

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 25, 2013

SUBJECT: TTC CAPITAL AUDIT REPORT – THE LESLIE BARNS
MAINTENANCE AND STORAGE PROJECT – PRELIMINARY
AUDIT RESULTS

INFORMATION ITEM:

RECOMMENDATION

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

01-27

TORONTO TRANSIT COMMISSION

TO Joseph Kennelly

FROM Peter Edward

DATE April 8, 2013

SUBJECT The Leslie Barns Maintenance and Storage Project – Preliminary Audit Results

SUMMARY

Audit work performed indicates adequate documentation has been maintained to support soil removal, construction and TTC labour and non-labour costs to date. However, an estimated overpayment of approximately \$20,000 to the design consultant AECOM has occurred.

Also, Audit has noted that as reported by TTC management the Leslie Barns Project is behind schedule by at least one year from its initial schedule.

BACKGROUND

The need for a new streetcar maintenance and storage facility by mid-2011 was identified in the Streetcar Maintenance and Repair Facilities Master Plan issued in 2008. A Program of Requirements was also completed for purposes of identifying the needs of various stakeholders. The existing carhouse facility would not be able to support the maintenance requirements of the new Low Floor Light Rail Vehicles (LFLRV's), therefore issues including overhead and track spacing within the carhouses, non-compliance of the existing carhouse structure with current building code regulations, and a lack of adequate storage track capacity had to be addressed. The new carhouse facility would accommodate running repairs and maintenance of the new streetcar fleet, increase yard storage capacity and provide service to both the existing streetcar network and proposed future waterfront streetcar lines.

The new streetcars were originally expected to begin arriving in 2010; however, the expected date is now late 2013 or early 2014. A revised Program of Requirements report was completed in February 2010 stating that the new streetcar maintenance and storage facility was needed by mid-2013, but construction is not expected to be completed until 2014. Total costs are projected to be \$436 million, and actual costs incurred for this project as at the end of September 2012 are \$90.7 million.

The Leslie Barns maintenance and storage facility project is comprised of soil removal, construction of the maintenance and storage facility and Leslie Street track connection, diversion of power cables and other streetscaping projects. A number of delays may be attributed to management and consultants seeking answers to questions and concerns posed by councillors and City of Toronto staff. Input from the local community regarding the site location and design of

the facility, landscape architecture and streetscaping on Leslie and Queen Streets has been obtained via a series of public meetings and consultations. Approximately \$6 million has been designated for community enhancements, such as streetscape lighting and public art displays in the community.

AUDIT OBSERVATIONS

Project Scope

Changes proposed by the City of Toronto and stakeholders under the Notice of Approval Conditions (NOAC) have resulted in revisions to the original project scope. Conditions imposed on the project have required TTC staff to liaise with Waterfront Toronto and the City of Toronto to utilize best practices in the development of a communications and public relations strategy for the project, including explaining the construction impacts and community benefits associated with the construction of Contract ABYS1-1, Leslie Street Connection Track. Management must also provide a quarterly report on the status of the project, including the utilization of all contingency funds. These changes and expectations have impacted the issuance of contracts, project costs and schedule adherence.

Schedules and Milestones

A review of the overall schedule provided by TTC management highlights that the project is behind schedule at least 12 months. Ambitious timelines and delays in design, and the need to comply with the City of Toronto requirements and approval process has caused the overall project to slip from an expected completion by the end of 2013 to mid/end of 2014. Schedules and milestones will be revised once the last major component, Leslie Street Connection, has been awarded.

Consultants

Audit reviewed third-party financial records to confirm the all-inclusive billing rates charged by the design consultant AECOM for a sample of consultant staff. Billing rate discrepancies were noted for 14 individuals, resulting in an estimated overpayment of approximately \$20,000 incurred during a two-year period ending June 2012.

Construction

Soil Removal and Capping

The recommendation to award the site preparation contract (WM60-1) for soil removal and capping to Ellis Don/GFL Waste & Recycling for \$51,357,735.36 went to the Board in December 15, 2010 and was deferred. City councillors continued past this date to request further project studies and receive deputations requesting project deferral and cancellation. Consequently, the obtaining of work permits was delayed and the soil removal contract was not awarded until February 2011.

Audit reviewed contract documents, including contract amendments, and noted they were properly approved. Payments were made in accordance with contract terms and conditions, and invoices were reviewed and supported by soil removal weight tickets signed off by TTC Inspectors. Adequate justification of extra work performed was documented in support of the 13

sample contract changes reviewed, valued at \$1.3 Million, or 87% of total contract change dollars incurred as at end of July 2012.

However, Audit noted that \$157,503 for three related contract changes was incurred to remove the footings of the Gardiner Expressway ramp that were found buried at the project location by the contractor during excavation.

Audit's review of construction site field records, including monthly progress reports and minutes of meetings, revealed no outstanding issues or concerns. All contract deficiencies identified were resolved and closed.

Maintenance and Storage Facility

The contract for the construction of the maintenance facility and on-site storage yard was awarded on April 12, 2012 for \$237,389,600. Audit reviewed initial monthly progress reports, minutes of meetings and preliminary payment certificates and change documents. Audit noted that during the first four months of the contract, 34 contract changes for design scope changes and errors/omissions estimated at \$2.8 Million had been initiated.

TTC Labour and Non-Labour Expenditures

TTC labour, fringe and overhead costs have been appropriately charged and supported by signed documentation. Purchases and inventory charges reviewed are reasonable and appropriate.

RECOMMENDATION

Management should seek to recover amounts overbilled by AECOM Canada design consultants.



Peter Edward
Auditor
CEO's Office – TTC Audit Department
File #: 12-00405

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TORONTO TRANSIT COMMISSION

TO J. Kennelly
FROM T. Baik/M. Piemontese
DATE June 27, 2013
SUBJECT Audit of Design Services – Leslie Barns Maintenance and Storage Project
Program of Requirements and Conceptual Design
Low Floor Light Rail Vehicle Maintenance and Storage Facilities
Contract No.: TC85-6 M&P Ref. No.: C11PZ08799

With respect to the TTC's Audit report dated April 8, 2013 (copy attached), Materials and Procurement, Project Procurement staff have reviewed all of the invoices submitted by AECOM from the start of the contract which total 69 thus far and using the actual hourly rates as identified by Audit during the review of the payroll records, recovery of overcharges as found will be made in the next billing period.

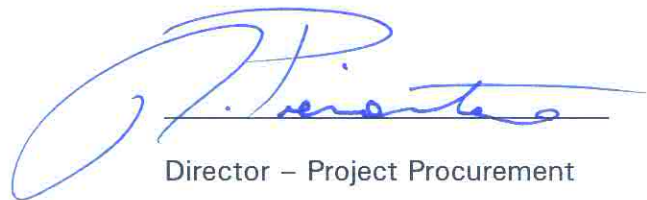
The Audit report indicates that billing discrepancies were noted for 15 individuals, resulting in an estimated overpayment of approximately \$20,000 during a two year period ending June 2012; however based on the reconciliation performed by Materials and Procurement, the actual billings for the 15 individuals work to date resulted in an overpayment of \$44,046.47.

Consequently, the Consultant (AECOM) was advised about the discrepancies in the billing rates and they have agreed to reimburse the overpayment based on the incorrect hourly rates used by AECOM in their billings.

Therefore, the amount of \$44,046.47 will be credited from the next invoice to be processed for this project. In addition, AECOM was requested to revise the current Consultant Staff List to adjust the billing rates to the correct values as found by Audit.



Chief Project Manager



Director – Project Procurement

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M6-R0708

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