



## STAFF REPORT INFORMATION ONLY

### TTC Audit Report – Station Modernization Program – Dufferin Station and Pape Station

<b>Date:</b>	February 19, 2015
<b>To:</b>	TTC Audit Committee
<b>From:</b>	Head of Audit, Joseph L. Kennelly

#### Summary

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The purpose of this audit was to assess the adequacy of the Dufferin and Pape Station Modernization project management and contract administration controls to ensure adherence to key contract terms and conditions.

Responsibility for the TTC's project management is within the Construction area of the Engineering, Construction and Expansion Group; and responsibility for the contract administration is with the TTC's Materials and Procurement Department in the Corporate Services Group.

The audit testing indicated that there are no significant process control risks. Controls reviewed were found to be acceptable; consequently, there are no recommendations required to be made. For the Dufferin and Pape station modernizations, construction contract changes were supported and schedule adherence monitored. The impact of delays has been communicated to management.

#### Recommendation

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

#### Financial Impact

The recommendation in this report has no financial impact

**Contact**

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**Attachment**

TTC Audit Report – Station Modernization Program – Dufferin Station and Pape Station



# TORONTO TRANSIT COMMISSION

## **Audit Report of Station Modernization Program - Dufferin Station and Pape Station**

### **ENGINEERING, CONSTRUCTION AND EXPANSION GROUP CONSTRUCTION DEPARTMENT**

**Covering Period:  
January 2011 to June 2014**

**TTC AUDIT DEPARTMENT**  
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## Table of Contents

	<b>Page No.</b>
Executive Summary .....	2
Background.....	3
Audit Scope and Objective .....	3
Audit Methodology .....	3
Analysis and Recommendations	
1. Process Controls .....	4
<b>Appendix A</b>	
Summary of Recommendations, Management Responses and Action Plans .....	5

## **Executive Summary**

The purpose of this audit was to assess the adequacy of the Dufferin and Pape Station Modernization project management and contract administration controls to ensure adherence to key contract terms and conditions.

Responsibility for the TTC's project management is within the Construction area of the Engineering, Construction and Expansion Group; and responsibility for the contract administration is with the TTC's Materials and Procurement Department in the Corporate Services Group.

The audit focus was on an examination of the construction costs incurred to upgrade station finishes, lighting, signage, and public accessibility by the addition of elevators and a second exit. Adequacy of documentation, compliance with contract terms and project management controls were examined.

The audit testing indicated that there are no significant process control risks. Controls reviewed were found to be acceptable; consequently, there are no recommendations required to be made. For the Dufferin and Pape station modernizations, construction contract changes were supported and schedule adherence monitored. The impact of delays has been communicated to management.

We wish to thank the staff in the Engineering, Construction and Expansion Group project team and the Materials and Procurement Department for the assistance provided to us during the conducting of the audit and providing supporting documentation during the audit testing.

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Head of Audit

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Manager - Audit

## **Background**

The Station Modernization Program aims to upgrade and modernize facilities and outdoor public spaces on the Bloor-Danforth Subway. It is managed as a multi-project initiative over an extended period of time to minimize the impact of construction on the travelling public.

The scope of work identified for each station upgrade, including Dufferin and Pape, was approved in 2009 and included in the TTC's 2010-2014 Capital Program. Funding for station upgrades is comprised of cumulative amounts budgeted within a variety of separate projects identified in the Capital Program, including Station Modernization, Easier Access, Systems Upgrades and Roofing Replacement.

## **Audit Scope and Objective**

### **Scope**

- review of contract documentation for Dufferin and Pape station modernization from January 2011 to June 2014
- review of contract administration controls over design and construction contracts for Dufferin and Pape station modernization from January 2011 to June 2014

### **Objective**

- to assess the adequacy of project management and contract administration controls to ensure adherence to key contract terms and conditions

## **Audit Methodology**

Audit procedures included the following:

- discussions were held with TTC project management staff within the Construction area of the Engineering, Construction and Expansion Group
- discussions were held with TTC contract administration staff in the Materials and Procurement Department under the Corporate Services Group
- contract files including amendments were reviewed
- supporting project management files and various correspondence were reviewed
- sample of payment certificates were examined for completeness and approvals

## Analysis and Recommendations

### Finding #1

#### Process Controls

**Objective:** To assess the adequacy of process controls to ensure efficient and effective project management and adherence to contract terms and conditions.

**Analysis:** The following process controls were reviewed and found to be acceptable:

##### Construction Management

Documentation and correspondence is maintained to monitor contractor performance. Quality plans were submitted by the contractors as required; and, results of independent inspections are regularly sent to management to ensure standards are met.

##### Construction Contract Changes

Construction contracts were awarded in 2010 to two contractors for Dufferin and Pape station with upset limits of approximately \$30 million and \$20 million, respectively. Approved changes of approximately \$4 million were authorized as at the end of September 2014 for Dufferin and \$13 million for Pape. Processes are in place to ensure all agreed upon pricing for approved construction cost changes are documented. The impact of delays on project costs and completion dates is monitored and communicated to management.

##### Contract Administration

Processes are followed to monitor adherence to contract milestones and ensure payments are processed accordingly. While later than originally scheduled, substantial completion criterion were met for both stations and claims for time delays are being negotiated.

#### **Recommendation:**

The process controls reviewed were found acceptable: consequently, there are no recommendations required to be made.

#### **Management Response:**

Not required.

## Appendix A

### Summary of Recommendations, Management Responses and Action Plans

Finding #	Recommendation	Agree	Disagree	Management Responses	Completion Date
1	The process controls reviewed were found acceptable: consequently, there are no recommendations required to be made.	Yes		Not required.	Not required.