

AUDIT OF STRATEGIC INITIATIVE PROJECTS:

**GROS MORNE
DISCOVERY CENTRE PROJECT**

FINAL REPORT

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EXECUTIVE SUMMARY

Background

The audit of the Gros Morne Discovery Centre project has been conducted as part of the Executive Board Finance Committee's monitoring and controlling activities of the Strategic Initiatives Portfolio. The Discovery Centre is the centrepiece of Parks Canada's Heritage Presentation Program in Gros Morne.

Objectives and Scope

The objectives of this audit were to provide an independent assessment to senior management on:

- < whether allocated funds were spent as intended,
- < the fairness and value for money in contracting; and,
- < the effectiveness of the management control framework over the Gros Morne Discovery Centre strategic initiative project.

The scope of this engagement covered the activities and expenditures incurred in the fiscal years ended March 31, 2000 and March 31, 2001.

Methodology

The audit methodology included the following activities:

- < Interviews with key management and staff at both National Headquarters and at the Field Unit;
- < Review of relevant documentation including business plans, charter documents, financial reports, project management files, contract files, and minutes of key management committees:

- < Visit to the Discovery Centre; and,
- < Examination of contracts and invoices from suppliers.

General Assessment

- T The management control framework of the Discovery Centre Project was effective.
- T There was fairness and value for money in the contracting process and compliance to contracting policies and financial authorities with two identified exceptions; and,
- T Expenditures charged to the Discovery Centre Project were appropriate with two identified exceptions.

1. BACKGROUND

Parks Canada Agency (PCA) maintains a funding reserve controlled by the Finance Committee of the Executive Board of the PCA for use in funding major program commitments, national program initiatives, expansion of the systems of national parks and national historic sites, as well as projects that field managers wish to initiate that are beyond the capacity of their A-base budgets. The Strategic Initiatives Portfolio is managed at the Executive Board level in order to balance PCA's efforts in the above areas. In 2000-01, there were 65 strategic initiative projects with approved and allocated funding of approximately \$49M.

Currently, funds are accessed by applying to the Finance Committee of the Executive Board with a business case. All proposals must be sponsored by one of the five PCA Directors General. If the project is to take place over multiple fiscal years, approval is often for one year with a requirement to obtain approval for each of the subsequent years of the project. Strategic initiative funds must be spent on the project for which they were allocated. All surpluses in strategic initiatives are required to be returned to the Finance Committee of the Executive Board for reallocation to other projects or for reduction of overprogramming.

The audit of the Gros Morne Discovery Centre project has been conducted as part of the Executive Board Finance Committee's monitoring and controlling activities of the Strategic Initiatives Portfolio. The Gros Morne Discovery Centre Project is the responsibility of the Field Unit Manager-Newfoundland West & Labrador Field Unit. The Discovery Centre is the centrepiece of Parks Canada's Heritage Presentation Program in Gros Morne. The Discovery Centre project was proposed in 1988 as an alternative project to the development of a plateau access system to the top of Big Hill in Gros Morne to meet the obligations of the 1983 Federal/Provincial Agreement which provided for the establishment of Gros Morne National Park. The construction of the Discovery Centre completes the last major capital project covering the development of the park as required by the Agreement. The Parks Management Committee originally approved \$ 4.7 million to construct the Discovery Centre; however, due to unanticipated increases to construction costs, schedule slippage, and an underestimation of exhibit costs the project costs have exceeded the original estimate and are now at \$ 5.3 Million. The Discovery Centre opened for operation in June 2000 with temporary exhibits and experienced an excellent first season of operations. The exhibits are in the

process of being finalized with the goal of being complete by June 1, 2001.

2. OBJECTIVES AND SCOPE

The objectives of this audit were to provide an independent assessment to senior management on:

- < whether allocated funds were spent as intended,
- < the fairness and value for money in contracting; and,
- < the effectiveness of the management control framework over the Gros Morne Discovery Centre strategic initiative project.

The scope of this engagement covered the activities and expenditures incurred in the fiscal years ended March 31, 2000 and March 31, 2001. The work was carried out at PCA Corporate Finance Branch in Ottawa as well as at the Western Newfoundland and Labrador Field Office and the Discovery Centre in Gros Morne National Park.

