

SPECIAL COUNCIL MEETING – MARCH 29, 2011

NEW CITY HALL – PROJECT AUDIT

Recommendation

The City Manager, the Commissioner of Legal & Administrative Services/City Solicitor and the Commissioner of Finance/City Treasurer recommend:

1. That the Terms of Reference and Scope as provided in this report be approved; and,
2. That an additional Finance & Administration Committee meeting be scheduled late in the week of April 25, 2011 to accommodate the timely award of the RFP; and,
3. That an additional Finance & Administration Committee meeting be scheduled late in the week of June 20, 2011.

Contribution to Sustainability

N/A

Economic Impact

The cost of an audit was not specifically provided for in the development of the City Hall budget. For the purposes of this report an estimate of \$100,000 to complete the audit has been assumed and will be charged to the project.

Communications Plan

The final audit report will be available to the public as an agenda item for the Finance & Administration Committee.

Purpose

The purpose of the report is to provide comments on the audit process and the qualifications of the audit team and outline the Terms of Reference and Scope for an audit of the new City Hall cost overrun. An RFP will be issued following Council approval.

Background - Analysis and Options

At the February 22, 2011 Committee of the Whole meeting, staff were requested to bring Terms of Reference and Scope to the March 8, 2011 Council meeting with respect to an audit of the new City Hall cost overrun. At the Council meeting there was a lot of discussion and Council referred the matter to a Special Council meeting on March 29, 2011. A number of the comments at the meeting and those provided subsequently were not restricted to the terms of reference and scope of an audit. They can be summarized into three (3) categories:

1. Audit Process;
2. Audit Team Qualifications; and
3. Terms of Reference and Scope

For the benefit of the Members of Council, the following comments and information is provided in each of the above three (3) categories.

1. Audit Process

The external audit team will have complete independence to conduct their audit of the cost overruns of the new Vaughan City Hall.

The audit team must have access to and review all relevant executed Contracts entered into by the City, and to all project documentation.

It is expected that the audit team will have the full cooperation of the City, its consultants, the architect, and the general contractor. The City Manager will provide a letter to the appropriate staff, consultants, the architect and the general contractor advising them of the audit and requesting their full cooperation.

The final audit report will separately identify any comments from staff as they relate to the audit report.

The auditor will report to Council through the Finance & Administration Committee. The timing of the completion of the audit is uncertain at this time. The objective is to complete the audit and report to Council no later than the June 28, 2011 Council meeting. As part of their proposal submissions, firms will be requested to comment on their ability to meet the time frame.

The RFP will request the proponents to provide for a status update to the Finance & Administration Committee during the course of the audit. It should be noted that the timeframe to prepare, issue, evaluate and award the RFP will take approximately one month. Without an additional Finance & Administration Committee, the only opportunity for a status report would be May 16, 2011.

2. Audit Team Qualifications

An RFP will be issued in order to retain a qualified audit team. The RFP will be an open bid process through the Purchasing department. The RFP document is being developed. Criteria such as the following will be weighted and used to evaluate the submissions:

- i) Qualifications and Experience of the Team
- ii) Experience of the Firm
- iii) Methodology, Work Plan and Timelines
- iv) Cost

The audit team should have extensive experience in Contract Administration of construction projects over \$25 million in Ontario and preferably including experience in LEED construction.

With respect to conflicts of interest, the City's standard wording in RFP's is as follows: "Each proponent must declare in their proposal submission any situation that may be a conflict of interest or that may appear as a potential conflict of interest in submitting a proposal or undertaking the work or service. If a conflict of interest does exist, the City may, at its discretion, refuse to consider the proposal submission."

3. Terms of Reference and Scope

The Audit Team will undertake a detailed review of all costs associated with the project with particular attention to the change order process and provide comments with respect to the management of the process, the controls, monitoring, reporting and timelines for processing changes. In addition, the Audit Team will undertake the following:

1. Document the chronology for each of the change orders from inception through the costing and approval process to a formal change order.
 - Review the change orders for appropriate approvals
 - Provide observations and comment as appropriate
2. Validate the reasons giving rise to the change orders, the pricing and confirm that the works were completed.
 - Comment on the review and approval process
 - Comment if the city received fair value or not
 - Confirm the amount by category of change order as provided in the February 22, 2011 new City Hall Final Report.
3. Identify, to the extent possible, responsibility of each stakeholder for all changes and modifications which gave rise to the increased cost.
 - Identify if any of the cost overruns can be attributed back to the general contractor, the architect or other parties based on their contractual/agreement with the City.
4. Provide any observations and comments that would benefit the management of future capital construction projects.

There are three (3) Finance & Administration Committee meetings scheduled before the end of June. They are as follows:

April 18, 2011

May 16, 2011

June 20, 2011

To facilitate the timely completion of the audit, staff recommend an additional Finance & Administration Committee meeting be set up towards the end of the week of April 25, 2011 to award the RFP contract. Staff also recommend that an additional Finance & Administration Committee meeting be scheduled late in the week of June 20, 2011 to provide more time for the auditors to complete their report.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council.

Regional Implications

There are no Regional implications.

Conclusion

Staff recommend proceeding with an audit of the cost overrun for the new City Hall. The audit will assist in understanding the reasons for the cost overrun, determining related obligations under the various contractual agreements with the City and identify opportunities to improve.

Attachments

None.

Report prepared by:

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City Manager

Respectfully submitted,

Clayton D. Harris
City Manager

Janice Atwood-Petkovski
Commissioner of Legal & Administrative Services/City Solicitor

Barbara Cribbett
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