

City of Mississauga **Internal Audit Report**

CORPORATE SERVICES DEPARTMENT
FACILITIES PLANNING & DEVELOPMENT DIVISION
CAPITAL DESIGN & CONSTRUCTION SECTION
CAPITAL CONSTRUCTION PROJECT MANAGEMENT AUDIT

April 22, 2025

City Manager's Department
Internal Audit Division

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**CORPORATE SERVICES DEPARTMENT
FACILITIES PLANNING & DEVELOPMENT DIVISION
CAPITAL DESIGN & CONSTRUCTION SECTION
CAPITAL CONSTRUCTION PROJECT MANAGEMENT AUDIT**

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- Senior Project Manager, Capital Project Management Team A

**Corporate Services Department
Facilities Planning & Development Division
Capital Design & Construction Section
Capital Construction Project Management Audit**

BACKGROUND

The Capital Design & Construction (CDC) section of the Facilities Planning & Development Division is responsible for managing the City's capital and lifecycle maintenance projects. The team is comprised of 5 Senior Project Managers, 19 Project Leaders, and 6 Project Coordinators who oversee a wide range of initiatives, from building lifecycle projects, new buildings and renovations, to site development and pathway lighting projects to address the City's most critical needs.

CDC Project Managers are tasked with the implementation, administration, and oversight of capital projects across multiple service areas. This includes projects funded by various divisions such as Parks, Culture, Transit, Works, Recreation, and Mississauga Fire & Emergency Services, as well as projects supported by grant funding. They are responsible for delivering comprehensive project management services, facilitating the development of new facilities, and overseeing renovations.

As of December 2024, CDC was managing approximately 119 projects with a total budget balance of \$460M. These projects were focused on lifecycle maintenance, capital construction and improvements. This work ensures the City's facilities and infrastructure meet long-term operational needs.

SCOPE

This audit assessed the project management of capital construction projects, from delivery through close-out, including management of warranty agreements for projects that were completed or substantially completed during the period January 1, 2023 to September 30, 2024.

Out of Scope

The audit did not review the initiation, planning, and design phases of project management. Processes related to funding, project selection and prioritization, permits, as well as procurement activities such as bid tendering and evaluation, were also excluded.

AUDIT OBJECTIVES

The audit was conducted in accordance with the Global Internal Audit Standards. The purpose of the audit was to ensure:

- A) Construction projects have been planned with clear objectives, scope, timeline, and budget;
- B) Proper financial controls are in place to monitor and manage project expenses;
- C) Adherence to City by-laws and policies and the Construction Act, including safety, accessibility, and environmental requirements;
- D) Quality control measures are in place and that the work meets specifications and standards;
- E) Change orders are properly reviewed, justified, and authorized;
- F) Timely and accurate reporting to stakeholders, including project progress, financial status, and potential risks and mitigation strategies;
- G) Thorough post-project evaluation is conducted to assess performance against objectives; and,
- H) Warranty agreements are properly documented, monitored, and enforced, with timely claims made to reduce costs.

SUMMARY OF OBSERVATIONS

Based on the audit work performed, the City's capital construction projects are generally well-managed, with clearly defined objectives, scope, timelines and budgets. Strong processes are in place to manage health and safety in accordance with the Construction Act, reflecting a solid commitment to safety and compliance. Change orders are consistently reviewed, justified, and approved, and the Project Management Manual provides comprehensive guidance across all phases of the project lifecycle.

However, our review identified areas for improvement, including strengthening the invoice and holdback payment release process, enhancing monitoring of valid insurance and Workplace Safety and Insurance Board (WSIB) coverage throughout the project and warranty period, and ensuring documentation is complete and accessible.

A detailed list of observations and recommendations was provided to management. Appendix A outlines the detailed recommendations, and the action plans proposed by management. The main observations and recommendations are summarized below.