3. METHODOLOGY

The methodology included the following activities:

- , Interviews with key management and staff at both National Headquarters and at the Field Unit to identify the project management activities which occurred during the project as well as to identify processes and controls in place during the project for capturing, monitoring and reporting of eligible costs.
- , Review of relevant documentation including:
 - < Minutes of meetings of the PCA Executive Board Finance Committee for the fiscal years ended March 31, 2000 and March 31, 2001;
 - < Minutes of meetings of the Field Unit Management Committee;
 - < Project management files including financial reports, minutes of meetings held between PCA/PWGSC & Contractors; correspondence with suppliers, contractor performance evaluations, site reports, etc.
 - < Western Newfoundland and Labrador Field Unit - 2000/2001 Last Quarter Report March 31, 2001 (Final - March 22, 2001)
 - < Western Newfoundland and Labrador Field Unit - 2000/2001 Last Quarter Report March 31, 2001 (Draft March 18, 2001)
 - < Western Newfoundland and Labrador Field Unit Mid - Year Report 2000/2001 (October 23, 2000)
 - < Western Newfoundland and Labrador Field Unit Mid - Year Report 1999/2000 (January 31, 2000)
 - < Western Newfoundland and Labrador Field Unit Mid - Year Report 1999/2000 (September 30, 1999)
 - < Executive Board Finance Committee - Record Of Decision (September 27, 1999) Re: Supplemental Funding in the amount of \$ 600K For Gros Morne Discovery Centre with attachments
 - < Western Newfoundland and Labrador Field Unit Business Plans 2001-2004 (Revised January 31, 2001), 2001-2003, 1999-2000, 1998-1999;
 - < Gros Morne National Park Discovery Centre Business Case Analysis - March 1996
 - < Memorandum Of Intent Between The Government of Canada and the Government of Newfoundland and Labrador, School Boards, Research and

Post Secondary Institutions and Community and Non Profit Organizations to formalize an agreement in principle between the above-mentioned parties, for the shared operational funding, joint use and co-management of the proposed Gros Morne Discovery Centre in Gros Morne National Park.

- < Federal - Provincial Agreement (1973) Between Province of Newfoundland and the Government of Canada For The Establishment of Gros Morne National Park On The West Coast of the Province of Newfoundland and Amendment (March 30, 1983);

, Visit to the Discovery Centre; and

, Examination of contracts and invoices from suppliers.

4. OBSERVATIONS AND CONCLUSIONS

4.1 Management Control Framework of the Discovery Centre Project

Observations

To access the management control framework of the Discovery Centre Project, we reviewed the management practises in place at the Field Unit as well as the project management activities specifically related to the Discovery Centre. We have outlined our observations as follows:

Field Unit Level

We observed that:

- < There were clearly defined roles and responsibilities;
- < There were business plans and financial budgets and forecasts with good financial control/monitoring;
- < Management meetings were ongoing throughout the period, and the Discovery Centre was for the most part the first discussion item for the management team; and,
- < The Park Site Superintendent was knowledgeable of the project and issues related thereto.

Discovery Centre Level

We observed that:

- < There was knowledgeable project management and construction site staff with clearly defined roles and responsibilities on the project;
- < There were well documented project management files including financial forecasts, scheduling of activities, comparison of actual costs to plan with variance analysis, minutes of meetings with contractors;
- < There was was good terms of reference for contracts;
- < There was evidence of good project site management, eg. daily site reports, contractor/PCA/PWGSC meetings to discuss progress and resolve issues; and

- < Contractor performance was well documented by PCA staff and there was evidence of negotiation with contractors to ensure value for money and adherence to predefined deliverables.

Conclusion:

- T The overall management control framework of the Discovery Centre Project was effective.

4.2 Expenditures Charged to Discovery Centre Project**Observations**

The Discovery Centre project expenditures for the fiscal years ended March 31, 2000 and March 31, 2001 were \$ 297,402 and \$ 2,216,178 respectively. The majority of these costs relate to the construction costs, and consulting fees for building design, exhibits and interpretative plan. Also included are salary costs of certain PCA staff working on the project. These individuals were providing interpretative design and construction site management to the project.

