



Report of the Auditor General of the Ville de Montréal to the City Council and to the Urban Agglomeration Council

For the Year Ended December 31, 2012

Contract Awarding and Management Process

(Société du parc Jean-Drapeau)

5.7



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List of Acronyms

CTA	<i>Cities and Towns Act</i>	SEAO	electronic tendering system
DSTI	Direction des stratégies et transactions immobilières	SPJD	Société du parc Jean-Drapeau
FTP	functional and technical program	TCEP	three-year capital expenditures program

5.7. Contract Awarding and Management Process (Société du parc Jean-Drapeau)

1. Introduction

The Société du parc Jean-Drapeau (SPJD) is a paramunicipal corporation incorporated by letters patent under the *Charter of Ville de Montréal* (the Charter). Its mission is to manage, administer, operate, develop, maintain and plan activities for the Parc Jean-Drapeau site, which comprises Sainte-Hélène and Notre-Dame islands.

The members of its board of directors are appointed by the executive committee of the Ville de Montréal (the city), and its budgets (operating and three-year capital expenditures program [TCEP]) are approved by the city's urban agglomeration council given that Parc Jean-Drapeau falls under the category of facilities and infrastructures of public interest. From a territorial standpoint, Sainte-Hélène and Notre-Dame islands are part of the territory under the authority of the Ville-Marie borough, in accordance with Schedule B of the Charter.

The city makes the buildings, facilities, amenities, infrastructures, public works of art and equipment found on the site available to the SPJD. All of these assets are recorded in the city's books. It was through a memorandum of understanding concluded with the city in 1996 that the SPJD was delegated the responsibilities for:

- conservation, protection and enhancement of green and blue spaces;
- management of the site with regard to receiving the public, safety and signage;
- traffic, access to the islands and parking;
- the visual identity and image of Parc Jean-Drapeau;
- activities for the general public;
- management and conservation of buildings, facilities and works of art on the site;
- relationships with partners of the park.

In carrying out the responsibilities conferred on it, the SPJD may grant contracts for the construction, renovation, redevelopment and maintenance of any building, facility, amenity or equipment under its jurisdiction. More specifically in this regard, pursuant to article 231.1, Chapter V of the Charter, the SPJD is subject to the regulations of section 573 of the *Cities and Towns Act* (CTA) regarding the awarding of contracts.

In terms of the budget, the memorandum of understanding concluded between the SPJD and the city states that the latter must, as part of the TCEP, provide funding for protection

and development work at Parc Jean-Drapeau. Thus, for 2011 and 2012, the SPJD was assigned the management of a budget (modified) within the TCEP of \$14.5 million and \$12.4 million respectively. As for the operating budget, the SPJD was given \$16.5 million and \$15.2 million for the same years, including a contribution by the city of \$10.7 million and \$8.7 million respectively.

2. Audit Scope

The purpose of our audit was to ensure that the awarding and management of contracts at the SPJD are done through a rigorous process that complies with the laws, regulations and internal policies in effect.

More specifically, we examined aspects surrounding project planning, the design and approval of tender documents, the compliance of the contract awarding process, adherence to the delegation of authority rules for contract approval, the sharing of roles and responsibilities as well as the accountability mechanisms put in place to track the progress of work related to awarded contracts.

Our audit focused on a sample of ten contracts valued at over \$100,000 awarded following a public call for tenders during 2010 and 2011 as well as the first four months of 2012 (see Appendix 4.1). These contracts concerned the supply of materials, the execution of work or the acquisition of professional services. Our on-site audit work was mainly carried out over the months of May and June 2012, but we also took into account information sent and communicated to us up until October 26, 2012.

3. Findings and Recommendations

The SPJD can award various contracts under the responsibilities assigned to it. To illustrate the scope of this activity, the most recent annual report of activities produced by the SPJD reveals that, in 2011, they issued close to 80 public and invited calls for tenders.

In order to evaluate the compliance of the contract awarding and management process within the SPJD, especially given the coming into force of new legal obligations in this regard (e.g., the adoption of a contract management policy in December 2010, the tightening of rules regarding the publication of contracts in the electronic tendering system [SEAO] as of April 2011), we assembled our sample using contracts awarded in 2010, 2011 and 2012. Other criteria also guided our selection, namely:

- the type of contract and its financial magnitude. It had to be a contract related to the execution of work or professional services (or a combination of both) valued at over \$100,000;
- the financial magnitude of the project with which the awarded contract was associated.

Taking into account these criteria, the ten contracts in our sample were distributed as follows: two contracts awarded in 2010, seven in 2011 and one during the first four months of 2012. It should also be noted that five of the selected contracts are related to the Hélène-de-Champlain building renovation and expansion project, for which the work begun in 2010 was expected to continue at the time of our audit. This major project caught our attention due to the fact that it required considerable investments and, up to now, has required the awarding of several sizeable contracts. As for the five other contracts that made up our sample, they were awarded for the implementation of special projects separate from one another (see Appendix 4.1).

Having made these clarifications, the following sections of this audit report will discuss our observations regarding each of the main aspects to be considered in order to ensure, among other things, that the contract awarding and management process adheres to all the established directives (e.g., the level of authorization required), but also that it is carried out in compliance with the laws and regulations in effect and promotes adherence to sound management practices.

3.1. Project Planning

Planning a project prior to issuing a call for tenders for the awarding of a contract is a fundamental step in defining its scale and scope and ensuring that it runs smoothly and successfully.

This planning phase, which should be properly documented for reference purposes, is one in which solutions are brought and analyzed in order to meet the expressed needs. At this stage, the objectives and expected results related to the expressed needs should be clearly defined, taking into account the available budget allowance, expected completion, risks inherent to the project to be implemented and the need, if applicable, to conduct certain preliminary studies beforehand (e.g., feasibility studies, characterization studies) or obtain required permits. Of course, this step should also take into consideration the obtaining of the various approvals required prior to project implementation.

In this regard, given that five of the ten contracts examined are related to the Hélène-de-Champlain building renovation and expansion project, we felt it was appropriate to make it a separate section from the other projects examined, allowing us to more clearly expose the facts.

3.1.1. Hélène-de-Champlain Building Renovation and Expansion Project

3.1.1.A. Background and Findings

To put the project into context, we will begin by presenting the history of the **main events** surrounding its implementation.

Thus:

- In 2007, the former tenant operating the Hélène-de-Champlain restaurant in this building informed the SPJD that he would not be renewing his lease. The building, constructed in the 1930s on the Sainte-Hélène island heritage site, was in need of major renovations.
- In December 2009, the SPJD launched a call for proposals to find a new operator for the Hélène-de-Champlain building. It wanted to receive projects to repair the building as well as give it and the site a new purpose.
- In January 2010, the Hélène-de-Champlain restaurant closed its doors permanently.
- At the end of March 2010, the call for proposals came to a close. The SPJD received three proposals, which were assessed by an evaluation committee made up of one director, three members of management and one SPJD employee. We examined the evaluation process, and it appears to us to have been carried out fairly and in accordance with the pre-established criteria, along with a weighting assigned to each of these.
- In April 2010, the SPJD board of directors approved the evaluation committee's recommendation to retain the proposal aimed at turning the Hélène-de-Champlain building into a high-end restaurant complex meeting the criteria for "Grand Chef Relais & Châteaux" accreditation. The retained developer's proposal planned for the building to house a restaurant, a bar, a bistro, a wine cellar, rental rooms, a cooking school as well as the headquarters and library of the Fondation Relais & Châteaux. To accomplish this, the proposed project involved expanding the current building as well as renovating it, modifying it and bringing it up to current standards.
- Between June and October 2010, steps were taken to obtain the various approvals required to ensure the project's compliance with municipal regulations and rules regarding heritage conservation, including submitting a request for a special project to

- the Ville-Marie borough, presenting it to the urban planning advisory committee, applying for permits, and so on.
- On October 12, 2010, the SPJD board of directors approved the main parameters of the agreement with the developer and authorized management to conclude an agreement largely based on these. It also authorized the chair and vice-chair of its board to sign a lease with the developer as well as the financing documents listed in the agreement, the parameters of which are presented below. These main parameters, which we found in an internal memo presented to the members of the SPJD board of directors during the October 12, 2010, working session, are essentially as follows:
 - Obligations of the SPJD:
 - act as main coordinating manager for the work to expand and bring the building up to standards,
 - fund the expansion work up to \$1 million in return for additional rent equivalent to the repayment of principal and interest,
 - cover the costs of major work—base building,
 - deliver the rented premises to the tenant on June 1, 2011;
 - Obligations of the retained developer (tenant):
 - ensure that the three partners in the submitted project retain their roles for three years,
 - cover the costs of expansion and construction work required by the tenant,
 - provide the kitchen equipment and contents of the wine cellar as collateral,
 - pay the rent:
 - payment of a progressive percentage rent from year one to year five, corresponding to 4.5% of gross sales up to \$10 million and 5.5% above \$10 million in gross sales,
 - applicable guaranteed minimum rent,
 - repay the \$1 million in funding provided by the SPJD for the expansion work: payment of the principal and interest over 20 years (SPJD rates, plus an additional 2% premium),
 - obtain prior authorization from the SPJD for any work.
 - On October 28, 2010, the SPJD board of directors approved the awarding of a contract for expansion work to be carried out on the Hélène-de-Champlain building in the amount of \$506,200, before taxes (\$571,373, taxes included).
 - On November 24, 2010, the city's executive committee was informed of the agreement parameters (the same as those presented earlier) and authorized the SPJD to sign a long-term lease (35 years) with the retained developer (resolution CE10 1842). The decision-making summary submitted for approval by the SPJD stated estimated costs for the work of \$7.3 million, \$5.3 million of which was to be funded by the city and \$2 million by the future operator for the expansion and certain renovations planned.

- On November 29, 2010, the renovation permit requested by the SPJD in regard to the planned expansion work was issued by the Ville-Marie borough.
- On December 15, 2010, the lease was signed before the notary who took part in drafting the document. This notary was employed by the city's Service des affaires juridiques et de l'évaluation foncière. On reading the lease, we noted that an additional obligation that was not originally reflected in the documents presented for approval by authorities had been added to those of the tenant. The lease stipulates (clause 5.2.2) that the tenant shall be responsible for all professional fees, including, but not limited to, those for the architects and engineers associated with the work stated in the lease, with the exception of the fees for overseeing this work, which are the responsibility of the SPJD.
- In February 2011, the SPJD realized that it was facing various problems, particularly with regard to modifications made to the drawings and specifications, thus making it more difficult to control costs and stay on schedule. A call for tenders was therefore launched to retain the professional services of a firm to provide management support—construction supervision, for the Hélène-de-Champlain building expansion and restoration project. The contract was finally approved by the SPJD board of directors on April 27, 2011, in the amount of \$231,120 before taxes (\$263,303 taxes included).
- On June 9, 2011, the SPJD board of directors approved the awarding of the contract to carry out the interior demolition of the Hélène-de-Champlain building in the amount of \$439,978 taxes included.
- Shortly after it was hired, the firm responsible for overseeing construction re-evaluated the project and revised its detailed cost estimate, bringing the cost from \$7.3 million to \$16.4 million (a difference of \$9.1 million), \$12.4 million of which was to be assumed by the city and \$4 million by the future operator. According to the information obtained by the SPJD, a portion of this increase (approximately \$2.6 million) was attributable to the unforeseen work related to the discovery of larger amounts of asbestos than expected during the interior demolition of the building.
- In July 2011, talks were begun between the SPJD and the developer to amend the lease to include, among other things, the expected costs for the work as well as their distribution between the SPJD and the developer. Moreover, because of several construction delays, the delivery date for the rented premises was pushed back to March 1, 2012.
- On November 9, 2011, the city's executive committee (resolution CE11 1799) authorized the SPJD's decision to modify the lease for the Hélène-de-Champlain building and approved the additional funding required to complete the project, revising the SPJD's TCEP to include an additional \$5 million for 2011. This plan for a modified lease, which would never be concluded, stipulated that the SPJD would provide

financing for the developer in the amount of \$2 million instead of \$1 million, as had initially been established.

