

# Third-Party Contract Administration Audit

Transportation & Works  
Infrastructure Planning & Engineering Services  
Capital Works Delivery

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# Background

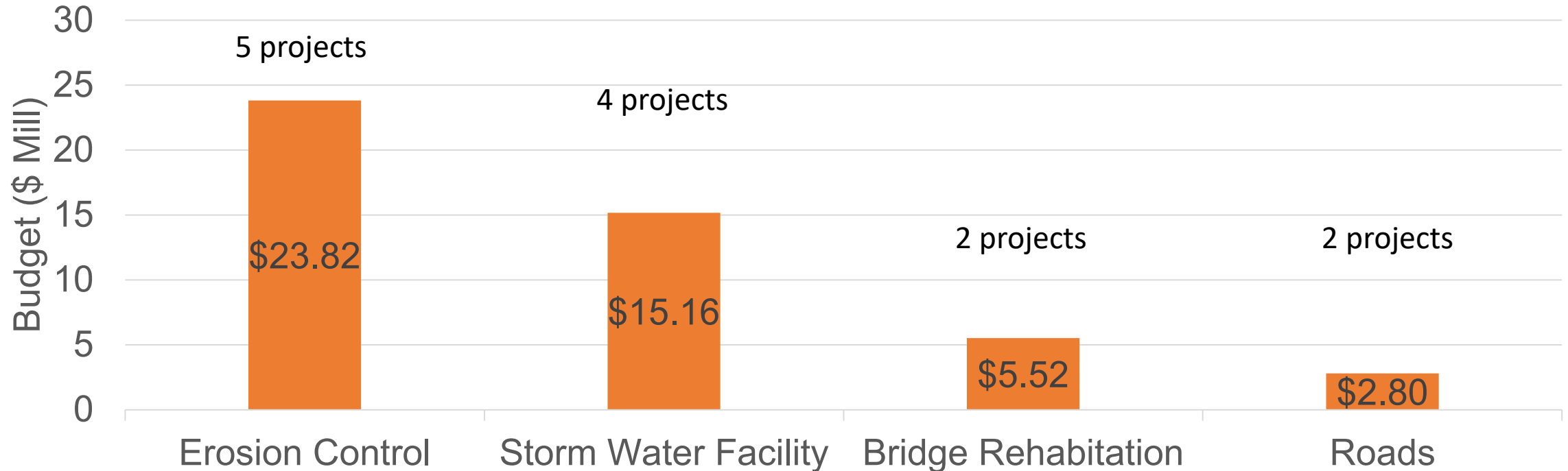


## About the Capital Works Delivery Team

Design, construction and rehabilitation of Mississauga roadways, bridges, watercourses, storm detention ponds and other storm water drainage infrastructure.

### Third-Party Contract Admin Projects Substantially Completed in 2022 & 2023

■ Project Budget



# Audit Scope and Objectives

## In Scope

- Contract administration of large-scale construction projects performed by third-party consultants during the construction phase of capital projects
- Projects that were substantially completed in 2022 and 2023

## Out of Scope

- Pre-construction and post-construction activities
- Projects that had contract administration work performed in-house

## Audit Objectives

- Third-party contract administration work provides value for money
- Controls are in place and effective in mitigating misconduct
- Alignment with internal contract administration and with industry best practices
- Third-party contract administrators are adhering to the terms of their contracts

# Summary of Observations

## Well-Established Areas

- Consultants' adherence to contractual agreements
- CA PMs\* maintaining effective communication and coordination

## Areas of Improvement

- Overall, 4 observations and 11 recommendations resulted from this audit
- The main 3 observations to be discussed:

Improve the transition of Capital Projects from the Detailed Design Phase to the Construction Phase

Strengthen the controls of the Change Order Process

Verification of Third-Party Contract Administration Work and transfer of inspection records

\* CA PM: Capital Works Delivery PM that oversees the consultant's contract administration work during construction.

# Improve the transition from the Detailed Design Phase to the Construction Phase

## Observations



- CA PMs had different levels of awareness about design-related specifics
- Handover process between detailed design and construction phases needs improvement
- Impacts to construction phase (e.g. added cost, overlap in responsibilities, etc.)