Our audit testing of transactions provided overall coverage for the two fiscal years of 91.4 % of the dollars spent and 15 % of the transactions processed. Outlined below is the audit coverage achieved in each year by category:

2000/2001***Financial Coverage:***

Total Costs Charged to Discovery Centre During the Fiscal Period	\$ 297,489
Total Costs Examined	\$ 251,403
Audit Coverage	84.5 %

Transactions Coverage:

Total Number Of Transactions in Internal Order During The Fiscal Period	443
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Total Number Of Entries Examined	72
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Audit Coverage	16.5 %
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1999/2000***Financial***

Total Costs Charged to Discovery Centre During the Fiscal Period	\$ 2,116,178
Total Costs Examined	1,953,843
Audit Coverage	92.3 %

Transactions

Total Number Of Transactions in Internal Order During The Fiscal Period	\$ 377
Total Number Of Entries Examined	51
Audit Coverage	13.5 %

Our detailed transaction testing included examining contracts and related invoices from suppliers and or other supporting documentation such as journal entries as well as interviews with field unit staff to assess the appropriateness of the charge to the Discovery Centre.

There are no specified criteria for identifying what can and cannot be charged to the project. This fact lends itself to differences in interpretation of what can be charged to a project. In general, we found expenditures charged to the Discovery Centre Project to be appropriate and that their was compliance to contracting policies and financial authorities. We did however identify a few items that we believe could have been more appropriately charged to the field unit operating budget. More specifically, salary of PCA staff who provide interpretative design and construction site management to the project as well as the cost of a computer for one of these individuals. Field unit management stated that the staff who are charged to the Discovery Centre are seasonal staff who have person year allocations ranging from .25 to .35 in operations and in order to keep them on strength to have available their respective skills to work on the project funding had to be taken from the project. The computer was purchased in the current year near the sunset of the project.

We also found instances where the PWGSC Project Manager was signing invoices from the construction management firm to certify pursuant to section 34 of the Financial Administration Act that the goods and services were received. The Field Unit finance staff provided us with an Specimen Signature Authorities document which gave the PWGSC Project Manager signing authority on specific projects undertaken by Parks Canada including Gros Morne Discovery Centre. This authority was given to the PWGSC Project Manager by the A/Director Real Property Services at PWGSC. Parks finance and contracting personnel in the Field Unit and at National Headquarters were unable to provide any authoritative document which would give PWGSC this type of signing authority. This practice needs to be clarified. The field unit has advised the audit team that “all “ future signing authority approvals would be signed by the Superintendent.

Conclusion

- T Expenditures charged to the Discovery Centre Project were appropriate with two identified exceptions.
- T Further research is required to determine the appropriateness of delegating financial authority to PWGSC Real Property Project Managers. The results of this research should be communicated to the Field Unit Superintendent and Finance Officer.

4.3 Fairness and Value for Money in Contracting

Observations

In order to assess fairness in the contracting processes, we reviewed supplier contract file documentation and project management files maintained by the PCA site Project Manager to confirm the type of contracts used ie. competitive or sole source and to access compliance to the contracting policies and delegated financial authorities. In addition, our transaction testing also involved the review of invoices from suppliers and contractors and the compliance of these invoices to the terms and conditions of the contract documentation. We observed that contracts and amendments had clear terms of reference, terms and conditions including deliverables and an appropriate basis of payment. Documentation reviewed provided evidence of ongoing contract administration and contractor performance monitoring by Parks staff. Payments to contractors were supported by certifications that goods and services were received.

We found instances where the PWGSC Project Manager was signing invoices from the construction management firm to certify pursuant to section 34 of the Financial Administration Act that the goods and services were received. The Field Unit finance staff provided us with an Specimen Signature Authorities document which gave the PWGSC Project Manager signing authority on specific projects undertaken by Parks Canada including Gros Morne Discovery Centre. This authority was given to the PWGSC Project Manager by the A/Director Real Property Services at PWGSC. Parks finance and contracting personnel in the Field Unit and at National Headquarters were unable to provide any authoritative document which would give PWGSC this type of signing authority. This practice needs to be clarified. The field unit has advised the audit team that “ All “ future signing authority approvals would be signed by the Superintendent.

