



INFORMATION REPORT

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: September 9, 2013	
SUBJECT/REPORT NO: Community and Emergency Services - Corporate Trunked Radio Upgrade Project (AUD13027) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

Council Direction:

During the July 12, 2013 meeting, City Council directed “that the matter respecting the expenditure of \$901,300 for the Corporate Trunked Radio Upgrade Project without prior Council approval be referred to the Internal Auditor for a report to the Audit, Finance and Administration Committee”.

Information:

The approved budget for the Corporate Trunked Radio Upgrade Project was \$23,314,000. Actual costs paid to date (\$22,556,640) and estimates of remaining payments to be made (\$1,658,658) total \$24,215,298, resulting in \$901,298 in expenditures over the approved budget.

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The following chart provides a summary of the overages in each of the categories of Contract Price, Contingency / Additional Costs and the Fire Station Alerting System.

Nature of Expense:	Contract Price	Contingency / Additional Costs	Fire Station Alerting System	Total
Approved Budget Per Report: HES08004(a) HES10011 HES10117	\$20,433,148	\$1,180,852 \$1,400,000 \$(280,000)	\$580,000	\$21,614,000 \$ 1,400,000 \$ 300,000
Total Approved Budget	\$20,433,148	\$2,300,852	\$580,000	\$23,314,000
Total Costs (Actual plus Anticipated Outstanding)	\$21,309,888	\$2,311,926	\$593,484	\$24,215,298
(Over) Approved Budget	\$(876,740) ¹	\$(11,074) ²	\$(13,484) ³	\$(901,298)
<p>¹ <u>Contract Price</u> Non-recoverable taxes charged to the project of \$876,740 were not included in the initial budget request, resulting in the overage. The Motorola contract stated that the contract price did not include any amount for taxes, all of which will be paid by the customer.</p>				
<p>² <u>Contingency / Additional Costs</u> Hamilton Fire Department incorrectly calculated a remaining project balance in this area of \$34,491 whereas actual cost tracking errors totaled \$45,565, leading to the net overage of \$11,074. Discrepancies were not identified by project management as the project cost tracking sheet was not compared to the amounts actually charged to the project through the general ledger.</p>				
<p>³ <u>Fire Station Alerting System</u> Non-recoverable taxes charged to the project of \$10,266 were not included in the budget request. In addition the actual cost exceeded the budgeted amount by \$3,218, resulting in an overall overage of \$13,484.</p>				

Conclusion

The project was over budget by \$901,298. Most of this overage (98%) is attributable to non-recoverable taxes on the contract price and the Fire Station Alerting System that were not included in the budgets requested but for which the City was responsible per the contract.