Winnipeg

New Fire Paramedic Stations Construction Project
Status of Audit Recommendations
2015 Qtr 3

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Audit Department

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History

On September 24, 2012, upon receiving a recommendation from the City Auditor, Mayor Sam Katz announced a comprehensive review of the processes followed for constructing four new Fire Paramedic Stations will be performed.

On November 15, 2012 an award of contract was made to Ernst & Young to conduct an independent review of the Project and processes followed to construct the four new Fire Paramedic Stations for the City of Winnipeg.

On October 21, 2013 Ernst & Young reported to Audit Committee and EPC and made fourteen recommendations. On October 22, 2013 City Council adopted these recommendations and requested a quarterly update on the status of recommendations (see Appendix 1).

On January 22, 2014 the Public Service provided the first status report on the implementation of recommendations from the *Report on the New Fire Paramedic Stations Construction Project* to EPC.

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 status report for 2015 Qtr 3 on the implementation of 14 recommendations from the *Report on the New Fire Paramedic Stations Construction Project.* Where applicable, documentation supporting the implementation of the recommendation was reviewed by the Audit Department to confirm implementation has occurred.

Summary of Audit Recommendations

How was the Status of Audit Recommendations report produced?

The Audit Department forwards a template of the audit recommendations to the Public Service who provides status updates on the implementation of the recommendations. The completed templates are forwarded back 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 at the end of 2015 Qtr 3. The Audit Department summarizes the status of implementation and prepares a brief overview for Audit Committee. 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	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016 or later
New Fire Paramedic Stations Construction Project	14	7	50%	-	1	1	5	-

Audit Observations

- The Public Service has reported that seven recommendations have been implemented.
- At the end of 2015 Qtr 3, 7 recommendations are in progress:
    - One recommendation (10 reporting structure for Legal Services) is targeted for implementation in the 4th quarter of 2015.
    - One recommendation (7 ensuring that all transactions be conducted in accordance with Council adopted policies) is targeted for implementation in the 1st quarter of 2016.
    - Five recommendations are scheduled for implementation in the 2nd quarter of 2016 (4, 8, 11 and 12 are associated with the development of a Real Estate Transaction Management Framework; 9 Legal Services establishing clear policies on contracts and agreements).

Date: November 2015

Recommendations In Progress – 2015 Qtr 3 Updates

No.	Recommendation	Update – 2015 Qtr 3
4	The competitive nature of the original RFP was considerably limited by the City's desire to try and identify properties to be used for construction of new stations. We recommend that the City, via PP&D, conduct a detailed assessment of City owned properties potentially available and/or conduct land only acquisitions in advance of similar future RFP's. The use of design/build or build only RFP's rather than ones that include the provision of land will create a more competitive environment that should help ensure good value to the City.	Phase I of the RETMF extended slightly longer than anticipated due to summer availabilities and the project is approximately six weeks behind schedule. However, EY is optimistic that the Q1 2016 completion date for Phase II will be met. Phase I has nearly been completed, with the Phase I deliverable (i.e. best practices) to be provided at the same time as the draft deliverable for Phase II (i.e. draft framework/recommendations) during Q4 2015. Accomplishments since the last update include: consultations between EY and the Real Estate Division/Property Management Branch in Q3 2015, supply of documentation/policy/templates/etc. to EY for review in Q4 2015 and a workshop will occur in Q4 2015 to discuss recommendations and best practices. Consultations provided clearer direction for EY which will likely result in a more useful and robust Phase I deliverable. Implementation Date: 2016 Qtr 2

No.	Recommendation	Update – 2015 Qtr 3
7	Clear policies must be established which document expected disclosure to Council, when transactions have not occurred in a manner that is established by City Policies. For example, disclosure to Council should be required when the following situations occur: the commencement of construction in advance of contract award, splitting of contracts due to lack of approved funding, real estate transactions not having been led by PP&D, and Legal agreements not having been approved by Legal Services.	Draft revisions have been made to Appendix H (Land Acquisitions and Expropriations) as well as Section A.2.4 of the Asset Management Project Management Manual to address that real estate transactions are to be led by the PP&D Real Estate Division have been finalized. Next steps will be to issue addendums to the Project Management Manual and Asset Management Administrative Standard. The Draft revision to FM-002 Appendix 4 to address the commencement of construction in advance of contract award will be finalized after meeting with Legal Services scheduled for October 29, 2015. Section 9 of The City of Winnipeg Execution of Documents Bylaw No. 7367/99 states the following: - "With the exception of section 2 and 5.1, the authority given in this By-law to execute documents, instruments or agreements is subject to approval as to legal form of the document, instrument or agreement by the Director of Legal Services/City Solicitor or delegate in writing." - Pursuant to this section of the Execution Bylaw all agreements (and other documents) are required to be approved by Legal Services prior to execution. Administrative Standard No. AS-014 - Review, Approval and Execution of Agreements was implemented in May, 2015 and sets out roles and responsibilities for business and legal review of agreements, including what Legal Services has reviewed prior to signing off that an agreement has been Approved as to legal form/Legally Reviewed and Certified as to Form. Implementation Date: 2016 Qtr 1

