractor #2 - Labour and Material	12,427.00
Subcontractor #2 - 15% Subcontractor Mark-up	1,857.05
Subcontractor #3 - Labour	14,400.00
Subcontractor #3 - 15% Subcontractor Mark-up	2,160.00
Subcontractor #3 - Additional Labour	12,000.00
Subcontractor #3 - 15% Subcontractor Mark-up	1,800.00
Subcontractor #4 - Material	1,975.00
Subcontractor #4 - 15% Subcontractor Mark-up	296.25
Subtotal	69,970.50
Mark-up	
Contractor 10% Mark-up	6,085.00
Total	76,055.50

Mark-up from subcontractor (15%) and contractor (10%) added up to 25%, exceeding the 10% ceiling in the contract

The contractor applied a 15% mark-up even though the subcontractor's invoice included no mark-up as shown in Figure 8

Sample Subcontractor Invoice

Invoice

Subcontractor#3

BILL TO

DATE 07/24/2023 PLEASE PAY \$12,204.00 DUE DATE 08/23/2023

P.O.

SITE ADDRESS

ACTIVITY	QTY	RATE	TAX	AMOUNT
Cutting and Removal	5	2,400.00	HST ON	12,000.00
Holdback	1	-1,200.00	HST ON	-1,200.00
SUBTOTAL				10,800.00
HST (ON) @ 13%				1,404.00
TOTAL				12,204.00
TOTAL DUE				\$12,204.00

Completed July 2023

THANK YOU.

TAX SUMMARY

RATE	TAX	NET
HST (ON) @ 13%	1,404.00	10,800.00

The subcontractor invoice did not include a 15% mark-up

## C. Implementing Better Performance Management for Consultants and Contractors

Daily Inspection Reports lacked required documentation

Consultant response times to contractors were often delayed

Incomplete backup for progress payments

Contractor and consultant performance evaluations were incomplete or late

More performance measures needed

# Closing Remarks

*Tue Nov 1*

*Toronto*

**Implementing the 12 recommendations contained in this report will help Toronto Water improve the efficiency and effectiveness of its contract management oversight of state-of-good-repair projects.**



**AUDITOR  
GENERAL**  

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**TORONTO**