Winnipeg

# *Winnipeg Police Service Headquarters Construction Project*
# *Status of Audit Recommendations*
# *2016 Qtr 4*

*To be leaders in building public trust in our civic government*

Audit Department

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*Winnipeg Police Service Headquarters Construction Project*
*Status of Recommendations*
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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.

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 2016 Qtr 4 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

## *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 2016 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 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 or later |
| Winnipeg Police Service Headquarters Construction Project | 19 | 17 | | 89% | - | 1 | 1 | - |

## Audit Observations

- The Public Service has reported that 17 recommendations have been implemented to date.
- At the end of 2016 Qtr 4, one section of a recommendation was implemented and two recommendations are in progress:
    - One recommendation is targeted for implementation in the 2nd quarter 2017:
        - Recommendation 3.3.6 (Project Management Framework)
    - One recommendation is targeted for implementation in the 3rd quarter 2017:
        - Recommendation 1.7 (Capital Project Reporting)

Date: January, 2017

## Recommendations In Progress – 2016 Qtr 4 Updates

| No. | Recommendation | Update – 2016 Qtr 4 |
|---|---|---|
| 1.7 | Capital Project Reporting<br>Priority: High<br>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. | The Public Service continues to work at updating the Major Capital Project Financial Status Report. Discussions are ongoing with senior management. The implementation has been extended into 2017 to ensure consistency across the departments in preparing the information and to allow for time to present the new format to elected officials.<br><br>Implementation Date: 2017 Qtr 3 |
| 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. | The draft "Guide to Developing a Design Management Quality Manual" is out to Departmental AMO Managers and leads for comment. Once comments have been received and incorporated the document will be finalized and rolled out for use.<br><br>Implementation Date: 2017 Qtr 2 |

## Recommendations Implemented – 2016 Qtr 4

One section of a recommendation was implemented in this quarter.

| No. | Recommendation | Update – 2016 Qtr 4 |
|---|---|---|
| 3.3 | Project Management Framework<br>Priority: High<br>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. | The creation of AM offices within our major capital delivery departments is complete. Water & Waste will maintain their current structure and Geoff Patton will assume the duties of Manager of the Asset Management Office within his current role. |

## Recommendations Implemented – Previous Quarters

| No. | Recommendation | Implemented |
|---|---|---|
| 3.2 | Project Management Training & Development<br>Priority: Moderate<br>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. | 2016 Qtr 1 |
| 2.2 | Competencies of Project Managers and Project Director<br>Priority: High<br>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. | 2016 Qtr 1 |
| 1.3 | Clarity of Department Deemed "Responsible for the Project"<br>Priority: Moderate<br>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. | 2015 Qtr 2 |
| 1.1 | Major Capital Project Steering Committee - Terms of Reference<br>Priority: Moderate<br>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. | 2015 Qtr 1 |

| No. | Recommendation | Implemented |
|---|---|---|
| 1.2 | Clarity of Reporting Requirements for Projects to Committees of Council<br>Priority: Lower<br>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. | 2015 Qtr 1 |
| 2.1 | Segregate & Define End-User and Project Manager Roles and Responsibilities<br>Priority: High<br>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. | 2015 Qtr 1 |
| 2.3 | Role and Responsibilities of the Manager of Capital Projects<br>Priority: Moderate<br>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). | 2015 Qtr 1 |
| 3.1 | Resources to deliver the Project Management Manual<br>Priority: Lower<br>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). | 2015 Qtr 1 |
| 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. | 2015 Qtr 1 |
| 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. | 2015 Qtr 1 |
| 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. | 2015 Qtr 1 |

| No. | Recommendation | Implemented |
|---|---|---|
| 4.2 | Procurement & Contract Management Roles & Responsibilities<br>Priority: Moderate<br>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. | 2015 Qtr 1 |
| 4.3 | Restrict Ability to Single Source Contracts<br>Priority: High<br>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). | 2015 Qtr 1 |
| 1.4 | Committees of Council Terms of Reference<br>Priority: Lower<br>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. | 2014 Qtr 4 |
| 1.5 | Ability of Committees of Council to Provide Effective Oversight<br>Priority: Moderate<br>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. | 2014 Qtr 4 |
| 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. | 2014 Qtr 4 |

| No. | Recommendation | Implemented |
|---|---|---|
| 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. | 2014 Qtr 4 |
| 4.4 | Assignment of Contracts<br>Priority: Lower<br>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. | 2014 Qtr 4 |
| 1.6 | Delegation of Authority for Contract Over-Expenditure<br>Priority: High<br>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. | 2014 Qtr 3 |
| 4.1 | Procurement Compliance<br>Priority: Lower<br>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. | 2014 Qtr 3 |
| 4.5 | Standardized Construction Contracts<br>Priority: High<br>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. | 2014 Qtr 3 |
| 4.6 | Procurement Guidance<br>Priority: Lower<br>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. | 2014 Qtr 3 |

## Additional Recommendations adopted by Council

| No. | Recommendation | Status | |
|---|---|---|---|
| 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. |