Winnipeg

Winnipeg Police Service Headquarters Construction Project
Status of Audit Recommendations
As at December 31, 2014

- *Revised April 2015*

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Audit Department

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History

On January 29, 2014 City Council adopted a motion that the City Auditor be instructed to engage an external auditor to conduct an independent audit of the Winnipeg Police Service headquarters construction project.

On April 22, 2014 the contract to perform the Audit was awarded to KPMG.

On July 15, 2014 KPMG reported to Audit Committee and EPC and made 19 recommendations. On July 16, 2014 City Council adopted the 19 recommendations (See Appendix 1).

On January 7, 2015 the Executive Policy Committee requested the City Auditor to provide a written report to its January 21, 2015 meeting, detailing the status of recommendations contained in the audits on the *New Fire Paramedic Stations Construction Project*, the *Winnipeg Police Service Headquarters Construction Project* and the *Real Estate Management Review*, which recommendations have been implemented and which are yet to be implemented.

This is the first status report on the implementation of the

This is an update of the first status report on the implementation of the 19 recommendations from the *Winnipeg Police Service Headquarters Construction Project*. Where applicable, documentation supporting the implementation of the recommendation was reviewed by the Audit Department to confirm implementation has occurred.

Status of Audit Recommendations

December 31, 2014

How was the Status of Audit Recommendations report produced?

The Audit Department provided a template of the audit recommendations to the Acting CAO who identified staff that would be responsible for providing a status update on the implementation of the recommendations. The completed templates are forwarded to the Audit Department for review and compilation. The status report presents the Public Service's representations as to the status of recommendations implemented, in progress or not to be implemented as at December 31, 2014. The Audit Department summarized the status of implementation and prepared a brief overview for Audit Committee. Starting in 2015, documentation supporting the implementation of recommendations is reviewed by the Audit Department to confirm implementation has occurred. For recommendations in progress, an implementation strategy and timeframe is provided. For recommendations not to be implemented, an explanation is provided.

AUDIT REPORT	RECOMMENDATIONS				TARGET DATE FOR COMPLETION			
	Total	Complete	Percent Complete	Not to be implemented	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	2016
Winnipeg Police Service Headquarters Construction Project	19	7	37%		2	-	7	3

Audit Observations

- The Public Service has reported that seven recommendations (1.4, 1.5, 1.6, 4.1, 4.4, 4.5 and 4.6) have been implemented in 2014.

- At December 31, 2014 twelve recommendations are in progress:

    - Two recommendations (4.2 and 4.3) are targeted for implementation in the 1st quarter of 2015.

    - Seven recommendations (1.1, 1.2, 1.3, 1.7, 2.1, 2.2 and 2.3) are targeted for the 3rd quarter of 2015. The Public Service indicates that recommendation 2.2 (Competencies of the Project Manager) and recommendation 2.3 (Responsibilities of the Manager of Capital Projects) will require additional budget funding to implement.

    - One recommendation (3.3 Project Management Framework) is targeted for full implementation in the first quarter of 2016 and the Public Service indicates will require additional budget funding to implement.

    - Two recommendations (3.1 and 3.2 dealing with the delivery of the Project Management Manual and Training) are targeted for implementation in the 2nd quarter of 2016 and according to the Public Service also require additional budget funding to implement.

