

Date January 16, 2019
To Members of York Region Rapid Transit Corporation Board of Directors
Copy Bruce Macgregor, Lina Bigioni, Christopher Raynor
Paul May, Liza Sheppard, Michael Cheong, Antoinette Bozac, Noeline Chipun, Narendra Shah
From Mary-Frances Turner, York Region Rapid Transit Corporation, President
Subject **Metrolinx Master Agreement & Key Protocols Quality Compliance Audit – Schedule “I” Amended Cost Confidence Process**
Ref: YORK-#9072611

The purpose of this memorandum is to inform the YRRTC Board of the results of the 2018 Quality Compliance Audit conducted by the Metrolinx Capital Projects Group on the Metrolinx Master Agreement – Schedule “I” Amended Cost Confidence Process.

Background

In 2017, Quality Compliance Audits were conducted by Metrolinx without any findings, on the following three key protocols of the Metrolinx Master Agreement:

- Procurement Protocol – completed on April 18, 2017
- Administrative and Financial Protocol – completed on September 12, 2017
- Real Estate Protocol – completed on November 15, 2017

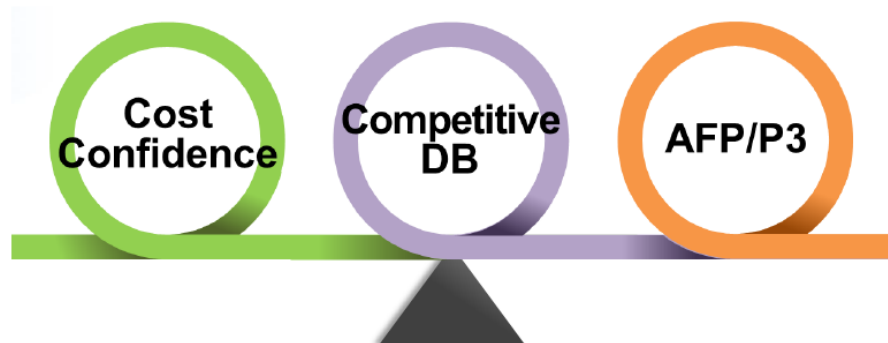
Summary of the results of the Quality Compliance Audits on the Metrolinx Master Agreement and Key Protocols conducted to date are outlined in [Appendix A](#) below.

On September 19, 2018, Metrolinx notified YRRTC that Quality Compliance Audits were to be conducted on two additional protocols of the Metrolinx Master Agreement, as part of their ongoing audit work plan. The following two audits were identified:

1. Schedule “I” Amended Cost Confidence Process – completed on November 27, 2018
2. Schedule “G” and “G1” Communications Protocols – completed on November 28, 2018

Amended Cost Confidence Process

The following diagram highlights the three procurement delivery methods that have been utilized to design and construct the Bus Rapid Transit (BRT) network in York Region, including Cost Confidence, Competitive Design-Build (DB), and Alternative Financing and Procurement (AFP/P3). The Amended Cost Confidence Process is included as one of the procurement delivery models for YRRTC’s design-build construction contracts.