- In the month of November 2011, the documentation in the file reveals a disagreement between the SPJD and the developer with regard to the latter's contractual obligation (lease) to ensure the three partners in the submitted project retain their roles for three years.
- Finally, on January 18, 2012, even though the renovation and expansion work on the building was not yet completed, the SPJD board of directors decided to terminate the contract (lease) binding the SPJD and the developer. The actual reasons leading to the termination of the lease are unknown to us because they are subject to a confidentiality agreement signed by both parties. According to the information obtained, it would appear that various difficulties encountered throughout the different phases of the work to renovate the Hélène-de-Champlain building changed the terms under which the project was being carried out, making it difficult to continue based on the contract (lease) concluded. Consequently, in compensation for the costs incurred by the developer and by certain suppliers that had not been paid, the SPJD was forced to pay close to \$2 million.

It is therefore based on these events and a review of the five contracts selected for this project that we sought to assess the adequacy of the measures taken at the planning stage of this project. Our audit revealed certain oversights that could, at least in part, explain the hiccups experienced in the project.

From the output, we noted, in light of the information gathered from the manager and employee responsible for the project at the SPJD, that no functional and technical program (FTP) was set out prior to the start of this major project. At the planning stage of a project, documenting an FTP would have been a fundamental step since it would have allowed the parties involved, i.e., the SPJD and the developer, to come to an agreement beforehand as to:

- the complete determination and definition of needs and requirements in terms of the functional, operational and physical organization of the premises given, among other things, the planned use, the construction standards to adhere to and the quality criteria for obtaining "Grand Chef Relais & Châteaux" accreditation;
- the costs of the project to be carried out given the available budget allowance;
- the planned completion given the scale and specifics of the project to be carried out.

What's more, on reading the terms of the lease concluded between the parties, we noted an inappropriate distribution of roles and responsibilities. As we briefly discussed above, clause 5 of the lease clearly stipulated that all aspects related to the design of the project,

i.e., preparing the drawings and specifications, was left entirely up to the developer, who, in order to do so, had to select and hire firms of professionals (e.g., engineers, architects) and assume the costs of the associated professional fees. For its part, the SPJD was responsible for launching the calls for tenders for the construction work to be completed and assuming all the related costs (apart from those for the building expansion, which were the responsibility of the developer).

According to the information found in the files assembled by the SPJD, this way of proceeding was chosen due to the fact that the developer was not governed by the contract awarding regulations (section 573 of the CTA); the parties were therefore free to entrust the continued design work to the architect firm of their choice.

In our opinion, this division of roles and responsibilities, combined with the absence of an FTP, undeniably exposed the SPJD to the risk of losing control over the project, both in terms of staying within the planned budget allowance and on schedule as well as the nature of the expected deliverables, especially since the lease did not stipulate any time frame for the developer to submit the final drawings and specifications to the SPJD.

The individuals we met with at the SPJD stated that they did, indeed, face constant delays in the production of drawings and specifications by the professionals hired by the developer, delays which would have been caused by the numerous changes requested to the drawings and specifications and by the presence of several design specialists working for the developer. In fact, since the professionals hired by the developer had no contractual connection to the SPJD, they continued to receive their instructions from the developer, which, according to the information obtained, made it difficult to manage the project. Given these circumstances, and with the aim of delivering the completed building by the date initially stipulated in the lease (June 1, 2011), the SPJD was forced to divide the project into several construction packages, making its coordination all the more complex. Moreover, the individuals met with stated that, for certain construction packages, the SPJD was also forced to launch calls for tenders for work to be carried out based on partially completed drawings and specifications, thus further exposing it to the risks of cost increases and delays. In fact, at the time of our audit, the review of a sample of five contracts awarded in this project revealed significant cost overruns in three of them. For these three contracts, the SPJD board of directors granted additional funds ranging from 94% to 130% above the original cost of the awarded contract (see Appendix 4.2, Table B).

These facts observed with regard to the division of roles and responsibilities lead us to question whether enough information was communicated to the various authorities involved

(the SPJD board of directors and the city's executive committee) for them to authorize the signing of the lease.

In fact, we noted that this aspect of the lease, regarding the developer overseeing the steps related to the project design, was not included anywhere in the main parameters presented to the members of the SPJD board of directors in October 2010 and to the members of the city's executive committee in November 2010 for them to authorize the signing of a lease (see the history of the main events presented earlier). Therefore, while this solution may have been discussed, at least on the part of the SPJD, we feel that all relevant information should have been communicated in a transparent manner in order to allow the decision-makers to react at the appropriate time and make an informed decision.

What's more, in reviewing the information presented by the SPJD in the decision-making summary attached to the November 24, 2010, resolution of the city's executive committee (CE10 1842) to inform the latter of the parameters of the agreement and receive its authorization to sign a long-term lease with the developer, we noted that it shows an estimated cost for the project of \$7.3 million (before taxes and contingencies), \$5.3 million of which was to be funded by the city and \$2 million by the future operator. In this regard, we understand, from reading a presentation made by the SPJD on November 9, 2011, to the city's executive committee, that the portion of this cost estimate that was to be funded by the city (\$5.3 million) was based on an evaluation commissioned by the SPJD from a consulting firm a little over four years prior (February 2006). To carry out this evaluation, the firm in question stated in its report that it used various engineering analyses conducted on the building, some of which dated back to 2002, 2003 and 2004. In our opinion, given that these costs were not recent, it was very risky to use them without any indexation and without considering the new function that the building was going to have as part of the project submitted by the developer. This is especially true given the fact that, when the SPJD presented this project, it had in its possession another, more recent evaluation showing that the cost of the project to renovate and expand the building could reach more than \$7.3 million.

The SPJD had in its possession a cost estimate dating back to 2010, which had been commissioned to a specialized firm by the city's Direction des stratégies et transactions immobilières¹ (DSTI) as part of steps taken to assess the investment deficit of municipal buildings. At that time, the cost estimate obviously only pertained to the existing building and not to any other development elements such as the expansion or renovations required due to specific aspects of the project (e.g., the standards to be met for "Relais & Châteaux"-

¹ In 2010, this directorate was under the Service des immeubles et des systèmes d'information.

type buildings). The firm therefore evaluated the costs for the work to be \$4.7 million; however, it specified that this value was before taxes and other considerations, and it suggested increasing this by 73% to take into account factors such as construction contingencies, professional fees, administration, the contractor's profits and taxes. Consequently, the estimated costs amounted to \$8.1 million, not including the costs involved in the expansion planned as part of the project.

Furthermore, the retained developer had also attached a budget of \$10.7 million to the project, including contingencies for the renovations and modification as well as the expansion of the building.

Given this information, we find it hard to understand the reasoning behind using an evaluation from 2006 to support the cost estimates for such a project.

In addition, given that the Hélène-de-Champlain building was built in the 1930s and then renovated for Expo 67, it was to be expected that it might be insulated with asbestos. In fact, the building evaluation produced in 2006 clearly states that the building contained a large amount of toxic asbestos, requiring a high-level decontamination. These costs alone were estimated at approximately \$250,000. Therefore, it would have been relevant to commission the appropriate additional analyses at the planning stage of the project in order to further determine the estimated costs of decontamination as well as those related to the reconstruction of the premises following this procedure (e.g., demolition of walls and ceilings).

In this regard, we see that the SPJD did, in fact, hire a specialized firm to determine which materials within the building were likely to contain asbestos. However, it appears that the results of this report, dated December 17, 2010, arrived a bit too late in the process since, at that date, the project had already begun; the terms of the project and the signing of the lease had already been approved by the SPJD board of directors (on October 12, 2010) and, shortly after, by the city's executive committee (on November 24, 2010). Moreover, the actual lease had been signed before the notary on December 15, 2010, two days before the date the report was produced. We tried to obtain the detailed cost estimate for the decontamination related to this characterization analysis from the SPJD staff, but it could not be located. Nevertheless, it is clear that the results of this characterization study, which confirmed the contamination of several components of the building, did not contribute to determining the estimated costs of carrying out the project. Yet, ultimately, the information obtained from the SPJD revealed that a portion of the cost overruns of the project could be partially attributed to the unforeseen work related to the discovery of larger amounts of

asbestos than expected during the interior demolition of the building, in the range of \$2.6 million. We were, however, unable to reconcile this amount precisely.

In sum, it appears to us that the cost estimate was not performed as rigorously as it should have been given the scale and complexity of the project.

On another note, it should be stated that, from a financial perspective, the lease stipulated that the rent to be paid by the tenant would be equivalent to the sum of the amounts determined in points A and B below:

A. The **highest** of:

- a minimum guaranteed rent, the amount of which was determined in the lease for a period of 35 years; or
- a rent based on the gross revenue for each period of the lease multiplied by a percentage established in the lease.

B. An additional rent essentially equivalent to the repayment (principal and interest) of the loan made by the SPJD to provide the developer with the funds to expand the building.

However, the decision-making summary presented to the city's executive committee to obtain its authorization to sign a long-term lease (35 years) with the retained developer indicates that this lease had to enable the SPJD to benefit from rental revenues of over \$15 million. In light of the information obtained from the individuals we met with, it is our understanding that this \$15 million corresponded to the variable portion of the rent (see point A above), which was calculated using the estimated gross revenues for the duration of the lease. While this may have been a valid way of proceeding, we nonetheless feel that it would have been wiser to have had a market study conducted beforehand to confirm that the expected revenues were realistic, something which, according to the individuals we met with at the SPJD, was not done. In this regard, we also came across a report entitled "Analyses et commentaires sur les dépassements de coût du Hélène-de-Champlain" (analyses and comments on Hélène-de-Champlain cost overruns) produced on December 15, 2011, by the DSTI, a directorate of the Service de la concertation des arrondissements et des ressources matérielles, which indicated that the DSTI questioned whether the expected rental income of \$15 million was realistic.

On the same note, while the city's urban agglomeration council approved the SPJD's guarantee for a \$1 million loan, which it took out with Caisse centrale Desjardins to provide financing to the developer for the expansion of the building, the information gathered reveals that no assessment of the developer's solvency was requested beforehand by the SPJD. In consideration of the loan made to the developer, guaranties were, however, stipulated in the lease with regard to kitchen equipment and the content of the wine cellar.

Furthermore, in the process of examining the events surrounding the implementation of this project, we were surprised to learn that on October 28, 2010, the SPJD board of directors approved the awarding of a contract (\$571,373, taxes included) for work to expand the Hélène-de-Champlain building, as planned in the project. This contract, under which the work was begun in early November 2010, was in fact awarded:

- before the city's executive committee authorized the SPJD to sign the lease (November 24, 2010, resolution CE10 1842);
- before the renovation permit for the expansion work requested by the SPJD was issued by the Ville-Marie borough on November 29, 2010; and
- even before the official signing of the lease on December 15, 2010.

In this regard, it should be noted that the planning phase of the project should have also taken into account the various approvals required prior to its implementation. More specifically, by rushing the start of the construction work to expand the building, work which, as you will recall, was to be the responsibility of the developer according to the parameters of the agreement, the SPJD was exposing itself to the risks of having to assume the costs on its own if the executive committee did not approve the signing of the lease or if the regulatory requirements for the Ville-Marie borough to issue the permit were not met. According to the information obtained from the individuals we met with at the SPJD, the tight deadline for delivery of the completed building, i.e., June 1, 2011, was one of the main motivating factors justifying this way of proceeding. At the time of our audit, the total budget allocations granted to the firm awarded the contract for expansion of the Hélène-de-Champlain building totalled \$1,174,457, taxes included, which is 106% more than the contract originally awarded (see Appendix 4.2, Table B), and still other amounts had to be invested to complete the work.

