Winnipeg

# *New Fire Paramedic Stations Construction Project*
# *Status of Audit Recommendations*
# *2017 Qtr 2*

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

Audit Department

# TABLE OF CONTENTS

History ..... 1
Summary of Audit Recommendations ..... 2
Audit Observations ..... 3
Recommendations In Progress – 2017 Qtr 2 Updates ..... 4
Recommendations Implemented – 2017 Qtr 2 ..... 4
Recommendations Implemented – Previous Quarters ..... 5
Additional Recommendations Adopted by Council ..... 6

*New Fire Paramedic Stations Construction Project*
*Status of Recommendations*
*2017 Qtr 2*

## 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 2017 Qtr 2 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 2017 Qtr 2. 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 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 or later |
| New Fire Paramedic Stations Construction Project | 14 | 12 | - | 86% | - | 1 | 1 | - |

## Audit Observations

- The Public Service has reported that twelve recommendations have been implemented to date.
- At the end of 2017 Qtr 2, two recommendations are in progress:
    - One recommendation is scheduled for implementation in the 4th quarter of 2017.
        - Recommendation #10 is regarding the reporting structure for Legal Services
    - One recommendation is scheduled for implementation in the 1st quarter of 2018.
        - Recommendation #9 is associated with Legal Services establishing clear policies on contracts and agreements

Date: August, 2017

## Recommendations In Progress – 2017 Qtr 2 Updates

| No. | Recommendation | Update – 2017 Qtr 2 |
|---|---|---|
| 9 | Legal Services should establish clear policies regarding:<br><br>► Land acquisition agreements;<br>► Construction contracts related to land acquisition; and<br>► Authorities to be sought for LOI or similar documents | Legal Services will develop the policies in collaboration with PP&D through the process of implementing the Real Estate Transaction Management Framework. It is anticipated that the policies will be established by Q1 of 2018.<br><br>Implementation Date: 2018 Qtr 1 |
| 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. | Revisions are being made to the draft report for re-submission to Senior Management in Q4.<br><br>Implementation Date: 2017 Qtr 4 |

## Recommendations Implemented – 2017 Qtr 2

No recommendations were implemented in this quarter.

## Recommendations Implemented – Previous Quarters

| No. | Recommendation | Implemented |
|---|---|---|
| 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. | 2016 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. | 2016 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. | 2016 Qtr 4 |
| 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. | 2016 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. | 2016 Qtr 1 |
| 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 |

| No. | Recommendation | Implemented |
|---|---|---|
| 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. |