

## **AUDIT COMMITTEE - (JUNE 19, 2007)**

### **INTERNAL AUDIT REPORT OF THE NEW CIVIC CENTRE-PRE-CONSTRUCTION PHASE**

#### **Recommendation**

The City Auditor recommends :

That the Internal Audit Report of the New Civic Centre-Pre-Construction Phase be received.

#### **Economic Impact**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

As the audit was performed by the City auditor, there was no cost of hiring a consultant to perform the audit. The auditor focused on providing an independent objective opinion on the audit.

#### **Communications Plan**

Not Applicable

#### **Purpose**

To present to the Audit Committee, the Internal Audit Report of the New Civic Centre-Pre-Construction Phase

#### **Background - Analysis and Options**

The audit was not part of the Internal Audit Plan for 2006 but was a special project requested and approved by Council.

The purpose of the audit was to provide an independent, objective opinion as to

(1) whether the City of Vaughan ("the City") followed its Purchasing Policy

(2) whether the committees formed, were consistent in their application of the rules and in their evaluation of all submissions for:-

(a) RFI 03-155 (Request for Expression of Interest) from 24 architects;

(b) RFP 03-212 (Request for Proposal) from the 4 Architects selected to compete in the Vaughan Civic Centre Limited Competition;

(c) RFPQ 06-015 ( pre-qualification of General Contractors for the Construction of the City of Vaughan Civic Centre) from 11 contractors and

(d) T 06-166 Tender ( Construction of the City of Vaughan New Civic Centre, Phase 1) from 3 contractors

(3) whether the City followed Council's direction in the pre-construction phase of the new civic centre

(4) whether the City exercised fairness, impartiality and applied the same rules/criteria to all respondents in the whole process leading up to the selection of the architect and the general contractor.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes the purpose of the audit, the additional scope, the timeline of events, the observations of the auditor and the auditor's opinion.

### **Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

### **Regional Implications**

Not applicable

### **Conclusion**

1. It is my opinion that the process followed by (1a) the Expression of Interest Selection Committee to short-list the 4 architects, (1b) the Competition Jury to select the winning design and thereby the winning architect, (1c) the Evaluation Committee to pre-qualify the General Contractors to receive the Tender documents for bidding, was fair and equitable to all competitors. The same rules/criteria were applied to all respondents at each process leading up to the selection of the architect and the general contractor. (2) City Purchasing policies were adhered to and (3) Council's direction and authorization were followed.

### **Attachments**

1. Internal Audit Report of the New Civic Centre-Pre-Construction Phase

### **Report prepared by:**

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor



The City of Vaughan  
2141 Major Mackenzie Drive  
Vaughan, Ontario  
Canada L6A 1T1  
Tel [905] 832-2281

June 12, 2007

Michael DeAngelis  
City Manager  
City Of Vaughan  
2141 Major Mackenzie Drive  
Vaughan, Ontario  
Canada L6A 1T1

Dear Michael DeAngelis,

**Re: Audit of the NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

I have completed the internal audit of the New Civic Centre (Pre-construction Phase). This audit was not included in the 2007 Audit Work Plan and was a special request by Council. The period covered for the audit was April 2003 to December 2006.

I would like to thank Commissioner Clayton Harris, and Asad Chughtai of the Purchasing department for accommodating me and providing me with information during my audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing.

The Internal Audit department is committed to adding value, providing continuous improvement recommendations and professional service to the whole organization.

Sincerely,

Michael Tupchong CA, CIA, CPA, CFE  
City Auditor

cc: C. Harris M. Kallideen

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**Index**

<b>Heading</b>	<b>Page No.</b>
• Definition, Objective and Scope	2
• Introduction and Purpose of Audit	4
• Timeline of Events	6
• Auditor's Observation	11
• Conclusion and Auditor's Opinion	14

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**DEFINITION, OBJECTIVE, AND SCOPE**

1. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities audited. The audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focused on continuous improvement in all aspects of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Auditors review any phase of City activity. The scope of Internal Auditing applicable to this audit may include one or more of the following:
  - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
  - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
  - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  - Appraising the economy and efficiency with which resources are employed.
  - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
  - Reviewing the identification of risk exposures and use of effective strategies to control them.
  - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

4. The additional scope in this case, included reviewing the actions undertaken by City employees and the committees formed and verifying:- (1) that they were in compliance with all City policy and procedures, (2) that the rules and requirements of each phase of the process were applied fairly and equally to all competitors and (3) that Council's direction and authorization were followed.