Date: January 16, 2015

Revised: April 16, 2015

Recommendations and Updates

No.	Recommendation	Status	Update – December 31, 2014
1.1	**Major Capital Project Steering Committee Terms of Reference** Priority: Moderate Administrative Directive FM-004 ("FM-004") sets out the requirement for a Major Capital Project Steering Committee, however, the terms of reference of this committee should be revisited. In particular, it is important that the role, responsibilities and accountabilities of the committee, its members and other participants are clear and documented in writing; that the membership of the committee is appropriate; and that there is a requirement for detailed meeting minutes to be prepared, circulated and retained which clearly identify what issues or information have been presented, which project team members participated in the meeting, and what decisions were made by the committee and communicated to and/or requested from the project team.	In progress	This recommendation is partially implemented. On March 24, 2014, the CFO mandated that minutes be recorded for the meetings of these Committees. FM-004 will be updated to reflect this direction. To ensure membership of the committee is appropriate, FM-004 will be amended to prohibit project team members from being on the Major Capital Projects Steering Committee. The terms of reference of the Major Capital Projects Steering Committee will be revisited and updates will either be made in Administrative Directive FM-004 or the Asset Management Project Management Manual. Implementation Date: 2015 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
1.2	**Clarity of Reporting Requirements for Projects to Committees of Council** Priority: Lower We recommend that further clarity is provided regarding the required format, content and frequency of capital project reporting to the Committees of Council. If major capital projects for buildings (as opposed to infrastructure) are to report to the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management, then an amendment is required to FM-004 which currently requires reporting to the Standing Policy Committee on Infrastructure Renewal and Public Works.	In progress	FM-004 will be amended to reflect the current reporting structure. Quarterly Financial Status Reports are to be submitted to SPC Finance. Over-expenditure reports (if required) will be submitted to relevant SPC and Council as specified in Administrative Directive FM-002. Implementation Date: 2015 Qtr 3
1.3	**Clarity of Department Deemed "Responsible for the Project"** Priority: Moderate We recommend that clarification be provided regarding which City department is deemed as being "responsible for the Project" under the terms of FM-004 – the department delivering the Project is not necessarily the budget holder or the end-user department and there may be conflicting expectations of "control over the project" if clear guidance is not provided.	In progress	FM-004 will be amended to ensure that the department responsible for delivering the project is clearly identified in the annual Capital Budget which is approved by Council. Implementation Date: 2015 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
1.4	**Committees of Council Terms of Reference** Priority: Lower To help promote improved governance and accountability, consideration should be given to adding to the terms of reference for the relevant Committee(s) of Council the responsibility for monitoring the frequency of reporting by departments delivering major capital projects and report to Council when there is a failure to report on the status of a major capital project on the agreed upon reporting frequency.	Implemented	Any changes to the Committees of Council terms of reference must be directed by Council. The Public Service will comply with any direction from Council. SPC Finance has directed the Public Service to prepare a Major Capital Projects Schedule report for each meeting identifying for all Major Capital Projects the date of the last report to Committee as well as the date of the next scheduled reports. Implemented: 2014 Qtr 4
1.5	**Ability of Committees of Council to Provide Effective Oversight** Priority: Moderate In order to help ensure that oversight by Committees of Council is effective, consider whether Committees or Council should have access to independent specialist subject matter expertise in the future to provide advice related to major capital projects and assist with the interpretation of complex reporting to help mitigate the risk of potentially misleading, incomplete or inaccurate information being submitted.	Implemented	The Public Service makes its best efforts to present accurate and complete information to Council. The Public Service engages independent specialist subject matter expertise to ensure a full consideration of the relevant subject has been explored. However, considering this recommendation, the Public Service will attempt to more clearly articulate risks associated with these projects. The Public Service does and will comply with any direction from Standing Policy Committees and Council to engagement independent specialist subject matter expertise, when requested. Implemented: 2014 Qtr 4