First Right of Refusal for Construction - once Design Completed to 30%

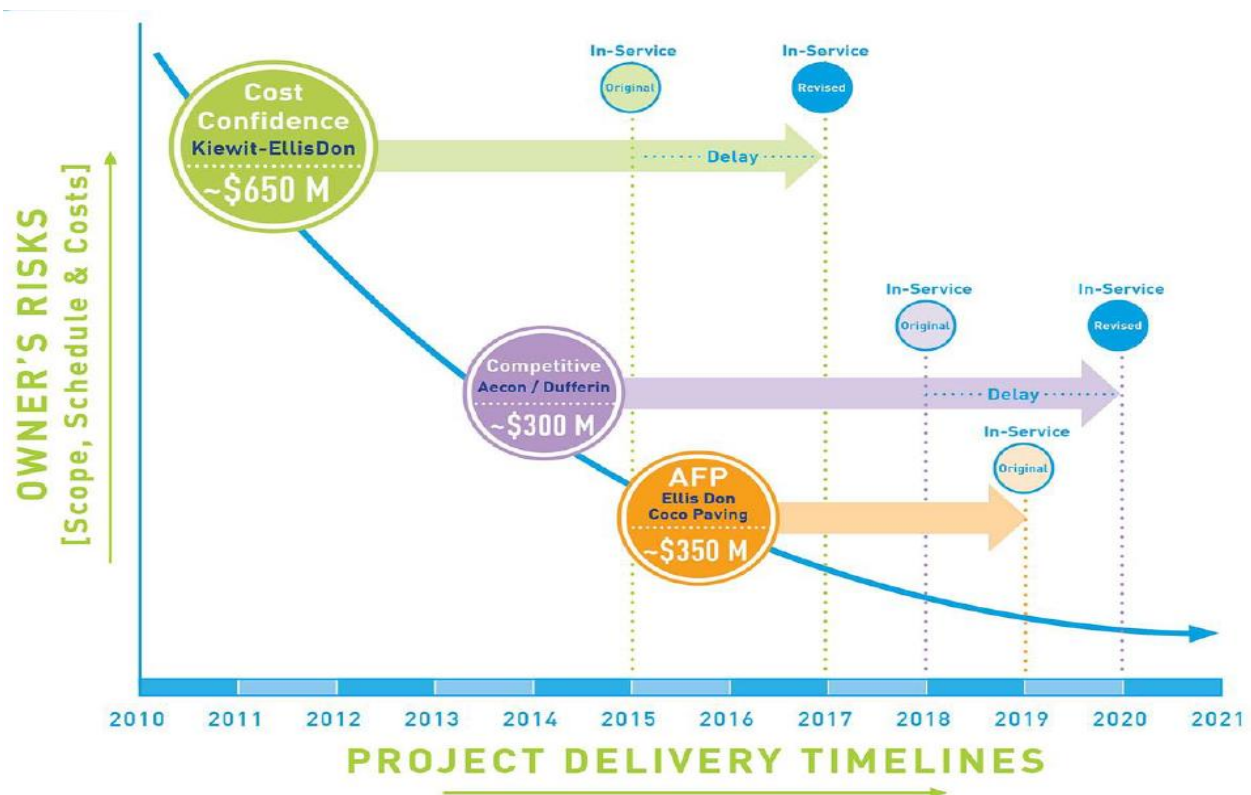
Progress Payments

Milestone Payments

Alternative Financing and Procurement

Lump-Sum Payments

The Amended Cost Confidence Process enabled YRRTC to procure a total of approximately \$650M in design-build construction contracts to Kiewit EllisDon (KED), a partnership between Peter Kiewit and EllisDon (under York Consortium 2002). The Amended Cost Confidence Process was applied to the Highway 7 East (H3), Davis Drive (D1) and Highway 7 West-Vaughan Metropolitan Centre (H2-VMC) projects, which are now all in service,



Schedule “I” Amended Cost Confidence Process

The scope of the audit focused on:

- YRRTC’s compliance with the procedures and processes as outlined in the protocol for the H3, D1 and H2-VMC BRT projects
- YRRTC’s compliance with the processes relating to the preparation of the scope of work and cost estimate submissions, the various scenarios of the proposed Guaranteed Maximum Price (GMP) versus the estimated GMP, the use of fairness monitor services and the necessary Metrolinx approvals, i.e. Senior Staff and Board of Directors as applicable

Results – Schedule “I”, Amended Cost Confidence Process

The Quality Compliance Audit was carried out without any findings in auditing areas, as per the audit scope, observations and samples:

- 0 Major Corrective Action and Preventive Action (CAPA) issues for non-conformance
- 0 Minor Corrective Action and Preventive Action (CAPA) issues for non-conformance
- 1 Opportunity for Improvement
 - The opportunity for improvement related to the document control management system and the opportunity for thorough documentation, e.g. transmittals detailing full names of recipients, organization/company names, list of attachments etc.

Additional Comments from the Metrolinx auditors

- Audit schedule and plan was well received and coordinated
- The YRRTC team was very open, organized and accommodating during the audit

YRRTC Management Response

The documentation provided for the Amended Cost Confidence Process was focused on historic documents dated pre-2012. YRRTC has highlighted to Metrolinx of its robust internal controls in the areas of documentation and document control management system.

For your reference, outlined in Attachment 1 are the results of the Metrolinx 2018 Quality Compliance Audit – Schedule “I” Amended Cost Confidence Process report dated January 7, 2019. The report has been signed off by Metrolinx Senior Staff and a copy has been provided to YRRTC for its records and information management. On January 14, 2019, YRRTC has provided an acknowledgment of this audit report to Metrolinx Senior Staff, as outlined in Attachment 2.

For more information on this memo and related attachments, please contact Michael Cheong, Chief Financial Officer, York Region Rapid Transit Corporation at 905-886-6767, Ext. 71015.

Mary-Frances Turner, President

Attachments: (2)

- 1. Metrolinx Compliance Audit Report to YRRTC, January 7, 2019
- 2. YRRTC Acknowledgment Memo to Metrolinx, January 14, 2019

Appendix A: Summary of the results of the Quality Compliance Audits on the Metrolinx Master Agreement and Key Protocols conducted to-date

Metrolinx Master Agreement – Key Protocols	Completed	Results	Date of Audit
Schedule A-1 Procurement Protocol	✓	No findings	Apr. 18 2017
Schedule B – Real Estate Protocol	✓	No findings	Nov. 15, 2017
Schedule C – Description of Projects			
Schedule D – Administrative and Financial Protocol	✓	No findings	Sep. 12, 2017
Schedule E – Third Party Agreements			
Schedule F – Excluded Assets			
Schedule G and G1 – Communications Protocols	✓	Minor finding	Nov. 28, 2018
Schedule H – Capital Cost Eligibility Criteria			
Schedule I – Amended Cost Confidence Process	✓	No findings	Nov. 27, 2018
Schedule J – Access and Operating Principles			
Schedule K – Project Charter Template			