



Government of Yukon

Government of Yukon's Role in the 2007 Canada Winter Games

February 2008



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

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Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the Yukon Legislative Assembly:

I have the honour to transmit herewith my report on the Government of Yukon's Role in the 2007 Canada Winter Games to the Yukon Legislative Assembly in accordance with the provisions of section 35 of the *Yukon Act*.

A handwritten signature in black ink that reads "Sheila Fraser".

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 7 February 2008

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Government of Yukon's Role in the 2007 Canada Winter Games

Main Points

What we examined

The Canada Winter Games were held in Whitehorse from 23 February to 10 March 2007. Along with the City of Whitehorse, the Host Society, the Canada Games Council, the Government of Canada, the Government of Yukon was one of five key partners in the Games. It contributed about \$64 million and provided many staff to support the planning, coordination, and delivery of the Games as well as many of its facilities for use at no charge.

We examined whether the Government identified and managed the risks associated with its involvement in the Games, identified and met its obligations, and, where possible, ensured that the resources it contributed were used economically, efficiently, and effectively. We also looked at whether the Government recognized and properly accounted for the costs it incurred for the Games and whether it evaluated the results of its involvement. Our audit included the planning and construction of the Athletes' Village by the Department of Community Services.

Our audit did not cover how Government contributions were used by the Host Society or spent by the City of Whitehorse in building the Canada Games Centre.

Why it's important

Of the five major partners in the Games, the Government of Yukon made the largest financial contribution. The 2007 Canada Winter Games were seen as a vehicle to provide economic benefits to the Yukon and to raise its profile in the tourism and investment sectors.

An event of this size, importance, and visibility, with planning and delivery involving several partners over a number of years, is a major undertaking that tests all the elements of good project management. Lessons learned can be applied to many activities on which the Government of Yukon may choose to embark in the future.

What we found

- The Government met all of its significant financial, human, and physical obligations related to the Games. It also identified the significant risks associated with its involvement in the Games. It took steps to mitigate some of the risks by entering into

agreements with its partners that clearly spelled out the obligations of each. One of the key risks to the Games was in providing accommodation for the athletes. Management Board was advised only when it became clear that the Host Society would be unable to provide these accommodations. The Government's opportunity to find lower-cost options was limited by that time.

- Once the Government took control of the Athletes' Village project, the Department of Community Services followed good project management practices. Despite the difficult position it was placed in when it was assigned this responsibility, the Department completed this critical project in time for the Games.
- The Government has not yet evaluated the results of its involvement in the Games. It spent about \$43 million more than the amount it estimated at the time that it accepted the City of Whitehorse's bid for the Games. Most of the increase is linked to the Government's decision to assume responsibility for athletes' accommodation during the Games (later used for seniors' and student family residences). The Government has received or is to receive indirect contributions from the City and federal government totalling \$11.7 million toward the construction cost of the residences. Although it had not defined what would be included as Games-related costs, the Government has recognized the majority of what can reasonably be considered its costs for the Games.

Introduction

Background

1. The Canada Winter and Summer Games are each held every four years in different communities in the country; winter and summer games are held alternatively, two years apart. Interest in Yukon hosting the Canada Winter Games started in 1989 when the Government of Yukon's Sport and Recreation Branch prepared a profile for a location in Whitehorse. In early 1995, Yukon was officially included in the Games' hosting cycle.
2. Prior to its involvement in the Games process, the Government of Yukon (the Government) carried out a feasibility study in 1997. The feasibility report included a cost estimate of \$34 million to construct a sports facility, and a Games' capital and operating budget of about \$13 million in total from all three levels of government. It was assumed that another \$12 million would be raised from corporate sponsorships. The report raised concern about the lack of facilities in Whitehorse to house the athletes.
3. The report also pointed out that the Canada Winter Games usually require about 5,000 to 6,000 volunteers over a two-week period, based on a minimum individual contribution of 25 to 30 hours. This number of volunteers represented a significant portion of Whitehorse's adult population (about 30 percent), and could be difficult to achieve. As the Government employed 20 percent of the adult population in Yukon (and 27 percent of the adult population of Whitehorse), a significant number of its employees would have to volunteer for the Games.

Awarding of the Games

4. In March 2000, the Government of Yukon invited the City of Whitehorse to prepare a bid package for the Canada Games Council to consider. In May 2000, with the Government's assistance, the City of Whitehorse established the 2007 Canada Games Bid Committee to prepare a bid to host the Canada Winter Games. The bid package was the result of eight months of planning and preparation by a committee of 100 volunteers.
5. In fall 2001, the Canada Games Council awarded the City of Whitehorse the right to host the 2007 Games, on condition that the federal government's \$20 million capital funding for building the Canada Games Centre was confirmed. This confirmation was received

on 29 May 2002. The City then established the Whitehorse 2007 Canada Games Host Society (Host Society) on 20 June 2002, which was to organize, plan, and carry out the Games. The President of the Host Society was appointed in November of that year. A general manager was hired and started work in January 2004.

6. After three years of negotiation, a Multi-Party Agreement (MPA) was signed in March 2006 by the five key partners—the Host Society, the Canada Games Council, the Government of Canada, the Government of Yukon, and the City of Whitehorse. It was a standard Games' agreement that identified specific roles, responsibilities, and obligations for the 2007 Games.

Hosting of the Games

7. The Canada Winter Games were held in Whitehorse from 23 February to 10 March 2007, with 3,600 athletes, coaches, and managers participating, and over 4,000 volunteers supporting the 22 sporting events that took place over the two-week period. The 2007 Games were the first Canada Games ever held North of the 60th parallel and marked the 40th anniversary of the Canada Games. There were many positive media comments on the successful hosting of events at the Games.

