Winnipeg

New Fire Paramedic Stations Construction Project
Status of Audit Recommendations
2015 Qtr 4

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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.

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 Executive Policy Committee.

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 4 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.

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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 4. 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	Not to be implemented	Percent Complete	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016 or later
New Fire Paramedic Stations Construction Project	14	7	-	50%	2	5	-	-

Audit Observations

- The Public Service has reported that seven recommendations have been implemented.
- At the end of 2015 Qtr 4, 7 recommendations are in progress:

    - Two recommendations (#7 ensuring that all transactions be conducted in accordance with Council adopted policies and #10 reporting structure for Legal Services) are 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: January 2016

Recommendations In Progress – 2015 Qtr 4 Updates

No.	Recommendation	Update – 2015 Qtr 4
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.	Ernst & Young (EY) conducted a consultation with the Public Works Department in November 2015 to gain a better understanding of the needs of the client departments for the Planning Property & Development (PP&D) Department. PP&D and EY completed a second workshop in December 2015 to discuss and review the current deliverables. The workshop was attended by the steering committee, together with the Manager of the Real Estate Division. EY has now provided to PP&D, all guidelines, directives, policies and tools related to the Real Estate Transaction Management Framework (RETMF), and has also provided the final draft copy of the RETMF. All recommendations within the Real Estate Management Review (REMR) have now been addressed by EY through a deliverable noted above. PP&D continues to review all draft deliverables in conjunction with Legal Services and intends to provide comments to EY by January 15, 2016. EY has proposed finalizing the draft RETMF by the end of January 2016 and also providing an implementation plan at that time. Completion of the RETMF is still on track for 2016 Q2. Implementation Date: 2016 Qtr 2

No.	Recommendation	Update – 2015 Qtr 4
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.	The revised Asset Management Administrative Standard FM-004 has been approved by the CAO and posted on the Infrastructure Planning intranet site. Section A.2.4 as well as Appendix H address that real estate transactions are to be led by PP&D. This part of the recommendation is considered complete. Both the Administrative Standard AS-014 "Review, Approval and Execution of Agreements ("The Administrative Standard") and the Execution of Documents By-law No. 78-2015 ("The By-Law") address concerns with respect to legal agreements not having been approved by Legal Services. The Legal Services Department drafts many of the agreements entered into by the City, and in such cases where Legal Services is not drafting the agreement (ie. the draft comes from a third party), the Administrative Standard, which was implemented in May 2015, provides that all draft agreements shall be forwarded to Legal Services for legal review as soon as they are received by a departmental representative. In addition, the By-law provides that authority to execute a document on behalf of the City is only valid if the City Solicitor or delegate has conducted a legal review and provided written certification of the document as to form (see subsections 5(1) and 5(2) of the By-law). Legal Services held two leadership presentations in 2015 to communicate this information to Departments. This part of the recommendation is considered complete. Revisions to FM-002 Appendix 4 to address any recommendations of the Award Report that are not in compliance with the Materials Management Policy, Administrative Standard FM-002 and/or the Agreement on Internal Trade (AIT) (e.g. commencement of construction in advance of contract award or the splitting of contracts due to lack of approved funding) are complete and are expected to be posted to the City's Intranet website by January 29, 2016. Proof of Action - See 2015 Q4 FPSA Rec 7 FM 004 - Asset Management Administrative Standard V1.1. Implementation Date: 2016 Qtr 1

No.	Recommendation	Update – 2015 Qtr 4
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 will be done in conjunction with the RETMF process. For further information on 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 prepared a report for Council consideration. It is anticipated the report will be submitted in Q1 2016. Implementation Date: 2016 Qtr 1
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 4

No recommendations implemented in this quarter.

Recommendations Implemented – Previous Quarters

No.	Recommendation	Implemented
13	Corporate Finance should determine a standardized protocol for the challenging of capital budget submissions and project reporting.	2015 Qtr 3
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.