

Value-for-Money Audit
Procurement Process

Area Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
1. Planning and Scheduling	<ul style="list-style-type: none"> TWRC should continue with the implementation of the organization-wide scheduling system that is currently being worked on by the Program Controls and Risk Management department to better manage all aspects of its projects including the procurement of professional/construction/other services required on these projects A master procurement schedule, showing the target dates for procurement-related activities and the actual progress achieved, should be generated by the organization-wide scheduling system to serve as a communication tool for future procurement planning with project managers and subsequent progress tracking The procurement and program controls and risk management departments should hold weekly meetings with project managers and the vice-presidents to verify all procurement needs and ensure that they are integrated into the master schedule All future project procurement requests should be initiated through the master procurement schedule. The timing of both the procurement department's activities and the development of document content by others should be driven from this schedule. The procurement department should create a list of minimum requirements that need to be covered in the procurement process from staff requesting the services to ensure that all necessary information is gathered on a timely basis 	TWRC	<ul style="list-style-type: none"> TWRC agrees with the recommendations of the Audit to improve the planning and scheduling of the procurement activities of the Corporation and will continue with its plan to implement an organization-wide scheduling system to further enhance its ability to ensure procurement services are delivered on time and in an efficient manner. TWRC will ensure that all relevant information is included in its new organization-wide scheduling system and that it is continuously verified through review and discussions with its project managers. In addition, customized reports will be developed and generated to support the various needs of stakeholders involved in the Corporation's projects including the specific needs of procurement and the program control and risk management departments and a list of standard information needs for successful procurements will be developed and implemented to help ensure the completeness and timeliness of the procurement process. Bi-weekly operations meetings, involving project management and project controls, have been instituted by TWRC. The agenda for these meetings includes discussion of both project scheduling (inclusive of procurement scheduling). TWRC concurs with the concern that inadequate scope definition is a significant root cause of change orders and increased contract costs. TWRC has, in fact, delayed release of procurement documents in order to ensure that the proper project scope is in place. 	<ul style="list-style-type: none"> Primavera 5 scheduling software was implemented in August 2006. Baseline master schedule including procurement-related activities, have been prepared for all priority projects. Product of procurement-specific schedule reports (inclusive of look-ahead schedules was initiated in April 2007. A procedure will be implemented by December 2007 that sets out requirements for regular activity status updates (addressing, among other things, procurement-related activities) to be provided by the responsible functional managers, in order to enable program controls to track actual progress against the baseline procurement schedule. Procurement, with the assistance of program controls, will draft a guidance document to assist responsible functional managers in assembling sufficient project planning and technical information to support procurement and subsequent contract formation activities. The draft document, along with related project management training, will be completed by December 2007. 	<div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> <input type="checkbox"/> </div>

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2. Timing and Tracking	<ul style="list-style-type: none"> • Procurement should make process improvements that will streamline their activities and reduce the amount of time required to prepare the average procurement document. The following items are seen as areas of potential improvement to the process: <ul style="list-style-type: none"> ○ The project managers and vice-presidents must provide detailed work scopes and budgets to the Procurement department on a timely basis to support preparation of the procurement document ○ A procedural requirement should be implemented to have the completeness check on proposal submissions performed no later than two days after submissions are received. This should be monitored through the procurement checklist. ○ A procedural requirement should be implemented to have the evaluation performed no later than, for example, 15 business days after submissions are received. This would provide ample time for the evaluation committee to mark both technical and financial content and to conduct interviews, if necessary. This should be monitored through the procurement checklist. ○ A procedural requirement of, for example, 15 business days should be implemented to have the contract drafted and signed, unless further negotiation is required. The department uses contract templates, which is a great tool in reducing the time required to sign a contract. ○ Work should not begin before a contract is signed ○ In order to improve times, the department needs to track times. A field for sign-off date should be included on the procurement checklist for each procurement document to be tracked through the system. The data obtained from the checklist will be beneficial for planning procurement schedules and timelines. ○ The requirement for the procurement checklist should be added to the policies and procedures manual to ensure it is included in each procurement file ○ VORs should be created by TWRC to shorten procurement activities and times. A procedural requirement should be implemented to encourage the use of the VOR lists whenever possible and appropriate. ○ All evaluation decisions and communications should be made formally and documented in the procurement files 	TWRC	<ul style="list-style-type: none"> • TWRC agrees with the recommendations of the audit and is presently developing procurement documents for vendors of record and standing offers as part of its transition plan of moving the project management function in-house. • As the Corporation brings the program management function in-house, it has recognized and scheduled the need for a dozen vendors of record or standing offers to be in place by the end of March 31st, 2007. It has hired an additional procurement manager and external consultants to increase procurement resources to ensure this deadline is met. • TWRC agrees with the recommendations to fully implement the use of its developed procurement checklist and to track the time required to complete various procurement activities so that it can continuously monitor the quality and timeliness of its procurement processes. TWRC will also implement procedures to ensure that all evaluation decisions and communications are maintained in its procurement files. 	<ul style="list-style-type: none"> • Procurement manager hired December 2006. • Procurement Register developed and implemented May 2007. • This highlights a risk / gap not a deliverable. • Procurement checklist developed and implemented April 2007 (quality control review planned Sept. 2007) • VOR and standing offers developed and implemented June 2007 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