The Government of Yukon's role in the 2007 Games

8. The Government of Yukon was an important partner to the Host Society and played a central role in ensuring the overall success of the Games. It had official representation on the Canada Games Council, the governing body of the Canada Games Movement, and it was represented on several of the Host Society's key boards and committees. The Government provided expertise and support to the Host Society throughout the planning and delivery of the Games.

9. The Government also contributed significant amounts of money toward the Games' capital and operating costs. Prior to formally supporting the bid for the Games, the Government was already planning to contribute \$21 million toward these costs. Of this amount, \$9 million was for the aquatic centre, which was planned to be built regardless of the bid outcome.

10. The Government of Yukon's Public Service Commission worked with the Host Society to provide the Government with a list of needs for government participants during the Games and for the periods immediately prior to and after the Games.

11. The onus was on the Host Society to carry out most of the preparation for the Games and the actual operations. Exhibit 1 outlines the roles and responsibilities of the various partners in the Games.

Exhibit 1 Partners' roles and responsibilities in the 2007 Canada Winter Games

Government of Yukon	<p>Management Board</p> <p>Management Board is composed of Government ministers. The Board is responsible for financial oversight and approves department submissions for additional funding.</p> <hr/> <p>Key departments</p> <p>Department of Education. The Department provided use of Yukon College's facilities for Host Society administrative activities, and use of schools as venues for sports competitions.</p> <p>Department of Community Services. The Department provided dedicated staffing and assistance to the Host Society, including a project manager who assisted in the Athletes' Village project.</p> <p>Public Service Commission. The Commission developed the Government policy to enable staff to volunteer for the Games during work hours. It also received and tracked reports from departments on all requests for leave under this policy and their disposition.</p>
City of Whitehorse	<p>The City sent its bid to the Canada Games Council to host the Games. Once the bid was accepted, the City created the Host Society.</p>
Government of Canada	<p>The federal government provided funding for the Canada Games Centre, the Host Society's operating and capital expenses, and participants' travel to Whitehorse.</p>
Whitehorse 2007 Jeux du Canada Games Host Society	<p>The Host Society was incorporated under the <i>Societies Act</i>. By-laws were established to set up the positions and roles of stakeholders, naming individuals.</p> <p>The Host Society was responsible for raising money, working with the host community to build the necessary facilities, recruiting the thousands of volunteers required to host the Games, and carrying out all operations as described in its business plan.</p>
Canada Games Council	<p>The Canada Games Council is an independent, non-profit organization responsible for the ongoing management of the Canada Games and the development of the Canada Games Movement. The Council is the franchise holder for the Canada Games Movement and awards the Games to each host city.</p> <p>The Council works with host societies to ensure that the standards and integrity of all aspects of the Canada Games are upheld and oversees the planning and organization efforts of each city's Host Society.</p> <p>The Canada Games Council is responsible for all aspects of the Games, including the philosophy, objectives, and the development of policies and procedures to guide the preparation and staging of the Canada Winter and Summer Games.</p>

Major construction projects

12. Canada Games Centre. To replace an aging pool facility, the Government of Yukon and the City of Whitehorse signed an agreement in 1999 for the design and construction of an aquatic centre. The Government contributed \$9 million and the City contributed \$3.3 million for this \$12.3 million project, completed in 2003. Following the Government of Canada's agreement to contribute \$20 million for design and construction of a multiplex facility needed for the Games, the Government agreed to contribute \$8 million to this project (later amended to \$10 million). The City was to contribute the remainder. The multiplex (referred to as Phase 2) was integrated with the aquatic centre and included two hockey rinks, an indoor soccer field, a flexi-hall, a jogging track, and a fitness facility. Phase 2 was completed in 2005. The total cost of the facility, later named the Canada Games Centre, was about \$46 million. The City of Whitehorse was responsible for project management.

13. The Athletes' Village project. According to the bid document, the Host Society was responsible for delivering the athletes' accommodation. In October 2004, the Host Society issued a request for proposals for constructing a modular concept building near the Yukon College. This facility was to be privately built and leased to the Society for the duration of the Games and then sold to an end user. Key criteria were that the builder be self-financed, an end user be identified, and the builder have the capacity to carry out the project. However, the consensus of the Society's review team was that none of the four proposals evaluated could meet all of the criteria; nor were they within the \$2.7 million budget for leasing accommodation available to the Society. The team identified that a temporary arrangement for leasing the facility would have ranged from \$6 million to \$14.8 million; however, these amounts did not include additional costs for temporary site services estimated at \$4.85 million. In addition, none of the proposals provided for specific use of the units when the Games were over.

14. In late November 2004, the Host Society briefed the Government on the escalating costs and tight timelines in delivering the project. After receiving the report of Host Society's project review team on 3 December 2004, the Government (led by the Department of Community Services with the help of the Department of Highways and Public Works and the Department of Education), along with the Yukon Housing Corporation, began developing statements of requirements for two possible structures—a Yukon College residence for student families and affordable housing near the College. The plan was to use the structures to house the athletes during the Games and

use them later as a residence for families of students attending Yukon College and as seniors' housing.



Seniors' and student family residences

Photo: R. Shewan, Government of Yukon construction management team

15. In February 2005, the Government of Yukon and the City of Whitehorse signed a memorandum of understanding (MOU) to assist the Host Society in constructing an athletes' village for use during the Games. Under the MOU, the Government committed to providing just over \$20 million to the project, as well as assisting with the planning, design, and management of the construction of the facilities. The City agreed to provide \$8.2 million to the Government, comprising costs for land, future infrastructure construction, and reductions in future permits and grants-in-lieu of taxes.