No.	Recommendation	Status	Update – December 31, 2014
1.6	**Delegation of Authority for Contract Over-Expenditure** Priority: High Consideration should be given to revising the process to approve over-expenditures, and the related delegated authorities, such that contracts may only be able to be extended within the limits of the budget for that particular scope or service line item; an acceptable tolerance should be provided prior to requiring Council approval, and the request should include a cash-flow forecast that shows that there are funds available within the scope or service line item's project budget.	Implemented	This process has been in place for an extended period of time, operates well, and is controlled by the Council approved budget. This information is included in the quarterly reporting to the Standing Policy Committee on Finance. Management believes that the current reporting to the SPC on Finance achieves the intention of this recommendation. Implemented: 2014 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
1.7	**Capital Project Reporting** Priority: High To help promote improved governance and transparency, consideration should be given to the development of a standard major capital project report format for presentation to the Director of the "responsible department" and the relevant Oversight Committee for each major capital project. FM-004 outlines a reporting format that can serve as the basis upon which to build. The revised standard report format (in conjunction with recommendation 3.3 below) should cover the basic information typically required for an oversight body and/or key stakeholder to understand the status of a project, including: a baseline schedule with progress to date; progress against key milestones; detailed budget breakdown with cost incurred and committed cost to date and forecast total estimated cost taking into account approved/pending scope changes and trends; cash flow over time compared to the original business case cash flow; key environmental, health and safety data (as applicable), and the status of key risks and issues identified and being monitored.	In progress	FM-004 currently has a standardized report format that was followed in the WPSHQ project. The current reporting format includes the following items: - Progress against key milestones - Detailed budget breakdown with costs incurred to date - Forecast of total estimated cost taking into account approved/pending scope changes and trends - Cash flow over the remainder of the project - The status of key risks and issues being monitored Items identified in the audit report not included in the current reporting format are as follows: - Baseline schedule with progress to date (current report discloses progress towards key milestones) - Commitments (current report includes commitments in the project forecast but does not separately break out commitments from future cash flows) - Comparison of cash flows to business case (current report only discloses future cash flows and does not compare back to the original business case) - Key environmental and safety data (current report would only disclose these items if there were projects risks or issues related to them) Our current report format in FM-004 will be amended to address the areas identified above that are not covered in our current reporting to the extent the information is available in our current systems. While additional investigation will be undertaken, on preliminary assessment, the detailed information related to schedule may require information that is not available in our existing reporting systems. Implementation Date: 2015 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
2.1	**Segregate & Define End-User and Project Manager Roles and Responsibilities** Priority: High Where a major capital project involves both PPD as well as other City department(s) as end-user and/or budget holder, the City should clarify their respective project-related roles and responsibilities to ensure appropriate segregation of the project manager and end-user representative roles.	In progress	FM-004 will be amended to ensure that end-user department representatives are not in a position to unduly increase the scope of the project. While the audit is observing that end-user department representatives (i.e. Members of the Winnipeg Police Service) should not have been on the project delivery team, the participation of members of the Winnipeg Police Service on this project was critical to ensuring that the final building was designed and constructed in order to be suitable to conduct police work. Therefore, an amendment to FM-004 to prohibit end user department representatives from being on the project delivery team will need to be further reviewed. Implementation Date: 2015 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
2.2	**Competencies of Project Managers and Project Director** Priority: High The City should document the required competencies and capabilities of a "Project Manager" and "Project Director" to ensure that individuals fulfilling these key roles are suitably qualified and experienced in the successful delivery of projects of similar scope and complexity.	In progress	This recommendation requires additional budget to implement. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. A comprehensive review of all positions responsible for project management will need to be undertaken to ensure alignment and consistency across the organization. This may result in position reclassifications that may have salary impacts. FM-004 will be updated as to the role and responsibilities of the Manager of Capital Projects to match the level of resources contemplated in the above report. Implementation Date: 2015 Qtr 3 Update – February 2015 Appendix A of the Additional Staffing for Asset/Project Management report identifies 1 FTE in Corporate Finance for training and professional practices. In our original response to you, we had anticipated that this work would be performed by the new position of Training and Professional Practices Coordinator. As an update, we plan to fast track this request using existing staff from Corporate Finance and Corporate Human Resources. Regarding the impact on positions throughout the City, we are currently unclear as to the amount of resources it would take to implement this recommendation fully.

No.	Recommendation	Status	Update – December 31, 2014
2.3	**Role and Responsibilities of the Manager of Capital Projects** Priority: Moderate Consideration should be given to whether the currently defined required roles and responsibilities for the position of Manager of Capital Projects require more than one individual given the workload and the required competencies, qualifications and experience necessary for this role to be effective (should consider in conjunction with recommendations 3.1 and 3.3 below).	In progress	This recommendation requires additional budget to implement. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. FM-004 will be updated as to the role and responsibilities of the Manager of Capital Projects to match the level of resources contemplated in the above report. Implementation Date: 2015 Qtr 3 Update – February 2015 Additional positions already approved to support the Manager of Capital Projects include the Senior Capital Review Analyst as well as a P3 Senior Contract Administrator. Appendix A of the Additional Staffing for Asset/Project Management report includes two further positions being requested, a Senior Capital Project Manager and a Professional Practices Coordinator to support the project management function. In addition, some of the project management activities have been decentralized to Project Management Offices (PMO's) in the project delivery departments. This is identified by the request of 3.58 FTEs in the report.

No.	Recommendation	Status	Update – December 31, 2014
3.1	**Resources to deliver the Project Management Manual** Priority: Lower Resources should be committed to allow the City to complete the implementation of the 2008 Capital Project Management Audit – specifically the update of the Project Management Manual (should consider in conjunction with recommendation 3.3 below).	In progress	This recommendation requires additional budget to implement. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. Implementation Date: 2016 Qtr 2 Update – February 2015 The Asset Management Project Management Manual has been completed and is available for use. Appendix A of the Additional Staffing for Asset/Project Management report includes 22 positions across the organization being request for Asset Management, Investment Planning, Project Management and Financial Reporting as part of the new Asset Management Initiative.

