

City Clerk's Office

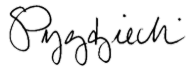
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Ref.: 25-AU10.3**

(Sent by Email)

December 5, 2025

**CITY AGENCIES AND CORPORATIONS:****Subject:       Audit Committee Item 10.3  
                  Audit of Toronto Water: Stormwater and Wastewater Contract Management  
                  (Ward All)**

City Council on November 12 and 13, 2025, adopted [Item AU10.3](#) and, in so doing, has requested the heads of City Divisions, Agencies and Corporations to review the issues and recommendations included in the report (October 22, 2025) from the Audit Committee and consider the relevance to their respective organizations for implementation.



for City Clerk

S. Przedziecki/ss

Attachment

Sent to: Board of Health  
CreateTO  
Exhibition Place  
Heritage Toronto  
Sankofa Square  
TOLive  
Toronto Atmospheric Fund  
Toronto Investment Board  
Toronto Parking Authority  
Toronto Police Service  
Toronto Public Library  
Toronto Transit Commission  
Toronto Zoo  
George Bell Arena  
Larry Grossman Forest Hill Arena  
Leaside Memorial Community Gardens Arena  
McCormick Playground Arena  
Moss Park Arena  
North Toronto Memorial Arena  
Ted Reeve Community Arena

William H. Bolton Arena  
519 Church Street Community Centre  
Applegrove Community Complex  
Cecil Community Centre  
Central Eglinton Community Centre  
Community Centre 55  
Eastview Neighbourhood Community Centre  
Ralph Thornton Community Centre  
Scadding Court Community Centre  
Swansea Town Hall Community Centre  
Waterfront Neighbourhood Centre  
Build Toronto Corporation  
Casa Loma Corporation  
Lakeshore Arena Corporation  
Toronto Community Housing Corporation  
Toronto Hydro Corporation  
Toronto Port Lands Company  
Toronto Seniors Housing Corporation

c. City Manager

**City Council**

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**Audit Committee - Meeting 10**

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**AU10.3 - Audit of Toronto Water: Stormwater and Wastewater Contract Management****Decision Type:** ACTION**Status:** Adopted**Wards:** All**City Council Decision**

City Council on November 12 and 13, 2025, adopted the following:

1. City Council request the General Manager, Toronto Water, to minimize project delays by actively monitoring, analyzing, and documenting the root causes and trends of delays.
2. City Council request the General Manager, Toronto Water, to:
  - a. clarify consultants' scope of work and deliverables in the contract, and City policies and procedures to provide clearer guidance on evaluating time extension requests, including requiring contractors to submit substantiating documentation, and requiring consultants to fully review and validate these requests through delay analysis before consideration by the Capital Works Delivery project manager; and
  - b. ensure that contractors attach all required documentation and consultants sufficiently document rationale to approve time extensions in accordance with the updated contract terms, City policies and procedures.
3. City Council request the General Manager, Toronto Water, to:
  - a. ensure Capital Works Delivery project managers and external consultants follow City contract terms, policies, and procedures, relating to documenting the rationale for assessing or not assessing liquidated damages or delay claims; and
  - b. improve the tracking and reconciling of delay days, clearly identifying who is responsible for the delays, to support the enforcement of liquidated damages.
4. City Council request the General Manager, Toronto Water, to:
  - a. require consultants to use the City's standard change directive form before extra work begins, as required by the City's policies and procedures; and
  - b. provide annual training or refreshers to project managers on Capital Works Delivery's Standard Operating Procedures and the manual.
5. City Council request the General Manager, Toronto Water, to:
  - a. ensure consultants include all supporting documentation as required for review when submitting change order packages;

- b. ensure consultants follow up with contractors when the contractual deadline to submit change order request is exceeded;
- c. set an appropriate timeline for consultants to review and prepare change order packages for approval and ensure Capital Works Delivery project managers follow up with consultants when the timeline is exceeded; and
- d. review consultants' work more thoroughly on a sample basis to ensure quality of consultants' review and communicate the results in consultants' performance evaluations.

6. City Council request the City Manager to require all City Divisions to keep appropriate capital project information up-to-date in the City's T.O.INview database, and request relevant City Agencies and Corporations to reinforce or develop processes, to provide the City with timely and accurate capital project information to improve coordination among stakeholders.

7. City Council request the General Manager, Toronto Water, to:

- a. explore opportunities, in consultation with the City's Chief Technology Officer, to accelerate the implementation of Trimble Unity Construct, a new project management information system, to analyze change order categories and incorporate them into lessons learned to better monitor current and future projects; and
- b. enhance inter-divisional coordination, in consultation with the General Manager, Transportation Services Division, and implement improvements to the Road Disruption Activity Reporting System to support improved capital planning and delivery outcomes, including reducing delays of awarded construction contracts, through mechanisms such as multi-site permitting.

