



## Metrolinx—Public Transit Construction Contract Awarding and Oversight 2016 Value-for-Money Audit

### Why We Did This Audit

- One in every seven dollars of Ontario capital spending goes to construction projects overseen by Metrolinx.
- Metrolinx's original mandate did not include oversight of large construction projects—it was established mainly to operate GO Transit and to advise the government on transportation priorities and policies.
- Some Metrolinx construction projects were completed much later than scheduled, inconveniencing commuters as a result.

### Why It Matters

- Over the past five years, Metrolinx has spent about \$4 billion to build almost 520 projects, and it is expected to spend another \$27 billion over the next 10 years.
- Choosing the right designer and the right construction contractor, and appropriately overseeing construction (within an iron clad contract), helps ensure that projects are delivered on time and on budget.
- Proper oversight of contractors helps minimize safety issues on construction sites.

### What We Found

- Metrolinx has no process to hold design consultants and contractors accountable when they deliver work that is late or of poor quality—and it continues to award them more work.
- Errors by design consultants result in significant additional costs to Metrolinx, yet it continues to award contracts to poor performing designers. Metrolinx takes little action to recover these costs. In one project, for example, consultant errors caused a project to go 35% over budget—about \$13.6 million—a cost that Metrolinx had to pay.
- With the exception of two contractors, Metrolinx has not been addressing problems caused by construction contractors with a history of poor performance on Metrolinx projects. It continues to award contracts to poor performing suppliers. In one case, for example, Metrolinx terminated a construction contract because of the contractor's poor performance—and then subsequently rehired the same contractor for another project.
- Late delivery of projects have cost taxpayers and Metrolinx significant amounts, but Metrolinx rarely takes action against contractors for late delivery. On one project, for example, Metrolinx had to pay consultants over \$350,000—or 160%—more than budgeted to oversee the project because the contractor completed the project 25 months late.
- In all of Metrolinx's own audits on compliance with safety regulations at construction sites over the past three years, contractors were found to have breached regulations. However, Metrolinx took no action (including following up to determine whether a contractor continued to breach safety regulations) against the contractors.
- Metrolinx has not managed its relationship with CN and CP in a way that ensures value for money. For contracts with CN and CP, Metrolinx does not perform sufficient oversight and therefore does not know if it is getting what it paid for.

### Conclusions

- Metrolinx does not have adequate processes in place to consistently ensure value for money in its delivery of construction projects. Because of deficiencies we noted in its oversight process around construction contracts and because of deficiencies we confirmed in a sample of contracts, there is a significant risk that it is spending more than it needs to.
- The lack of a process to hold design consultants and construction contractors accountable when they deliver work that is late or of poor quality contributes to projects being completed late, inconveniences commuters, and creates additional costs for Metrolinx and taxpayers.
- To minimize cost overruns that Metrolinx pays for because of errors made by design consultants, Metrolinx should recover such overruns from the consultants, including enforcing its contractual right to recover these amounts.
- To ensure that it does not rehire poorly performing contractors, Metrolinx needs a system to exclude such contractors for a period of time. To minimize project delays caused by contractors, it should also implement penalties such as liquidated damages (late fines). As well, Metrolinx should also address the issue of contractors who breach safety regulations through follow-up inspections, or by excluding them from bidding on future contracts for a period of time.