Review of contract files and interviews with Field Site staff indicated that contracts were awarded after competitive tendering in a fair and open process. Our detailed transaction testing of smaller contracts also supports this observation. Furthermore, Public Works and Government Services Canada, Real Property Services Branch, provided contracting services to the Field Unit which including operating tendering processes, obtaining bids, providing advise and assistance with determining terms of reference and statements of work, evaluating bids, and managing contractor performance and contract disputes. As can be seen form the information below with the exception of one sole source contract, competitive contracting was used in the majority of situations.

Our review of specific contracts covered a significant portion of the cost of the overall project - \$ 4,118,570 which represents approximately 78 % of the total project costs of \$5.3 Million. This \$ 4,118,570 represents nine contracts. We have outlined below a summary of the major contracts examined categorized by nature and type:

<i>Nature of Contract</i>	<i>Type</i>	<i>Amount</i>
Construction Contract	Competitive	\$ 3,380,692
Design of Discovery Centre	Competitive	269,764
Exhibit Design	Competitive	290,698
Interpretive Media Plan and Integrated Public Programming Strategy	Sole Source	77,500
Interpretive Plan and Ongoing Technical Advise Associated with Exhibit Plan and Design Program	Competitive	54,100
Icon Map-Design/Build	Competitive	35,500
Construction Stage - Inspection Services	Competitive	35,202
Exhibits - Statuettes	Competitive	24,954
Exhibits - Steel Support Base For Exhibits	Competitive	20,160
Total		\$ 4,188,570

The contract for an Interpretative Media Plan and Integrated Public Programming Strategy (\$ 77,500) was a sole source contract. The contract was supported by a justification approved by the Field Unit Superintendent. The contract amount exceeded sole source contracting limits. This contract was undertaken to keep the project moving forward at a critical stage of construction after a dispute occurred with a previous design consultant firm. A decision was made by PWGSC and the Field Unit to terminate the contract with the original contractor and engage a new firm to continue. The decision to terminate was supported by a very detailed listing of problems encountered with the firm. Based on documentation reviewed from PWGSC and the Field Unit the contract with the firm

had been a difficult one, the quality and timeliness of the work was below standard and cooperation with the exhibit designers was practically non-existent. The value received from this contract was low; however, the decision to terminate and obtain a new firm to keep the project moving ahead resulted in reduced costs by avoiding further delays. From this perspective value was achieved.

Conclusions

T There was fairness and value for money in the contracting process and compliance to contracting policies and financial authorities with two identified exceptions.

MANAGEMENT RESPONSE TO GROS MORNE DISCOVERY CENTRE PROJECT AUDIT

Managers having reviewed the final report consider it to be fair and very representative of the project history. The observations made are fair and in those areas where the observation warrants change improvement in project and financial management have been made and will be made. Here are our responses to the observations made.

1. The overall management control framework of the Discovery Centre Project was effective.

Response: fair assessment

2. Expenditures Charged to Discovery Centre

Expenditures charged to the Discovery Centre Project were appropriate with two identified exceptions.

Further research is required to determine the appropriateness of delegating financial authority to PWGSC Real Property Project Managers. The results of this research should be communicated to the Field Unit Superintendent and Finance Officer.

Response:

The identified exceptions are fair, however, both were in support of the project, salary cost were necessary the computer agreeably should not have been charged to the project but the Discovery Centre was issued the computer (a replacement). Future projects will certainly be monitored for appropriate charges.

The research has indicated that only the Field Unit Superintendent has the authority to delegated signing to PWGSC staff involved in project supervision for the Field Unit. The decision to provide signing authority to other than Field Unit Project Managers will be exceptions vs the rule in all future projects.

3. Fairness and Value Money in Contracting

There was fairness and value for money in the contracting process and compliance to contracting policies and financial authorities with two identified exceptions.

Response:

Fairness and value for money was always the focus of the project and the identified exceptions did take this into consideration. The sole sourcing identified was approved based on the known availability and experience of the service provider and while the

value was not evident in the subsequent product and while late in the process the contract was terminated. Future projects will ensure that every possible effort will be put into ensuring the competitive process is followed.