8. City Council request the General Manager, Toronto Water, to:

- a. ensure that the mark-up requirements are clearly communicated in the contract and clarified with the contractor and consultant at the start of the project;
- b. assess whether mark-ups were correctly charged in accordance with contract terms for other change orders and identify any other projects that may be affected; and
- c. strengthen the consultants and Capital Works Delivery project managers' review of mark-up on change orders to ensure compliance with the contract terms.

9. City Council request the General Manager, Toronto Water, in consultation with Legal Services, Purchasing and Materials Management Division, and Engineering and Construction Services, to review and assess the need to update City policies and procedures and training to provide guidance to project managers on when to consider adding a price adjustment mechanism in contracts for the projects they manage.

10. City Council request the General Manager, Toronto Water, to.

- a. clearly and consistently communicate inspection reporting requirements in the contracts and ensure they align with the manual;
- b. ensure consultants document their inspection in accordance with the manual;
- c. establish routine spot checks to ensure projects managed by the Capital Works Delivery unit are receiving adequate on-site inspection services from consultants, and that inspection records are complete, accurate, and regularly retained by City staff;
- d. strengthen Capital Works Delivery project manager oversight of consultant responses to Request for Information and other submissions to ensure timely responses to contractors; and
- e. ensure contractors and consultants provide all required documentation with their progress payment applications, in compliance with the contract requirements.

11. City Council request the General Manager, Toronto Water, to:

- a. ensure the project managers complete contractors' and consultants' performance evaluations in accordance with the contract and City policies and procedures;
- b. clarify with consultants the number and frequency of contractors' performance evaluations required;

- c. explore opportunities to incorporate the evaluation scores of consultants and contractors into future bid evaluations, in consultation with the Chief Procurement Officer and Legal Services; and
- d. conduct a cost and benefit analysis to assess the optimal balance between using consultants and in-house staff for certain site inspection and contract administrative activities.

12. City Council request the General Manager, Toronto Water, to:

- a. consider developing additional key performance indicators and incorporating them into contracts to establish performance standards for both consultants and contractors to encourage their performance, in consultation with Purchasing and Materials Management Division, Strategic Capital Coordination Office, and Engineering and Construction Services; and
- b. develop and monitor key performance indicators at the program level for the Capital Works Delivery unit, including key performance indicators that focus on change order and schedule management, and client unit satisfaction.

13. City Council request the City Manager to forward this report to all City divisions, agencies, and corporations for review.

14. City Council request the heads of City Divisions, Agencies and Corporations to review the issues and recommendations included in this report and consider the relevance to their respective organizations for implementation.

15. City Council request the Deputy City Manager, Infrastructure Services, to report to the February 12, 2026 meeting of the Audit Committee on:

- a. the basis of requests for Paid-duty Officers for Toronto Water, Toronto Transit Commission and Transportation Services projects and provide examples of common instructions provided to Paid-duty Officers; and
- b. alternative options for the use of Paid-duty Officers.

## Summary

Sewer systems play a critical role in the City's stormwater and wastewater infrastructure. 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. Aging infrastructure and lack of maintenance can lead to public health risks, harmful environmental impacts, property damage, and costly repairs.

Toronto Water manages City sewer systems, and its Capital Works Delivery unit engages construction contractors and professional consulting firms to carry out sewer, forcemain, and pump station state-of-good-repair projects. The contractor is responsible for all construction-related tasks while the consultant is responsible for overall project and contractor management.

The Auditor General's 2025 Work Plan included an audit to assess the effectiveness and efficiency of Toronto Water's stormwater asset management program, including examining sewer system inspections, maintenance, and repairs.

Our audit identified opportunities for improvement in the following areas:

- 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

## Background Information (Committee)

(October 22, 2025) Report from the Auditor General on Audit of Toronto Water: Stormwater and Wastewater Contract Management

(<https://www.toronto.ca/legdocs/mmis/2025/au/bgrd/backgroundfile-259601.pdf>)

Audit at a Glance - Audit of Toronto Water: Stormwater and Wastewater Contract Management

(<https://www.toronto.ca/legdocs/mmis/2025/au/bgrd/backgroundfile-259602.pdf>)

Attachment 1: Audit of Toronto Water: Stormwater and Wastewater Contract Management

(<https://www.toronto.ca/legdocs/mmis/2025/au/bgrd/backgroundfile-259603.pdf>)

Presentation from the Auditor General on Audit of Toronto Water: Stormwater and Wastewater Contract Management (<https://www.toronto.ca/legdocs/mmis/2025/au/bgrd/backgroundfile-259799.pdf>)

**Communications (Committee)**

(November 5, 2025) E-mail from Nicole Corrado (AU.New)