Improve invoice and holdback payment release process and documentation

In general, we found that key processes and documentation requirements were clearly defined in the Project Management Manual, contract and guidelines; however, we noted some cases where the requirements were not consistently applied. For example, the audit identified inconsistencies and gaps in documentation required to process invoices and holdback release payments, including incomplete supporting documentation (e.g. expired/missing insurance certificates, outdated Workplace Safety and Insurance Board (WSIB) clearance, missing published Certificates of Substantial Performance), missing statutory declaration with consultant invoices, and holdback release request form with relevant supporting documentation not maintained in ProjectWise. Accurate, complete and accessible documentation is important to

ensure legal compliance and facilitates clear and effective communication, transparency and accountability.

Moreover, we noted that the current lien check process established by Legal Services (which management indicated includes notifying the Director, Facilities Planning & Development and two Senior Project Managers of any liens within 24 hours) does not address the risk of a potential lien after the holdback release is approved and payment is released by Accounts Payable. As such, some projects lacked evidence of contractor lien checks, a good proactive control that ensures this crucial step was completed prior to the release of holdback funds, and which aligns with the requirements in the Project Management Manual.

We also noted concerns with inaccurate date calculations on the holdback release form, which calculates the warranty holdback release timelines based on 60 days as opposed to 12 months from substantial performance publication date. Incorrect holdback payment release dates could result in financial penalties, legal exposure, or non-compliance with the Construction Act.

Enhance monitoring of valid insurance and Workplace Safety and Insurance Board (WSIB) certificates

To conduct business with the City, consultants and contractors are required to provide proof of liability insurance and Workplace Safety and Insurance Board (WSIB) coverage to protect the City financially from claims, negligence, lawsuits or workplace injuries/illnesses.

Currently, the validity of the insurance and WSIB certificates are attached to the invoice submission; however, we noted a few instances where the coverage was expired. Additionally, we noted that vendors who are chosen from the pre-qualified roster list only provided these documents with their first invoice submission, which can occur months after work has started. It would be prudent to ensure valid insurance requirements prior to the start of any work, and to monitor the expiry of these documents throughout the project's life and during the one-year warranty period.

Failure to continuously monitor the validity of insurance and WSIB certificates exposes the City to legal liability and financial risk if an uninsured incident occurs. This gap in oversight could lead to project interruptions, unanticipated costs, and reputational damage due to non-compliance with regulatory and contractual requirements.

Ensure documentation availability and completeness in ProjectWise

To align with the Construction Act and procedures established by the Division, key documentation needs to be retained to support the actions taken. ProjectWise was adopted as the City's central documentation repository for all construction project files. The software establishes a structured and organized methodology for project files and ensures that applicable stakeholders have access to up-to-date information on projects.

In four of the six projects reviewed, the project files had minimal or no documentation available in ProjectWise. However, upon Audit's request the documentation was immediately made available. We noted in one or two projects, gaps related to training handovers, and missing or

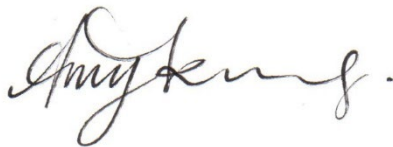
incomplete documentation for key project activities such as deficiency walkthroughs, project charter, stakeholder communications, and budget tracking.

The gaps in project documentation noted above may compromise project controls, transparency, accountability, and business continuity. In the absence of critical project records, especially during staff transitions or audits, the City may experience delays in issue resolution, warranty claims, and legal disputes, resulting in operational inefficiencies.

CONCLUSION

The audit found that the City has established a sound framework for managing capital construction projects, with clear planning, solid commitment to safety and compliance, and proper governance over change orders. The Project Management Manual provides a solid foundation for consistent execution across projects. While the controls in place are generally effective, addressing the identified areas for improvement, particularly in payment processing, insurance and WSIB monitoring, and documentation management, will further strengthen project oversight and ensure continued compliance with internal standards and regulatory requirements.

This audit resulted in seven (7) recommendations. Management has agreed and committed to completing three (3) recommendations by December 2025, one (1) by March 2026, and the remaining three (3) by June 2026.