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**INTRODUCTION AND PURPOSE OF AUDIT**

**Introduction**

1. This project represented the largest and most expensive undertaking in the history of the City of Vaughan. The New Civic Centre would be a design which would be both practical and beautiful and represent a magnificent landmark for the City of Vaughan. The City wanted all the citizens of Vaughan to be proud of its architecture, grace and beauty. The New Civic Centre would be (1) environmentally friendly (LEED Gold), (2) family oriented (reflecting pool/skating rink, library, public park and trees) and (3) aesthetically pleasing in its design.
2. The City was aware of the high attention that this project would attract from its residents and the media. The City hired a Professional Advisor and a Fairness Monitor to provide consulting and to oversee the whole process. The Professional Advisor was a registered architect from the Architectural firm, the Ventin Group. The Fairness Monitor was a former Supreme Court Judge. Neither had any vested interest in the competition or the outcome of the process for the New Civic Centre.
3. To illustrate Council's desire for transparency and fairness, Council further requested this independent audit of the whole process including the actions of those involved.

**Purpose of the audit:**

To provide an independent, objective opinion to confirm that:-

- (1) the City of Vaughan ("the City") followed its Purchasing Policy
- (2) the committees formed, were consistent in their application of the rules and in their evaluation of all submissions of:-
  - (a) RFI 03-155 (Request for Expression of Interest) from 24 architects;
  - (b) RFP 03-212 (Request for Proposal) from the 4 Architects selected to compete in the Vaughan Civic Centre Limited Competition;
  - (c) RFPQ 06-015 (pre-qualification of General Contractors for the Construction of the City of Vaughan Civic Centre) from 11 contractors and
  - (d) T 06-166 Tender (Construction of the City of Vaughan New Civic Centre, Phase 1) from 3 contractors

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

(3) the City followed Council's direction in the pre-construction phase of the new civic centre

(4) the City exercised fairness, impartiality and applied the same rules/criteria to all respondents in the whole process leading up to the selection of the architect and the general contractor.



**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**TIMELINE OF EVENTS**

- April 14, 2003** Council resolved that the Vaughan City Hall shall remain at the current Civic Centre site at 2141 Major Mackenzie Drive in the Maple Community.
- May 12, 2003** Council approved: (1) the Vaughan Civic Centre proceed on the basis of an Architectural Design Competition which is subject to the "Canadian Rules for the Conduct of Architectural Competitions" which were established by the Committee of Canadian Architectural Councils. (2) the appointment of The Ventin Group Architects (P.Berton) as the City's Professional Advisor. (3) the process to retain a Project Manager with the aim of having him in place concurrent with the retention of the winner of the Architectural Design Competition (4) the amendment to the Civic Centre's current zoning (under by-law 1-88) be initiated to reflect the institution/public use function of the site.
- June 23, 2003** Council approved:- (1) the "Request of Expression of Interest" to be issued and notice of competition to be advertised in numerous publications (2) the composition of the Expression of Interest Selection Committee (Director of Building Facilities and Parks, Director of Community Planning, Manager of Parks Development, Manager of Engineering Planning and Studies, and Manager of Urban Design), facilitated by Purchasing staff. (3) the composition of the Competition Jury (Mayor, 3 Regional Councillors, City Manager, 3 representatives of the Architectural Profession).
- July 9 and 17, 2003** Staff open houses were held.
- July 10, 2003** Site meeting for potential proponents took place.
- July 17, 2003** Public Information Meeting was held.
- July 24, 2003** Closing date for submission of Expression of Interest. 25 Expressions of Interest were received from architectural firms, out of 76 issued.
- August 2003** Review of Expressions of Interest by the Expression of Interest Evaluation Committee was undertaken. A short list was selected.
- September 8, 2003** Council approved (1) the issuance of the Request for Proposal to the selected short list, namely,
- ZAS Architecture Planning

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

- Adamson Associates/Architects
- Hotson Bakker Architects
- Kuwabara Payne McKenna Blumberg Architects

(2) confirmation of Architectural members ( Peggy Deamer, New York; Roger Du Toit, Toronto; Barry Samson, Toronto) to the Competition Jury.