In sum, we found that several important steps in the planning of this project were not given the full attention they deserved. In particular, we observed the following:

- the absence of an FTP aimed at clearly defining the scale and scope of the project needs;
- improper division of roles and responsibilities between the SPJD and the developer, wherein the SPJD was not entirely in control of the project, as had initially been stated to the authorities to obtain authorization to sign the lease;
- the cost estimate for carrying out the project was based on historical data that was not up to date;
- additional analyses to further specify the costs of the project were not obtained at the proper time (e.g., determination of the materials likely to contain asbestos), while other analyses were not requested (e.g., market study to confirm the expected revenues for the project, assessment of the developer's solvency);

- certain crucial approvals were obtained after the start of the project.

Since January 18, 2012, the date on which the SPJD board of directors decided to terminate the lease concluded with the developer originally retained, the following steps have been taken to relaunch the project under new terms:

- production of an FTP and new drawings and specifications aimed at completing the construction work and delivering a building that is up to standards to a future operator;
- launch of a search for a new operator for the Hélène-de-Champlain building;
- launch of a call for tenders to award a contract for completion of the remaining work needed to bring the building up to standards and expand it.

According to the most recent information obtained from the SPJD dated October 26, 2012, the actual costs incurred to date for this project to renovate and expand the building add up to \$8.7 million. Bids were received in August 2012 following the call for tenders launched by the SPJD in July 2012 to finalize the renovation and expansion work. The proposal from the lowest compliant bidder was valued at \$7.5 million. On October 26, 2012, the awarding of the contract was pending approval of city authorities. On the date this audit report was validated, November 8, 2012, the SPJD expected the work to be completed in fall 2013. Given the substantial costs related to this project, we currently question the possibility of finding an operator whose proposal will make the facilities profitable.

In conclusion, considering that improving the infrastructures of Parc Jean-Drapeau is part of the priorities of the municipal administration with regard to the development Montréal, which will celebrate the 375th anniversary of its founding in 2017, it should be expected that the SPJD will have many other large-scale projects to manage. In fact, this motivation on the part of the municipal administration is reflected in the TCEP budget tabled for 2013–2015, in which a sum of \$110 million has been confirmed for the redevelopment of Parc Jean-Drapeau assets: \$32.4 million in 2013, \$42.3 million in 2014 and \$35.3 million in 2015. Given this considerable increase in the budget allowance granted to the SPJD compared to the 2011–2013 TCEP (\$14.5 million, \$10 million and \$10 million respectively) for the conservation of the site's buildings equipment and works of art, we believe it would be appropriate for it to re-evaluate its practices so that the projects to be implemented benefit from all the appropriate structuring and monitoring at the planning stage.

3.1.1.B. Recommendation

We recommend that the Société du parc Jean-Drapeau take all the necessary steps to complete the Hélène-de-Champlain building renovation and expansion project, ensuring that:

- all the decisions to be made are controlled to guarantee that the work is in line with the set objectives based on the functional and technical program developed;
- the costs to be incurred going forward are rigorously monitored so that the project is completed within the provided budget allowance;
- the impact of any other potential risk related to a future operator's proposal for this building is identified and assessed.

Business unit's response:

[TRANSLATION] Have the cost of the remaining work evaluated by an independent firm. (Completed, November 2012)

Implement the required procurement and authorization process to award the contract to a general contractor for the work to be completed. (Completed, December 2012)

Report on the progress of the work and evolution of the costs of the project at each meeting of the audit and TCEP committee and of the SPJD board of directors. (Completed, periodically beginning in March 2013)

Launch a search aimed at a wide range of bidders in order to choose the one offering the project with the best revenue potential and minimal risks (business plan, solvency, clause for withdrawal/penalty/guarantees). (Completed, March 2013)

3.1.1.C. Recommendation

We also recommend, if other major projects are to be implemented, given the size of the three-year capital expenditure program budget granted, that the Société du parc Jean-Drapeau:

- re-evaluate its practices so that these projects benefit from all the appropriate structuring and monitoring at the planning stage;
- ensure that all the information needed to make an informed decision is communicated to the authorities at the appropriate time.

Business unit's response:

[TRANSLATION] Develop more detailed project management standards and procedures to ensure consistent practices at each stage of a project: prefeasibility,

estimate, contract awarding, accountability and project closure. (Planned completion: May 2013)

Standardize the information and its presentation to facilitate comprehension of the files when decisions are to be made by the executive director, the audit and TCEP committee and the board of directors. "Standard decision-making summary." (Planned completion: May 2013)

3.1.2. All Projects in Our Sample

3.1.2.A. Background and Findings

As we mentioned earlier, while five of the ten contracts examined were related to the Hélène-de-Champlain building renovation and expansion project, we also reviewed five other contracts that were awarded for the implementation of the following special projects:

1. Construction of a glassed-in staircase and an elevator at the Fort de l'île Sainte-Hélène arsenal–Stewart Museum;
2. Supply and installation of signage elements–phase 3;
3. Repair of the masonry in the powder magazine;
4. Design and construction of a new service courtyard;
5. Expansion of the Jamaica pavilion.

This section will therefore include our observations regarding the planning of these five other projects as well as our observations regarding certain elements of planning stemming from a more in-depth review of the documents underlying all the contracts in our selection.

On one hand, our review of the documentation assembled to launch the call for tenders for the awarding of the contract (e.g., the specifications, the reference terms and the project manual) allowed us to assess the measures taken by the SPJD to define and circumscribe the work to be done. We were thus able to determine the result of the steps taken prior to project implementation for aspects such as:

- the project description and nature of the work required;
- the functional requirements (e.g., specification of needs in usable area) and the technical requirements (e.g., specification of needs with regard to electrical or mechanical features);
- the planned completion schedule.

On the other hand, our review of the documentation for each of the contracts in our sample allowed us to uncover potential areas of improvement with regard to aspects that should be given particular attention at the planning stage. These aspects are discussed below.

Cost Estimate

One of our observations pertains to the cost estimate for the work involved in the contract to be awarded. We reiterate that establishing a detailed cost estimate is an important step in planning a project. This cost estimate makes it possible to both determine the market solicitation method to use (e.g., an invited or public call for tenders) and assess the funds required to carry out a project in order to then evaluate the reasonableness of the prices submitted by the bidders and make an informed decision as to whether or not to award a contract. In this perspective, it is important that all the efforts required to document this estimate be put forth and that recorded in the file so as to allow the individuals involved to consult them.

However, at the time of our audit, finding these cost estimates proved to be quite difficult since none of them were recorded in the file created by the SPJD for the contracts reviewed (100% of cases). Following our requests to obtain them from the project managers (one of which was an external consultant), the documentation was located for six of them (six cases out of ten, see Appendix 4.1—Nos. 1, 3, 5, 7, 8 and 10). As for the four other cases (see Appendix 4.1—Nos. 2, 4, 6 and 9), while the estimates had been prepared prior to launching the call for tenders according to the managers we met with, documentation for these could not be located. These four contracts were associated with the Hélène-de-Champlain building renovation and expansion project, specifically the expansion work, construction management, interior demolition work and the supply and installation of windows and doors.

Among the six detailed estimates that were found, we noticed that one of them, related to the design and construction of a new service courtyard, was not dated or identified with the name of the person who prepared it. While, according to the information obtained, this estimate was prepared by the project manager responsible for the file, who was employed by the SPJD, it seems to us that the lack of a date and identification of the person in charge, which would have made the document more official, could cause questions to remain as to the precise moment this estimate was prepared or the value of the estimate prepared, given the expertise of the person assigned to this task. In these circumstances, in order to allow for a reliable value to be assigned to them, we feel that the SPJD should take the necessary measures to ensure that all cost estimates bear the date on which they were prepared and the name of the person or firm that prepared them.

Moreover, given their importance in the awarding process, we feel that cost estimates should be properly documented and kept with all the other documents assembled for the call for tenders. This way, it will be easier to follow-up on a file if a different person is

assigned to it and to demonstrate the reasonableness or unreasonableness of bids received in order to make an informed decision.

Our audit also revealed the existence of different cost estimate amounts for the same contract. In fact, we found that the cost estimate amount presented to the board of directors for the awarding of the contract did not always match the amount appearing in the documented cost estimate (two out of ten cases). These two cases are detailed in Table 1 below.

Table 1 – Contracts Presenting a Discrepancy Between the Documented Cost Estimate and that Presented to the Authorities

Purpose of the contract	Amount appearing on the documented cost estimate (including taxes and contingencies)	Cost estimate amount presented in the decision-making summary and related minutes (including taxes and contingencies)	Difference
Design and construction of a new service courtyard	\$9,123,057	\$8,500,000	\$623,057
Landscaping and civil engineering (Hélène-de-Champlain building renovation and expansion project)	\$836,454	\$800,000 ^a	\$36,454

^a This amount was found by performing a reconciliation since it was included in an overall estimate of \$1,525,000 presented in the minutes of the November 9, 2011, meeting of the SPJD and is attributable to the approval by the SPJD board of directors of the awarding of a batch of five contracts for which the overall cost quoted by the lowest bidders was \$1,590,268.

Likewise for the cost estimate presented in the SEAO following the awarding of the contract sometimes differed from the amount appearing in the estimate documented by the SPJD (one out of ten cases). Table 2 presents the information related to this case.

Table 2 – Contract Presenting a Discrepancy Between the Documented Cost Estimate and that Presented in the SEAO

Purpose of the contract	Amount appearing on the documented cost estimate (including taxes and contingencies)	Cost estimate amount presented in the SEAO (including taxes and contingencies)	Difference
Design and construction of a new service courtyard	\$9,123,057	\$8,000,000	\$1,123,057

With regard to the aspects related to the information to be published in the SEAO, note that they will be discussed further in section 3.3 of this audit report dealing with the compliance of the contract awarding process.

Moreover, we reviewed the lists of contracts held by the SPJD, entitled “Liste des appels d’offres inscrits dans le système électronique d’appel d’offres” (list of call for tenders entered in the electronic tendering system), for 2011 and 2012. We found that these lists contained a range of information pertaining to contracts to be awarded, including the estimated value of the work involved. However, for certain contracts examined, we also observed a different amount from that in the cost estimate.

In these circumstances, the confusions observed with regard to the cost estimates presented lead us to question the thoroughness with which they were prepared and the accuracy of the information communicated to the members of the SPJD board of directors to obtain their approval for the awarding of the contracts.

3.1.2.B. Recommendation

We recommend that the Société du parc Jean-Drapeau take the necessary measures to:

- **reiterate to the personnel in charge the importance of documenting the detailed cost estimates and keeping these in the file containing all of the documents assembled for the launch of a call for tenders;**
- **reiterate to the personnel in charge the importance of making sure that the cost estimates prepared are dated and identified with the name of the person or firm of experts assigned to this task;**
- **ensure consistency in the information presented to the directors of the Société du parc Jean-Drapeau, in the electronic tendering system and in any other work document prepared, with regard to established cost estimates;**

to ensure that any person assigned to a file can easily consult the detailed cost estimate, and so that this estimate may also be used in deciding whether or not to award a contract.

Business unit’s response:

[TRANSLATION] Determine the essential documents required, in particular the estimates, for every step of a project, ensure they are produced in a compliant manner and followed-up on, and lastly, centralize where they are kept (archives). (Completed, March 2013)

Standardize the content and presentation of the estimates for investment projects to ensure that they are signed by the designated person. Confirm where and when they were produced. (Completed, March 2013)

Have the various contributors to the file sign it to attest to the accuracy of the information and to ensure that it is presented in a consistent manner at every step in the process. (Planned completion: May 2013)

3.2. Design and Approval of the Tender Documents

Subsequent to planning the work to be carried out or the professional services required, tender documents must be prepared, based on the magnitude of the sums, to proceed to market solicitation. The design of these documents, which include the instructions for bidders, the tender schedule, the drawings and specifications, the general and specific clauses and the addenda, requires close monitoring to ensure that their content provides not only equal treatment to all bidders but also all the clauses enabling the SPJD to control the conduct of the work in terms of planned timelines, payment methods and the progress of the work or services rendered. In this regard, all approvals from the appropriate hierarchical levels should be obtained prior to public distribution (launch) of such tender documents.