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Director, Internal Audit

Auditor: Airene Cunanan, CIA, CISA
Senior Internal Auditor

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Category
1	That lien searches be required prior to releasing holdbacks, to ensure all outstanding liens are identified and resolved, thereby mitigating the risk of legal complications and financial disputes.	H	The Capital Design & Construction team will develop a process with Legal and Accounts Payable to include additional checks to the existing process for identifying liens. To be completed by December 30, 2025.	Compliance with laws, regulations, policies, procedures, and contracts
2	That the Project Management Manual, guidelines, holdback release forms and templates be updated to include document expectations, including aligning the holdback timing with publication dates and ensuring appropriate review and approval of supporting documentation prior to payment release to improve consistency and accountability, and minimize errors in the payment process.	H	The Capital Design & Construction team will update the Project Management Manual, guidelines, holdback release forms and templates to reflect payment release timings as per the Construction Act. To be completed by June 30, 2026.	Effectiveness and efficiency of operations and programs
3	That a process be implemented to track the expiry dates of insurance and WSIB certificates to ensure continuous coverage throughout the project and warranty period, reducing the risk of liability, non-compliance, and project delays due to lapsed documentation.	H	The Capital Design & Construction team will implement a process to track validity of insurance and WSIB documents as part of the newly procured EPPM (Enterprise Project Portfolio Management) tool. To be completed by March 30, 2026.	Compliance with laws, regulations, policies, procedures, and contracts
4	That valid insurance and WSIB certificates be required as part of the Roster Assignment Approval Form (RAAF) submission process to ensure vendor compliance from the outset and reduce the risk of engaging consultants or contractors without appropriate coverage.	H	The Capital Design & Construction team will include valid consultant insurance certificate and WSIB as part of Roster Assignment Approval Form (RAAF) package to Roster Captains for approval. To be completed by December 30, 2025.	Compliance with laws, regulations, policies, procedures, and contracts
5	That warranty requests are completed and entered by Facilities Operations, Energy & Maintenance (FOEM) staff into the Infor system, and the Business Service Request (BSR) comment section be updated to indicate completion of Infor updates, name of staff completing	M	Facilities Operations, Energy & Maintenance team will update the Business Service Request (BSR) process to reflect recommendations.	Effectiveness and efficiency of operations and programs

	update, date of completion of update and a copy of the updated asset information attached to BSR.		To be completed by June 30, 2026.	
6	<p>That Facility Planning & Development (FP&D) provide additional training for staff in file organization standards, documentation requirements and timely upload of project files into ProjectWise, including, but not limited to:</p> <ul style="list-style-type: none"> • Demo training handovers that include documentation of attendees, date and location, and are saved in ProjectWise; • Deficiency walkthroughs that include details on who attended, the outcomes, and confirmation that the deficiencies were addressed; • The need for a Project Charter, monthly reports to stakeholders, and construction meeting minutes; • Include formal “lessons learned” and post-project review process documentation for the project lifecycle, to ensure continuous improvement and capture valuable insights for future projects. <p>This will promote consistent capture of essential records, reduce missing documentation, and enhance project accountability.</p>	M	<p>The Capital Design & Construction team will provide additional training to staff and develop a project filing checklist to monitor filing compliance for the duration of the project.</p> <p>To be completed by December 30, 2025.</p>	Compliance with laws, regulations, policies, procedures, and contracts
7	That the Project Management (PM) Manual be updated to reference the current Supplier Performance Management and Suspension Policy, and to include clear procedures for addressing underperforming suppliers, aligned with the policy’s suspension criteria and escalation process. This will ensure consistent enforcement, strengthen supplier accountability, and improve project risk mitigation through proper contingency planning.	M	<p>The Capital Design & Construction team will update the Project Management Manual to include the requirements for Supplier Performance Management and Suspension as per the new corporate policy implemented by Procurement Services in May 2024.</p> <p>To be completed by June 30, 2026.</p>	Compliance with laws, regulations, policies, procedures, and contracts