No.	Recommendation	Status	Update – December 31, 2014
3.2	**Project Management Training & Development** Priority: Moderate Address the formal training and development needs of the City's internal project managers. Given that in our experience, a capable Engineer may not necessarily be a capable project manager, consider requiring the Project Management Professional ("PMP") designation for major capital project managers.	In progress	This recommendation requires additional budget to implement. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. Included in the above report is an FTE dedicated to training and development. Implementation Date: 2016 Qtr 2 Update – February 2015 Appendix A of the Additional Staffing for Asset/Project Management report includes 22 positions being requested to fulfill the new Asset Management Initiative. One position being requested in Corporate Finance is the Training and Professional Practices Coordinator who will be responsible for overseeing and delivering the training needs of the city's internal project managers.

No.	Recommendation	Status	Update – December 31, 2014
3.3	**Project Management Framework** Priority: High To align with other municipal governments, the City should evaluate options for ensuring that its internal project managers have access to a documented project management governance and control framework and/or a project management centre support function. The leading practice in this area is for a project management centre to provide training, support and infrastructure (policy, process, procedure, templates, etc.) that internal project managers require to successfully deliver major capital projects. As part of a documented project management governance and control framework, the City should develop and implement guidance for:	In progress	This recommendation requires additional budget to implement. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. Project Management support is to be provided through a Project Management Office (PMO) approach with PMO support provided both corporately and in the delivery department. Implementation Date: 2016 Qtr 1 Update – February 2015 Appendix A of the Additional Staffing Asset/Project Management report identifies 22 positions being requested in order to implement the new Asset Management Initiative. A total of 6.58 FTEs being requested across the organization will fulfill the governance function. The intent is to have Project Management Office (PMO) functions within the departments and the Infrastructure Planning Division of Corporate Finance will provide corporate oversight.

No.	Recommendation	Status	Update – December 31, 2014
3.3.1	Schedule management, including addressing contractor baseline schedule development and reporting obligations and the project management team's schedule monitoring and analysis requirements.	In progress	The Asset Management Project Management Manual that is currently under development includes contract administration procedures. Also, there is a specific section in the manual dedicated to schedule which addresses this recommendation. In order for departments to comply with the procedures and documentation requirements specified in the manual, additional resources are required. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. Implementation Date: 2016 Qtr 1 Update – February 2015 The Asset Management Project Management Manual has been issued and is available for use. Appendix A of the Additional Staffing for Asset/Project Management report identifies 22 positions being requested to implement the Asset Management Initiative and comply with the procedures and documentation requirements including this recommendation regarding schedule management.

No.	Recommendation	Status	Update – December 31, 2014
3.3.2	Risk management, including the requirement: to maintain a live project risk register and risk mitigation plans; for regular, periodic reporting of the status of key risks and issues; to link the project contingency allowance to identified and quantified risks; and to develop rules that govern the draw-down/use of the project contingency allowance.	In progress	The Asset Management Project Management Manual that is currently under development includes a requirement for Major Capital Projects to develop a live project risk register and risk mitigation plan. There is also guidance to the development and usage of contingency allowance. In order for departments to comply with the procedures and documentation requirements specified in the manual, additional resources are required. A report for Additional Staffing for Asset/Project Management has been prepared and will be submitted to the 2015 Budget Process for approval by Council. Implementation Date: 2016 Qtr 1 Update – February 2015 The Asset Management Project Management Manual has been issued and is available for use. Appendix A of the Additional Staffing for Asset/Project Management report identifies 22 positions being requested to implement the Asset Management Initiative and comply with the procedures and documentation requirements including this recommendation regarding risk management.