16. In February 2005, the Government retained a consultant who brought together a team to prepare a plan for the Athletes' Village. The team made a presentation to the Government in late April 2005. Based on this information, Management Board decided on 16 May 2005 that the Government would assume responsibility for the project and would be the contracting agency rather than the Host Society. Management Board directed that the Department of Community Services take direct responsibility for the project. The project team, which included some of the planning team members, was organized soon after Management Board gave its approval.

17. In order to complete the project on time, the Government decided to appoint members to the project team by contracting a project manager and an architect. It constructed two buildings that cost about \$34 million. These two buildings are now used separately as housing for seniors and as a Yukon College residence for families of students.

Focus of the audit

18. In this audit, we assessed if the Government of Yukon met its obligations to the 2007 Canada Winter Games, identified and managed its risks, and determined its Games-related costs. We also assessed how well the Government ensured, to the extent possible, the resources it contributed were used economically, efficiently, and effectively. The audit focused on the Government's roles and responsibilities in the Games process; the Department of Community Services' systems, controls, and management practices related to the planning and construction of the Athletes' Village facilities; and the Government's accounting and reporting of costs incurred.

19. Further details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this report.

Observations and Recommendations

Risk management

20. We looked at how the Government of Yukon identified and managed its risks related to the Canada Winter Games. Risk management practices are important for managing the uncertainty of future events and the potential impact of the identified risks. We expected the Government to have clearly defined roles, responsibilities, and obligations for the Canada Winter Games. We also expected it to have ensured that its financial, human, and physical obligations were met, by managing the key risks to their achievement.

The Government identified the significant risks and economic benefits

21. The Government was aware of a feasibility study done in 1997 prior to its involvement in the 2007 Games. The study identified numerous risks that could have affected the Government in its efforts to carry out a successful 2007 Games, such as not having enough of its employees volunteer for the Games and not having suitable accommodation for the athletes. However, there was no discussion of alternatives for athletes' accommodation; nor was there an indication of how much this accommodation could cost.

22. We found that the Government considered the benefits and costs of involving itself with the 2007 Games. Two other reports were prepared for Sports Yukon, a non-profit group that assessed the economic impact of the sport and recreation industry, and these reports introduced a strategy for a multi-year development plan. The reports supported the Yukon on strategic bidding for major special events, such as the Canada Winter Games, because these events brought significant benefits that could be readily identified and measured.

The Government did not identify all its significant costs prior to supporting the bid for the Games

23. We looked at the process the Government followed in identifying its Games-related costs and determining its financial obligations before it accepted the bid for the Games.

24. The bid document supported by the City of Whitehorse and the Government of Yukon, and then accepted by the Canada Games Council, obliged all parties to provide contributions for capital and operating expenses. The bid was similar to an offer to purchase. Once the Canada Games Council accepted the bid, this financial

commitment became an obligation. While it was the City's responsibility to cover any deficits from the Games, the Government should have assessed its exposure to financial risks that the City might be unable to cover.

25. We found that the Government did not thoroughly review the bid prior to supporting it. For example, it neither identified nor estimated significant costs normally incurred as part of the Games before it supported the bid and the Games were awarded to the City of Whitehorse. Such costs included the salaries of its employees seconded or volunteered to the Host Society, estimated costs for the use of Government facilities, and its contribution to marketing of the Games. The Government estimated its contributions at \$21 million, but it actually contributed \$64 million to the Games. Exhibit 2 provides a summary of the Government's estimated and actual contributions.

26. The Government's estimated Games-related contributions were consistent with the information it had from the 1997 feasibility study and with those costs identified in the bid. However, some costs in the bid were significantly underestimated. For example, the cost of the Canada Games Centre was estimated to be \$38 million in the bid document. While the Government's Management Board was later advised that the cost would be \$40 million, the final cost of the Centre was about \$46 million.

27. The cost of the Athletes' Village was estimated at \$2.7 million in the bid, based on a net cost to the Host Society of leasing accommodation units. However, prior to finalizing the bid, the Bid Committee was informed that the estimated cost of its concept of the athletes' accommodation was revised to \$6 million (with a potential recovery of \$2.8 million by selling off the modular units after the Games).

28. If the Government had been monitoring these rising cost estimates, it would have been alerted to the need for its early involvement, given that the Host Society might not have had the financial means to provide this accommodation. The Multi-Party Agreement required the Host Society to develop the athletes' accommodation and made the City responsible for any Games' deficit. In the course of its normal yearly expenditures, the Government already provides the City with a large amount of annual funding. Beyond formal agreements, there was a risk that the Government would have to provide further funding if the City and Host Society could not accept the financial burden of developing the athletes' accommodation.

Exhibit 2 The Government of Yukon's actual contributions were far greater than estimated (\$ millions)

Nature of contribution	Original 2001 budget	Actual contributions	Increase
Legacy buildings			
Canada Games Centre—Phase 1 (aquatic centre) (Note 1)	9.0	9.0	
Canada Games Centre—Phase 2	8.0	10.7	2.7
Athletes' accommodation and seniors' and student family residences (Note 2)		31.8	31.8
Subtotal	17.0	51.5	34.5
Capital contributions			
Core funding	2.0	2.0	
Other funding		1.4	1.4
Subtotal	2.0	3.4	1.4
Operating contributions			
Operating funding	2.0	2.0	
Personnel secondment		1.3	1.3
Volunteers		1.0	1.0
Pan Northern marketing		2.0	2.0
Lotteries transfer		1.0	1.0
Other		1.7	1.7
Subtotal	2.0	9.0	7.0
Total	21.0	63.9	42.9

Source: Government of Yukon

Note 1: The Government's \$9 million contribution for the aquatic centre has been included as a Games-related contribution as the pool was part of the Canada Games Centre.

