

# ENGINEERING SERVICES AUDIT MEETING

## MINUTES

**DATE: October 24, 2018**

**LOCATION: 320B**

**TIME: 1:00 to 2:30pm**

<b>Attendees</b>	Gord McGuire, Mike Zantingh, Irena Szcapanik, Mike Bedioui, Al Jazvac, Rick Andoga, Nick Piedigrossi Notes: Diana Cameron
<b>Absent</b>	Dipankar Sharma
<b>October 12th</b>	<ul style="list-style-type: none"> <li>• Are we getting value for money?</li> <li>• Audit request – assess and evaluate expenditure</li> <li>• Underperforming pavement – roadways vs curves</li> </ul>
<b>Comments/Discussion:</b>	
<b>1.</b>	<p><b>October 12<sup>th</sup> Discussion Points:</b></p> <ul style="list-style-type: none"> <li>• Series of documents scanned and produced to staff to review</li> <li>• Reviewing all the information to come up with a plan to respond</li> <li>• Numbers don't seem to be the same as what the auditor supplied</li> <li>• No differentiator for net or gross – bouncing around</li> <li>• Different funding expenditures requirements – different asset management numbers for the same</li> <li>• Reviewed numbers from reports, budget presentations and city web site – indications are not clear to the average reader</li> <li>• Don't feel the numbers are accurate – 120 / 180 from audit / 120</li> <li>• Noted from staff that Asset management drives the curve – they alter the curve / don't trend based on the curve</li> <li>• Road expectations in IRISS gives a projected need</li> <li>• Measure expected vs actuals is not happening</li> <li>• Starting to see backlogs that are being quantified</li> <li>• 15 points away from being back into the backlog</li> <li>• What's the parameter that we're making the decision on – can't confirm accuracy</li> </ul>

	<p>of data</p> <ul style="list-style-type: none"> <li>• What’s the tolerance point for inspection</li> <li>• Not Identified: Tolerance around OCI with what??</li> <li>• Different financial data needs to be understood by Gord so he can respond accordingly with knowledge</li> <li>• Response for this is due in 10 days – this is the first phase and it will be ongoing for a couple of months</li> <li>• The audit takes priority – speak to Gord with issues</li> <li>• Identify anomalies</li> </ul>
<b>Oct 24<sup>th</sup>          Discussion          &amp;          Answers</b>	<p>Draft Objectives between Audit &amp; Engineering Services:</p> <ol style="list-style-type: none"> <li>1. Assess and evaluate the existence and extent of underperforming road pavements (whether specific roads or systemically) - that is, roads that are deteriorating faster than expected;             <ul style="list-style-type: none"> <li>a) <i>No</i></li> </ul> </li> <li>2. Determine whether the City has a performance management system that tracks underperforming road pavements and compares their actual performance (i.e. deterioration rate) to their expected performance;             <ul style="list-style-type: none"> <li>a) <i>Have to tools to do this but not part of what we do</i></li> </ul> </li> <li>3. Assess and evaluate the actual expenditure and treatment cycle to date on roads and compare this to the budgeted assumptions made in the life cycle cost analysis;             <ul style="list-style-type: none"> <li>a) <i>Budgets are based on a theoretical not actual performance curve</i></li> </ul> </li> <li>4. Specific to the Red Hill Valley Parkway and the Lincoln Alexander Parkway,             <ol style="list-style-type: none"> <li>a) Compare the actual expenditure and treatment cycle to date on these roads to the budgeted assumptions made in the life cycle cost analysis;                 <ul style="list-style-type: none"> <li>▪ <i>underway</i></li> </ul> </li> <li>b) Asses the performance of the Perpetual Pavement used on these roads;                 <ul style="list-style-type: none"> <li>▪ <i>Mike becke</i></li> </ul> </li> <li>c) Verify whether an evaluative study has been</li> </ol> </li> </ol>