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3. Procurement Volume	<ul style="list-style-type: none"> ▪ The procurement department should ensure their schedule reflects current project requirements by consulting with the appropriate TWRC departments. If the timelines in the schedule are accurate, they must prioritize procurements, hire additional staff and correct inefficiencies in the processes identified above as soon as possible. 	TWRC	<ul style="list-style-type: none"> • TWRC has already recognized the need for additional staff in the procurement area to deal with its expected increase in project activities as it moves into the construction stage of its mandate and the need for additional services required at this time to support its transition of the project management function in-house. • In December 2006, the Corporation hired an additional procurement manager and contracted additional help externally to respond to the amount of work envisioned in the procurement area. In January 2007, a new contract specialist was hired to replace the previous contract specialist who had transferred to the construction department of the Corporation. In January 2007, the Corporation also contracted additional help to manage the increase in the procurement activities associated with phasing out the contracted program management team. <ul style="list-style-type: none"> ○ TWRC has also contracted two part-time procurement specialists to support the temporary need for additional procurements required in supporting the transition of the project management function in-house. ○ TWRC will closely monitor the procurement activities and resource requirements over the next three months to ensure that it can maintain its ability to provide quality procurement services. 	<ul style="list-style-type: none"> • See management response 	<input checked="" type="checkbox"/>
4. Sole-Sourcing	<ul style="list-style-type: none"> • TWRC should amend its procurement policy and ensure their policies and procedures are in line with the Contribution Agreements • Based on internal policies and procedures, any procurement over \$25,000 and below \$75,000 must be competitively run unless it is signed off by the CEO of the Corporation after a review of the reasons for sole-source has been completed. For procurements greater than \$75,000, if procurement cannot be competitively run, because there are no alternative vendors, we recommend that a Pre-Solicitation Notice be placed on MERX website for a certain amount of time (15 days was used as an example by the Federal government, however this time is flexible and can be set by TWRC). 	TWRC and Governments	<ul style="list-style-type: none"> • TWRC has written to the three governments in December 2006, requesting that certain categories of suppliers (for example, government agencies and monopolies) and certain circumstances (for example, emergency safety or environment services) be exempt from the criteria around sole-sourcing as it agrees that no alternatives exist in these circumstances. TWRC has not received a response to this request at this point. • TWRC agrees with the recommendation to provide 15 days pre-solicitation notice on MERX for both categories of sole-source contracts and will implement this policy immediately 	<ul style="list-style-type: none"> • TWRC approached the Federal Secretariat in December 2006 to receive exemptions from sole sourcing of procurement provisions, TWRC will request again, through the Federal Treasury Board, a change to the Federal governments policy in this area to allow exemptions in certain cases including monopolies, government agencies, etc. • Procurement Policy Change August 2007, effective retroactively. 	<input type="checkbox"/>

Value for Money Audit – Management Responses

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5. Internal versus External Services	<ul style="list-style-type: none"> TWRC continue to assess all services procured for with consideration as to internal skill, expertise and capability. TWRC should review all upcoming scheduled procurements and establish if there are certain skills that could be honed internally in the organization. Cost-benefit analysis comparing external costs to internal costs (wages, systems, overhead, qualifications of personnel, etc.) should be done, where applicable, to determine the best value-for-money for the organization. TWRC should consider either hiring marketing staff or an external consultant to promote TWRC's vision to ensure TWRC generates successful private sector participation and investment attraction 	TWRC	<ul style="list-style-type: none"> TWRC agrees with the recommendations of the audit and will continue to evaluate the choice between hiring staff or contracting vendors for its service needs. TWRC will take into consideration various factors impacting this decision including the cost versus benefits of these services, the associated risks, and the nature of the Corporation's mandate and the timing of its activities. TWRC continues to believe that it must develop in-house expertise in its core areas of responsibility and to contract out those services where the cost of acquiring required technical expertise cannot be justified by the amount of work within the Corporation. This decision will be reevaluated on an ongoing basis as the Corporation's activities increase over the next couple of years. TWRC has advertised for the manager of marketing and branding position and is expected to have the position filled by the end of February 2007. 	<ul style="list-style-type: none"> See management response TWRC was unsuccessful in its competition for this position in the spring of 2007 and will be advertising the position again shortly. 	<input checked="" type="checkbox"/> <input type="checkbox"/>
6. Change Orders	<ul style="list-style-type: none"> TWRC should track change orders in order to categorize their cause, such as by revision to scope of work, unforeseen/changed conditions of work, inaccurate or inappropriate estimates, delay in external party and/or timing changes. This recommendation is in line with PricewaterhouseCoopers Internal Audit Report on Eligible Recipient (ER) Management, dated May 2005. Procurement should create a guidance document to assist TWRC staff requesting the services in providing appropriate detail for the technical portions of the procurement document. This will help to streamline document production and to ensure vendors are provided with sufficient information to prepare comprehensive proposals for the work to be performed. 	TWRC	<ul style="list-style-type: none"> TWRC agrees with the recommendations of the audit and will develop, as part of its planned implementation, estimating, costing and control systems which we expect to be in place by December 2007. TWRC has already developed sample sections/components for procurement documents and distributed these to guide project managers' efforts in drafting input for upcoming procurements. Procurement will create a generic guidance document/requirements list to support further improvements in the procurement of services. 	<ul style="list-style-type: none"> Revised procurement policies to be implemented by September 2007. Procurement, with the assistance program controls, will draft a guidance document to assist responsible functional managers in assembling sufficient project planning and technical information to support procurement and subsequent contract formation activities. The draft document, along with related project management training, will be completed by December 2007. 	<input type="checkbox"/> <input type="checkbox"/>
7. Other	<ul style="list-style-type: none"> Ensure procurement is integrated where appropriate with land sales and marketing in order to strengthen the TWRC's ability to attract private sector investment in land development (recommended under Government Linkages and Processes) 		<ul style="list-style-type: none"> TWRC will ensure that the procurement group participates where appropriate as an active member on the development of request for proposal. 	<ul style="list-style-type: none"> Involvement by procurement in land sales will be considered as the process becomes more standardized. 	<input type="checkbox"/>