It is therefore in this perspective that we examined the tender documents for each of the ten contracts in our selection. We wanted to ensure that they had been designed to promote competitive bidding, that they had received the required approvals prior to their launch and that they included clauses that were specific enough to allow the SPJD to control the conduct of the work with regard to the aspects mentioned above.

3.2.1. Design of the Tender Documents with Regard to Competitive Bidding

3.2.1.A. Background and Findings

The documents appear to us to have been designed to promote competitive bidding. In addition, all the bidders received the same tender documents, the addenda were sent to all at the appropriate time when required, and a single person, specifically the purchasing manager, was clearly designated to receive the requests for information from bidders interested in the call for tenders.

3.2.2. Approvals Prior to the Launch of Tender Documents

3.2.2.A. Background and Findings

With regard to the approval of tender documents prior to their publication in the SEAO, it is important that this responsibility be exercised by a manager with the required authorization level according to the authority delegated within the SPJD.

In this regard, it is our understanding, after reading a presentation document prepared by the administration directorate of the SPJD on April 5, 2011, entitled “Approvisionnement, normes et procédures” (procurement, standards and procedures), that the internal rules set out by the SPJD state that the requester of a call for tenders (e.g., the project manager) has the following responsibilities, among others:

- obtain, prior to starting the process leading to the launch of a call for tenders (e.g., determining the needs, preparing the drawings and specifications, drafting a detailed cost estimate for the project), authorization from the person with the appropriate level of authority according to the SPJD’s authority delegation rules;
- prepare the specification, if this is not done by the external consultants;
- perform an expense estimate (if this is not done by external consultants) and ensure the budget is available;
- inform the procurement advisor (purchasing manager) about the file in progress and determine the appropriate awarding method (e.g., invited or public call for tenders).

The procurement advisor must, among other things:

- ensure compliance of the retained procurement process (e.g., the awarding method, the choice of supplier);
- analyze the tender documents prepared by the project managers or external consultants, whatever the case may be, adapt the administrative clauses and make recommendations as to the modifications deemed necessary;
- publish the call for tenders in the SEAO.

Therefore, the internal standards and procedures set out by the SPJD provide that the requester of a call for tenders must obtain prior authorization from a person with the appropriate level of authority. However, with regard to approval of the content of the tender documents and their subsequent publication, the involvement of a person with a higher level of authority is in no way mentioned.

Moreover, in conducting our audit, we found, with regard to all the tender documents related to the contracts examined, whether they were prepared internally or by external consultants, that there was no evidence of:

- prior approval authorizing the start of the process leading to the launch of a call for tenders, as set out in the standards and procedures established by the SPJD;
- the review and approval of the content of the tender documents, as well as their publication in the SEAO.

According to the information obtained from the individuals we met with, these approvals are given on more of a verbal basis, without any record of them necessarily being included in the file.

More specifically with regard to tender documents prepared by a firm of external consultants, it should be noted that payment of fees should not be interpreted as an admission that the work and services are fully or partially complete, satisfactory or consistent with the contract. We therefore feel that proof of approval of the documents prepared by external consultants should also be applicable.

Thus, in order to ensure greater transparency in the decisions made and approvals obtained, we feel that the internal standards and procedures set out by the SPJD with regard to procurement should be improved by including the required approvals at the steps in which they are missing.

In addition, we feel that a mechanism should be introduced within the organization to make it possible to demonstrate proof (leave a paper trail) of the approvals obtained from superiors for authorizations related to starting the process to launch a call for tenders, the content of tender documents after revisions have been made, and publication of the call for tenders in the SEAO. For example, this mechanism could consist of a form included in the files assembled for the awarded contracts that contains fields to indicate information such as:

- the purpose of the contract;
- the name of the requester;
- the amount of the cost estimate for the work or services required;
- the awarding method retained;
- a brief description of the main aspects of the tender documents that have been revised;
- the signature of the authorized person(s) designated to provide the necessary approvals.

3.2.2.B. Recommendation

To ensure greater transparency in the decisions made, we recommend that the Société du parc Jean-Drapeau:

- review its internal standards and procedures regarding procurement so that the document entitled “Approvisionnement, normes et procédures” (procurement, standards and procedures) includes the prior approvals required from superiors at the steps in which they are missing, namely when the content of the tender documents are approved following verifications and when they are published in the electronic tendering system;
- take the necessary measures to develop a mechanism to keep a written record of approvals granted with regard to:
 - the start of the process leading to the launch of a call for tenders by a requester as already set out in the existing internal standards and procedures,
 - the review of the content of tender documents, whether prepared internally or by external consultants, prior to their publication,
 - the publication of these tender documents in the electronic tendering system.

Business unit’s response:

[TRANSLATION] The “project sheet” will have to be completed by the various individuals in charge and signed by the designated authorities in accordance with the delegation of authority rules. Once they are validated and signed, the sheets will be submitted to the audit and TCEP committee as well as the board of directors for decision-making and project follow-up. (Completed, March 2013)

3.3. Compliance of the Contract Awarding Process

3.3.A. Background and Findings

The SPJD is subject to the general rules applicable with regard to the awarding of contracts by municipal bodies stipulated in section 573 of the CTA, pursuant to article 231.1, Chapter V of the Charter.

As a paramunicipal corporation, the SPJD acts through its board of directors. Therefore, when the CTA mentions the “council” in a context where this applies to a paramunicipal corporation, this refers to the board of directors of the corporation.

According to these rules, any contract related to the supply of goods and services exceeding \$100,000 can only be awarded after a public call for tenders by way of

advertisement in a newspaper distributed on the territory of the municipality. The call for tenders must also be published in the electronic tendering system approved by the Government of Québec. The time limit given to bidders for receipt of their bid must be no less than 15 days. Subsequently, the bids received must be opened publicly in the presence of at least two witnesses at the date, time and location stated in the call for tenders.

More specifically, with regard to professional service contracts valued at \$25,000 or more for which a municipal body must proceed to a public or invited call for tenders public, the general rule requires the use of the two-step tender evaluation and weighting system. The quality of the service offer is evaluated first according to pre-established criteria in order to eliminate, if need be, offers that do not receive a passing grade (at least 70%). The price of the offers will only be considered in the second step. In addition, a selection committee must be appointed to evaluate the offers received.

The purpose of our audit was to verify, among other things, whether contracts were being awarded through a process that complies with the laws, regulations and internal policies in effect. Our review of the ten contracts in our sample led us to conclude that the contract awarding process was carried out in accordance with the rules stipulated in section 573 of the CTA, with the exception of the following aspects discussed below.

Specifically with regard to the contracts related to the supply of professional services, the CTA states the following:

Where a contract for professional services is to be awarded, the council must use a system of bid weighting and evaluating whose establishment and operation are consistent with the following rules:

- (1) the system must have a minimum of four evaluation criteria in addition to price;*
- (2) the system must provide for the maximum number of points that may be assigned to a tender for each of the criteria other than price; that number may not be greater than 30 out of a total of 100 points that may be assigned to a tender for all the criteria;*
- (3) the council shall establish a selection committee consisting of at least three members, other than council members, which must*
 - (a) evaluate each tender without knowing the price;*
 - (b) assign a number of points to the tender for each criterion;*
 - (c) establish an interim score for each tender by adding the points obtained for all the criteria;*
 - (d) as regards the envelopes containing the proposed price, open only those envelopes from persons whose tender has obtained an interim score of at*

least 70, and return the other envelopes unopened to the senders². (Our emphasis)

Thus, according to these provisions of the CTA, it is the responsibility of the SPJD board of directors, prior to the launch of the call for tenders, to approve both the bid evaluation grid that will be used to evaluate the offers, i.e., the criteria and points assigned to each of them, and the composition of the selection committee that will be responsible for evaluating the offers received.

However, for the two contracts in our selection related to the supply of professional services (see Appendix 4.1—Nos. 4 and 7), while we found that an evaluation grid had been used and that a selection committee had been put together, all in accordance with the specifications stipulated in the CTA, we were unable to find any evidence of these two aspects having received prior approval from the SPJD board of directors. Also, more specifically with regard to approval of the composition of the selection committee, the CTA states that *“The council may adopt a by-law delegating the power to establish a selection committee to an officer or employee of the municipality and setting the conditions and procedures for the exercise of the delegated power³.”* The information obtained from the SPJD personnel confirms that the board has adopted no such resolution.

While, according to the opinion obtained from its legal advisors, the SPJD does not have this obligation, we feel that, in order to provide greater transparency, it would be appropriate for it to apply stricter rules, following the example of the city.

Similarly, the excerpt from section 573 cited earlier stipulates that for bids that did not obtain an interim score of at least 70, the envelopes containing the proposed price must be returned to their sender unopened. However, for one of the two professional service contracts examined (see Appendix 4.1—No. 4), we found, on examining the file created for this purpose, that the envelopes containing the price of the bidders that did not obtain a passing score were still in it. While they did not appear to have been opened, these envelopes should have nonetheless been returned to their senders so as to comply with the provisions of the CTA.

² CTA, section 573.1.0.1.

³ CTA, section 573.1.0.1.1.

3.3.B. Recommendation

In order to provide greater transparency, we recommend that the Société du parc Jean-Drapeau take the necessary measures to:

- ensure that the bid evaluation grid that will be used to evaluate the offers as well as the composition of the selection committee responsible for evaluating the offers received be approved by the Société du parc Jean-Drapeau board of directors prior to the launch of the call for tenders or that this authority be delegated where permitted by the *Cities and Towns Act*;
- reiterate to the personnel involved the obligation to return the price envelopes unopened to the bidders who did not obtain a passing score;

in order to ensure compliance with the provisions of section 573 of the *Cities and Towns Act* pertaining to the awarding of professional service contracts.

Business unit's response:

[TRANSLATION] Calls for tenders involving a qualitative analysis component will be evaluated according to the standard evaluation grid adopted through a resolution of the SPJD board of directors. (Completed, March 2013)

The SPJD authority delegation rules will have to be adjusted to reflect the delegation of authority for the composition of selection committees to the SPJD management (adoption also required by the city's executive committee according to current letters patent). (Planned completion: December 2013 [if executive committee])

The designated person will have to confirm, by way of signature, that envelopes have been returned unopened to bidders who did not obtain a passing score. (Completed, January 2013)

3.3.1. Additional Budget Allocations Granted

3.3.1.A. Background and Findings

As part of our review of the contracts in our sample, we also paid close attention to the additional budget allocations granted by the SPJD to the same successful bidder above the contract amount originally submitted by the latter.

At the time of our audit, four out of the ten contracts in our sample had received approval for additional funds (see Appendix 4.2). For three out of these, associated with the Hélène-de-Champlain renovation and expansion project, we found, as mentioned earlier, that a considerable amount of additional funds had been granted above the original cost of the awarded contract, i.e., 94% to 130% more. Clearly, it is understood that these additional

funds were systematically granted to the same successful bidder (by mutual agreement), without repeating the call for tenders procedures. In this regard, the CTA states the following: *“A municipality may not amend a contract awarded following a call for tenders unless the amendment is accessory and does not change the nature of the contract.”*⁴

In this regard, we found, in reading the minutes of the proceedings, that the SPJD generally justified increasing the value of the contract originally awarded to the retained firm by claiming that these were accessory amendments.

We are aware that a contract may be modified in the midst of being carried out due to unforeseen events or constraints that can occur. We also recognize that, depending on the nature of the work or services to be provided, it could be more practical and sometimes even more cost-effective to allow the same firm to continue the work.