Note 2: The Government's gross contributions for the seniors' and student family residences do not reflect the \$8.2 million indirect funding to be received from the City (for waterfront land, building permits for the Athletes' Village project, Hamilton Boulevard improvements, and future tax forgiveness), and Canada Mortgage & Housing Corporation's \$3.5 million contribution toward Yukon affordable housing.

The Government took steps to mitigate most of its risks

29. We looked at the Government's activities and actions to reduce its exposure to possible risks arising from its involvement with the Games.

30. We found that the Government did not have an overall plan to sufficiently identify and mitigate the significant risks expected for such a large event in a small jurisdiction, including providing accommodation for 3,600 athletes at a reasonable cost. For example, it did not prepare a project brief that clearly identified risks and mitigating controls. Despite not having an overall plan and a project brief, the Government carried out various steps to mitigate its risks.

31. **Financial risk.** The Government took steps that confirmed its financial obligations toward the 2007 Games by entering into several agreements with the hosting partners. Most of the significant financial agreements that the Government entered into were for obligations that were known to the Government prior to supporting the bid. However, the Government later took on the financial responsibility for the Athletes' Village, which it had not foreseen.

32. The Government's minimum obligations were clearly and formally defined through the Multi-Party Agreement. In addition to this agreement, the Government signed several agreements with the City and Host Society in which it formally provided funding for the Canada Games Centre and athletes' accommodation, and interim funding for operating and other capital costs.

33. **Employee risk.** Under the Multi-Party Agreement, the Government had no obligation to provide human resources to the Host Society. However, its initiative in allowing employees to work part of their normal shift as volunteers was significant to the success of the Games.

34. After the City of Whitehorse won the bid, the Government established a process that coordinated departments through an interdepartmental committee. This committee met on a regular basis to review operational plans that would allow employees to take leave to volunteer.

35. The Government appointed many managers to various committees to work with or advise the Host Society and established an interdepartmental Government committee to coordinate the efforts of departments for the Games.

36. The Government of Yukon's Public Service Commission developed a Government policy designed to enable staff to volunteer for the Games during work hours. It received and tracked all requests for leave under this policy on behalf of all departments.

Problems in developing athletes' accommodation were communicated late

37. We found that the Host Society did not have a full-time project manager to oversee the Athletes' Village project until 2004 (a person was recruited by the summer of 2003, with a fall start date; however, staffing complications resulted in a different general manager being hired); nor did it have the funds to finance such a project. We expected that Government managers would have monitored progress of the project and communicated the results to Management Board.

38. There was a significant gap in time from when the bid was awarded in the fall of 2001 to January 2004, when Host Society staffing was in place and detailed planning of the Athletes' Village began. That planning culminated in an unsuccessful request for proposals, after which the Government was approached for assistance. The options that the Host Society identified earlier for temporary athletes' accommodation were feasible, but the Society did not have adequate financing for any of them.

39. Although Government representatives were part of the Society's key committees, we found no documentation by these committees of the growing risk that the Athletes' Village project could not be carried out as originally planned.

40. We reviewed the minutes of Management Board meetings to see if the Board was being informed on a regular basis of the Host Society's progress to deliver the athletes' accommodation. We found there was no formal reporting to advise Management Board of potential problems. As a result, the Board could not determine if the Government was monitoring and mitigating the risk of not providing athletes' accommodation, which could have jeopardized the Games. We received no evidence that Management Board was advised prior to January 2005 of the inability of the Host Society to provide the facilities for athletes. The Government's opportunity to find lower cost options was already limited by that time.

41. The Government made its decision based on rough cost estimates. Due to the lack of timely communications and a plan, the Government ended up having to intervene late in the process. Because of time restraints, it had a shortened list of alternatives to house the

athletes. Earlier options were no longer considered feasible as there was too much risk in relying on others to construct the accommodation. Construction using conventional techniques and materials was ruled out as it did not allow enough time to complete the project in 20 months to be ready for the Games.

42. In January 2005, Management Board was requested to approve funding of \$20.8 million for the Host Society to construct 100,000 square feet of accommodation consisting of 75,000 of permanent space and 25,000 square feet of temporary modular space, based on a rough estimate (+/- 20 percent accuracy). This estimate was not based on schematic drawings. The Department advised us that more accurate estimates could not be prepared due to time constraints. Consequently, after the conceptual design was completed, the estimated cost was revised to \$31.4 million.

43. The other option considered was to rent trailers for \$18 million. The Government's decision was similar to a financial decision an individual makes to buy a home rather than to rent—that is, opting to have something to show for the money spent. In this case, \$18 million saved from not renting trailers could be directed to constructing the buildings instead.

44. Ultimately, there was \$34 million spent to construct the two buildings that housed the athletes. Had Management Board been informed earlier, it would have had more time to consider options, to have better estimates prepared, and to manage risks.

45. Recommendation. The Government of Yukon should have a risk management plan for all major projects, such as the Canada Winter Games. Such a plan would ensure that risks are identified, mitigated, monitored, and reported formally to Management Board on a regular basis.

Management response. The Government accepts the recommendation that there needs to be a risk management plan for all major projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate formal risk management framework and guidelines for identifying, monitoring, and reporting risks to Management Board.

Government resources

46. The Government of Yukon played a central role in ensuring the overall success of the Canada Winter Games. It is important for the Government to know how much it contributed to the Games and how much benefit Yukon realized from those contributions.