- September 22, 2003** Council directed that written submissions received from the Ratepayers' Organizations be appended to the Request for Proposal.
- The Mayor and Clerk were authorized to execute the confidentiality agreement between the Ventin Group Ltd Architects and the Corporation of the City of Vaughan.
- October 27, 2003** Second Public Information meeting was held at the City Playhouse in Thornhill.
- November 3, 2003** Council approved increasing the fee for professional services from 5.5% of construction costs to 6.9% of construction costs.
- December 10, 2003** Closing Date for design submissions. Submissions were received from the 4 short-listed architectural firms.
- January 19, 2004** Date of the Competition Jury report recommending its selection of the anonymous winning design.
- January 20/21/22, 2004** 3 day open houses for public viewing of the four design submissions were held.
- February 9, 2004** Council declared the architectural firm KPMB ( Kuwabara, Payne, McKenna, Blumberg) the winner of the Vaughan Civic Centre Design Competition and to be awarded the winner's honorarium.
- Firms Adamson Associates Architects; Hotson Bakker and Montgomery Sisam Associated Architects Inc; and ZAS (Zawadzki Armin Stevens Architects) and Zeidler Partnership being competition finalists, would be awarded the prescribed honorarium.
- May 4, 2004** Public presentation of the winning Civic Centre design concept was held by Mr Bruce Kuwabara of KPMB architects.
- May 10, 2004** Council enacted by-law number 136-2004 to authorize the Mayor and Clerk to execute an agreement on behalf of the City of

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

Vaughan between the Corporation of the City of Vaughan and Kuwabara Payne McKenna Blumberg Architects.

**November 8, 2004** Schematic Design Phase was submitted to Council who directed the Vaughan Civic Centre Project to proceed to the Design Development phase.

**June 27, 2005** Design Development Phase was submitted to Council who directed the project to proceed to the Construction Document Phase.

Council directed the appointment of a "Fairness Monitor" (The Honourable Peter Cory) from the legal community to oversee the process of pre-qualifying general contractors and the eventual award of the tender for the construction of the new City Hall.

Council directed that detailed Terms of Reference be prepared by the City Solicitor in consultation with the Fairness Monitor.

Council approved the Pre-qualification Document and the factors therein which would form the basis for pre-qualifying the contractors.

An Evaluation Committee would review all submissions to establish which general contractors met the requirements for pre-qualification.

The Evaluation Committee composition included:

- City's Professional Advisor
- Senior representative from KPMB
- Commissioner of Community Services
- Commissioner of Engineering and Public Works
- Director of Buildings and Facilities
- Director of Parks Development
- Director of Reserves and Investments(as required)

Council agreed to upgrade from LEED Silver Certification to LEED Gold Certification to support energy efficiency and environmental sustainability.

The pre-qualification document would be developed by the architect, professional advisor, internal and external legal counsel, staff from Buildings and Facilities and Purchasing departments.

**March 3, 2006** Pre-qualification document was issued.

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**March 30,2006**

Closing date for Pre-qualification Document (RFPQ 06-015).

11 submissions were received on time by March 30, 2006 before the 15:00 deadline. One late bid (Belrock Construction Limited) was time-stamped at 15:03:13 on March 30, 2006 and was returned back to the bidder.

The 11 submissions were:

- Maystar General Contractors Inc.
- Torbear Contracting Inc
- Eastern Construction Company
- Ellis Don Corporation
- Van Bots Construction Corporation
- Aecon Buildings
- The Atlas Corporation
- Urbacon Limited
- Bird Construction Company
- Bondfield Construction Company Limited
- PCL Constructors Canada

The 11 submissions were reviewed by (1) Director of Purchasing (2) Fairness Monitor (3) Purchasing representative and (4) City of Vaughan representative