Executive Compensation Process

Area Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
1. Obtain, evaluate, and retain the best talent	<ul style="list-style-type: none"> As TWRC is operating with public funds and in a public environment, the organization should consider not only recruiting persons with private sector experience but also have a balance of persons on staff with public sector experience TWRC should review the linkages to organizational needs and ensure bonuses are paid based on stretch objectives that are linked to specific TWRC objectives to move the organization ahead Personnel should be trained and monitored closely by management and the Compensation Committee in the preparation and delivery of the PFS model until such time it is operating effectively TWRC should continue to benchmark salaries in the future. The Compensation Committee should recommend the appropriate level of benchmarking based on reports provided by external consultants, which should include a balance of private and public sector organizations. TWRC must implement a management infrastructure to ensure the performance pay system is perceived as transparent and is used properly. The human resource function must become an integral part of the senior management team and be strategically linked to the business planning process. TWRC should continue to build internal HR resources as it grows in size 	TWRC	<ul style="list-style-type: none"> The Corporation agrees that public sector, as well as private sector experience, is important in its executive team. Six out of the eight executives currently with TWRC have had significant public sector experience and responsibilities at some point during their professional careers. TWRC will continue to develop and refine stretch targets for executive bonuses that tie them directly to the Corporation's mandate and objectives. TWRC has had an external consultant complete a thorough review of the results of the PFS 2005 process in November 2006, and will be taking forward their recommendations designed to refine the PFS process for all TWRC staff to the Compensation Committee in March 2007. Expected recommendations include increasing the number of categories of performance from three levels to four levels to allow the Corporation to reflect various levels of performance in the future remuneration of employees. TWRC will complete a review again in 2007 to ensure that all recommendations are implemented. TWRC is in the process of finalizing the benchmarking of all executive positions. The results of this benchmarking will be presented to the Compensation Committee in March 2007. In addition, TWRC is developing a HR Policy for approval by the Compensation Committee that includes the targeted level of compensation against other employers and the timeframe for how often these benchmarks should be updated. TWRC is in the process of updating job descriptions and benchmarking its entire staff prior to hiring new staff. TWRC, given its size to date, has relied on the use of an HR consultant for a significant portion of its work in this area. TWRC has had its HR consultant draft a job description for a full time or part time HR manager position in December 2006 and is in the process of determining when best to proceed forward with this position. TWRC requested its HR consultant in September 2006 to develop additional HR policies for the Corporation including policies related to: learning and development; compensation; delegation of authority; travel; pay for professional designation; sick leave; other leaves, and vacation. TWRC is ensuring that the costs associated to developing, implementing and maintaining these policies are properly covered in the annual budget process for the Corporation. TWRC is also in the process of improving its annual budget process to enhance its tie of resources required to produce results and to ensuring proper financial and HR delegations of authorities to ensure that managers have greater access to managing the activities of the Corporation under their control. 	<ul style="list-style-type: none"> See management response. Additional changes are being made to Planning for Success process for 2007/08 and will be implemented in May 2007. Additional training provided to all staff on Planning for Success process in April 2007. Full-time Manager of HR to be created and hired in June 2007. Two year RFP for additional HR services to be issued in June 2007, in addition to hiring HR Manager. 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Overall Project Management Approach and Practices

Area Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
1. Budget Forecasting and Scope Definition	<ul style="list-style-type: none"> • TWRC should continue with researching the implementation of a standard central cost estimation system and that it be applied consistently across projects • TWRC should make appropriate revisions to the project cost estimates and amend the long-term plan to reflect these current costs estimates • The long-term plan should be reviewed to ensure that all projects included in the plan have sufficient cost estimates attributed to them and that the overall funding plan is reasonable, otherwise, funds may need to be re-allocated from other projects which could cause some projects to have their scopes delayed or not included at all within the \$1.5 billion government's commitment. • TWRC should perform feasibility studies (where project value or risks warrants one) to ensure projects are reasonably scoped and estimated • Funding for feasibility studies should be requested by TWRC through the corporate costs contribution agreement on an annual basis to ensure that monies are available up front in helping TWRC improve its costing and scoping of projects prior to proceeding with a contribution agreement. This will enable TWRC to prepare contribution agreement proposals with accurate information and will reduce change orders when the project has been started. 	TWRC and Governments	<ul style="list-style-type: none"> • TWRC agrees with the recommendations of the audit and will continue to implement a standard central cost estimation system expected to be in place in fiscal 2007/08. • TWRC will also review all significant projects to ensure that the current estimate is reasonable and will implement in fiscal 2007/08 system enhancements to allow for sensitivity analysis of all of its significant projects based on a variety of risks the Corporation is expected to occur. TWRC will also put in place a monitoring system to ensure that appropriate actions are taken to the risks that do occur. • TWRC is currently completing a strategic planning exercise with its board to identify priority projects that support the Corporations' stated vision and mandate. Based on the results of this exercise the Corporation will develop current cost estimates for each project and will communicate to the three governments its request to amend the long term funding plan accordingly. • TWRC will request funding through its corporate costs contribution agreement to allow it to develop better forecasts and budgets including external review of cost estimates for reasonableness and feasibility studies as appropriate. 	<ul style="list-style-type: none"> • TWRC has prepared an RFP for cost consulting services and will, in July 2007, retain at least two consultant teams to review and update base program/project cost estimates and assist in formulating control budgets. • TWRC is preparing to implement a Cost Estimate Validation Process (CEVP) that will be provide for (1) comprehensive identification of project-related risk/opportunity; (2) assessment of the cost and schedule impacts of each potential risk; and finally, (3) quantifying the overall uncertainty in project costs. The result of this process will be used as a starting point for developing risk mitigation strategies and a foundation for risk monitoring. Process development and participant training/stakeholder orientation are to be completed by September 2007. The initial CEVP workshop will be undertaken by October 2007 and the process will be applied to all priority elements of TWRC's programs by March 2008. • TWRC completed a strategic planning exercise with the Board in Feb. 2007 and is currently working with the three governments to amend the long term plan (which is expected to be completed in June 2007). 	<input type="checkbox"/>
2. Business Plan Process and Funding Model	<ul style="list-style-type: none"> • TWRC and the three governments negotiate the use of an operating line of credit. This will likely reduce the dollar amount of cash flow requested and ensure only funds that will likely be spent are requested thereby reducing TWRC's cash flow needs. • TWRC develop action plans to rectify the causes of under utilization of funds • TWRC be proactive in continuing to work with the three governments on finding mutually agreeable options and solutions to increasing TWRC's flexibility to manage project funding • Confirm priorities and measures, corporate and project-specific, as part of the annual planning process and align them with the organization structure and staffing/resourcing strategies (recommended under Government Linkages and Processes) 	TWRC and Government	<ul style="list-style-type: none"> • TWRC agrees with the recommendations of the audit and will again approach the government to receive the ability to have an operating line of credit. The operating line of credit is with banks or other lenders not with government right? • TWRC will continue to work in the meantime with its project managers and eligible recipients to update cash flow needs on a project by project basis as well as ensuring that all work done by eligible recipients is promptly billed and paid by TWRC. 	<ul style="list-style-type: none"> • Intergovernmental Group established May 2007 to support TWRC in implementing requests. • Formal TWRC request for governance powers to collect revenues; create subsidiaries in certain circumstances, and to borrow for specific projects is to be tabled with the governments in June or July 2007. • TWRC is formally requesting changes to the federal government's Treasury Board policies around contribution agreements in June 2007. • TWRC & all three orders of government have worked extensively on granting the Corporation the ability to collect revenues. At this time, a final document has been circulated for approval & execution giving the Corporation limited ability to collect revenues. 	<input checked="" type="checkbox"/>