No.	Recommendation	Status	Update – December 31, 2014
3.3.3	Change management, including reporting on the status and value of pending and/or approved project change notice requests; and standard change management procedures with which consultants and contractors will have to comply.	Implemented	As noted in the audit, the GMP Contract contained a change order provision that was not complied with. In the future, change control processes as set out in the contract will be complied with. Further, the Asset Management Project Management Manual that is currently under development includes a section dedicated to change control as well as a section dedicated to contract administration procedures. Implemented: 2014 Qtr 4
3.3.4	Budget and contingency management, including: clear definition and communication of the various "class estimates" for projects and guidance on appropriate contingency allowances for each; and explicit definition of required categories of cost such as FFE, IT infrastructure, design fees, other fees, internal charges, escalation, etc. to reduce the risk of misinterpretation of what is included in budget line items/areas, and what is not included.	Implemented	As part of the annual Capital Budget process, the Infrastructure Planning division issues specific guidance as to appropriate level of contingency based on class of estimate. The Estimate Classification System is based on recommended practices from the Association for the Advancement of Cost Engineering (AACE) and is published as an Appendix to the Capital Budget. This guidance was not followed in the development of the project budget. Corporate guidance as to contingency will be followed in the future. Further, the Asset Management Project Management Manual that is currently under development includes a section dedicated to the development of project budget and contingency. Implemented: 2014 Qtr 4
3.3.5	Contract management, including: addressing the need for a contract strategy stage gate to determine the most appropriate contracting strategy for a given project in a transparent manner on the basis of evaluation of project specific risks and objectives; and the need to develop the City's capacity to successfully manage and deliver non-traditional contract strategies.	In progress	The Public Service normally procures infrastructure using the Design, Bid, Build approach, which is the most common delivery model for most government projects in Canada. The WPSHQ was procured using an alternative delivery approach. FM-004 will be amended to include a process where all Major Capital Projects are to be reviewed as to appropriateness of delivery model. The preliminary assessment will be conducted by the department responsible for delivering the project and reviewed by the Infrastructure Planning Division of Corporate Finance. Implementation Date: 2015 Qtr 3

No.	Recommendation	Status	Update – December 31, 2014
3.3.6	Design management, including: the requirement for project managers to proactively monitor the progress and quality of design against a contractual design schedule; and to help ensure all internal project managers understand the important difference between design development and design change.	In progress	The Asset Management Project Management Manual that is currently under development provides guidance to the Project Manager as to administration of a consultant contract. The guidance requires that the Project Manager verifies the progress and authorizes payment for consultant services. Implementation Date: 2015 Qtr 3
4.1	**Procurement Compliance** Priority: Lower Clarify accountability for who is required to ensure compliance with both the City's Materials Management Policy and the Agreement on Internal Trade. Consider revising the guidelines and the process to document delegated authorities to execute contracts on behalf of the City to better mitigate the risk of non-compliance.	Implemented	The City already has an established process whereby Legal Services and Materials Management monitor this. Regarding delegated authorities, FM-002 currently lists delegations and authority. Execution of contracts pursuant to the Materials Management Policy is included in the Execution of Documents By-law; there is a link to the By-law in FM-002. Implemented: 2014 Qtr 3 Audit Comments Recommendation implemented 2015 Quarter 1.

No.	Recommendation	Status	Update – December 31, 2014
4.2	**Procurement & Contract Management Roles & Responsibilities** Priority: Moderate Consider developing and implementing a procurement and contract management RACI Chart (responsible, accountable, consulted and informed) to provide guidance to the various process participants and to help improve the quality and consistency of the required documentation for procurement and contract management (including contract variations) and to ensure that consultants and contractors are not engaged outside of contract or outside of the City's procurement rules and obligations.	In progress	The City's Bid Opportunities and contracts already contain a clear single responsibility for decisions and methods for contract variations. Materials Management will continue to work with Legal Services to further improve the City's documents. Further, a RACI chart has been incorporated into the draft Asset Management Administrative Standard that is currently under review. Implementation Date: 2015 Qtr 1
4.3	**Restrict Ability to Single Source Contracts** Priority: High Consider implementing either additional oversight over the use or the formal approval of single source contracts in order to reduce the likelihood of any potential abuse of the single sourcing provisions. As well, consider the need for additional training or more explicit guidance on the application of the provisions of both the City's Materials Management Policy and Administrative Standard FM-002 (notably Appendix 1).	In progress	Revision to the Materials Management Policy is expected to be approved by Council in February 2015. The reduction in the single source award authority of the Chief Administrative Officer is in practice since March 1, 2014. The City has expanded its training to reach more staff by delivering sessions within individual departments. Implementation Date: 2015 Qtr 1