However, in the cases cited, it seems, given their magnitude, that there may be some question as to whether the additional funds qualify as an accessory cost in the meaning of the CTA. We understand that every situation is unique and requires a specific review since case law does not provide any guidelines as to the definition of the term “accessory,” other than that the accessory should generally be less than the principal. In this perspective, we feel that the SPJD should have obtained the opinion of a legal advisor specialized in the matter in order to validate the legality of entrusting further work to the same successful bidder by private agreement.

In this regard, the managers in charge stated to us that a legal opinion had been requested in every case to confirm that the additional funds to be granted could qualify as accessory costs in the meaning of the CTA. We therefore asked to obtain a copy of these opinions since none of these could be found in the file created for the contract in question. After a search carried out by these same managers, it would appear that the said legal opinions were obtained verbally over the phone, without any official documented proof to support the result of the opinion requested from the legal advisor being sent to the SPJD. In this perspective, in order to demonstrate the measures taken to ensure the compliance of the contract awarding process, we feel that it would be in the SPJD’s best interest to require that documented legal opinions be sent to it so that these can be included in the file related to the contract in question.

⁴ CTA, section 573.3.0.4.

3.3.1.B. Recommendation

We recommend that the Société du parc Jean-Drapeau:

- require its legal advisors to send it the result of requested legal opinions in writing;
- keep the documentation of these legal opinions in the file created for the contract in question;

in order to demonstrate the measures taken to ensure the compliance of the contract awarding process with section 573 of the *Cities and Towns Act* when additional funds are required to continue the work planned in an initial contract.

Business unit's response:

[TRANSLATION] When a request for additional funds is deemed necessary by the project manager, a written request will have to be produced in order to obtain the legal advice required for authorization from the applicable body (Direction générale, board of directors or executive committee). The related request and advice will be kept in the project file in the archives. (Completed, January 2013)

3.3.2. Publication of Contract Information in the Electronic Tendering System

3.3.2.A. Background and Findings

As we briefly discussed earlier, on April 1, 2011, new legislation was also introduced in the CTA (sections 477.4 to 477.6) following the coming into force of Bill 76, entitled *An Act to amend various legislative provisions principally with regard to the awarding process for contracts made by municipal bodies*.

These new provisions mainly pertain to the obligation that all municipal bodies have to publish in the SEAO, approved by the Government of Québec, the list of all contracts concluded that involve an expenditure of \$25,000 or more (excluding employment contracts). This list must be updated at least once a month and must include the following information for each contract:

- if the contract involves an expenditure of \$100,000 or more, the price of the contract as estimated by the body (entered after the opening of the bids or when the contract is awarded);
- the price of the awarded contract and the name of the bidder with which it was concluded;
- the purpose of the contract;

- the total amount of the expenditure actually incurred (this amount must include, where applicable, contingencies and expenses related to duly authorized additional work).

For contracts concluded following a call for tenders process, the list must also contain the following information:

- the name of each bidder;
- the amount of each bid;
- identification of any bid that was lower than the one chosen and deemed to be non-compliant.

Thus, for each of the contracts in our selection for which the new publication rules applied due to the fact that they were awarded after April 1, 2011 (eight out of ten cases, see Appendix 4.1—Nos. 3 to 10), we verified whether the information had been entered in the SEAO as required. Our audit revealed the following findings:

- With regard to the estimated contract price to be entered in the SEAO:
 - In five out of eight cases, no amount was entered (see Appendix 4.1—Nos. 3, 4, 5, 6 and 8);
 - In one out of eight cases, the estimated price entered matched the detailed estimate prepared by the SPJD (see Appendix 4.1—No. 10), whereas in the two remaining cases, the estimated price did not match (see Appendix 4.1—Nos. 7 and 9).
- With regard to the total amount of the actual expenditure to be entered once the work is complete (the work was complete for five out of eight contracts):
 - In four out of five cases, no amount was entered in the SEAO under the heading “Montant total de la dépense effectivement faite” (total amount of the actual expenditure) (see Appendix 4.1—Nos. 3, 5, 6 and 10);
 - In one out of five cases, the amount indicated matched the original cost of the contract and did not include the additional funds subsequently granted (see Appendix 4.1—No. 4).

3.3.2.B. Recommendation

We recommend that the Société du parc Jean-Drapeau implement the mechanisms necessary to ensure that all the information related to each of the contracts granted is properly entered in the electronic tendering system, in order to comply with the provisions of sections 477.4 to 477.6 of the *Cities and Towns Act*.

Business unit's response:

[TRANSLATION] Segment the task “information entry” and “information validation” in the SEAO. The person in charge of validating the information will have to sign the

validation action on the “project sheet.” The documents supporting this validation will also be kept in the project file, in the archives. **(Completed, January 2013)**

3.3.3. Adoption of a Contract Management Policy

3.3.3.A. Background and Findings

In conclusion, we should mention that, in accordance with the legislation in effect as of January 1, 2011 (section 573.3.1.2 of the CTA), on December 14, 2010, the SPJD board of directors adopted its contract management policy aimed at reinforcing the principles of sound competition, efficiency, ethics, transparency and fairness applicable to all contracts. According to this new obligation incorporated in the CTA, the SPJD had to include in its contract management policy measures aimed, among other things, at the following:

1. ensuring that no bidder or representative of a bidder has contacted or attempted to contact a member of the selection committee with regard to the call for tenders for which he or she has presented a bid in an attempt to influence them;
2. combatting bid rigging;
3. promoting compliance with the *Lobbying Transparency and Ethics Act*;
4. preventing acts of intimidation, influence peddling and corruption;
5. preventing conflicts of interest;
6. preventing any other situation liable to compromise the impartiality and objectivity of the tendering process and resulting management;
7. structuring all decision-making related to the authorization to modify a contract.

We reviewed the content of the contract management policy adopted by the SPJD and concluded that its content complies with provisions set out in section 573.3.1.2 of the CTA. Moreover, for the contracts in our selection that were awarded after the coming into force of this new contract management policy (January 1, 2011), we found that the various measures stated in the SPJD’s contract management policy had been incorporated in the tender documents. For example:

- designation by the SPJD of a person to contact for questions;
- solemn declarations of the bidder;
- solemn declarations of the members of the selection committee, where applicable ;
- abstention from bidding of any supplier who has participated in preparing the tender documents.

Our audit of the contracts did not reveal any irregularity with regard to compliance with these provisions.

3.4. Approval of Contract Awarding and Other Information Related to Decision-Making

Approval of contract awarding must not only be conducted in accordance with the authority delegated to various managers or employees in this matter, taking into account the financial magnitude of the goods or services requisitioned, but it must also be based on information that is sufficiently complete and accurate to allow for informed decision-making.

At the same time, the minutes of SPJD proceedings should be an accurate and complete reflection of the subjects discussed and decisions made by the directors so that they can be referred to later on to ensure follow-up on and implementation, as well as to serve as proof in the event of disputes or litigation.

At this stage in the process, our audit consisted in ensuring that the contracts in our selection had received authorization in accordance with the approval levels (delegation of authority) in effect within the SPJD and that this delegation of authority had been done in compliance with the provisions contained in the letters patent. We also paid close attention to the relevance and sufficiency of the information communicated to the directors through internal memos or decision-making summaries⁵ prepared to help them fully understand all the contextual elements they need to consider in deciding whether or not to approve the awarding of contracts.

In addition, the documentation of the SPJD's minutes of proceedings was examined to assess whether they were precise and complete enough with regard to the decisions made. To do this, we read all of the minutes of the board of directors and the reports of the audit committee for the years 2010 and 2011 as well as for the first six months of 2012.

3.4.1. Delegation of Authority Rules for Contract Approval

3.4.1.A. Background and Findings

The SPJD's procurement policy includes the approval levels required by the various stakeholders involved according to the amount of the goods and services requisitioned. These approval levels, which were reviewed and recognized by a resolution of the SPJD board of directors during the November 9, 2011, working session, are presented in Table 3.

⁵ We found that the SPJD uses two types of documents for contract approval, the "internal memo" and the "decision-making summary." Since these two documents contain essentially the same information, we will use the term "decision-making summary" in this audit report.

**Table 3 – Approval Levels Required
Based on the Amounts of the Goods and Services**

Amount of the goods and services (taxes included)	Stakeholders and approval levels
less than \$10,000	Director
\$10,000 to \$25,000	Director and senior director
\$25,000 to \$100,000	Senior director and executive director
\$100,000 to \$2,000,000	Board of directors or audit committee, on recommendation of the executive director, to be ratified by the board of directors
\$2,000,000 and over	City's executive committee, on recommendations of the board of directors

For information purposes, this procurement policy also states that:

[TRANSLATION] Senior management is authorized to make unforeseen additional expenditures not exceeding 10% of the contracts and mandates awarded. These additional expenses must not, however, exceed \$100,000 per awarded contract or mandate. If this percentage or amount is exceeded, any additional or unforeseen amount will have to be authorized by the SPJD board of directors⁶.

First, we noted that the SPJD board of directors established the approval levels for the authorities delegated to the various stakeholders involved through a resolution and not a regulation as is set out in the letters patent issued by the Government of Québec when the SPJD was constituted. Article 4 of the supplementary letters patent registered on July 7, 1995 stipulates, among other things, that the SPJD is administered by a board of directors (article 4.a). Also, when the latter seeks to delegate some of its responsibilities for any matter that is useful or necessary to the internal control of the SPJD, it must do so by way of a regulation, which will come into force on approval of the city's executive committee (article 4.j).

Given these circumstances, we feel that all delegated authorities, particularly those set out in the November 9, 2011, resolution of the board of directors and the delegation of authority granted to the executive director through the procurement policy, regarding the unforeseen additional expenditures not exceeding 10% of the cost of the awarded contracts and mandates, are aspects related to the internal control of the SPJD. They must therefore be recognized by an official regulation that will be submitted to the city's executive committee for approval, in accordance with what is set out in the letters patent in effect.

⁶ Procurement policy, Société du parc Jean-Drapeau, p. 6.

Moreover, with regard specifically to the delegation of authority granted to the executive director for approval of unforeseen additional expenses, we also feel that regular reporting to the SPJD board of directors should be performed to ensure transparency in the decisions made.

We also noticed inconsistencies in the information contained in the various source documents used within the SPJD regarding the aspects related to the delegation of authority (approval levels based on the amounts of goods and services). For one, the SPJD procurement policy has not been updated to reflect the November 9, 2011, approval by its board of directors of the revised approval levels. For another, in regard to the delegation of authority granted to the executive director for the unforeseen additional expenses, the procurement policy refers to a maximum of 10%, while the document entitled “Approvisionnement, normes et procédures” (procurement, standards and procedures) states a maximum of 20%. In our opinion, it would be appropriate for the existing reference documents at the SPJD to be updated and standardized to make them more useful and avoid any possible confusion on the part of the various stakeholders involved in the contract awarding process within the SPJD.