47. We compared the Government's obligations, as agreed to in the Multi-Party Agreement, in the bid document, and in those agreements and memoranda of understanding it entered into with the City, Host Society, and Canada Games Council, with what the Government actually delivered. We looked at the completeness and reasonableness of the Government's accounting and reporting of Games-related costs.

48. We expected the Government to have ensured that its financial, human, and physical obligations were met. We also expected it to have recognized and properly accounted for the Games-related costs incurred and benefits realized, and evaluated the results of its involvement.

The Government met all its significant financial, human resources, and physical obligations

49. The Government met all its significant financial obligations, but contributed more than it originally planned. While the Government initially estimated its Games-related contributions to be \$21 million, it actually provided almost \$64 million of funding, including an estimated value for goods and services it provided without cost to the Host Society (see Exhibit 2).

50. The Government did not clearly define what was to be considered a Games-related contribution. The Canada Games Council specifies the type of expenditures it expects to be incurred as operating costs. It does not specify what is to be included as capital expenditures. Therefore, we have defined for our audit purposes that capital expenditures for the Government are those Games-related capital investments that will remain in their natural state after the Games.

51. Although the Government had not defined what it was to include as a Games-related contribution, we found that it had recognized the majority of contributions that may be reasonably considered Games-related. Exhibit 3 provides a summary of the Government's and the other partners' contributions. Total contributions do not include any future deficits that may arise in operating the two legacy buildings.

52. For the Canada Games Centre, the Government and the City each agreed to contribute another \$2 million to compensate for increasing construction costs. The Government also contributed an additional \$700,000 due to its stipulation that the project use local contractors under its Business Incentive Policy.

Exhibit 3 Games-related contributions (\$ millions)

Capital Projects	Government of Canada	City of Whitehorse	Host Society	Government of Yukon	Actual Total	City of Whitehorse 2001 Bid Estimate
Legacy buildings						
Canada Games Centre—Phase 1 (aquatic centre) and Phase 2	20.0	6.3		19.7	46.0 (Note 1)	38.0
Athletes' accommodation and seniors' and student family residences			2.2 (Note 2)	31.8 (Note 3)	34.0 (Note 4)	
Subtotal	20.0	6.3	2.2	51.5	80.0	38.0
Capital contributions						
Core funding—per the Multi-Party Agreement	2.0	2.0		2.0	6.0	
Other funding		.1	.2	1.4	1.7	
Subtotal	2.0	2.1	.2	3.4	7.7	6.0
Operating contributions						
Operating funding	6.8		7.1	2.0	15.9	18.9
Personnel secondment				1.3	1.3	
Volunteers				1.0	1.0	
Pan Northern marketing	3.0			2.0	5.0	
Lotteries transfer				1.0	1.0	
Other	.1			1.7	1.8	1.5
Participants' travel	6.3				6.3	
Subtotal	16.2		7.1	9.0	32.3	20.4
Total	38.2	8.4	9.5	63.9	120.0	64.4

Note 1: The City of Whitehorse's and the Government's contributions for the aquatic centre, totalling \$12.3 million, have been included as Games-related contributions as the centre was integrated with the Canada Games Centre.

Note 2: Of this amount (\$2.2 million), \$1.7 million has not yet been paid by the Host Society as of 31 October 2007.

Note 3: The Government's gross contributions for the seniors' and student family residences do not reflect the \$8.2 million indirect funding to be received from the City (for waterfront land, building permits for the Athletes' Village project, Hamilton Boulevard improvements, and future tax forgiveness), and Canada Mortgage & Housing Corporation's \$3.5 million contribution toward Yukon affordable housing.

Note 4: The total costs of the project to 31 October 2007 were \$34.0 million. Some further costs may be incurred.

Source: Figures were compiled from Government of Yukon files, the Host Society's audited financial statements, and confirmation from the Government of Canada and the City of Whitehorse.

53. Accommodation and upgrade costs. The Government invested almost \$32 million on two legacy buildings for the Athletes' Village. These buildings housed the athletes for their two weeks of competition and are now being used as intended for seniors' housing and student family accommodation.

54. Other facility upgrades in Whitehorse were estimated at \$6 million in the bid document, toward which the Government contributed \$2 million. We found that this estimated amount was also comparable with what was spent in previous Canada Winter Games. However, the actual costs for the 2007 Games were significantly higher for these upgrades, with the Government contributing another \$1.4 million toward items such as a long-track speed skating oval at FH Collins Secondary School, the Mount Sima ski chalet, and renovations to the Heritage Fire Hall.

55. Operating costs. The bid document stated that the Government of Yukon's obligation toward the Games' operating costs was \$2 million. However, the Government actually spent \$9 million on Games operations—\$7 million more than estimated (see Exhibit 2).

56. Marketing and communications costs. The Government contributed \$2 million to the Host Society for marketing of the Yukon Territory. As the Host Society's activities were not part of this audit, we are not able to determine if the Government's contributions to the Host Society were used economically, efficiently, and effectively during hosting of the Games.

57. Volunteer time. As part of its operating costs, the Government spent \$1.3 million to provide the Host Society with full-time seconded employees, a manager for the Athletes' Village project, and someone to coordinate the Government's involvement with the Games. It also continued to pay employees their salaries while they volunteered during the Games, which cost the Government about \$1 million.

58. Besides meeting its financial obligations, we found that the Government also provided additional assistance to help ensure that the Games were a success. For example, the Government provided support and guidance to

- the City in developing the organizational structure of the Host Society;
- the Host Society's Board of Directors, Executive, and Management committees in recruiting volunteer directors and vice-presidents; and

- the Host Society by offering advice on project management; providing facilities, services, and equipment when requested; and letting its employees volunteer for the Games, by providing them with paid leave.