Four were found to be non-compliant due to not submitting one or more of the mandatory criteria. The 7 remaining bids were reviewed by the Evaluation Committee. Two more were found to be non-compliant , confirmed by the Fairness Monitor and External Legal Council. The disqualified submissions were from:

- The Atlas Corporation
- Urbacon Limited
- Torbear Contracting Inc
- Bird Construction Company
- Bondfield Construction Company Limited
- Aecon Buildings

The 5 general contractors pre-qualified by the Evaluation Committee were

- Eastern Construction Company
- Ellis Don Corporation
- Maystar General Contractors Inc.
- PCL Constructors Canada
- Van Bots Construction Corporation

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

- June 16, 2006** Tender Package T06-166 ( Construction of the City of Vaughan New Civic Centre, Phase 1) was issued to the 5 pre-qualified general contractors.
- Jul 4, 2006** Site visit for the 5 general contractors was held.
- Aug 2006** PCL Constructors Canada and Ellis Don Corporation withdrew from the competition.
- Nov 24, 2006** This was the new extended closing date for the Tender submissions.
- Bids were publicly opened in the presence of the Fairness Monitor , Director of Purchasing, KPMB architect representative and the City Professional Advisor.
- Tender documents were reviewed for full compliance
  - The Fairness Monitor confirmed this by letter.
  - Maystar General Contractors Inc. was the lowest bid at \$84,300,000.
  - KPMB analyzed the cost estimate dated Nov 13, 2006 that was prepared by cost consultant Curran McCabe Ravindran Ross and confirmed by letter that the submission by Maystar General Contractors Inc. represented fair value to the City.
- Dec 18, 2006** Council approved the Tender for the construction of the New City Hall be awarded to the lowest compliant bidder, Maystar General Contracting Inc in the amount of \$ 84,300,000.
- That the project budget be increased to \$107 million that the Mayor and City Clerk be authorized to execute the necessary documents.

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**Auditor's Observation:**

1. On May 12, 2003 Council approved that "The design for the Vaughan Civic Centre proceed on the basis of an Architectural Design Competition. Architectural Design Competitions are subject to the "Canadian Rules for the Conduct of Architectural Competitions" which were established by the Committee of Canadian Architectural Councils.
2. The Vaughan Civic Centre competition was a limited competition. The "Canadian Rules for the conduct of Architectural Competitions" was used as a guide and generally followed for (1) Conditions of the competition (2) Professional Advisor appointment (3) Jury selection (4) Awards paid to each of the invited competitors.
3. The Sponsor (City of Vaughan) appointed 5 of its members (the Mayor , 3 Regional Councillors , the City Manager and three independent registered architects Peggy Deamer, New York; Roger Du Toit, Toronto; Barry Samson, Toronto) to the Jury of 8 members. This was approved by Council on June 23, 2003.
4. The "**Request for Expression of Interest**" RFI 03-155 was issued to 76 architectural firms. Twenty-four firms submitted their Expression of Interest. The auditor was able to review all 24. The twenty-four architectural firms who submitted their Expression of Interest, were evaluated and scored by the Expression of Interest Evaluation Committee based on the "**Vaughan Civic Centre Design-RFI 03-155-Submission Evaluation.**" The Purchasing policy regarding the Expression of Interest process was followed. The 4 architects with the highest scores were selected to move on to the next phase. The auditor did not review the make-up of individual scores on the " Vaughan Civic Centre Design-RFI 03-155-Submission Evaluation" forms as it was Purchasing department's practice not to keep them. Therefore the auditor cannot provide an opinion on the individual scores. Only the final scores were available for the 24 firms. The top 4 architectural firms with the highest scores were documented as :
  - ZAS Architecture Planning
  - Adamson Associates/Architects
  - Hotson Bakker Architects
  - Kuwabara Payne McKenna Blumberg Architects
5. The 4 architectural firms submitted their concept designs based on the **Request for Proposal RFP 03-212**, in envelopes A. The Director of Purchasing attached a letter code to the binder/brochure of each submission for anonymity. He alone knew which letter code belonged to which architectural firm. The 4 anonymous designs were then presented to the Competition Jury to select the winning design. Design "W" was determined the winner, agreed unanimously by the Competition Jury. "W" was later revealed to be Kuwabara Payne McKenna Blumberg Architects.