We also noted that the SPJD audit committee was added as an approving officer for contracts valued between \$100,000 and \$2,000,000. More specifically, for the goods and services valued within this range, the approval rule regarding the stakeholders authorized to approve the expenditure is as follows: *[TRANSLATION] “Board of directors or audit committee, on recommendation of the executive director, to be ratified by the board of directors.”* (Our emphasis)

According to the November 9, 2011, minutes and considering the information obtained from the individuals we met with, we understand that the possible involvement of the audit committee was added to allow for greater flexibility at the time contracts are awarded in cases where there is a tight deadline and there is no working session of the board of directors scheduled in the near future. However, this procedure is not in compliance with the memorandum of understanding (agreement) entered into between the SPJD and the city on November 6, 1996. The memorandum of understanding states the following: *[TRANSLATION] “The SPJD must put together an audit committee whose composition, operating rules, authorities, duties and attributions appear in Appendix 1⁷.”*

On reading the content of Appendix 1 of the memorandum of understanding pertaining to the audit committee, we found that there is no provision whatsoever that this body can

⁷ Agreement between the SPJD and the Ville de Montréal, November 6, 1996, article 5.3.5, p. 8.

award contracts. In this perspective, the November 9, 2011, resolution of the SPJD board of directors does not comply with the provisions of the memorandum of understanding. In fact, the very purpose of the delegation of authority to the audit committee is incongruous. The SPJD cannot act through two “authorities” for a decision of the same nature. In this sense, a decision (e.g., the awarding of a contract) that has to be ratified by the board of directors, as currently set out in the SPJD’s rules for authority delegation, cannot become effective before the latter intervenes. Yet, in the case under discussion, the work related to the expansion of the Jamaica pavilion began even before the audit committee’s decision (on March 14, 2012) was authorized by the SPJD board of directors. In fact, we found that the purchase order for this contract had been created on March 16, 2012, and that the work began around March 19, 2012, according to the information found in the file supporting this contract, while the file was presented to the members of the board of directors during a working session held on March 29, 2012.

In addition, the very possibility of allowing the audit committee to award contracts can be called into question due to the fact that, by nature, this type of committee is mainly responsible for monitoring the processes related to the quality of the financial information produced or internal controls. Contract awarding therefore does not fall under its authorities, duties or attributions.

We would like to point out that our understanding of the facts related to the non-compliance of the two aspects that we just discussed with regard to the delegation of authority implemented within the SPJD (need for a regulation regarding the delegation of authority and non-compliance with the memorandum of understanding pertaining to the audit committee) was confirmed through a legal opinion obtained by the city’s Service des affaires juridiques et de l’évaluation foncière.

This said, while the delegation of authority should be ratified through a regulation and not a simple resolution, the current situation is more a question of compliance than unlawfulness since it does not invalidate the decisions made by the individuals involved based on this resolution. Therefore, our examination of whether there was compliance with the delegation of authority rules established for approval of the contracts in our sample was based on those existing at the SPJD.

Our audit therefore revealed that, in general, the delegation of authority rules in effect within the SPJD were respected, with the exception of the situation discussed below, which involved a contract in our selection.

On reading the minutes of the SPJD board of directors, we found that at the November 9, 2011, working session, the directors present ratified the decision made by the chair of the board of directors eight weeks earlier to award 12 contracts totalling \$3.7 million. Among these contracts was the one from our selection regarding the landscaping and civil engineering on the site of the Hélène-de-Champlain building (see Appendix 4.1—No. 8).

According to the information obtained from an email message (dated September 14, 2011) discussing the awarding of these contracts, it appears that the decision made by the Chair of the board of directors was motivated by the critical timelines for carrying out the work. We recognize that certain situations may require quick decision-making; however, in these circumstances, it is clear that the other members of the board of directors were presented with a fait accompli and were not able to exercise their decision-making authority, as is set out in the delegation of authority rules implemented within the SPJD. Therefore, in order to prevent this type of situation happening again, we feel that the SPJD should evaluate, based on the urgency of the situation, the relevance of holding a special meeting of the board of directors.

3.4.1.B. Recommendation

In order to provide greater transparency, we recommend that the Société du parc Jean-Drapeau take the necessary measures to ensure that all the authorities delegated by its board of directors are ratified through a regulation, which should be duly approved by the city's executive committee in order to comply with the provisions set out in the letters patent in effect at the Société du parc Jean-Drapeau.

Business unit's response:

[TRANSLATION] It should be noted that the proposed letters patent developed in 2011 would modify this recommendation. If the letters patent are not modified: present the SPJD's authority delegation regulation to the executive committee for adoption. (Planned completion: December 2013 – executive committee).

We wish to remind you that a draft agreement with the city, a draft internal governance regulation and a regulation on Parc Jean-Drapeau were also developed in 2011.

3.4.1.C. Recommendation

We recommend that the Société du parc Jean-Drapeau revise its delegation of authority rules to remove the audit committee from its list of authorized stakeholders for the approval of expenditures in order to comply with the provisions of Appendix 1 of the memorandum of understanding concluded between the Société du parc Jean-Drapeau and the Ville de Montréal with regard to the responsibilities assigned to this committee.

Business unit's response:

[TRANSLATION] It should be noted that the proposed letters patent developed in 2011 would modify this recommendation. If the letters patent are not modified: present the SPJD's authority delegation regulation to the executive committee for adoption. (Planned completion: December 2013 – executive committee).

We wish to remind you that a draft agreement with the city, a draft internal governance regulation and a regulation on Parc Jean-Drapeau were also developed in 2011.

3.4.1.D. Recommendation

To ensure transparency in decision-making, we recommend that the Société du parc Jean-Drapeau plan to implement a mechanism to periodically report to the members of the board of directors regarding unforeseen additional expenses approved by the executive director for an awarded contract or mandate, given the delegation of authority granted to him in this regard.

Business unit's response:

[TRANSLATION] The executive director can currently authorize expenditures according to SPJD standards and procedures. Currently, he can also authorize an addition to the contract not exceeding 20% of the value of the initial contract (the 20% must be less than \$100,000).

When the initial contract is awarded by the board of directors, the executive director will have to specify the addition on the "project sheet." (Completed, January 2013)

3.4.1.E. Recommendation

We recommend that the Société du parc Jean-Drapeau update and standardize its reference documents (procurement policy, standards and procedures) in particular so that they accurately reflect the delegation of authority rules approved by the authorities, thus making them more useful and avoiding any possible confusion on the part of the various stakeholders involved in the contract awarding process.

Business unit's response:

[TRANSLATION] Following adoption of the SPJD's delegation of authority regulation, the procurement policy, the standards and procedures document as well as the "project sheet" and its instructions for use will be grouped together in one reference document. (Planned completion: December 2013)

The contract management policy, which is required by law, will, however, remain a separate document.

3.4.1.F. Recommendation

We also recommend that the Société du parc Jean-Drapeau plan to hold a special meeting of the board of directors whenever the urgency of the situation justifies it in order to comply with the delegation of authority rules approved by the Société du parc Jean-Drapeau.

Business unit's response:

[TRANSLATION] The chair of the SPJD board of directors and the chair of the audit and TCEP committee, on the recommendation of the executive director, will decide on the need for special meetings of the board of directors. (Completed, January 2013)

3.4.2. Sufficiency of the Information Presented for Decision-Making Purposes (Decision-Making Summary)

3.4.2.A. Background and Findings

To enable directors to quickly become familiar with all the contextual aspects underlying the need to award a contract, it is customary for a document entitled "decision-making summary" to be prepared and submitted to them during a board working session. If these decision-making summaries are to be a useful management tool, they must be prepared in such a way as to include information that is sufficiently accurate and complete to allow the directors to make an informed decision. These decision-making summaries should include:

- a presentation of the contextual information justifying the decision to authorize the awarding of a contract for the required work or services to be performed (e.g., objectives to achieve, description of the work required, related past decisions, issues);
- the estimated cost for the work or services required, including contingencies, if applicable;
- the retained awarding method, the names of the invited firms or, if it is a public call for tenders, the number of companies that have obtained the specifications as well as the number of bidders in contention;
- the results of the interim scoring of each bidder and the final score, for contracts awarded through a two-step evaluation and weighting system in accordance with the CTA;
- an analysis of the differences between the prices submitted by the various bidders in contention (e.g., comparison between the average cost of the compliant bids received and the lowest compliant bid, between the price of the highest and lowest compliant bid as well as between the lowest and second lowest compliant bid);
- an explanation of the difference (based on a given threshold) between the cost estimate prepared by the SPJD prior to the launch of the call for tenders and the cost of the bid of the lowest compliant bidder;
- the price of the bid as well as the name of the recommended bidder following the tendering process.

As part of our audit, we examined the decision-making summaries prepared for the ten contracts in our selection in order to determine whether the information provided to the directors was sufficient for them to make a decision. Our audit revealed that certain information was missing that would help improve the usefulness of decision-making summaries in making an informed decision.

More specifically, we found that the cost estimate for the work to be carried out, a key element in decision-making, was not always specifically indicated in the summary. This situation was observed in three out of the ten contracts examined.

One of these was related to the contract awarded for the construction of a glassed-in staircase and elevator in the arsenal of the Fort de l'île Sainte-Hélène–Stewart Museum (see Appendix 4.1—No. 1), for which an evaluation of the cost estimate for the work to be carried out was missing from both the decision-making summary and the minutes (May 11, 2010, meeting of the board of directors).

The two other cases observed pertain to the contract for the landscaping and civil engineering as well as the contract for the supply and installation of windows and doors

(see Appendix 4.1—Nos. 8 et 9), both awarded as part of the Hélène-de-Champlain building renovation and expansion project. For these two cases, we found that the related decision-making summaries pertained to the approval of batches of contracts that included the two contracts in our sample. The contract related to the installation of windows and doors is part of a batch of 11 contracts, while the contract related to the landscaping and civil engineering is part of a batch of 5 contracts. Both batches were to be approved by the SPJD board of directors.

In terms of the contract related to the supply and installation of windows and doors included in a batch of 11 contracts, we observed that the decision-making summary as well as the minutes (November 9, 2011, working session) both completely lacked any evaluation of the estimated costs for each of these 11 contracts, the price of the lowest compliant bid individually submitted for each of the contracts and the identification of these firms. The resolution of the board of directors stipulates the following:

[TRANSLATION] Considering that the work related to these contracts includes, but is not limited to:

- *the interior carpentry and cabinetwork;*
- *the wrought iron work related to the interior design;*
- *the supply and installation of exterior wood windows and doors;*
- *the plumbing and natural gas;*
- *the heating and ventilation;*
- *the supply and installation of regulation and control systems;*
- *the supply and installation of fire protection systems;*
- *the prepurchase of five ventilation systems for the building;*
- *the prepurchase of ventilation hoods for the kitchens;*
- *the prepurchase of hot-water boilers for the building;*
- *the prepurchase of heat exchangers for the building.*

It is resolved: to award 11 contracts to various firms for a range of work to be performed at the Hélène-de-Champlain pavilion at the prices and under the conditions of the submitted bids, in accordance with the results of the public calls for tenders, and authorize a total expenditure for this purpose of \$5,370,516.01, including all taxes⁸. (Our emphasis)

Lastly, with regard to the contract related to the landscaping and civil engineering on the Hélène-de-Champlain site, our examination of the decision-making summary prepared by the SPJD, which contained more or less the same information as that presented in the minutes of the November 9, 2011, meeting of the board of directors, revealed the following stipulation:

⁸ Minutes, meeting of the Société du parc Jean-Drapeau's board of directors, November 9, 2011, p. 7 and 8.

[TRANSLATION] [...] five (5) batches [contracts] of work were tendered out through public calls for tenders to allow the work on the site to continue. These were the following:

Batch 7.3. Prepurchases—Chillers

Batch 7.4. Prepurchases—Evaporative condenser

Batch 7.7. Prepurchases—power generator and automatic change-over valves

Batch 8. Passenger elevator and freight elevator

*Batches 24. and 35. Landscaping and civil engineering*⁹. (Our emphasis)

Under the heading “Aspects financiers” (financial aspects), it is stated:

[TRANSLATION] Prior to the call for tenders, the cost of the work related to the batches was estimated by project professionals to be valued at \$1,525,000, including taxes.

*All of the lowest bids submitted for each of the batches total \$1,590,267.68, including taxes*¹⁰.

We found, as with the previous case (batch of 11 contracts), that the decision-making summary as well as the minutes did not include anything with regard to the evaluation of the costs estimated for each of the five contracts as well as with regard to the price of the lowest compliant bid individually submitted for each of them and the identity of the firms retained. We found, however, that while there was mention of a cost estimate the amount submitted to the SPJD directors for approval of the awarding of the contracts was a cumulative amount for the five contracts in the batch.

