



Board Report

File #: 2021-0713, **File Type:** Informational Report

Agenda Number: 15.

FINANCE, BUDGET, AND AUDIT COMMITTEE

NOVEMBER 17, 2021

CONSTRUCTION COMMITTEE

NOVEMBER 18, 2021

SUBJECT: PERFORMANCE AUDIT OF PROGRAM MANAGEMENT SUPPORT SERVICES

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Management Audit Services Final Report on the Performance Audit of Program Management Support Services (PMSS) Contract No. AE35279 (Contract) with Kal Krishnan Consulting Services, Inc./Triunity Engineering & Management Joint Venture (KKCS/Triunity JV).

ISSUE

Metro's Management Audit Services (MAS) conducted a performance audit of the PMSS Contract. The audit was performed in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

BACKGROUND

On May 27, 2021, Metro Board of Directors approved Motion 32 (Attachment A) that directed an audit of the Contract to assess the performance of the original Contract and the performance success of the contractors before extending a 2-year option, one year ahead of its extension date. On August 5, 2021, Metro Program Management and Vendor/Contract Management senior leadership requested MAS to perform the audit in-house due to time constraints to return to the Board for authorization to exercise the option to extend. MAS issued a formal audit notification to KKCS/Triunity JV (Contractor) on August 20, 2021.

DISCUSSION

The audit objective was to assess conformity of services performed and billed by the Contractor to the scope of work and other provisions of the Contract. The period for review is the Contract execution date of August 18, 2017 through June 30, 2021. In addition, MAS identified two focus areas for the performance audit, which were to:

- evaluate compliance with specific terms of the contract related to qualifications, performance and quality; and
- verify whether work order billing is accurate, substantiated by supporting documents and in compliance with the contract.

Results of the Audit

MAS' general assessment is the services performed and billed by the Contractor in most respects conformed to the Scope of Work and other provisions of the Contract. Program Management was broadly satisfied with the Contractor and the staff augmentation consultants. Program Management considered the PMSS Contract essential to the ongoing accelerated project delivery program due to Metro's internal staffing constraints. However, MAS noted certain internal control deficiencies that kept KKCS/Triunity JV and Metro from having a fully mature and effective internal control system undergirding the Contract. These deficiencies were identified as part of MAS' testing of key internal controls relevant to the adequacy of the billing process and compliance with Contract terms related to qualifications, performance, and quality. In the event the identified internal control deficiencies were left unaddressed, the deficiencies could impede optimal contract performance in the future.

In addition, MAS noted various favorable conditions for the Contractor which included:

- KKCS/Triunity JV consultants appear to be well-qualified and experienced.
- KKCS/Triunity JV successfully implemented the PMIS Unifier module, and Metro Project Managers interviewed by MAS were satisfied with the system.
- Program Management considers ongoing consulting support essential to the accelerated project delivery program due to Metro's staffing and hiring constraints.
- 16 Project Managers interviewed by MAS were satisfied with the services that KKCS/Triunity JV provided for their projects.
- KKCS/Triunity JV properly billed the 8.5% fixed fee on the prime Contractor's and subcontractors' direct labor and labor overhead costs on each CWO invoice tested.
- KKCS/Triunity JV properly billed the 5% management fee on subcontractor direct labor costs and labor overhead costs.
- KKCS/Triunity JV voluntarily reduced fees charged to the contract by 2% since May 2020 per Metro's request (agency's financial cost saving strategy).
- Invoices tested were reviewed and signed by KKCS/Triunity JV staff.

The conditions noted in the performance audit requiring attention by KKCS/Triunity JV and Metro management included:

- Project vehicle leases did not comply with Metro's Non-Revenue Vehicle Policy.
- Processes for initial selection and ongoing evaluation of staff augmentation consultants' performance as well as acceptance of consulting deliverables should be formalized to comply with the Contract requirements, internal control principles, quality assurance; and to avoid questioning of costs.
- Billing tested included minor errors, none of which were material to the Contract.