No.	Recommendation	Status	Update – December 31, 2014
4.4	**Assignment of Contracts** Priority: Lower Revisit the City's Materials Management Policy to ensure that solicitations awarded to a joint venture cannot subsequently simply be assigned to a constituent entity within that joint venture without a rescoring or new public solicitation being performed.	Implemented	Under the Materials Management Policy, assignments are permitted through a formalized process that ensures that the assignee has the appropriate qualifications and resources to perform the work under contract. Implemented: 2014 Qtr 3 Update – April 2015 A joint venture is a "contractor" which is treated the same as any other legal entity. The formalized process for assignment of a contract involves the Materials Management Policy (Policy) and all standard contract templates. B8.1 (c) of the Policy requires the approval of the Chief Administrative Officer (CAO) for any assignment of a contract, under prescribed terms and conditions. Further to the Policy, all standard contract templates, which become the actual contract, contain a direct reference to the General Conditions that govern the contract. The General Conditions contain an Assignment (of contract) section that requires proper approval for any request for assignment. To comply with the Policy, any request for Assignment requires a Report to the CAO which is extensively reviewed by Legal Services, in consultation with the department and Materials Management. Materials Management has a process document available since 2007 that describes in detail what documents and approvals are required for the assignment of a contract. The process requires a Report to the Chief Financial Officer (CFO) (authority delegated from the CAO). The Reports Appendix (4) in Administrative Standard FM-002 provides instruction on what Materials Management and Legal Services require to be included in the Report. One of the instructions includes the requirement to determine that the potential contractor has the necessary experience and resources to perform all of the work in accordance with the requirements of the specifications. A formal re-scoring is not undertaken as the contract has been awarded at this point and the other proposals will no longer be open for acceptance (expired). (continued)

No.	Recommendation	Status	Update – December 31, 2014
4.4	**Assignment of Contracts** Priority: Lower Revisit the City's Materials Management Policy to ensure that solicitations awarded to a joint venture cannot subsequently simply be assigned to a constituent entity within that joint venture without a rescoring or new public solicitation being performed.	Implemented	However, the Contract Administrator, often in consultation with the evaluation team, must complete due diligence to determine that the Assignee has the necessary experience and resources, by considering the implications of assigning the contract and requesting additional information, where necessary. If the proposed Assignee is not qualified, a new tender/RFP should be issued. If an assignment is requested during the formal evaluation, prior to award of contract, the request would be denied. Qualifying bidders, at any time, is a key topic in the Procurement and Contract Administration course offered to all City contract administrators.
4.5	**Standardized Construction Contracts** Priority: High Develop and implement a suite of standard construction contracts for the City's preferred contract strategies to ensure that more robust terms and conditions are developed and implemented, and appropriate training is developed and provided to internal project managers and team members to protect the City's interests and manage its retained risks.	Implemented	The Public Service continues to update the current suite of standard contracts, including P3 contracts. As the need arises, new contracts such as Design-Build are developed and added to the suite of standard contracts. At this time, GMP is not a preferred contracting strategy for the City. If the City anticipates any GMP agreements, the City will develop a standard GMP template. Implemented: 2014 Qtr 3 Update – April 2015 The City has an extensive suite of standard construction contracts that are being updated on a regular basis. New templates will be added as required. The current suite of standard construction templates are based on the design-bid-build methodology. Recommendation 4.5 speaks to preferred contract strategies. You asked about a design build template; this will be developed when this contract strategy becomes more prevalent.

No.	Recommendation	Status	Update – December 31, 2014
4.6	**Procurement Guidance** Priority: Lower Develop improved procurement guidance to mitigate the risk of unfair practices (whether intentional or otherwise) being performed by the evaluation team – such as one person being responsible for performing and documenting any bidder contact to ensure that clarification requests are either provided to all or only short-listed proponents following bid opening.	Implemented	As a result of a previous audit, the Public Service has further strengthened the existing process of ensuring all parties involved in a solicitation process are provided information equally. Materials Management is the gatekeeper of any clarifications requested during an evaluation process. Implemented: 2014 Qtr 3

Additional Recommendations adopted by Council

No.	Recommendation	Status	Update – December 31, 2014
5	That Council forward the full KPMG "Winnipeg Police Service Headquarters Construction Project Audit" dated July 14, 2014 to Manitoba Justice for review.	Complete	City Clerks sent the Report to Manitoba Justice on July 18, 2014.
6	That Council requests that Manitoba Justice responds to the request through the City of Winnipeg Auditor to Council.	Complete	On August 15, 2014 the Department of Justice informed the City Auditor that the matter has been referred to the Royal Canadian Mounted Police to review.