Based on the information contained in the list of contracts kept by the SPJD, entitled “Liste des appels d’offres inscrits dans le système électronique d’appel d’offres” (list of calls for tenders entered in the electronic tendering system), we were able to piece together the details of the overall estimate (\$1,525,000) presented in the decision-making summary and minutes. This reconciliation revealed that the cost estimate presented for the contract in our selection related to the landscaping and civil engineering of the Hélène-de-Champlain site amounted to \$800,000. As we mentioned earlier in section 3.1.2, while the difference is not that great, we found, for one, that this amount does not correspond precisely to the amount appearing in the documented detailed estimate found for this contract (\$836,454). In addition, our examination also revealed that, taken separately, the five contracts that make up this batch display differences between the cost estimate used by the SPJD (according to the breakdown of the \$1,525,000) and the price of the lowest compliant bid¹¹ ranging from -

⁹ Decision-making summary, Société du parc Jean-Drapeau’s board of directors, September 2, 2011, p. 1.

¹⁰ Decision-making summary, Société du parc Jean-Drapeau’s board of directors, September 2, 2011, p. 2.

¹¹ According to the minutes of the public opening of the bids received.

66.9% to + 36% (see Table 4), compared to a total difference of 4.3%, as suggested by the information presented in the decision-making summary.

Table 4 – Details Regarding the Amounts of the Cost Estimates used for the Five Contracts Included in the Batch

Purpose of the contract	Costs of the estimate used	Cost of the lowest compliant bid	Difference
Batch 7.3. Prepurchases – chillers	\$125,000	\$75,706.16	(39.4%)
Batch 7.4. Prepurchases – evaporative condensers	\$125,000	\$41,525.66	(66.8%)
Batch 7.7. Prepurchases – power generator and automatic change-over valves	\$250,000	\$82,698.16	(66.9%)
Batch 8. Passenger elevator and freight elevator	\$225,000	\$302,544.93	34.5%
Batches 24. and 35. Landscaping and civil engineering	\$800,000	\$1,087,795.77	36.0%
Total	\$1,525,000	\$1,590,267.68	4.3%

In examining the content of the decision-making summaries, we also found that a mention of the contingencies available, in cases where this would apply (eight out of ten cases, see Appendix 4.1—all contracts except Nos. 4 and 9), was only present in three of the contracts examined: the project to build a glassed-in staircase and elevator at the arsenal of the Fort de l'île Sainte-Hélène—Stewart Museum, the project to repair the masonry in the powder magazine and the project to design and build a new service courtyard (see Appendix 4.1—Nos. 1, 5 and 7).

For the five other contracts out of the eight, we found that:

- for two of them (see Appendix 4.1—Nos. 8 and 10), a provision for contingencies had been set out in the tender schedule included in the tender documents, but no mention was made of it in the decision-making summary or the minutes. In our opinion, the magnitude of the provision for contingencies is part of the relevant information that should systematically be communicated to the directors to allow them to make an informed decision;
- for the three other contracts (see Appendix 4.1—Nos. 2, 3 and 6), we found that no provision for contingencies was mentioned in the tender schedule or the decision-making summaries and that no budget in this regard had been approved by the board of directors at the time the contract was awarded. We feel that the SPJD would have every interest in setting out a budget provision for contingencies at the time contracts are awarded to deal with unforeseen circumstances that may arise during the execution and thus:

- avoid delaying work completion due to having to wait for the next working session of the board of directors to obtain approval for the additional funds required;
- limit the risks of further work being carried out without the prior approval of the SPJD directors.

Moreover, our audit of the decision-making summaries underlying the contracts in our selection revealed the absence of the following information:

- A comparative analysis of the differences between the prices submitted by the various bidders in contention was generally not documented in the decision-making summary (nine cases out of ten). Only a brief mention that the prices of the first ten bids received were within an 8% range was found in the decision-making summary related to the contract awarding for the project to build a glassed-in staircase and elevator at the arsenal of the Fort de l'île Sainte-Hélène—Stewart Museum (see Appendix 4.1—No. 1).
- An explanation justifying, if applicable, the difference between the cost estimate prepared for awarding of the contract and the cost of the bid from the recommended bidder was never documented in them. In this regard, the information obtained from the people we met with confirmed that the SPJD has not established any internal directive stipulating the threshold at which explanations must be provided in the decision-making summary presented to directors. For example, this directive could state that differences greater than 10% (plus or minus) between the prepared cost estimate and the price of the recommended bidder must be systematically explained and documented in the decision-making summary.

We therefore proceeded to carry out this comparative analysis for the contracts in our selection. To do this, we compared the cost of the awarded contract with that of the cost estimate presented to the SPJD directors in a decision-making summary, which was also fully reflected in the minutes of the corresponding board meeting, for the cases in which this information was provided. We were therefore able to perform the comparative analysis for eight out of the ten contracts in our selection (see Appendix 4.3). The results of this analysis showed that the differences calculated ranged from - 42.8% to + 73.4%. Among these eight contracts, only two displayed a difference between the cost estimate and the price of the lowest compliant that fell under an acceptable threshold, i.e., $\pm 10\%$.

In our opinion, disclosing such large differences as the ones mentioned above in the decision-making summaries may have certainly raised questions on the part of board

members, and in the case of significant overruns, may have even led them to rethink their decision to award the contract.

Given this, we feel that the decision-making summaries presented to the directors should be improved and standardized with respect to the information contained in them so that they provide all the relevant information needed for making an informed decision. Accordingly, we feel that the SPJD should re-evaluate its practices and develop a guide or directive to provide a better framework for the preparation of decision-making summaries in terms of the information to be contained in them.

3.4.2.B. Recommendation

In order for its directors to benefit from a useful and relevant tool to help them make informed decisions, we recommend that the Société du parc Jean-Drapeau re-evaluate its practices in the short-term and develop a guide to provide a better framework for the preparation of decision-making summaries in terms of the information to be contained in them so that their content is more consistent and improved through the incorporation of information such as:

- **disclosure of the amount of the cost estimate prepared prior to the awarding of a contract, the price of the retained bid and the identity of the bidder;**
- **disclosure of the contingency funds provided;**
- **a comparative analysis of the differences between the prices submitted by the various bidders;**
- **an explanation, based on a threshold that is deemed acceptable (e.g., $\pm 10\%$), of the differences found between the cost estimate prepared for the contract awarding and the cost of the bid from the recommended bidder;**

and to distribute this guide to all the appropriate employees within the Société du parc Jean-Drapeau.

Business unit's response:

[TRANSLATION] The decision-making summary presented for purposes of decision-making must be validated by more than one person, in accordance with the information stated in the "project sheet" signed by the designated authorities. (Completed, March 2013)

Develop more detailed project management standards and procedures to ensure consistent practices at each stage of a project: prefeasibility, estimate, contract awarding, accountability and project closure. (Planned completion: May 2013)

Standardize the information and its presentation to facilitate comprehension of the files when decisions are to be made by the executive director, the audit and TCEP

committee and the board of directors. “Standard decision-making summary.”
(Planned completion: May 2013)

Standardize the content and presentation of investment project cost estimates for purposes of signature by the designated authority. (Note that the design and construction contingencies are not the same and also vary based on the type of site, the complexity of the design and the precision of the FTP.) **(Completed, March 2013)**

The “Octroi de contrat” (contract awarding) section details the difference between the cost of the contract and the estimate as well as the applicable justification if necessary. **(Completed, March 2013)**

3.4.2.C. Recommendation

We recommend that the Société du parc Jean-Drapeau set out a budget provision for contingencies at the time contracts are awarded to avoid delaying work completion due to having to wait for the next working session of the board of directors to obtain approval for the additional funds required as well as to limit the risks of further work being carried out without the prior approval of the Société du parc Jean-Drapeau directors.

Business unit’s response:

[TRANSLATION] “Standard decision-making summary.” The project will include, according to the nature of the contract, a contingency percentage. The contract budget will relate to the overall budget for the project. **(Completed, March 2013)**

3.4.3. Documentation of Minutes of Proceedings

3.4.3.A. Background and Findings

The minutes is an official document detailing what was said, debated, done or decided during a working session of the board of directors. It confirms the conduct of a session according to the items on the agenda. In essence, it is the corporate memory and serves as a reference when needed. Its purpose is to:

- relate past or more recent events to those not present;
- record the decisions made to facilitate their follow-up and application;
- maintain the continuity of debates;
- serve as proof in case of disputes or lawsuits, or a source of information for the various stakeholders interested.

Given that directors sitting on boards of directors must assume great legal responsibilities, they have the obligation to act with caution and diligence. It is therefore important that the minutes prepared following a board's working sessions be sufficiently detailed and transparent with regard to the decisions made or directions chosen to demonstrate that the directors properly carried out the responsibilities incumbent on them.

As part of our audit, in addition to examining the minutes related to the approval of the ten contracts included in our sample, we also looked at all the SPJD minutes related to the working sessions held between February 9, 2010 and June 21, 2012.

As we briefly discussed in the previous section, this examination revealed that the information identified as being missing in the decision-making summaries prepared for the contracts in our sample (e.g., disclosure of the amount of the cost estimate prepared, disclosure of the contingency funds available, the comparative analysis of the differences in the prices submitted by the various bidders, the explanation of the differences found between the cost estimate prepared and the price of the bid from the recommended bidder) was also missing in the SPJD minutes. In fact, we found that the information appearing in the decision-making summaries had been transcribed almost word for word in the minutes, without any other additions.

Furthermore, on reading the minutes, we found that they were incomplete in certain regards since certain relevant information was not necessarily included in them. More specifically, we observed the following:

- When professional service contracts are awarded on the basis of an hourly rate, the information regarding the maximum amount of the authorized expenditure is not always indicated, nor is the hourly rate of the lowest compliant bidder. The awarding of the following contracts can be cited as an example:
 - Electromechanical system maintenance (resolution CA2010-23);
 - Civil works (resolution CA2010-24);
 - General construction work (resolution CA2010-25).
- The decisions made or discussions regarding the various items on the agenda of the board of directors working sessions are not fully reflected in the minutes. For example, we observed the following lapses:
 - No evidence of the adoption of the agenda since 2011. We therefore do not know if items were added or if modifications were requested;
 - No mention of documents that may have been tabled for information purposes, nor any related discussions. On reading the minutes, we therefore cannot be sure that the members had at their disposal all the documents that were supposed to be presented to them to allow them to make an informed decision;

- No mention of questions from Board members;
- Lack of details regarding the conclusion of a decision. While the decisions are recorded in the minutes, we do not know if the decision was reached unanimously or by the majority or if there were any dissenting votes;
- Absence of information regarding certain items on the agenda. We do not know if these were deferred to a later meeting or cancelled for various reasons. Consequently, it becomes difficult to track the progress of files over time;
- Information sometimes missing in the minutes regarding cancellation of the awarding of contracts approved during a previous working session (e.g., certain contracts awarded as part of the Hélène-de-Champlain building renovation and expansion project were subsequently cancelled without this being clearly reflected in the minutes);
- Missing information regarding the amount of the fees that the SPJD has agreed to pay out. For example, as part of the Hélène-de-Champlain building renovation and expansion project, the resolution (CA2012-09) of the SPJD board of directors working session (February 22, 2012) makes no mention of the amount of the compensation to be paid (close to \$2 million) to the developer following the termination of the contractual agreement (lease) concluded with the SPJD.

Given these circumstances, although we have not excluded the possibility that other complementary information documents may have been presented to the directors in addition to those indicated in the minutes, and that these may have been discussed during the working sessions, we have no way of knowing for sure whether this was the case.

Consequently, for purposes of providing greater transparency as well as protecting the interests of the organization and the individuals who are held accountable for the decisions made, we feel that the minutes should be improved to include more details regarding the underlying information elements of decisions made, as well as any facts related to the topics discussed and directions chosen. Accordingly, we feel that it is in the SPJD's best interest to review its practices, basing itself on the best management practices in the matter, to then develop a guide to provide a framework for the preparation of the minutes with regard to their structure (e.g., an "Agenda" section, a "Contract Awarding" section), as well as the nature of the information to appear in it and the level of detail expected.