59. The Host Society estimated that 4,000 to 6,000 volunteers (110,000 volunteer hours) would be required during the actual Games (4,500 volunteers at 24 hours each). According to its annual report, the Host Society ended up assigning 3,880 volunteers to the Games for the two-week period. We found that during the Games, 596 Government employees volunteered a total of about 19,500 hours during their work days on paid leave. However, as the Host Society did not specifically track total volunteer hours, we were unable to determine what percentage of total volunteer hours the Government's contribution represents.

60. Asset and service obligations. After the City won the bid, the Government established a process that provided facilities, services, and equipment to the Host Society when requested. The Department of Highways and Public Works kept an inventory of materials and equipment that the Host Society borrowed from departments. Also, as proposed in the bid, the Department of Education provided use of Yukon College's facilities for the Host Society's administrative activities, and schools as venues for sports competitions.

Government's efforts have not yet been evaluated

61. The Government has carried out an internal assessment of the benefits to Yukon from the Games, but it has not carried out an evaluation of its involvement.

62. Recommendation. The Government of Yukon should carry out evaluations of major projects such as the 2007 Canada Winter Games. The Government should also report the Games' benefits and costs.

***Management response.** The Government accepts the recommendation that post-project evaluations be carried out for major projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate directives and guidelines for post-project evaluation. With respect to costs and benefits specific to the 2007 Canada Winter Games, the Host Society commissioned an economic impact assessment of the Canada Winter Games, which was released on 17 November 2007 and focused on three main areas of spending—capital, operations, and visitor. The financial data needed to calculate the capital and operations spending for the 2007 Canada Winter*

Games was gathered by the Host Society, the Government, and the City, who each kept detailed records of capital and operations spending that were made available for this analysis. Gathering data for the third major source of economic injection, visitor spending, required far more effort, and that was acquired by face-to-face surveys of 997 sample visitors during the Games.

The Athletes' Village



Construction of the Athletes' Village
Photo: Government of Yukon

63. We looked at the Department of Community Services' planning and construction of the Athletes' Village, from the time the Government took responsibility for the project from the Host Society. Good management practices in the planning and construction phases of a project will better ensure that the project is delivered on time, on budget, and according to specifications.

64. We expected the Department of Community Services to have applied sound principles of project management in project planning and construction of the Athletes' Village. We also expected the Department's managers to have incorporated principles of risk management into capital project planning and delivery, and to have complied with applicable government policies, directives, and standards in carrying out their capital project planning and delivery.

The use of the buildings was identified late in the process

65. The provision of athletes' accommodation was a requirement of hosting the 2007 Games. The need to construct the buildings was well defined, and the bid document had legacy housing as an objective. However, the need for the legacy housing was not a priority of the Government, and it did not identify this need when it endorsed the City's bid for the 2007 Games. It was not until the Host Society requested the Government's assistance in December 2004 that the Government identified possible uses for the two buildings after the Games. The Yukon Housing Corporation identified the need for affordable housing for seniors, and Yukon College identified the need for accommodation for student families. The Government decided to use the buildings to meet these identified needs, rather than build temporary accommodation.

66. The Government considered all important factors and carried out the analysis competently. The Government's initial analysis that identified the need for affordable housing for seniors and a residence for student families considered several key factors in meeting this need. Both the Yukon Housing Corporation and Yukon College had input into the features the buildings should have to meet the housing needs of seniors and student families.

67. One of the Government's criteria by which it evaluates options is how stakeholder interests are satisfied. While the Government did not canvass seniors and students prior to construction, it mitigated this risk by designing the buildings as affordable housing rather than specifically as seniors' housing. The units were built to be as flexible as possible for use as either seniors' or students' residences.

The project was fast-tracked

68. In its decision to proceed with constructing the buildings, Management Board directed the Department of Community Services to manage the project. Rather than managing the project with its own employees, the Department of Community Services decided to assemble a project management team by contracting certain individuals and companies.

69. The project was fast-tracked (project management steps were combined or deferred) from the time that the Department of Community Services took over the project. While project plans that clearly stated objectives and scope, and contained work packages, schedule, budgets, organization, and controls, were not prepared separately for both buildings, information related to both buildings was included in the architect's design report and the construction manager's project report. Adequate information was provided to the decision makers prior to implementing the project. Management Board approval was obtained to proceed with the project.

70. We found that the architect, construction manager, and project manager prepared contracts for the work to be done, and that an appropriate framework of responsibilities had been developed for members of the project management team.

71. The project management team consulted with both the Yukon Housing Corporation and Yukon College so that their requirements were incorporated into the preliminary (concept) design developed by the architect. The schematic design met the requirements of the Government's building procedures and guidelines, except that the schematic and preliminary designs were combined as one document. The construction manager/advisor prepared preliminary cost estimates for each work package, as required by the guidelines.

The contracting process followed the Government's guidelines

72. The Government's building development guidelines specify that contracting would

- comply with established policies;

- be based on requirements arising from the project definition;
- incorporate authorized changes; and
- conform to well-established principles, including project organization, budgeting, scheduling, control, and reporting.

73. We found that the project team carried out good contracting practices in preparing tendering documents and tendering the contracts, evaluating the bids and awarding the contracts, and obtaining Management Board's approval for sole-sourced contracts when required.

Project management practices helped to deliver the project on time

74. The Government's building development guidelines require mandatory reviews to ensure that a project remains within scope, budget, and schedule. The guidelines also require that roles, responsibilities, authorities, and accountabilities of all parties to the process be clearly defined and communicated and that monitoring and reporting mechanisms be established.