	<p>performed validating that the 50 year life of these assets is still attainable at the cost initially budgeted.</p> <ul style="list-style-type: none"> <li>▪ <b>Difficult answer will work with Mike B</b></li> </ul> <p>5. The City Roads program faces a significant infrastructure deficit. The City should be spending about <b>\$180 million</b> on roads so as to optimize their useful service life, but in 2017 the City had budgeted only <b>\$83.1 million on roads</b>. This included about \$9.2 million for growth, and another \$28.7 for non-road surface related items such as lighting, traffic signals, studies etc. Less than half of the total 2017 roads budget was spent on roads reconstruction (\$9.7M) and rehabilitation (\$29.4M). Of the city's 6,478 lane-length km of roads, only 223.3 lane-length km (3.4% of the City's roads) were rehabilitated or reconstructed.</p> <p>a) Gord – where is the \$180 coming from</p> <ul style="list-style-type: none"> <li>▪ Rick – no idea need to speak to Finance</li> </ul>		
<b>Action Items</b>			
<b>2.</b>	<p><b>October 12<sup>th</sup> Action</b></p> <ul style="list-style-type: none"> <li>• 6 documents put them in a report what each number means and what the assumptions were around them</li> <li>• How did the AM plan derive 52</li> <li>• Stantec – what were the assumptions</li> </ul>	Rick	<i>Draft for October 24<sup>th</sup> meeting</i>
<b>Oct 24<sup>th</sup> Notes</b>	<ul style="list-style-type: none"> <li>✓ Numbers given to Questica – number changes on a daily basis</li> <li>✓ Balance done and then it's with Finance</li> <li>✓ Based on review – different numbers were provided for different scenarios</li> <li>✓ Gord: <i>Gap in numbers between gross and net – what are we reporting on</i> <ul style="list-style-type: none"> <li>○ Rick – the reports look fine nothing stood out</li> <li>○ All numbers are provided by Consultant reports – nothing is done internally</li> </ul> </li> <li>✓ Rick – would not use 2016 -use new methodology</li> <li>✓</li> </ul>		
<b>3.</b>	<p><b>October 12<sup>th</sup> Action</b></p> <ul style="list-style-type: none"> <li>• Response to how we're tracking data against expected</li> </ul>	Irena	<i>Draft for October 24<sup>th</sup></i>

	<p>performance</p> <ul style="list-style-type: none"> <li>• System that manages the performance of the assets</li> <li>• Continually report back with Overall Condition and Surface Condition</li> </ul>		<i>meeting</i>
<b>Oct 24<sup>th</sup> Notes</b>	<ul style="list-style-type: none"> <li>✓ Mike presented numbers the following comments included but were not limited to;           <ul style="list-style-type: none"> <li>○ 3 projects provided – performing similar and following a trend of projects</li> <li>○ Chose segments from projects to see what was happening in the past for historical info</li> <li>○ Considered anomalies – the centre line in 2006 was not proper inspections – reverted back to 2006 inspection record</li> <li>○ Realized grade is too high – 97.5</li> <li>○ Deterioration is the same in a lot of the rehab projects and in the time before the road gets to the point of</li> <li>○ <b>Gord noted that we need to have all the data available and present the facts to Domenic</b></li> <li>○ Irena: Analysis was developed to the roads questioned - Need more time to do a full analysis and the format needs to be decided</li> <li>○ <b><i>Gord: Do we have a performance management system for road pavements compared to actual</i></b> <ul style="list-style-type: none"> <li>▪ <b><i>Irena: Don't have a system – we have many systems that could help answer</i></b></li> </ul> </li> <li>○ Curves are based on new construction</li> <li>○ Rick - QA / QC consultant reports are in alignment – don't mess with curves – network wide assessment – mapping exercise to drive capital to measure whether we are doing the right thing at the right time</li> <li>○ Leveraging IRISS – don't budget based on data in IRISS – this system is a flagging tool only</li> <li>○ <b><i>Gord: Roads not performing the same as the curve – no haven't been looking – your budgeting on calculated not on actual</i></b></li> </ul> </li> </ul>	<p>Mike B / Irena S / Al J</p>	
<b>4.</b>	<p><del>Checking calendar for possible meeting on the 24th</del></p>	<p>Diana</p>	<b>completed</b>

Oct 24th	NEW ACTION ITEMS:		
1.	<ul style="list-style-type: none"> <li>• Touch base with Dipankar for the other side of the audit</li> </ul>	Diana	
2.	<ul style="list-style-type: none"> <li>• Draft statement of objectives, scope and methodology given – follow up on Final w/ Dipankar               <ul style="list-style-type: none"> <li>○ <b><i>Dipankar advised that the document will be finalized soon</i></b></li> </ul> </li> </ul>	Diana	
3.	<ul style="list-style-type: none"> <li>• What assumptions were made in the 2017 report by Stantec?</li> <li>• Review each document in the link provided and clarify with a detailed response to the financial – what do the numbers entail               <ul style="list-style-type: none"> <li>○ S:\Public Works\Engineering Services Division\13-Internal Audit\Performance Group\Asset Document Scans</li> </ul> </li> <li>• Gord: the 2014 AMP suggests \$51M is required for sustainability that's followed by 2016 roads report which suggests that \$52M is required. My question is given that we will be spending \$52M in 2019 are we sustainable?</li> </ul>	Rick	