In our opinion, the SPJD minutes should be well documented, such that they report, with total transparency, on all the information elements considered to support the decisions made.

3.4.3.B. Recommendation

In order to provide greater transparency as well as to protect the interests of the organization and the individuals who are held accountable for the decisions made, we recommend that the Société du parc Jean-Drapeau:

- review its practices regarding documentation of the minutes of the board of directors so that they more precisely and consistently incorporate all of the information elements underlying the decisions made and directions chosen as well as the topics discussed;
- develop a guide based on the best practices in the matter to provide a framework for the preparation of the minutes with regard to aspects such as their structure, the nature of the information that should appear in them and the level of detail expected.

Business unit's response:

[TRANSLATION] Review the practices related to the drafting of the minutes in accordance with the recommendations of a legal advisor.

Train and inform the individuals in charge of drafting the minutes. (Completed, March 2013)

3.5. Accountability

3.5.A. Background and Findings

Ultimately, this monitoring discussed earlier regarding the progress of work underlying awarded contracts must also provide for regular reporting mechanisms aimed at providing sufficient relevant information to managers and SPJD directors to allow them to judge the progress of work and, if applicable, to make the necessary decisions with regard to the types of corrective measures that need to be taken.

In this regard, our audit revealed that few to no management reports were produced by project managers to regularly inform management and the SPJD board of directors of the progress of the work related to awarded contracts. These management reports should, in our opinion, contain a sufficient amount of relevant information about the progress of the project with regard to both costs and timelines as well as expected deliverables to allow for assessment of the attainment of set objectives and, if necessary, react in a timely manner to remedy the situation.

Among the projects covered by the contracts in our selection, we found that progress reports were produced for only two of them, the one regarding the Hélène-de-Champlain building renovation and expansion project (grouping together five contracts in our sample) and the one pertaining to the project to design and build a new service courtyard. At the time of our audit, two progress reports had been produced for each of the two aforementioned projects, one in February 2012 and the other in May 2012. These reports were presented to the SPJD directors during a board working session.

According to the information obtained from the project manager in charge, the production of such reports is a new practice. It would appear that, in general, the information related to the progress of the work underlying the awarded contracts is communicated mostly verbally during regular meetings between the various stakeholders involved.

On closer examination of the content of said progress reports, we found that these were more narrative in nature and briefly discussed the following elements:

- a brief reminder of the set objective for the project being carried out;
- the status of the work (e.g., what is completed, what is under way and what has not yet begun);
- the planned completion dates based on the progress of the work, without relating new dates to the initial ones determined;
- the amounts of the actual costs incurred to date or a note indicating that the project is within the initial budget and that contingency funds have been dipped into. However, a comparison between the planned budget and the actual costs is not always clearly presented.

We feel that this type of report is a relevant management and decision-making tool for managers as well as for the members of the board of directors since it can provide an overview of the progress of the work underlying the awarded contracts. Moreover, we feel that SPJD project managers should, at certain intervals to be determined, produce such progress reports for each of the projects under their responsibility.

However, in order to make these reports more useful, we feel that their content should be improved and made more specific through the addition of information aimed at:

- illustrating the comparison between the actual costs and the established budget in order to promptly identify foreseeable cost overruns, if any exist;
- illustrating the comparison between actual timelines and those planned and revised, if applicable, in order to determine whether the project is delayed or on schedule;
- explaining the reason for differences that may have been noted in the magnitude of the costs or adherence to the timelines mentioned above;

- presenting the percentage of progress of the work;
- reporting on the anticipated problems, risks or major issues that could have negative repercussions on the budget, the schedule and the expected deliverables, as well as proposed alternatives to mitigate the effect of the problematic causes detected;
- describing the assessment of the overall status of the project (e.g., “under control,” “ahead of schedule” or “critical”).

To do this, we feel that SPJD management would benefit from producing an internal directive aimed at communicating its directions regarding the nature and frequency of the progress reports to be produced by its project managers as well as the work tools that could be used for these purposes (e.g., use of the MS Project software).

3.5.B. Recommendation

To facilitate informed decision-making in a timely manner, we recommend that the Société du parc Jean-Drapeau produce an internal directive describing its directions in order to:

- **require progress reports to be produced regularly by its project managers for each of the projects under their responsibility;**
- **specify the nature and frequency of production of these progress reports, which could include, among other things, information aimed at:**
 - **illustrating the comparison between the actual costs and the established budget in order to promptly identify foreseeable cost overruns, if any exist,**
 - **illustrating the comparison between actual timelines and those planned and revised, if applicable, in order to determine whether the project is delayed or on schedule,**
 - **explaining the reason for differences that may have been noted in the magnitude of the costs or adherence to the timelines mentioned above,**
 - **presenting the percentage of progress of the work,**
 - **reporting on the anticipated problems, risks or major issues that could have negative repercussions on the budget, the schedule and the expected deliverables, as well as proposed alternatives to mitigate the effect of the problematic causes detected,**
 - **describing the assessment of the overall status of the project (e.g., “under control,” “ahead of schedule” or “critical”);**
- **establish the work tool to be used to produce these management reports illustrating the status of projects under way.**

Business unit's response:

*[TRANSLATION] The "project sheet" developed will have to indicate the level and frequency of reporting taking into account the project in question. **(Completed, March 2013)***

*Development of standards and procedures specifying the objectives and accountability reporting required and adapted to the various authorities (management committee, audit and TCEP committee, board of directors, executive committee). **(Planned completion: May 2013)***

4. Appendices

4.1. Sample of Contracts Examined

Table A – Details Regarding the Contracts in our Sample

Contract No.	Purpose of the contract	Amount (taxes included)	Date of approval by the BOD ^a	Type of contract
2010				
1	Construction of a glassed-in staircase and elevator at the arsenal of the Fort de l'île Sainte-Hélène–Stewart Museum	\$1,404,391	2010-05-11	Execution of work
2	Expansion work (Hélène-de-Champlain building renovation and expansion project)	\$571,373	2010-10-28	Execution of work
2011				
3	Supply and installation of signage elements – phase 3	\$474,221	2011-04-13	Supply of materials and execution of work
4	Construction management (Hélène-de-Champlain building renovation and expansion project)	\$263,303	2011-04-27	Professional services
5	Repair of the masonry in the powder magazine	\$396,459	2011-04-27	Execution of work
6	Interior demolition work (Hélène-de-Champlain building renovation and expansion project)	\$439,978	2011-06-09	Execution of work
7	Design and construction of a new service courtyard	\$9,197,746	2011-10-12	Professional services and execution of work
8	Landscaping and civil engineering (Hélène-de-Champlain building renovation and expansion project)	\$1,087,796	2011-11-09	Execution of work
9	Supply and installation of windows and doors (Hélène-de-Champlain building renovation and expansion project)	\$1,065,199	2011-11-09	Supply of materials and execution of work
2012				
10	Expansion work – Jamaica pavilion	\$168,638	2012-03-29	Execution of work

^a Board of directors.

4.2. Summary of the Contracts Examined that Received Additional Funds

Table B – Contracts Related to the Hélène-de-Champlain Renovation and Expansion Project

Contract No. according to Appendix 4.1	Purpose of the contract	Date of approval by the BOD ^a	Original cost of the awarded contract (taxes included)	Additional funds granted by the BOD ^a (taxes included)	Grand total (taxes included)
2	Expansion work	2010-10-28	\$571,373		
		2010-12-02		\$151,230	
		2011-06-09		\$451,854	
	Total Difference		\$571,373	\$603,084 (106% more)	\$1,174,457
4	Construction management	2011-04-27	\$263,303		
		2011-11-09		\$341,775	
	Total Difference		\$263,303	\$341,775 (130% more)	\$605,078
6	Interior demolition work	2011-06-09	\$439,978		
		2012-03-29		\$413,390	
	Total Difference		\$439,978	\$413,390 (94% more)	\$853,368

^a Board of directors.

Table C – Contracts Related to the Repair of the Masonry in the Powder Magazine

Contract No. according to Appendix 4.1	Purpose of the contract	Date of approval by the BOD ^a	Original cost of the awarded contract (taxes included)	Additional funds granted by the BOD ^a (taxes included)	Grand total (taxes included)
5	Repair of the masonry in the powder magazine	2011-04-27	\$396,459		
		2011-04-27		\$59,468	
		(Note 1)		\$20,100	
	Total Difference		\$396,459	\$79,568 (20% more)	\$476,027

^a Board of directors.

Note 1: 5% in additional funds granted by the executive director, in accordance with the purchase requisition approval levels in the SPJD procurement policy, which stipulates: [TRANSLATION] "Senior management is authorized to proceed with unforeseen additional expenses not exceeding 10% of the awarded contracts and mandates. These additional expenses must not, however, exceed \$100,000 per contract or per mandated awarded¹²."

¹² Procurement policy, Société du parc Jean-Drapeau, p. 6.

4.3. Difference Between the Amount of the Awarded Contracts¹³ and the Cost Estimates Presented in the Decision-Making Summary and Minutes of the Proceedings of the Société du parc Jean-Drapeau

Table D – Contracts for which the Difference Between the Amount of the Awarded Contracts and the Cost Estimate is Less than ± 10%

Contract No. according to Appendix 4.1	Purpose of the contract	Amount of the awarded contract (taxes included)	Cost estimate in the decision-making summary and minutes (taxes included)	Difference	
10	Expansion work – Jamaica pavilion	\$168,638	\$186,678	(\$18,040)	(9.7%)
7	Design and construction of a new service courtyard	\$9,197,746	\$8,500,000	\$697,746	8.2%

Table E – Contracts for which the Difference Between the Amount of the Awarded Contracts and the Cost Estimate is More than ± 10%

Contract No. according to Appendix 4.1	Purpose of the contract	Amount of the awarded contract (taxes included)	Cost estimate in the decision-making summary and minutes (taxes included)	Difference	
2	Expansion work (Hélène-de-Champlain building renovation and expansion project)	\$571,373	\$998,944	(\$427,571)	(42.8%)
5	Repair of the masonry in the powder magazine	\$396,459	\$626,588	(\$230,129)	(36.7%)
4	Construction management (Hélène-de-Champlain building renovation and expansion project)	\$263,303	\$227,850	\$35,453	15.6%
6	Interior demolition work (Hélène-de-Champlain building renovation and expansion project)	\$439,978	\$368,000	\$71,978	19.6%
8	Landscaping and civil engineering (Hélène-de-Champlain building renovation and expansion project)	\$1,087,796	\$800,000 ^a	\$287,796	36.0%
3	Supply and installation of signage elements—phase 3	\$474,221	\$273,420	\$200,801	73.4%

^a This amount was found by performing a reconciliation since it was included in an overall estimate of \$1,525,000 presented in the minutes of the November 9, 2011, meeting of the SPJD and is attributable to the approval by the SPJD board of directors of the awarding of a batch of five contracts for which the overall cost quoted by the lowest bidders was \$1,590,268.

¹³ This cost corresponds to the original amount of the retained bid and does not take into account the additional funds awarded.

Table F – Contracts Whose Cost Estimate is not Specifically Indicated in the Decision-Making Summary and Minutes

Contract No. according to Appendix 4.1	Purpose of the contract	Amount of the awarded contract (taxes included)	Cost estimate in the decision-making summary and minutes (taxes included)	Difference	
1	Construction of a glassed-in staircase and elevator at the arsenal of the Fort de l'île Sainte-Hélène–Stewart Museum	\$1,404,391	n/a	n/a	n/a
9	Supply and installation of windows and doors (Hélène-de-Champlain building renovation and expansion project)	\$1,065,199	n/a	n/a	n/a

N/a: not available.