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3. Contribution Agreement A. Length of process	<ul style="list-style-type: none"> • Contribution agreements should be prepared based on project level and not phase level, unless the phase is significant in dollar value to warrant going through the process • Feasibility studies should be funded out of corporate costs and not project costs • Based on the volume of contribution agreements required to fulfil the long-term plan in the future, the time required of staff to prepare and monitor these documents will increase. TWRC should consider hiring an additional resource for this area. • TWRC should plan to submit contribution agreements well in advance of the project start date • TWRC should implement a tracking mechanism for contribution agreements. This should include flagging contribution agreements that are over the average process timelines and requiring the appropriate personnel to investigate and follow up with any issues. • TWRC/the governments should adopt an automatic escalation protocol such that if there is a delay, there is automatic escalation (recommended under Government Linkages and Processes) 	TWRC and Governments	<ul style="list-style-type: none"> • TWRC agrees with the recommendations in the audit and has publicly advertised for two senior financial analysts to work with the director of finance and is currently conducting interviews and expects to have these positions filled by March 2007. • TWRC is in the process of developing its corporate cost contribution agreement for fiscal 2007/08 and has notified all three governments that it intends to request funding as part of this agreement to be able to conduct feasibility studies or to improve its ability to better estimate project scope and costing estimates in advance of developing detailed contribution agreements. • TWRC has requested its internal auditor (PricewaterhouseCoopers) to complete a thorough review of its risk management activities around the development and management of contribution agreements and expects to have recommendations for improvement in this area by April 2007. • TWRC is working to develop a tracking mechanism to support continued improvements in the preparation and sign off of contribution agreements. 	<ul style="list-style-type: none"> • Two senior financial analysts have been hired as of the start of March 2007. • TWRC will develop a contribution agreement to cover feasibility costs in the next six months. • TWRC has been working with all three levels of government meeting on a monthly basis to discuss the CA planning & plan to conduct feasibility studies & to improve its ability to better estimate project scope & costing estimates are part of the agreement. 	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
B. Indemnification clause	<ul style="list-style-type: none"> • TWRC continue to work with the three governments on finding mutually agreeable alternatives to the indemnification clause. Solutions proven effective to date include: <ul style="list-style-type: none"> ○ Securing approval from the three governments to obtain the appropriate level of insurance in special circumstances and claiming this expense as an eligible cost (TWRC should plan for this expenditure when applying for the contribution agreement) ○ Strategically allocate funding by each government. For example, the Federal government fund projects where this clause would likely not be an issue with vendors, and have the other two governments fund projects where this issue may be encountered. • In the interim, all contracts that TWRC enters into should include the unlimited indemnity clause to ensure compliance with the contribution agreements, even if the contract is in a form preferred by the vendor • Insurance costs be included in project planning and budgeting. This will provide for a contingency in the budget in case the indemnification clause becomes a future issue. 	TWRC and Governments	<ul style="list-style-type: none"> • TWRC along with the three governments are currently completing a broad review of the indemnification issue under the direction of Bennett Jones and expect this review to be completed in May 2007. • TWRC will continue to review existing contracts to ensure no exceptions are made to the indemnification clause or will notify governments in those circumstances where it is impossible to receive an indemnification. • TWRC will continue to develop alternatives to receiving a full indemnification from its suppliers including purchasing insurance coverage in those circumstances where the cost of insurance is less than the benefit derived. In the two examples provided in the Audit report, the cost of insurance for Toronto Hydro would have been higher than the benefit given that the work performed by Toronto Hydro related to its own assets with any risk for substandard performance falling only on Toronto Hydro. For TTC- CBS Outdoors, as an advertising contract, there was no insurable risk. 	<ul style="list-style-type: none"> • Intergovernmental Group established May 2007 to support TWRC in implementing agreeable alternatives. • TWRC will seek specific approvals for district energy, and subsequently for other similar projects. • TWRC will continue to explore other risk management options with governments in this area. 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