Appendix 1

Minute No. 651
Report – Executive Policy Committee – July 15, 2014

Item No. 4 External Audit of the Winnipeg Police Service Headquarters Construction Project

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee, as amended, and concurred in the recommendations outlined in the Winnipeg Police Service Headquarters Construction Project Audit dated July 14, 2014, conducted by KPMG, and recommended to Council that the following be implemented in accordance with the roadmap for implementation outlined on page 30 of the report and adopted the following:

1. Project Oversight & Governance

1.1 Major Capital Project Steering Committee Terms of Reference (Priority: Moderate)

Administrative Directive FM-004 ("FM-004") sets out the requirement for a Major Capital Project Steering Committee, however, the terms of reference of this committee should be revisited. In particular, it is important that the role, responsibilities and accountabilities of the committee, its members and other participants are clear and documented in writing; that the membership of the committee is appropriate; and that there is a requirement for detailed meeting minutes to be prepared, circulated and retained which clearly identify what issues or information have been presented, which project team members participated in the meeting, and what decisions were made by the committee and communicated to and/or requested from the project team.

1.2 Clarity of Reporting Requirements for Projects to Committees of Council (Priority: Lower)

We recommend that further clarity is provided regarding the required format, content and frequency of capital project reporting to the Committees of Council. If major capital projects for buildings (as opposed to infrastructure) are to report to the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management, then an amendment is required to FM-004 which currently requires reporting to the Standing Policy Committee on Infrastructure Renewal and Public Works.

COUNCIL DECISION (continued):

1.3 Clarity of Department Deemed "Responsible for the Project" (Priority: Moderate)

We recommend that clarification be provided regarding which City department is deemed as being "responsible for the Project" under the terms of FM-004 – the
department delivering the Project is not necessarily the budget holder or the end-user department and there may be conflicting expectations of "control over the project" if clear guidance is not provided.

1.4 Committees of Council Terms of Reference (Priority: Lower)

To help promote improved governance and accountability, consideration should be given to adding to the terms of reference for the relevant Committee(s) of Council the responsibility for monitoring the frequency of reporting by departments delivering major capital projects and report to Council when there is a failure to report on the status of a major capital project on the agreed upon reporting frequency.

1.5 Ability of Committees of Council to Provide Effective Oversight (Priority: Moderate)

In order to help ensure that oversight by Committees of Council is effective, consider whether Committees or Council should have access to independent specialist subject matter expertise in the future to provide advice related to major capital projects and assist with the interpretation of complex reporting to help mitigate the risk of potentially misleading, incomplete or inaccurate information being submitted.

1.6 Delegation of Authority for Contract Over-Expenditure (Priority: High)

Consideration should be given to revising the process to approve over-expenditures, and the related delegated authorities, such that contracts may only be able to be extended within the limits of the budget for that particular scope or service line item; an acceptable tolerance should be provided prior to requiring Council approval, and the request should include a cash-flow forecast that shows that there are funds available within the scope or service line item's project budget.

COUNCIL DECISION (continued):

1.7 Capital Project Reporting (Priority: High)

To help promote improved governance and transparency, consideration should be given to the development of a standard major capital project report format for presentation to the Director of the "responsible department" and the relevant Oversight Committee for each major capital project. FM-004 outlines a reporting format that can serve as the basis upon which to build. The revised standard report format (in conjunction with recommendation 3.3 below) should cover the basic information typically required for an oversight body and/or key stakeholder to understand the status of a project, including: a baseline schedule with progress to date; progress against key milestones; detailed budget breakdown with cost incurred and committed cost to date and forecast total estimated cost taking into account approved/pending scope changes and trends; cash flow over time compared to the original business case cash flow; key environmental, health and safety data (as applicable), and the status of key risks and issues identified and being monitored.

2. Project Roles & Responsibilities

2.1 Segregate & Define End-User and Project Manager Roles and Responsibilities (Priority: High)

Where a major capital project involves both PPD as well as other City department(s) as end-user and/or budget holder, the City should clarify their respective project-related roles and responsibilities to ensure appropriate segregation of the project manager and end-user representative roles.

2.2 Competencies of Project Managers and Project Director (Priority: High)

The City should document the required competencies and capabilities of a "Project Manager" and "Project Director" to ensure that individuals fulfilling these key roles are suitably qualified and experienced in the successful delivery of projects of similar scope and complexity.

COUNCIL DECISION (continued):

2.3 Role and Responsibilities of the Manager of Capital Projects (Priority: Moderate)

Consideration should be given to whether the currently defined required roles and responsibilities for the position of Manager of Capital Projects require more than one individual given the workload and the required competencies, qualifications and experience necessary for this role to be effective (should consider in conjunction with recommendations 3.1 and 3.3 below).

3. Project Management Maturity

3.1 Resources to deliver the Project Management Manual (Priority: Lower)

Resources should be committed to allow the City to complete the implementation of the 2008 Capital Project Management Audit – specifically the update of the Project Management Manual (should consider in conjunction with recommendation 3.3 below).

