

Contract Administration – Operations Audit Report

Management Responses

March 22, 2010

Summary

- **General Comments**
- **Context/Considerations**
- **Pavement Management Program**
- **Contract Administration**
 - Tracking key contract information and activities
 - Contract tracking and billing process improvement
 - Clarify responsibilities of contract owners
 - Consistency of contract documents
 - Ensure sufficiency of bonding requirements for multi-year and extended contracts

General Comments

- **Agree with recommendations**
- **Staff from affected Departments cooperated fully and are receptive to the recommendations**
- **Affected Departments include: Operations, Asset Management, Purchasing, Legal and Clerks**

Context/Considerations

- The Operations division is responsible for the maintenance of roads, parks, and streetscapes, ensuring effective winter control, environmental protection of right-of-ways, watercourses, and the maintenance of drainage infrastructure.
- The Operations division 2009 Operating budget allocates approximately \$11 million to contracts, service agreements, construction and maintenance materials
- In 2009, Operations managed a total of 81 contracts worth approximately \$18.5 million in total value.

Contract Administration

1. Establish contract summary sheets of key contract information and activities

•Agreed

Operations Dept will work with Purchasing to develop contract summary worksheets by the end of the 2nd quarter 2010.

Worksheets will be prepared with the tender document and identify; key target dates; alignment of tender document, award report, and purchase order; vendor submissions – bonds, insurance, etc.; contractor evaluations and; terms & conditions – testing, analysis, reporting and inspection requirements

Contract Administration

2. Require all contracts to use the established contract tracking and billing processes

Agreed

Through 2009, Operations has moved all contract administration to established contract tracking and billing processes.

Operations has implemented a new internal Blanket Purchase Order tracking system to improve capture of repetitive work orders and commitments against purchase orders.

Completed

Contract Administration

- 3. Clarify responsibilities of the contract owner, especially during contract renewals.**

Agreed

Contract extension and renewal options to be captured and clearly outlined in both the tender document and newly created contract summary worksheet. *To be completed by the 2nd quarter 2010.*

Project Management Office to document roles and responsibilities of contract owner with Legal.

Contract Administration

- 4. Ensure all contract documents are consistent, in particular the terms.***

Agreed

Legal and Purchasing are currently in the process of reviewing and making revisions to the Town's ***General Terms and Conditions***. Legal and Purchasing will work together to ensure that revisions to the order of precedence section will address the requirement for greater clarity and sufficient flexibility for negotiations.

To be completed by 4th quarter 2010.

Contract Administration

5. Establish consistent and clear practices to ensure sufficiency of bonds for multi-year and extended contracts.

Agreed

Purchasing will review the bid documents/bonding requirements with Legal to ensure the requirements are sufficiently detailed in contracts documents to their satisfaction and undertake a review of the possible inclusion of renewable bonds for multi-year contracts.

To be completed by end of 3rd quarter 2010.

Pavement Management Program

Performance Indicators

Determine how performance indicators are to be calculated, the assumptions, what source data, and apply consistently.

Ensure auditable condition indexes.

Agreed: Underway

Asset Management and Operations has engaged the University of Waterloo to help establish performance indicators for the Town pavement management program and more specifically to help identify pavement preservation targets and testing and training procedures for staff.

The study to be undertaken by the University of Waterloo will help provide a structured data collection and analysis framework for our pavement management program, which will produce auditable condition indexes.

The University will start work in Q2 2010 and is expected to be completed by end of 2011.

Pavement Management Program

Documentation

Document pavement management program.

Select an appropriate 'book of record', have system documentation and change control.

Agreed: Underway

The study to be undertaken with the University of Waterloo will address this recommendation.

The work program will include development and documentation of the performance indicators as well as establishing a program to collect measurements and calculate the results.

As the study progresses in partnership with the University of Waterloo, staff will evaluate the effectiveness of the current Pavement Management System to meet our needs.

The University will start work in Q2 2010 and is expected to be completed by end of 2011.

Pavement Management Program

Data Collection

Strengthen data collection and analysis activities.

Determine frequency of road testing

Develop criteria for visual town inspection

Agreed:

The study to be undertaken by the University of Waterloo will help provide a structured data collection and analysis framework for our pavement management program.

Recommendation on timing and frequency of both visual and instrumentation surveys for all classes of roads will be included in the study and *be available by Q4 2011.*

Through the work with the University, the Town will develop and implement a comprehensive staff training program for visual inspections/assessments of pavement conditions.