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C. Sunset clause	<ul style="list-style-type: none"> TWRC and the three governments should discuss the future issues the sunset provision will have on the ability of TWRC to deliver its mandate. An option that should be considered includes shifting Federal funding to projects that will be completed by March 31, 2008. 	Federal Government	<ul style="list-style-type: none"> TWRC agrees with the recommendation of the audit and is in the process of working with all three governments to ensure the successful extension of the Federal government's \$500 million commitment to the Toronto waterfront. TWRC is working with the three governments to develop alternatives that allow the Federal government's commitment to be made as soon as possible in order to accelerate the Federal funding to the Corporation. 	<ul style="list-style-type: none"> In May 2007, the Federal Government extended the Sunset Provision to March 31, 2011. In June 2007 the three governments and the Corporation came to an agreement on a revised Long Term Plan that will be forwarded for approval that addresses this Federal funding request. 	<input checked="" type="checkbox"/>
D. Other	<ul style="list-style-type: none"> Board members should continue to work through their respective governments to actively encourage them to make changes in this process that could/should align with TWRC's recent submission to the Blue Ribbon Commission established by the Federal government (recommended under Government Linkages and Processes) TWRC/the governments should conduct a detailed review of existing process with the objective of streamlining where possible (recommended under Government Linkages and Processes) 	TWRC and Governments	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> TWRC is formally requesting changes to the federal government's Treasury Board policies around contribution agreements in June 2007. 	<input type="checkbox"/>
4. Use of Eligible Recipients	<ul style="list-style-type: none"> TWRC document and follow an ER management and monitoring process that encompasses all requirements from the Delivery Agreements TWRC will need to ensure that as program management is internalized, roles and responsibilities are clearly defined and communicated, including for ERs (recommended under Government Linkages and Processes) 	TWRC	<ul style="list-style-type: none"> TWRC internal auditors reviewed the Corporation's practices with regards to its management of its' ERs and are in the process of implementing their recommendations. TWRC reviews all of the activities of ERs prior to making any payments and ensures that ERs are in compliance with both the delivery and contribution agreements associated with the specific project. <ul style="list-style-type: none"> TWRC will develop specific procedures for its new internal project managers to help standardize the review and monitoring of the work carried out by ERs on behalf of the Corporation 	<ul style="list-style-type: none"> In parallel with the development of the new, Prolog-based Cost Control System, TWRC will update its ER project management procedure documents (drafts to be completed by December 2007). 	<input type="checkbox"/>

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5. Management of Project Timelines	<ul style="list-style-type: none"> • Based on the decision to bring the project management team internally, TWRC must continue to build their management tools and skills, including the cost estimating and scheduling systems. TWRC must ensure that these systems are compatible with each other and the other various departmental systems and needs of TWRC. • Where TWRC activities affect processes of outside stakeholders, a plan be implemented to ensure all parties are working in close coordination to achieve best value-for-money 	TWRC	<ul style="list-style-type: none"> • As previously noted, TWRC agrees with the recommendations of the audit and will continue with its plan to implement enterprise wide systems to support better cost estimating and scheduling. 	<ul style="list-style-type: none"> • Primavera 5 scheduling software was implemented in August 2006. Baseline master schedule including procurement-related activities, have been prepared for all priority projects. • TWRC is preparing to implement a Cost Estimate Validation Process (CEVP) that will be provide for (1) comprehensive identification of project-related risk/opportunity; (2) assessment of the cost and schedule impacts of each potential risk; and finally, (3) quantifying the overall uncertainty in project costs. The result of this process will be used as a starting point for developing risk mitigation strategies and a foundation for risk monitoring. Process development and participant training/stakeholder orientation are to be completed by September 2007. The initial CEVP workshop will be undertaken by October 2007 and the process will be applied to all priority elements of TWRC's programs by March 2008 	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
			<ul style="list-style-type: none"> ○ As noted above, TWRC has started the process of meeting regularly with City officials to ensure better coordination of activities and will continue to do so. 	<ul style="list-style-type: none"> • Implemented in May 2007. 	<input checked="" type="checkbox"/>
6. Completion of Projects	<ul style="list-style-type: none"> • TWRC develop a formal close-out process, policy and procedures for contracts and projects. Close-out procedures would encompass all departments of the organization; accounting, finance, procurement and operations. • A Project File Completion Form to be used to track the completion of the close-out procedures 	TWRC	<ul style="list-style-type: none"> • TWRC agrees with the recommendations of the audit and will develop formal close-out procedures for all of its contracts and projects. A Project File Completion Form will be developed by TWRC to be used in tracking the completion of close-out procedures. 	<ul style="list-style-type: none"> • TWRC has received a close out form from the Federal government and will use it as a starting point in developing a close out form for use on projects closing out after June 2007. • Formal contract close-out procedures, based on industry-accepted best practices and incorporating specific close-out requirements prescribed by the three levels of government will be implemented by December 2007, as part of the TWRC's overall policy and procedure development/overhaul exercise. 	<input type="checkbox"/> <input type="checkbox"/>

