

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 14, 2010

SUBJECT: INTERNAL AUDIT CAPITAL REPORT – ON-GRADE PAVING
REHABILITATION PROGRAM

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive for information the attached Internal Audit Capital Report.

BACKGROUND

Internal Audit provides the Commission with independent evaluations of the efficiency and effectiveness of control systems, and operations. Internal Audit is also required to provide recommendations for improvement.

Richard G. Beecroft
Chief Auditor

October 14, 2010
01-23

Attachment – Internal Audit Capital Report

TORONTO TRANSIT COMMISSION

TO Dick Beecroft

FROM Tom Perry

DATE June 15, 2010

SUBJECT Internal Audit – On-Grade Paving Rehabilitation Program

Summary

An audit of the On-Grade Paving Rehabilitation Program has been conducted. Audit work performed indicates adequate documentation has been maintained to support construction costs, consultant charges and recorded TTC labour expenditures. However, the required field measurements on the construction contract with APlus General Contractors to support payment items were lacking.

Background

The program is comprised of the on-going rehabilitation of the Commission's pavement surfaces at various locations within the transit system, including divisional paved facilities and commuter parking lots.

The actual costs for this project as at the end of March 2010 is \$7.6 M; comprised of the following:

Expenditures:	LTD (\$ Million)
Construction Costs	\$3.9
Consultant Costs	\$1.7
TTC Engineering	\$2.0
Total	\$7.6

Observations

We reviewed documentation, financial records, contract documents and various correspondence relating to the On-Grade Paving Rehabilitation Program. Based on audit work performed, acceptable items noted by Audit include the following:

Construction Costs:

- Construction contract documents, including contract amendments, were properly approved and in order. As of the end of March/10, the contract amount of \$3.9 M with various contractor's such as Gazzola Paving, CRCE Construction, Duron Ontario, APlus General Contractors and Kretcon Construction are reported at various stages of completion.

- Adequate justification for extra work performed was noted for sampled contract changes valued at \$.5 M. All extra work was properly authorized prior to commencement. Paid amounts appear reasonable and were made in accordance with terms of the contract.
- Our review of construction site field records, including monthly progress reports and minutes of meetings, revealed no outstanding issues or concerns. Quality control testing and inspection documentation reviewed indicated issues were appropriately addressed as per the contract and closed off. Contract Deficiency Reports have been prepared and the contractor has addressed the identified issues. Sufficient and adequate field measurements are obtained to support unit price payments to the contractors. However, under the contract with APlus General Contractors Audit noted that 7 of 14 items requiring field measurements were not on file. i.e., Measurements were lacking for:

Item #10	Waterproofing to Structural Slabs	m 2
Item #11	Concrete Curbs	m 3
Item #14	Reconstruct Asphalt Pavement	tonne
Item #15	Concrete Removal Top of Structural Slab	m 3
Item #16	Concrete Patch Repair	m 3
Item \$17	Galvanic Anodes	Each
Item \$18	Structural Steel Coating	m 2

It should be noted that, in response to a previous audit in 2007, E&C Construction Management implemented policies and procedures directing field staff to obtain field measurements. The work and missing field measurements listed above was conducted at the same time and shortly after the new policies and procedures were implemented. Also, in mid-June of 2008 E&C Construction requested a follow-up Audit of field measurements to determine the effectiveness of the newly implemented process and Audit's sample reviewed satisfactory results.

Consultant Costs:

- Audit reviewed third-party financial records to confirm the all-inclusive billing rates charged by consultants Lea Consulting Ltd. and Chisolm, Fleming & Associates and no discrepancies or errors were noted.

TTC Labour Expenditures:

- TTC labour, fringe and overhead costs account for \$2.0 M recorded project costs to date. Internal labour charges were properly supported by signed attendance sheets and incurred by appropriate cost centres.

Recommendation

Construction field measurements should be obtained for contract items and supporting payments to contractors.

Management Responses

Management agrees with the audit recommendation and will continue to enforce the established policies and procedures regarding field measurements requirements.

Auditor
Internal Audit
01-33
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