No.	Recommendation	Update – 2015 Qtr 3
8	PP&D needs to develop, for Council approval, a policy regarding land exchange transactions that will speak to the timing and basis under which land valuations are to be done and the means under which any value gaps determined are to be dealt with.	See update for Recommendation #4 above Implementation Date: 2016 Qtr 2
9	Legal Services should establish clear policies regarding: ► Land acquisition agreements; ► Construction contracts related to land acquisition; and ► Authorities to be sought for LOI or similar documents	Formulation and finalization of drafts is ongoing with Legal Services and PP&D staff through the RETMF process. For information the status of that process, see response to Recommendation #4. Implementation Date: 2016 Qtr 2
10	We do not believe that Legal Services acted in a manner to sufficiently protect the interests of the City. Additionally we believe at least part of this was caused by the reporting structure at the City. The Legal Services "gatekeeper" function would be enhanced if Legal Services reported to City Council rather than the City Administration, via the CAO. This is the structure in place for at least one major city in Canada.	Legal Services has prepare a report for Council consideration in Q4 of 2015 (final revisions being made prior to submission to the Report Information System). Implementation Date: 2015 Qtr 4
11	Prior to issuing building permits on City projects, PP&D should be required to obtain from MM signed statements that appropriately awarded contracts are in place and from Legal Services that all ownership rights in the subject property are unconditionally held by the City.	See update for Recommendation #4 above. Implementation Date: 2016 Qtr 2
12	We recommend that City policies regarding real estate transactions, including the declaration of surplus properties, be clarified as to identify at what stage of a proposed transaction Council Approval is to be sought.	See update for Recommendation #4 above. Implementation Date: 2016 Qtr 2

Recommendations Implemented – 2015 Qtr 3

No.	Recommendation
13	Corporate Finance should determine a standardized protocol for the challenging of capital budget submissions and project reporting.

Recommendations Implemented – Previous Quarters

No.	Recommendation	Implemented
1	The City needs to examine the basis under which they allow single source contracting. We believe that Council needs to consider at what threshold single source negotiation decisions are brought to their attention. Council also should consider the contract award delegation limits as it relates to single source contracts.	2015 Qtr 1
14	Corporate Finance should develop a means under which non cash transactions, such as a land exchange, are captured so that the true costs of projects can be reported against the approved capital budget.	2015 Qtr 1
2	Currently City procurement policies allow for proponents to propose substitutes for City RFP specifications during the procurement process. We concur that proponents should be encouraged to offer suggestions or substitutes to be considered by the City. We however, suggest that the City change its current approach of not informing other proponents during the bidding process, of the City's acceptance of a substitute. A truly open and transparent process requires such.	2014 Qtr 4
3	Shindico was provided information not available to other proponents in respect to both RFP's. Prior to issuance of a RFP, MM should obtain the details of all discussions that have taken place with proponents from the user departments in order to develop a strategy to inform all proponents of information that may not be known and not disclosed in the RFP. Such action is required to ensure all proponents are bidding from a level playing field.	2014 Qtr 4
5	Project management of real estate construction projects and the lead in all real estate transactions should reside with PP&D. If capacity constraints exist, a plan to address such needs should be developed.	2014 Qtr 4
6	We are concerned that certain policies such as the establishment of a Major Capital Steering Committee and delegations established by Council, including the authority to enter into contracts above $10 million can be by passed if a project is split into a number of smaller contracts. Council should make a clear statement to the Public Service in respect to their expectations in this regard.	2014 Qtr 4

Additional Recommendations Adopted by Council

No.	Recommendation	Status	
15	That the report be revisited by Ernst and Young (Auditor) and all members of Council be interviewed and the results incorporated into the report.	Complete	EY reported to Audit Committee and EPC on July 2, 2014. Report was tabled in Council on July 9, 2014.
16	Whereas that the report recommendations affect at least four departments throughout the City of Winnipeg, that regular, quarterly reports cards be provided to Council about the implementation of the recommendations including regular Council seminars over the next year.	On-going	The City Auditor has incorporated quarterly reporting as part of the QRC process.