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7 Private Partner and Investment Attraction	<ul style="list-style-type: none"> • TWRC to continue with its endeavours to partner with private sector developers for the West Don Lands and East Bayfront developments • TWRC must initiate a creative funding model with the private sector to generate sufficient funds to bridge the gap between the \$1.8 billion of committed funding and the required \$4.3 billion for infrastructure • TWRC to develop a marketing and branding plan to promote the revitalization of the waterfront and its attractiveness for developers and investors • Confirm the definition of private sector investment and how it is supported by the organization and reflected in the planning and budgeting process (recommended under Government Linkages and Processes; refer to proposed role in the recommended organizational design) 	TWRC	<ul style="list-style-type: none"> • TWRC's approach to attracting private sector partnerships in the Toronto waterfront is focused on creating as much certainty as possible for development through the early investments in local municipal infrastructure, transportation infrastructure, flood protection, soil management, parks and open space, planning and zoning so that the private sector can take these issues into consideration when they respond to the Corporations request for revitalization. • TWRC will also continue to review the development of private/public partnering as part of its plans for such activities as district energy, vacuum waste and broadband services. • TWRC is developing a branding strategy to better support all of its activities and to ensure that its mandate of revitalization is clearly understood by all stakeholders, including possible private partners and investors. • TWRC is participating with the Province and the City of Toronto in an international marketing conference to ensure that domestic and international developers and investors are attracted to the Toronto waterfront revitalization. • TWRC is currently developing a set of long term principles to guide any private sector development in the Toronto waterfront including the Port Lands to ensure that its vision and mandate of revitalization is met in all areas of the Toronto Waterfront under its mandate, thereby ensuring that the priorities of the three governments that fund the Corporation are met at all times. 	<ul style="list-style-type: none"> • TWRC developed and implemented a branding strategy in May 2007. • TWRC will establish an informal advisory group made up of both private and public sector individuals to help in the development of a comprehensive revenue strategy. • TWRC partnered with the City of Toronto, TEDCO, and the Province of Ontario in March at the MIPIM international marketing conference. 	<input checked="" type="checkbox"/>
8. Project File Documentation	<ul style="list-style-type: none"> • TWRC establish files for each specific project, either in hard copy or electronically or both as the circumstance dictate. A checklist or table of contents should be established to ensure all documents are maintained in the file, including ER documents and approvals. TWRC should gather all specific project information and documents from the various individuals at TWRC and maintain them in one central location. • TWRC obtain all project files maintained at external project manager locations. These will need to be reviewed by the new internal project managers before the transition takes place to ensure knowledge transfer. 	TWRC	<ul style="list-style-type: none"> • TWRC agrees with the recommendations of the audit and will ensure that checklists are developed to ensure the completeness of its project files. • TWRC will request all project files from its external project managers and will incorporate them into its project manage files. 	<ul style="list-style-type: none"> • As part of developing its project management policies and procedures, TERC will create project file structure and checklists by December 2007. 	<input type="checkbox"/>

Value for Money Audit – Management Responses

Area Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
9. Other	<ul style="list-style-type: none"> • “Swimlane” diagrams could be used to clarify who does what, by when, under the existing revitalization and business processes (recommended under Government Linkages and Processes; includes definition of revitalization and business processes) • Coordinate/consolidate the ongoing liaison and interface between TWRC and the various government committees and task forces (while recognizing that the MOUs outline specific requirements related to their areas of focus). This should include consideration of the role and ongoing need for a given committee or task force, including the Intergovernmental Steering Committee, in light of expected future demands and requirements (recommended under Government Linkages and Processes). • Proactively manage ongoing working relationship with secretariats to ensure that both TWRC and government expectations and requirements are being identified, considered and, to the extent possible, met. Include confirmation of roles and expected working relationships given that the level of involvement and engagement with each secretariat may vary (recommended under Government Linkages and Processes). • Clarify/confirm working relationships, requirements and obligations under the existing MOUs <ul style="list-style-type: none"> ○ Use “swimlane” diagrams to identify non-value adding parts of linkage processes and clarify who does what by when ○ Streamline document approval and decision process ○ Establish target timelines for task completion by all participants ○ Adopt an automatic escalation protocol to address issues that need attention (e.g., if delay, then automatic escalation) ○ Create a standardized MOU template (recommended under Government Linkages and Processes) • Clarify accountability for project management and delivery of major projects by establishing a point person to manage the linkages across functional areas and between TWRC and its partners (refer to the “Lead Integrator” role in the recommended organizational design; lead role also proposed under Government Linkages and Processes) • Strengthen TWRC’s ability to attract private sector investment in land development by: <ul style="list-style-type: none"> ○ Streamlining and simplifying the land sale approval process by having the City issue desirable criteria, and then allowing TWRC to manage the sales process subject to compliance with the approved disposition criteria ○ Delegating minor land use approval authority to TWRC (from City) in areas such as site plan control of landscaping or curb cut locations within a City-approved policy and urban design framework (Note: According to the City, this may not be feasible given liability and other concerns and instead may be achievable through critical path planning and improved application packages) (recommended under Government Linkages and Processes) 	TWRC and Governments		<ul style="list-style-type: none"> • Inter governmental Groups established May 2007 to support TWRC in implementing streamlined processes for major activities of the Corporation. <input type="checkbox"/> • The city has established a monthly meeting with the Corporation, Secretariats and Department Heads to help support the achievement of TWRC’s projects. <input type="checkbox"/> • TWRC has created a project manager group responsible for developing and implementing strong project management skills and practices including clear identification of roles and responsibilities. <input type="checkbox"/> • TWRC is in the process of establishing a direct accountability to the CEO for the development strategies that contribute to the economic development, tourism, business strategies and revenue generation. A comprehensive strategy will developed and presented to the Board in September 2007. <input type="checkbox"/> • As part of TWRC’s project management policy and procedure development/overhaul exercise: <input type="checkbox"/> <ul style="list-style-type: none"> ○ Workflow diagrams are being prepared to identify existing business process. ○ Project management manual inclusive of “swimlane” diagram to clarify responsibility assignments, will be completed by December 2007. 	

