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Date January 14, 2019

To Bruce Grundon, Director-Bus Program, Capital Projects Group, Metrolinx

Copy Mary-Frances Turner, President, YRRTC
 Paul May, Vice President Project Implementation, YRRTC
 Liza Sheppard, Director-Bus Rapid Transit, YRRTC
 Noeline Chipun, Manager-Finance, Budgets and Capital Projects, YRRTC
 Narendra Shah, Manager-Finance, Governance and Compliance, YRRTC

From Michael Cheong, Chief Financial Officer, YRRTC

Subject Quality Compliance Audit, Metrolinx Master Agreement, Schedule "I", Amended Cost Confidence Process

We have received the report for the Quality Compliance Audit, Metrolinx Master Agreement – Schedule "I", Amended Cost Confidence Process conducted by the Metrolinx Capital Projects Group on November 27, 2018.

Background

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

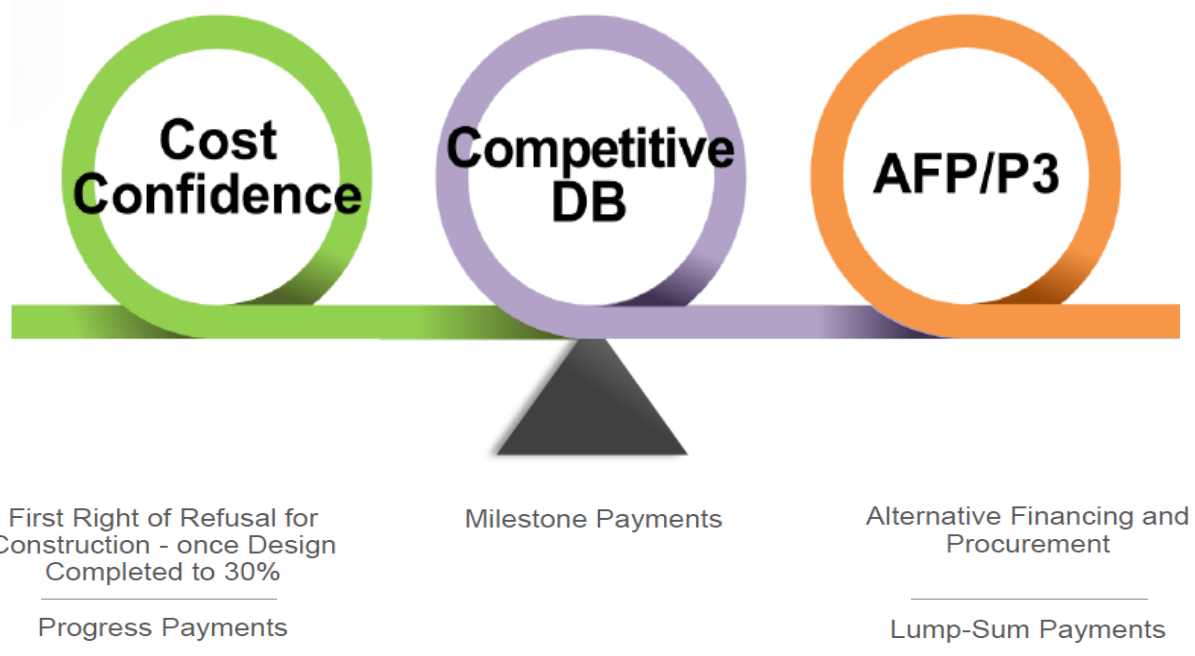
1. Schedule "I" Amended Cost Confidence Process – completed on November 27, 2018
2. Schedule "G" and "G1" Communications Protocols – completed on November 28, 2018

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

1. Procurement Protocol – completed on April 18, 2017
2. Administrative and Financial Protocol – completed on September 12, 2017
3. Real Estate Protocol – completed on November 15, 2017

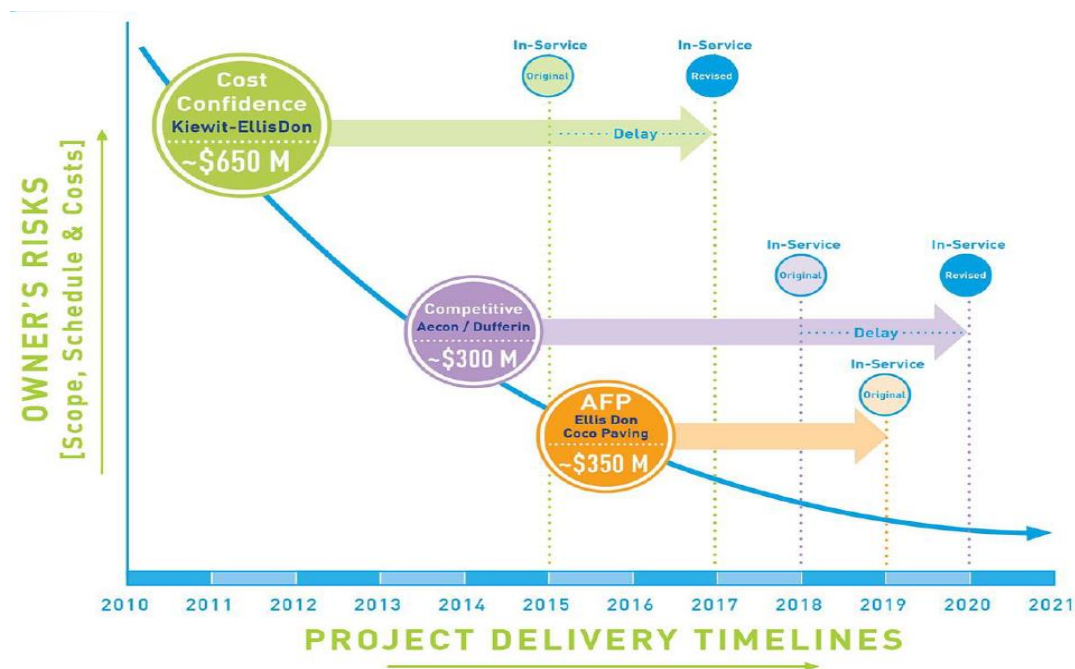
Summary of the results of the Quality Compliance Audits on the Metrolinx Master Agreement and Key Protocols conducted to date are outlined in **Appendix 1**.

The Amended Cost Confidence Process was a procurement delivery method to our design build construction contracts. The following diagram highlights the 3 procurement delivery methods that have been utilized to design and construct the Bus Rapid Transit (BRT) network in York Region – Cost Confidence, Competitive DB, and Alternative Financing and Procurement-AFP/P3.



The Amended Cost Confidence Process has enabled YRRTC to procure for a total of approximately \$650M of 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 H3, D1 and H2-VMC BRT projects, which are now all in service – August 2014, December 2015 and December 2016 respectively.



The scope of the Schedule “I”, Amended Cost Confidence Process audit focused on:

- YRRTC’s compliance with the procedures and processes as outlined in the protocol for 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

We have reviewed the attached report and are pleased that the Quality Compliance Audit, Metrolinx Master Agreement – Schedule “I”, Amended Cost Confidence Process was conducted without any findings.

Results

- 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 Minor 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

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

YRRTC’s Response

The documentation provided for the Amended Cost Confidence Process was focused on historic documents dated pre-2012. YRRTC wishes to highlight to Metrolinx its robust internal controls in the areas of documentation and document control management system – we are pleased that YRRTC has strong internal controls in Records and Information Management.

We would like to thank you and your staff for your time and collaboration during the audit.

Sincerely,

Michael P. Cheong, MBA, CPA, CMA
Chief Financial Officer

Appendix 1 – 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			