75. The Host Society had already carried out the earlier planning and analysis of options and feasibility for delivering the athletes' accommodation. The project manager, who had overall responsibility for the project, was only appointed after the Government assumed control of the project. Nonetheless, we found that he was carrying out his responsibilities under his contract to monitor the status and progress of the project, including identifying and recommending solutions to keep the project on schedule.

76. The project was delivered on time by the end of November 2006, even though there were significant delays encountered in construction. For example, there were problems in the early stages of construction as the modules were not delivered and installed in time for the scheduled completion of other components. Projected delays of up to four and a half months were expected when the modular contractor had only half of the modular units installed by the end of December 2005. This problem was eventually overcome by the modular contractor bringing its trade contractors to the site to complete the finishing work that was not done in the plant.

77. We found that there was an appropriate segregation of duties in ensuring the effective monitoring of the project. Monitoring and reporting of the project's progress was assigned to a number of the members of the project management team. Monthly project reports

were prepared that reported on various aspects of the project, such as construction progress, contracting schedule, quality assurance, inspections, construction costs, and cash flows.

78. The total project costs to date are \$2.6 million over the revised budget of \$31.4 million, even though the project management team took steps to reduce costs. Once the major contracts were awarded, it became clear that the bids were higher than estimated and that the budget needed to be revised. The project management team negotiated changes to lower the final contract amount of some bids. The team also considered modifying the project to meet the budget and approached Management Board with several options to reduce the scope. Management Board approved this cost increase rather than make reductions to the project's scope. The total cost of the buildings to be used as residences for seniors and student families was just under \$34 million. At the time of our audit, no additional money had yet been spent by the Yukon Housing Corporation and Yukon College to renovate basement space for compatible uses.

Quality assurance was carried out but not audited

Commissioning—A process for building systems, also called “testing into service,” that follows the physical installation of the plumbing, heating, and electrical services. Commissioning encompasses all the steps to bring the system to a state of full readiness for operation in accordance with the requirements and the design. In this state, all control and measuring devices are set and calibrated to perform at the levels intended in the design. The system is provided with all needed fluids, fuels, supplies, and other consumable items. All operating permits and licences are in place.

79. **Commissioning** is a key step to ensure quality assurance. We expected that the project would be commissioned, so that the clients' program requirements and pertinent legislation, government regulations, and policies are satisfied with minimum cost and disruption.

80. We found that the project team carried out inspections of trade contractors' work. Construction inspection reports were obtained confirming that the buildings, as constructed, conformed to the design and that construction practices, materials, and assembled work met requirements and Government standards. The architectural design firm and the specialist inspection and testing engineering firms all followed this process of quality assurance and verification. Therefore, we found that the buildings had been properly commissioned for use as housing for seniors and students.

81. However, we found that no external or internal quality assurance audits were carried out. The construction management firm and the project management team tracked the work and reporting. The project management team advised us that the Government did not request that the contractor conduct any external quality assurance audit as it could have under its quality control plan and the contract with the construction manager.

82. Recommendation. The Government of Yukon should carry out quality assurance audits of all larger projects to ensure that it accepts only those projects that satisfy industry standards, technical specifications, building codes, and tenant requirements.

Management response. The Government accepts the recommendation that quality assurance audits be carried out for large projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate guidelines to be observed with respect to standards, technical specifications, and other project specific requirements as the basis for project acceptance.

Costs for the seniors' and student family residences were managed reasonably

83. We found that project management fees were reasonable as they were below the estimated range of two to three percent used by the Government's Department of Highways and Public Works. Additional costs were incurred in reimbursable expenses for construction management, and in contractors' bids coming in higher than the pre-tender estimate. For example, we found that a number of bids for trade contracts came in over \$2 million above the costs estimated by the project management team. A total change of 3.2 percent of the project cost was not significant.

84. We also found that fewer bidders responded to the project tenders for the building construction than expected; contractors were bidding during a busy construction season. However, in spite of the market and tendering conditions encountered, we found that the two buildings were constructed within a reasonable cost.

Measures taken to address environmental assessment requirements could have been better documented

85. The construction of the Athletes' Village required an environmental screening to comply with the requirements under the *Canadian Environmental Assessment Act* and the former *Yukon Environmental Assessment Act*. There is evidence that measures were taken to address requirements and conditions arising from the environmental assessment. These include carrying out an environmental management plan and inspections. However, it was difficult to determine from our review of the project files if the Government had complied with all environmental assessment requirements and conditions, such as addressing soil erosion and loss of vegetation, as well as other regulatory requirements. Subsequently,

the Government of Yukon documented the actions taken to meet environmental requirements.

The completed project has not been reviewed

86. The Government's building development guidelines require that projects be evaluated according to current government regulations, directives, and guidelines. Lessons learned could then be applied to the Government's future capital projects.

87. Neither the project management team nor the Department of Community Services reviewed the completed project to determine whether it had followed appropriate procedures, observed economy and efficiency, met the objectives for the project, and documented successes and problems encountered to apply in the management of future projects.

88. Recommendation. The Government of Yukon should carry out the required post-project review of the Athletes' Village project to determine whether it followed appropriate procedures, observed economy and efficiency, met the objectives for the project, and documented lessons learned.

Management response. The Government accepts the recommendation that a post-project review be conducted and lessons learned be documented. The Department of Community Services will undertake the task of doing the review in 2008. However, it needs to be recognized, as confirmed in this report, that prudent due diligence has been exercised in the management of this project. Further, this report confirms that appropriate procedures were followed, that the buildings were constructed within a reasonable cost, that the change in the project cost was not significant, and the objectives of building them in time for the Games as well as having immediate subsequent occupancy with the intended end-use tenants (seniors and student families) have been accomplished.