Value for Money Audit – Management Responses

Area Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
	<ul style="list-style-type: none"> • TWRC should establish a lead accountability for reviewing/developing strategies that contribute to economic development, tourism, business attraction and revenue generation that could potentially be incorporated into the precinct and other major project plans (recommended under Government Linkages and Processes; refer to proposed role in the recommended organizational design) 				

Organizational Design

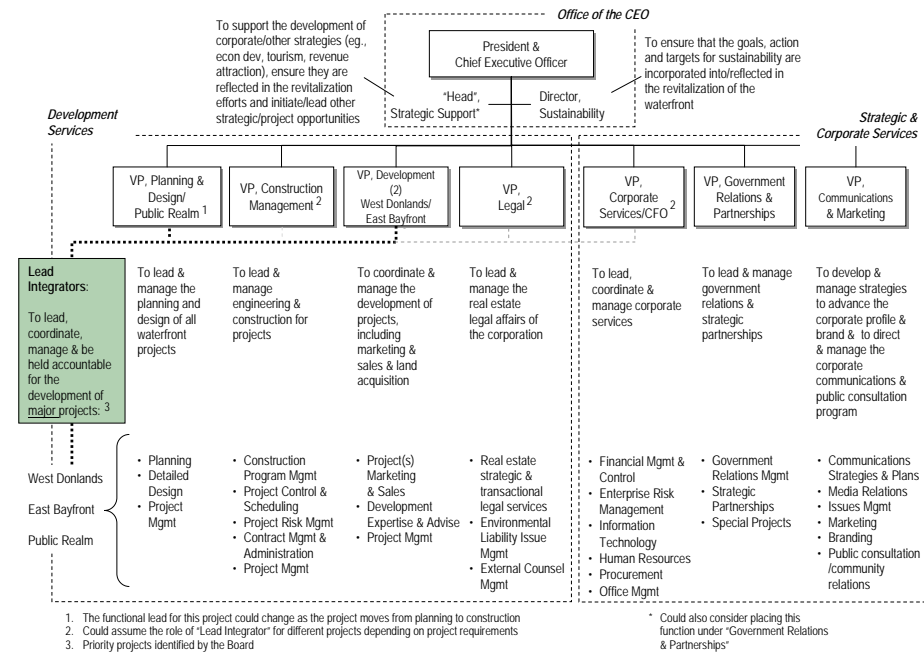
Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
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Organizational Design

Implement the recommended organizational design as described in this report and outlined in the following diagram

TWRC

- TWRC is taking action to implement the recommended organizational design by the end of June 2007.
- Preliminary definition of roles and responsibilities will be completed by September 2007. Policies and procedures to give effect to these will be completed by December 2007.



Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
Organizational Review	<ul style="list-style-type: none"> • Key changes include the following : <ul style="list-style-type: none"> ○ Project accountabilities are combined with functional accountabilities by establishing a “Lead Integrator” role in order to create a broader focus, perspective and accountability on/for the priority projects identified by the Board while preserving functional/technical expertise ○ The objective is to continue and support existing functional/technical expertise while at the same time clearly assigning “Lead Integrator” roles to clarify accountability for delivery of projects ○ There will also be designated “Lead Integrators” for other projects which could vary over the life of any given project • Common project management functions and expertise are consolidated under the VP, Construction Management (such as project control and scheduling and contract management and scheduling) to ensure consistency and efficiency across all projects • A “Coordinating Committee” for Development Services (and other “Lead Integrators” as appropriate) will ensure that there is ongoing coordination and collaboration between projects and functional areas • All corporate services are clustered under the VP, Corporate Services/CFO to ensure consistency and efficiency in the approach, delivery and management of these services. Includes a dedicated lead for human resources (with dotted line to CEO for strategic plans and initiatives). • Government Relations and Marketing and Communications are kept separate given their critical importance to the organization at this point in time • A new role is established in the Office of the CEO which is intended to provide strategic support to the CEO and the organization in the development and integration of corporate/other strategies (e.g., economic development, tourism, revenue attraction) and in initiating/leading other strategic/project opportunities which are critical to the overall revitalization 	TWRC	<ul style="list-style-type: none"> • Implementation started in April 2007. To be supported by the development of corporate policies clearly identifying roles and responsibilities to be in place by Sept. 2007 • Implemented in May 2007. • As part of implementing the original design, TWRC will ensure that a suitable mechanism is in place to address responsibilities related to the integration of functional responses with a project management framework including such options as a Coordinating Committee or a Chief Operating Officer. • Implemented in May 2007. • Continued. • TWRC is in the process of establishing a direct accountability to the CEO for the development strategies that contribute to the economic development, tourism, business strategies and revenue generation. A comprehensive strategy will be developed and presented to the Board in September 2007. 		<ul style="list-style-type: none"> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>

Government Linkages and Processes

Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
<p>Hierarchy</p> <ul style="list-style-type: none"> ▪ TWRC's enabling legislative/ regulatory framework ▪ Government reporting/ accountability structure ▪ "In house" org design and accountability/ authority structure ▪ Corporate priorities and measures 	<ul style="list-style-type: none"> ▪ Confirm the role of the Board, and the extent of its accountabilities and decision making powers, in delivering on TWRC's mandate, and the five and ten-year plans, in light of the current funding and approvals mechanisms in place with the three governments ▪ Ensure that TWRC, the three governments, and other key stakeholders, have a common understanding of the intent and implications of the "master developer" role ▪ Provide sufficient organizational capacity to manage the linkages with external stakeholders ▪ Confirm priorities and measures, corporate and project-specific, as part of the annual planning process and align them with the organization structure and staffing/resourcing strategies 	<p>TWRC</p>		<ul style="list-style-type: none"> ▪ To be discussed at TWRC's September Board meeting. 	<input type="checkbox"/>
<p>Structural</p> <ul style="list-style-type: none"> ▪ Committees/ task forces (e.g., IGSC) ▪ Government secretariats ▪ MOUs (City /TEDCO and ORC) 	<ul style="list-style-type: none"> ▪ Coordinate/consolidate TWRC's involvement in the various committees and task forces (while recognizing that the MOUs outline specific requirements related to their areas of focus). This should include consideration of the role and ongoing need for a given committee or task force, in light of expected future demands and requirements. ▪ The role of the IGSC should be clarified and confirmed, especially as it relates to the ongoing coordination of the interface between the secretariats and TWRC, and that consideration be given to formally including the TWRC as part of the Committee's meeting, potentially as a member ▪ Proactively manage ongoing working relationship with secretariats to ensure that both TWRC and government expectations and requirements are being identified, considered and, to the extent possible, met. Include confirmation of roles and expected working relationships given that the level of involvement and engagement with each secretariat may vary. ▪ Clarify/confirm working relationships, requirements and obligations under the existing MOUs <ul style="list-style-type: none"> ○ Use "swimlane" diagrams to identify non-value add parts of linkage processes and clarify who, does what, by when ○ Streamline document approval and decision process <ul style="list-style-type: none"> - Establish target timelines for task completion by all participants 	<p>TWRC and Governments</p>		<ul style="list-style-type: none"> ▪ TWRC to continue work with the three governments to ensure the clear identification of roles and responsibilities between the Corporation and its funders. 	<input type="checkbox"/>

Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
	<ul style="list-style-type: none"> - Adopt an automatic escalation protocol to address issues that need attention (e.g., if delay, then automatic escalation) o Create a standardized MOU template ▪ In the VFM Audit, it was also recommended that where TWRC activities affect processes of outside stakeholders, a plan be implemented to ensure all parties are working in close coordination to achieve best value for money 				
<ul style="list-style-type: none"> ▪ Contribution agreements ▪ Eligible recipient agreements ▪ Indemnification agreements ▪ Program management 	<ul style="list-style-type: none"> ▪ There are several recommendations in the VFM Audit to improve the CA process (e.g., project level vs. phase level funding). Other proposals include: <ul style="list-style-type: none"> o Board members should continue to work with their respective governments to actively encourage them to make changes in this process that could/should align with TWRC's recent submission to the Federal government's Blue Ribbon Commission o TWRC/the governments should consider adopting an automatic escalation protocol in the event of a delay o TWRC/the governments should conduct a detailed review of the existing process with the objective of streamlining where possible ▪ In the VFM Audit, it is recommended that TWRC document and follow an ER management and monitoring process that encompasses all requirements from the Delivery Agreements. TWRC will need to ensure that as program management is internalized, roles and responsibilities are clearly defined and communicated, including for ERs. ▪ The VFM Audit outlines several recommendations regarding indemnification agreements (e.g., strategically allocate funding by each government) ▪ Clarify accountability for project management and delivery of major projects. This could include establishing a point person to manage the linkages across functional areas and between TWRC and its partners (refer to the "Lead Integrator" role in the recommended organizational design) 				
<p>Process and System Revitalization Processes</p> <ul style="list-style-type: none"> ▪ Planning and land use approval process ▪ Land sale, RFP and marketing processes ▪ Economic development 	<ul style="list-style-type: none"> ▪ Use "swimlane" diagrams to clarify who does what, by when, under the existing revitalization processes ▪ Strengthen TWRC's ability to attract private sector investment in land development by: <ul style="list-style-type: none"> o Integrating procurement, where appropriate, with land sales and marketing o Streamlining and simplifying the land sale 				

Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
and marketing processes ▪ EA process	approval process by having the City issue desirable criteria, and then allowing TWRC to manage the sales process subject to compliance with the approved disposition criteria ○ Looking at other ways to expedite the development process whether it's better critical path planning, improved application packages and/or the delegation of routine permitting functions ▪ Given the specific requirements under the MOU with the City/TEDCO, TWRC should establish a lead accountability for reviewing/ developing strategies that contribute to economic development, tourism, business attraction and revenue generation that could potentially be incorporated into the precinct and other major project plans (refer to proposed role in the recommended organizational design)				
Business Processes ▪ Plan/funding approval process ▪ Other linking processes (e.g., subsidiary approval process) ▪ Communication process ▪ Audit processes	▪ Use "swimlane" diagrams to clarify who does what, by when, under the existing business processes ▪ Confirm the governments' and TWRC's priorities as part of the annual planning process ▪ Confirm the definition of private sector investment and how it is supported by the organization and reflected in the planning and budgeting process (refer to proposed role in the recommended organizational design) ▪ The VFM Audit includes several recommendations related to budget forecasting and scope definition (e.g., amending long-term plans to reflect project cost estimates) and business planning and funding model (e.g., provide operating line of credit; develop plan to rectify under utilization of funds) ▪ Consideration could be given to providing some tools to TWRC (e.g., line of credit as suggested in the VFM Audit) with clearly defined boundaries that allow the governments to "test" their feasibility ▪ Assuming that the requirements of the various governments are met, the potential of coordinating/ consolidating the various audits should be further considered (which could involve implementation of the tri-level, risk-based audit plan)				

Areas Considered	Recommendations	Owner	Management Response	Deliverable and Timing	Successfully Implemented
<p>Informal</p> <ul style="list-style-type: none"> ▪ Individual relations/direct contact ▪ Informal groups/leaders ▪ Informal rules, norms and standards (operating environment) 	<ul style="list-style-type: none"> ▪ Continue to build on, and reinforce, the working relationships and the spirit of collaboration and cooperation with the governments in achieving the overall objectives of the waterfront revitalization <ul style="list-style-type: none"> ○ Board Strategic Planning session held in early February of this year seen as good example of working well together ▪ Clearly identify lead accountability within TWRC for major projects. This person can then build network and personal relationships to manage linkages, collaboration and task sharing with landowners and ER (refer to recommendation for a “Lead Integrator” in the recommended organizational design) ▪ Define a set of operating principles that will guide and facilitate the overall working relationship and interaction with, and between, TWRC and the three governments and the agencies <ul style="list-style-type: none"> ○ TWRC may also want to consider developing its own set of operating principles which would guide the actions of the Board and the staff in working with/partnering with the three governments 			<ul style="list-style-type: none"> ▪ TWRC will continue to develop and use informal opportunities to ensure a better understanding is achieved. 	<input type="checkbox"/>