

**Capital construction  
accountability—follow-up**

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## **Introduction to the recommendation**

This section describes the action taken by the Department of Health up to October 2002 on our recommendation related to accountability for capital construction projects in health districts (see our 2000 Fall Report – Volume 3, Chapter 2B).

During 1999-2000, we audited the Department's processes to establish appropriate accountability relationships with health districts for capital construction projects. We found that the Department had adequate processes to establish accountability relationships with districts for capital construction projects, except for its plan to manage risks. We reported our findings, conclusions, and recommendation in our 2000 Fall Report – Volume 3.

We recommended that the Department establish and communicate a plan to manage risks for capital construction projects. The Department's plan to manage these risks should clarify the accountability of the Department and health districts to identify, assess, and monitor risks. The plan should also clarify accountability to take action to reduce risks.

On June 6, 2001, the Standing Committee on Public Accounts (PAC) agreed with this recommendation. The Department told PAC that it had begun to strengthen its processes to manage the risks related to capital construction projects.

## **Action by the Department**

To realize the benefits of this recommendation, we expected that the Department would establish processes to monitor risks. We expected the Department to require progress reports and insist that changes to the original construction plans be approved by the Department (e.g., when changes were made to objectives, total costs, or time frames). We expected that the Department would ask districts to assess the outcome of completed construction projects to ensure that each project achieved the planned benefits.

The Department hired an engineering technologist to help revise its processes for capital construction and risk management. In addition, the Department set up a committee of health district representatives and

Department employees to consider its processes to manage capital construction. The committee revised the Department's guide for the capital construction process, and called it "The 18 Step Capital Process." This committee continues to revise policies and guidelines and develop forms to help implement the new process.

The Department's proposed accountability system for capital construction presumes that the Department will have available sufficient expertise and resources. The Department needs expert employees to:

- ◆ monitor the construction reports that districts submit, and take action when analysis of the reports identifies a potential risk; and
- ◆ observe progress through visits to major construction sites.

During 2002, the Department had one employee with expertise in this area to monitor about \$24 million of capital construction. The Department is actively recruiting other experts.

The Department continues to take action to strengthen risk management for capital construction. The Department plans the following activities:

- ◆ summarize the policy changes required by the proposed revision of the "The 18 Step Capital Process";
- ◆ discuss the policy changes with the senior officials and experts in the Department's program branches prior to approval of the policy changes and the revised process; and
- ◆ consult with industry experts (e.g., design consultants) and health districts to get further input about whether the proposed process is practical.

We encourage the Department to finish revising its capital construction processes with careful attention to risk management. We also encourage the Department to use its new processes to guide major construction projects.