

# TTC AUDIT COMMITTEE REPORT NO.

**MEETING DATE:** July 26, 2012

**SUBJECT:** TTC CAPITAL AUDIT REPORT – FIRE VENTILATION  
UPGRADE PROJECT

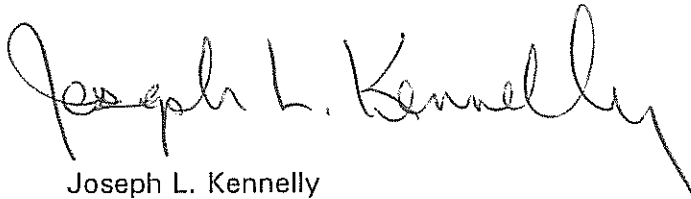
## INFORMATION ITEM

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### RECOMMENDATION

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

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Joseph L. Kennelly  
(Acting) Head of Audit

July 26, 2012  
01-27

Attachment – TTC Audit Capital Report

## TORONTO TRANSIT COMMISSION

**TO** Gary Webster  
**FROM** Dick Beecroft  
**DATE** January 31, 2012  
**SUBJECT** Internal Audit Report: Fire Ventilation Upgrade Project

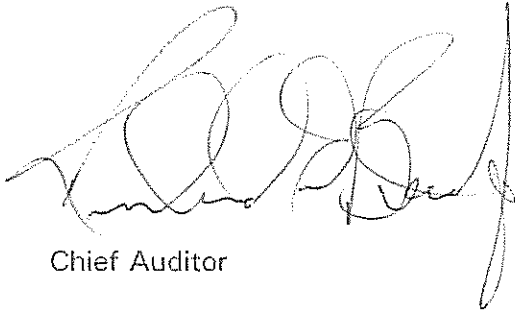
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Attached for your information, is the audit report of the Fire Ventilation Upgrade Project.

This report was discussed with the Chief Capital Officer – Engineering, Construction and Expansion Branch, and his staff on January 27, 2012. There are no significant control weaknesses to report. Corrective action for one minor item is currently being addressed.

We feel there is no need for a further meeting, and will be presenting the audit at the next Audit Committee Meeting.

Should you have any questions in the meantime, please call me at Ext. 3691.



Chief Auditor

Internal Audit

01-24

Attachment(s)

File No.: 11-70000-01

Copy: Sameh Ghaly  
Tony Baik  
Tom Perry

## TORONTO TRANSIT COMMISSION

**TO** Dick Beecroft  
**FROM** Tom Perry  
**DATE** January 13, 2012  
**SUBJECT** Internal Audit – Fire Ventilation Upgrade Project

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### Summary

An audit of the Fire Ventilation Upgrade Project has been conducted. Audit work performed indicates adequate documentation has been maintained to support construction and consultant costs and TTC labour and non-labour expenditures. However, during our review of the contract changes in one of our construction contracts audit noted a lump sum error in the calculation of overheads of approximately \$6,500.

### Background

This project is designed to upgrade the existing subway ventilation systems to improve ventilation capacity to reduce risk and improve safety of customers and employees in the event of a major subway fire. The project also includes providing a second means of egress from the station platform to the exterior of the station at 14 stations.

The actual costs for this project reviewed by audit in 2010 and 2011 are \$17.9 M; comprised of the following:

Expenditures:	LTD (\$ Million)
Construction Costs	\$7.4
Consultant Costs	\$4.5
TTC Engineering	\$6.0
<b>Total</b>	<b>\$17.9</b>

### Observations

We reviewed documentation, financial records, contract documents and various correspondence relating to the Fire Ventilation Upgrade Project. Based on audit work performed, acceptable items noted by Audit include the following:

#### *Construction Costs:*

- Construction contract documents, including contract amendments, were properly approved and in order. Audit reviewed various construction contracts such as State Group, Torcom, Buttcon, Struct-Con and Toronto Hydro.

- Adequate justification for contract changes was noted for sampled extra work performed. All extra work was properly authorized prior to commencement. Generally paid amounts appear reasonable and were made in accordance with terms of the contract. However, audit did note a lump sum error in the calculation of overheads for a contract change of approximately \$6,500.
- Our review of construction site field records, including monthly progress reports and minutes of meetings, revealed no outstanding issues or concerns. Quality control testing and inspection documentation reviewed indicated issues were appropriately addressed as per the contract and closed off. Contract Deficiency Reports have been prepared and the contractor has addressed the identified issues. When required sufficient and adequate field measurements are obtained to support unit price payments to the contractors.

*Consultant Costs:*

- Audit reviewed third-party financial records to confirm the all-inclusive billing rates charged by consultants Hatch Mott McDonald, Marshall Macklin Monaghan, Parson Brincheroff, Giffels and HRT/Schrimer and no discrepancies or errors were noted.

*TTC Labour Expenditures:*

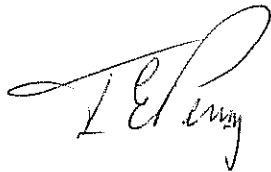
- TTC labour, fringe and overhead costs account for this project were reviewed and to date internal labour charges were properly supported by signed attendance sheets and incurred by appropriate cost centres.

Recommendation

Management should correct the approximate \$6,500 contract change error in calculating the lump sum amount for overheads to the contractor Struct-Con Construction.

Management Response

Management acknowledges the miscalculation and a revised contract change has been issued to correct the error.



Auditor  
Internal Audit  
01-33  
File #11-70000-01