Conclusion

89. The Government identified the significant Games-related risks and ensured that its obligations were clearly outlined early in the process. However, it did not monitor, mitigate, and report to Management Board on the key risk that the Host Society would be unable to provide accommodation for the athletes.

90. The Government met all its significant financial, human, and physical obligations, but the athletes' accommodation was not provided as economically as possible.

91. Although the Government had not defined a Games-related contribution, we found that it tracked the majority of contributions and costs that may be reasonably considered Games-related, including those costs of its volunteer employees. However, it has not yet evaluated the benefits of its involvement in the Games or carried out a post-project review of the Athletes' Village project.

About the Audit

Objectives

The audit objectives were to determine whether the Government of Yukon

- managed its risks, met its legal obligations to the 2007 Canada Winter Games, and ensured, to the extent possible, the resources it contributed were used economically, efficiently, and effectively; and
- recognized and properly accounted for the Games-related costs incurred, including the payroll costs of its volunteer employees during the Games, and evaluated the results of its involvement.

Scope and approach

We looked at the Government's obligations to the Canada Winter Games, the Government's accounting and reporting of Games-related costs and evaluation of its performance, and the Department of Community Services' planning and construction of the Athletes' Village. We did not review the activities of the Government of Canada, the Canada Games Council, the City of Whitehorse, the Host Society, and the operations of the Games themselves.

We assessed whether the Government and the Department of Community Services met their obligations toward the Games, how successfully the Department of Community Services' carried out its planning and construction of the Athletes' Village, and how complete and reasonable the Government's accounting and reporting of Games-related costs were.

Through interviews and review of documents, we assessed the extent to which the Government identified and managed key risks that could have affected the achievement of its obligations toward the Games. We also assessed the process that the Department of Community Services followed for identifying and managing the risks that could arise in planning and constructing a large project such as the Athletes' Village. We looked at the Department's documentation of the nature of the risks associated with the project, and the action taken to manage them. We examined the Government's systems and procedures for identifying and tracking Games-related costs.

We carried out a detailed review of the files related to the Athletes' Village project. We used mainly information found in the Government's project files to form our conclusions. We contracted engineering expertise to evaluate the quality and cost of the Athletes' Village.

Criteria

We used the following criteria to guide our audit work:

- The Government should have clearly defined roles, responsibilities, and obligations for the Canada Winter Games. It should ensure that its financial, human, and physical obligations are met by managing the key risks to their achievement.
- The Government should account for all the costs of its obligations related to the 2007 Games. It should report on its Games-related costs and benefits realized, and it should evaluate the results of its involvement.

- The Department of Community Services should apply sound principles of project management and adhere to Management Board directives in project planning and construction of the Athletes' Village. It should ensure that in its capital project planning and delivery it incorporates principles of risk management; exercises due regard for economy and efficiency; and complies with applicable government policies, directives, and standards.

Audit work completed

Audit work for this report was substantially completed on 6 November 2007.

Audit team

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Appendix List of recommendations

The following is a list of recommendations found in the Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Risk management	
<p>45. The Government of Yukon should have a risk management plan for all major projects, such as the Canada Winter Games. Such a plan would ensure that risks are identified, mitigated, monitored, and reported formally to Management Board on a regular basis. (20–44)</p>	<p>The Government accepts the recommendation that there needs to be a risk management plan for all major projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate formal risk management framework and guidelines for identifying, monitoring, and reporting risks to Management Board.</p>
Government resources	
<p>62. The Government of Yukon should carry out evaluations of major projects such as the 2007 Canada Winter Games. The Government should also report the Games' benefits and costs. (61)</p>	<p>The Government accepts the recommendation that post-project evaluations be carried out for major projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate directives and guidelines for post-project evaluation. With respect to costs and benefits specific to the 2007 Canada Winter Games, the Host Society commissioned an economic impact assessment of the Canada Winter Games, which was released on 17 November 2007 and focused on three main areas of spending—capital, operations, and visitor. The financial data needed to calculate the capital and operations spending for the 2007 Canada Winter Games was gathered by the Host Society, the Government, and the City, who each kept detailed records of capital and operations spending that were made available for this analysis. Gathering data for the third major source of economic injection, visitor spending, required far more effort, and that was acquired by face-to-face surveys of 997 sample visitors during the Games.</p>

Recommendation	Response
The Athlete's Village	
<p>82. The Government of Yukon should carry out quality assurance audits of all larger projects to ensure that it accepts only those projects that satisfy industry standards, technical specifications, building codes, and tenant requirements. (79–81)</p>	<p>The Government accepts the recommendation that quality assurance audits be carried out for large projects. The General Administration Manual, Directive #2.17 (Project Planning and Implementation) will be updated in 2008 to incorporate guidelines to be observed with respect to standards, technical specifications, and other project specific requirements as the basis for project acceptance.</p>
<p>88. The Government of Yukon should carry out the required post-project review of the Athletes' Village project to determine whether it followed appropriate procedures, observed economy and efficiency, met the objectives for the project, and documented lessons learned. (86–87)</p>	<p>The Government accepts the recommendation that a post-project review be conducted and lessons learned be documented. The Department of Community Services will undertake the task of doing the review in 2008. However, it needs to be recognized, as confirmed in this report, that prudent due diligence has been exercised in the management of this project. Further, this report confirms that appropriate procedures were followed, that the buildings were constructed within a reasonable cost, that the change in the project cost was not significant, and the objectives of building them in time for the Games as well as having immediate subsequent occupancy with the intended end-use tenants (seniors and student families) have been accomplished.</p>