

# Construction Audit of Fire Station 7-4: Phase 1

FA&A Committee – Wednesday June 06, 2018

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# Today's Presentation

- Audit Objective, Scope and Methodology
- Audit Conclusion
- Audit Observations
- Management Action Plans
- Next Steps
- Questions



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# Audit Objective

- The objective of the audit was to evaluate the effectiveness of construction management policies and procedures related to the fiscal, operational, and administrative controls over construction activities, including project scope, cost, schedule and quality.



# Audit Scope & Methodology

- The scope of the audit will encompass the complete lifecycle of the project.
- Audit reports will be issued after the completion of the following project phases:
  - Planning and Design, and Bid and Procurement Phases (Phase 1).
  - Construction Phase (Phase 2).
  - Close Out Phase (Phase 3).



# Audit Scope & Methodology

- Phase 1 included a review of:
  - Governance and project management framework.
  - Awarding the architectural contract.
  - Planning, budgeting and architectural programming.
  - Qualifying contractors and awarding the construction contract.
  - Performance and monitoring.



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# Audit Conclusion

- The planning and design, bid and procurement phases of the construction of Fire Station 7-4 have experienced numerous issues that have significantly increased the risk that this project will not be delivered on time or on budget while increasing the risk of litigation and reputational damage to the City.



# Issues and Observations

The following organization wide improvements are required to improve capital project delivery:

1. Establish a standardized project management governance framework that clearly defines roles, responsibilities and accountability of all project stakeholders.
2. Clearly define and finalize the business case and project scope, including cost and schedule estimates, prior to entering the bid and procurement phase.



# Issues and Observations

3. Develop a city-wide change management process for evaluating the feasibility of an existing project if new information becomes available that may compromise the goals and objectives of the originally approved project.
4. Enhance the vendor performance management and pre-qualification criteria.
5. Ensure members of the vendor evaluation committee have the necessary experience and technical expertise to properly evaluate the submission.





# Management Action Plans

1. Establish a standardized project management governance framework.

## Corporate Project Management Office

- Develop and implement common project management framework
- Create scalable delivery framework for small low risk projects and increase monitoring and oversight for large high risk projects
- Create consistency in project planning and executing
- Complete update to Project Management Procedures Manual



# Management Action Plans

2. Clearly define and finalize the business case and project scope, including cost and schedule estimates, prior to entering the bid and procurement phase.

## Infrastructure Delivery in collaboration with Corporate Project Management Office

- Update all capital projects' scope, schedule and cost to reflect latest estimates for submission as part of 2019 Budget
- Develop a business case template for use on new infrastructure/building capital projects



# Management Action Plans

3. Develop a city-wide change management process for evaluating the feasibility of an existing project if new information becomes available that may compromise the goals and objectives of the originally approved project.

Infrastructure Delivery in collaboration with Corporate Project Management Office

- Update all capital projects to reflect current cost and schedule estimates
- Reassess the business case of a project if new estimates are significantly different than at time of approval
- Recommend changes for Council's consideration as part of the annual budget process



# Management Action Plans

4. Enhance the vendor performance management and pre-qualification criteria.

## Procurement Services

- Developed draft Procurement Procedures PP-13, Contract Management and PP-14, Vendor Performance to pro-actively evaluate and improve the performance of all suppliers, vendors and contractors.
- Preparing implementation plans, including pilot projects



# Management Action Plans

5. Ensure members of the vendor evaluation committee have the necessary experience and technical expertise to properly evaluate the submission.

Procurement Services in collaboration with Corporate Project Management Office

- Procurement Procedure PP-02, Requests for Proposals, has been revised to incorporate enhanced guidelines on technical experience and organizational placement
- Procurement Procedure PP-06, Engaging a Fairness Monitor for a Procurement, has been implemented
- Updated procedures have been included in the procurement training program



# Next Steps

- Action plans have been developed.
- Implementation is underway.
- Internal Audit will follow up and report on the status of these action plans.



# Questions?



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