3.2 Project Management Training & Development (Priority: Moderate)

Address the formal training and development needs of the City's internal project managers. Given that in our experience, a capable Engineer may not necessarily be a capable project manager, consider requiring the Project Management Professional ("PMP") designation for major capital project managers.

3.3 Project Management Framework (Priority: High)

To align with other municipal governments, the City should evaluate options for ensuring that its internal project managers have access to a documented project management governance and control framework and/or a project management centre support function. The leading practice in this area is for a project management centre to provide training, support and infrastructure (policy, process, procedure, templates, etc.) that internal project managers require to successfully deliver major capital projects.

As part of a documented project management governance and control framework, the City should develop and implement guidance for:

3.3.1 Schedule management, including addressing contractor baseline schedule development and reporting obligations and the project management team's schedule monitoring and analysis requirements.

COUNCIL DECISION (continued):

3.3.2 Risk management, including the requirement: to maintain a live project risk register and risk mitigation plans; for regular, periodic reporting of the status of key risks and issues; to link the project contingency allowance to identified and quantified risks; and to develop rules that govern the draw-down/use of the project contingency allowance.

3.3.3 Change management, including reporting on the status and value of pending and/or approved project change notice requests; and standard change management procedures with which consultants and contractors will have to comply.

3.3.4 Budget and contingency management, including: clear definition and communication of the various "class estimates" for projects and guidance on appropriate contingency allowances for each; and explicit definition of required categories of cost such as FFE, IT infrastructure, design fees, other fees, internal charges, escalation, etc. to reduce the risk of misinterpretation of what is included in budget line items/areas, and what is not included.

3.3.5 Contract management, including: addressing the need for a contract strategy stage gate to determine the most appropriate contracting strategy for a given project in a transparent manner on the basis of evaluation of project specific risks and objectives; and the need to develop the City's capacity to successfully manage and deliver non-traditional contract strategies.

3.3.6 Design management, including: the requirement for project managers to proactively monitor the progress and quality of design against a contractual design schedule; and to help ensure all internal project managers understand the important difference between design development and design change.

COUNCIL DECISION (continued):

4. Procurement & Construction Contracting

4.1 Procurement Compliance (Priority: Lower)

Clarify accountability for who is required to ensure compliance with both the City's Materials Management Policy and the Agreement on Internal Trade. Consider revising the guidelines and the process to document delegated authorities to execute contracts on behalf of the City to better mitigate the risk of non-compliance.

4.2 Procurement & Contract Management Roles & Responsibilities (Priority: Moderate)

Consider developing and implementing a procurement and contract management RACI Chart (responsible, accountable, consulted and informed) to provide guidance to the various process participants and to help improve the quality and consistency of the required documentation for procurement and contract management (including contract variations) and to ensure that consultants and contractors are not engaged outside of contract or outside of the City's procurement rules and obligations.

4.3 Restrict Ability to Single Source Contracts (Priority: High)

Consider implementing either additional oversight over the use or the formal approval of single source contracts in order to reduce the likelihood of any potential abuse of the single sourcing provisions. As well, consider the need for additional training or more explicit guidance on the application of the provisions of both the City's Materials Management Policy and Administrative Standard FM-002 (notably Appendix 1).

4.4 Assignment of Contracts (Priority: Lower)

Revisit the City's Materials Management Policy to ensure that solicitations awarded to a joint venture cannot subsequently simply be assigned to a constituent entity within that joint venture without a rescoring or new public solicitation being performed.

COUNCIL DECISION (continued):

4.5 Standardized Construction Contracts (Priority: High)

Develop and implement a suite of standard construction contracts for the City's preferred contract strategies to ensure that more robust terms and conditions are developed and implemented, and appropriate training is developed and provided to internal project managers and team members to protect the City's interests and manage its retained risks.

4.6 Procurement Guidance (Priority: Lower)

Develop improved procurement guidance to mitigate the risk of unfair practices (whether intentional or otherwise) being performed by the evaluation team – such as one person being responsible for performing and documenting any bidder contact to ensure that clarification requests are either provided to all or only short-listed proponents following bid opening.

5. That Council forward the full KPMG "Winnipeg Police Service Headquarters Construction Project Audit" dated July 14, 2014 to Manitoba Justice for review.

6. That Council requests that Manitoba Justice responds to the request through the City of Winnipeg Auditor to Council.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.