Findings - Condition	KKCS / Triunity JV	Metro
Non-compliance with contract terms & conditions regarding leased project vehicles	Finding 1	Finding 1

Background, resume, and reference checks for new consultants were not consistently performed	Finding 2	
Management did not document final acceptance of 4 of 6 deliverables tested		Finding 2

Business Process Improvements - Condition	KKCS / Triunity JV	Metro
Invoices submitted to and paid by Metro contained immaterial errors and/or omissions	BPI 1	BPI 1
The 8.5% fee charged was not tracked against the NTE amount	BPI 2	BPI 2
Final indirect cost rate reconciliations for 2018 and 2019 were not submitted on time	BPI 3	

Accordingly, MAS identified business process improvement opportunities that warrant consideration, and noted recommendations to enhance quality and ensure compliance with contract terms and conditions. The following recommendations are outlined in the performance audit:

1. Review and verify that terms and conditions of the Contract are understood, including standards, regulations, guidelines, policies, and procedures. KKCS/Triunity JV should comply with all applicable Metro policies and procedures per the Contract.
2. Begin tracking and monitoring vehicle use and maintenance, as required by the Contract.
3. KKCS/Triunity JV should document verification of qualifications and experience to support job titles billed to the Contract; and Metro should, by contract modification, require the Contractor to perform and document background, resume, and reference checks for all new consultants proposed to Metro.
4. KKCS/Triunity JV's Accounting should create a checklist to verify that all required documentation is included in the invoice package submitted to Metro.
5. Create a timesheet template to be consistently used by KKCS/Triunity JV and staff augmentation consultants to record all required information including daily tasks performed and obtain approval signatures from responsible Metro Project Managers.
6. Create a billing summary template to be consistently used by KKCS/Triunity JV and subcontractors to record all billing(s) in sufficient detail to easily verify the mathematical accuracy of billings.
7. Require a thorough review of all invoice packages prior to submitting to Metro to ensure that all required documentation, is legible, and includes required signatures.
8. Prepare a log for tracking contract incurred and billed costs by cost element (direct labor, labor OH, Other Direct Cost (ODC), fee, and others) by CWO, and by the prime contractor and subcontractor.

9. Develop a log for tracking cumulative contract incurred and billed costs by cost element (direct labor, labor OH, Other Direct Cost (ODC), fee, and others) by CWO, as well as by prime, subcontractor, and fiscal year.

In accordance with audit practices and procedures, KKSC/Triunity JV and Metro provided management responses for the issues identified in the performance audit report. In summary, KKCS/Triunity JV and Metro stated agreement, partial agreement or disagreement; and provided detailed management responses including outlined alternative corrective actions which are memorialized in the performance audit report. MAS will continue to follow-up with KKCS/Triunity JV and Metro to verify that audit recommendations or alternative corrective actions are implemented.

EQUITY PLATFORM

KKSC/Triunity JV is a certified Disadvantaged Business Enterprise (DBE) and Small Business Enterprise (SBE). KKCS/Triunity JV proposed a 73.31% DBE commitment making the PMSS Contract the largest small business led consultant services contract at Metro.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

MAS will continue to follow-up to verify that the audit recommendations are implemented; and report the results of audit recommendations or corrective actions as part of MAS' quarterly reporting to Metro Board of Directors.

ATTACHMENTS

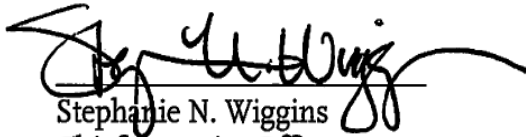
Attachment A: Board Motion 32: Program Management Support Services

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Board Report

File #: 2021-0422, **File Type:** Motion / Motion Response

Agenda Number:

**REGULAR BOARD MEETING
MAY 27, 2021**

Motion by:

DIRECTOR NAJARIAN

Related to Item 32: Program Management Support Services

SUBJECT: AMENDMENT TO PROGRAM MANAGEMENT SUPPORT SERVICES

RECOMMENDATION

I, therefore, move, that the Board look back at the performance success of the contractors and give a report before extending a 2-year option, one year ahead of its extension date. The contract should be audited, as quickly as possible so it does not delay our ability to exercise the option to extend. It's good board policy if there is a large contract, that has an option, before that option is extended, we should get a report back to hear how well the original contract was performed.