## Recommendations



- That CA PMs be involved in the design stages of capital projects
- That a handover process between the Detailed Design PM and the CA PM be clearly defined

## Management Comments



- Agree, the upcoming SOP update will include the CA PM involvement in detailed design phase
- We are reviewing the handover/transition process; these recommendations will be incorporated (target completion March 2025)

## Observations



- Consistency in processing the tested COs
- Appropriate segregation of duties for reviewing, validating & approving COs
- Areas of concern were identified in some tested COs

## Recommendations



- Develop guidelines and formalize steps for managing third-party COs
- COs to follow prescribed requirements for: documentation; extra work applied to contingency budget; and charges applied to appropriate line items

## Management Comments



- Agree. In the interim, the recommendations will be included in the CO checklist/process (target completion March 2025)
- We are procuring the services of a consultant to prepare the Field Services Manual which will include the final guidelines (target completion June 2026)

# Verification of Third-Party Contract Administration Work & Transferring Records

## Observations



- CA PMs sometimes informally check inspection records during the projects and City Compliance Officer audits projects that are substantially completed
- Inspection records remain with the consultant throughout the project and are retained (by the consultant) for at least seven years after project completion

## Recommendations



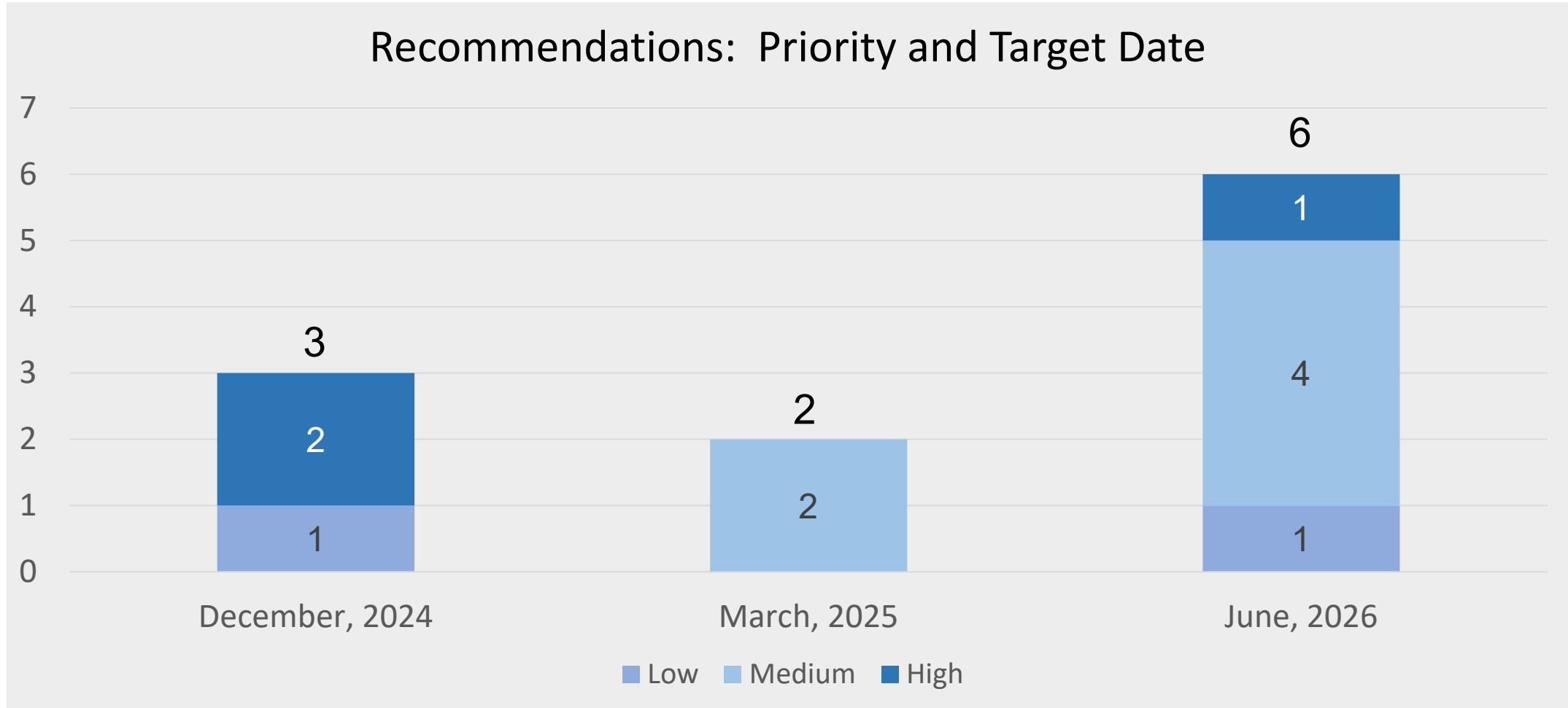
- City staff perform random formal spot checks and request supporting documents to validate the work of the third-party contract administrators
- That contract administration records be handed over to the City at the end of the project, to be retained in line with the Records Retention Schedule By-law

## Management Comments



- Agree to perform random formal spot checks (target completion June 2025)
- We can update the contract with the consultant to request all documents at the end of the project (target completion Dec. 2024)

# Summary







**Thank you**