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

6. 11 contractors submitted their submissions in response to **RFPQ 06-015 ( Pre-qualification of General Contractors for the Construction of the City of Vaughan New Civic Centre)**. They were:
- Maystar General Contractors Inc.
  - Torbear Contracting Inc
  - Eastern Construction Company
  - Ellis Don Corporation
  - Van Bots Construction Corporation
  - Aecon Buildings
  - Atlas Corporation
  - Urbacon Limited
  - Bird Construction Company
  - Bondfield Construction Company Limited
  - PCL Constructors Canada
7. Based on the “**Mandatory Criteria & Submission Information**” on **RFPQ 06-015**, the following were disqualified. The bases for disqualification were verified by the auditor:
- Torbear Contracting Inc
  - Aecon Buildings
  - The Atlas Corporation
  - Urbacon Limited
  - Bird Construction Company
  - Bondfield Construction Company Limited
8. The following 5 were “qualified” by the Evaluation Committee and verified by the auditor:
- Maystar General Contractors Inc.
  - Eastern Construction Company
  - Ellis Don Corporation
  - Van Bots Construction Corporation
  - PCL Constructors Canada

**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

9. The scoring of the contractors using the “**Contractor Pre-qualification Evaluation Form**” based on the “**Mandatory Criteria & Submission Information**” on RFPQ 06-015 (Pre-qualification of General Contractors for the Construction of the City of Vaughan New Civic Centre) was to ensure that the minimum 70 points was obtained by each contractor before tender documents would be issued to them. The selection of the top 8 contractors as stated in RFPQ 06-015 became irrelevant, since there were now only 5 contractors after the 6 were disqualified. The Purchasing policy regarding the Contractor Pre-qualification process was followed. The auditor reviewed the make-up of individual scores of the 5 contractors. All 5 contractors met the minimum score of 70. This was also independently confirmed in writing to the auditor by KPMB.
10. **Tender documents T 06-166 (Construction of the City of Vaughan New Civic Centre, Phase 1)** were issued to the 5 “qualified” contractors.
11. After addendum number 3 was issued, Ellis Don Corporation and PCL Constructors Canada subsequently withdrew from the competition citing their busy work schedule was the reason for their withdrawal.
12. On the closing date of November 24, 2006, the three bids were opened in the presence of (a) representatives of the three bidding firms (Maystar General Contractors Inc., Van Bots Construction Corporation and Eastern Construction Corporation), (b) Legal Council , (c) City Project Advisor, (d) Fairness Monitor, (e) KPMB Architect and (e) representatives from the Purchasing and Communication departments. The three bids were as follows:
- |                                     |               |
|-------------------------------------|---------------|
| ▪ Eastern Construction Company      | \$108,000,000 |
| ▪ Van Bots Construction Corporation | \$90,000,000  |
| ▪ Maystar General Contractors Inc.  | \$84,300,000  |



**INTERNAL AUDIT REPORT**  
**NEW CIVIC CENTRE (PRE-CONSTRUCTION PHASE)**

**Conclusion and Auditor's Opinion:**

1. Regarding the winning architect, the designs presented to the Competition Jury were anonymous, identified by an alphabet. The Competition Jury unanimously selected the winning anonymous design which was approved by Council. Kuwabara Payne McKenna Blumberg Architects (KPMB) was then identified as the winning architectural firm. Their design best represented the Competition Jury's vision of the New Civic Centre after receiving feedback from various residents and associations.
2. The winning contractor (Maystar General Contractors Inc.) met all the mandatory criteria for submission and presented the lowest bid.
3. It is my opinion that the process followed by (1a) the Expression of Interest Selection Committee to short-list the 4 architects , (1b) the Competition Jury to select the winning design and thereby the winning architect, (1c) the Evaluation Committee to pre-qualify the General Contractors to receive the Tender documents for bidding, was fair and equitable to all competitors. The same rules/criteria were applied to all respondents at each process leading up to the selection of the architect and the general contractor. (2) City Purchasing policies were adhered to and (3) Council's direction and authorization were followed.

**End of Field Work:** May 25, 2007

**Auditor(s):** Michael Tupchong.....

**Approved:** .....