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Agenda - Final

Wednesday, November 17, 2021

1:30 PM

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Finance, Budget and Audit Committee

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Mike Bonin

Fernando Dutra

Holly Mitchell

Tony Tavares, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES
(ALSO APPLIES TO BOARD COMMITTEES)

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Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

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- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

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Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
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Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 13.

Consent Calendar items are approved by one vote unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

13. SUBJECT: HEALTH BENEFITS CONSULTING SERVICES

[2021-0673](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a seven-year, firm fixed price Contract No. PS41236000, to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services in the amount of \$781,000 for the three-year base period, \$265,950 for option year one, \$240,600 for option year two, \$265,950 for option year three and \$240,600 for option year four, for a combined amount of \$1,794,100, effective February 1, 2022, subject to resolution of protest(s), if any.

Attachments: [Attachment A - Procurement Summary](#)
 [Attachment B - DEOD Summary](#)

NON-CONSENT

14. SUBJECT: REVIEW OF PROJECT MANAGEMENT SUPPORT SERVICES (PMSS) CONTRACT - BEST PRACTICES TO FUND & EXTEND PROFESSIONAL SERVICES CONTRACTS

[2021-0669](#)

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General Review of Project Management Support Services Contract (PMSS) Best Practices to Fund & Extend Professional Services Contracts.

Attachments: [Attachment A - OIG Final report PMSS review](#)
 [Attachment B - Tracking Schedule for Recommendations](#)
 [Presentation](#)

(ALSO ON CONSTRUCTION COMMITTEE)

15. SUBJECT: PERFORMANCE AUDIT OF PROGRAM MANAGEMENT SUPPORT SERVICES [2021-0713](#)

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).

Attachments: [Attachment A - Board Motion 32: Program Management Support Services](#)

(ALSO ON CONSTRUCTION COMMITTEE)

16. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2021 TO JUNE 30, 2021 [2021-0671](#)

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2021 to June 30, 2021.

Attachments: [Attachment A - Final Report of Misc. Exp. 4.1.21-6.30.21 \(Report No. 22-AUD-0 Presentation](#)

17. SUBJECT: PROGRAM FUNDS FOR METROLINK SERVICE RESTORATION [2021-0685](#)

RECOMMENDATION

APPROVE up to \$1,526,932 in additional funding to the Southern California Regional Rail Authority (SCRRA) FY-2021-22 budget to pay for Metro's share to partially restore Metrolink commuter rail service, effective December 2021.

Attachments: [Attachment A - SCRRA Service Restoration Board Report](#)

18. SUBJECT: LEASE AGREEMENT WITH THE CITY OF AZUSA FOR THE SYSTEM SECURITY OFFICE LOCATED AT 890 THE PROMENADE IN AZUSA [2021-0461](#)

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) or their designee to execute a ten (10)-year lease agreement with four (4) five-year options commencing May 1, 2022 with the City of Azusa ("Lessor"), for the System Security and Law Enforcement (SSLE) office for 8,206 rentable square feet located at 890 The Promenade in Azusa at a rate of \$20,555 per



Board Report

File #: 2021-0673, **File Type:** Contract

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 17, 2021

SUBJECT: HEALTH BENEFITS CONSULTING SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a seven-year, firm fixed price Contract No. PS41236000, to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services in the amount of \$781,000 for the three-year base period, \$265,950 for option year one, \$240,600 for option year two, \$265,950 for option year three and \$240,600 for option year four, for a combined amount of \$1,794,100, effective February 1, 2022, subject to resolution of protest(s), if any.

ISSUE

The existing contract for Health Benefits Consulting Services will expire on January 31, 2022. To ensure continuity of services a new contract is required effective February 1, 2022.

BACKGROUND

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees and provide existing employees a foundation to maintain or improve health. Metro utilizes the services of a Benefits Consultant to ensure we receive the best value for the benefit dollars spent.

DISCUSSION

The health benefits consulting firm will provide additional expertise to help Metro conduct program assessment and benchmarking, develop strategy and plan design, provide financial and actuarial modeling, assist with carrier selection and negotiation, monitor program performance, develop employee communications, and assist with further development of wellness program opportunities. The consulting firm provides broad industry experience and deep subject matter expertise. The Unisource Group, Inc. and its sub consultant, Alliant Employee Benefits, have an extensive client base that gives them keen insight into the costs of benefits and emerging strategies that work for public sector employers.

Metro administers group health insurance plans for Public Transportation Services Corporation (PTSC) and Los Angeles County Metropolitan Transportation Authority (LACMTA) employees and retirees. In addition, Metro administers the group insurance health plans for the Amalgamated Transportation Union (ATU) Health and Welfare Fund.

The firm-fixed price of this proposed contract with The Unisource Group is \$575,900 less than the prior 7-year contract.

The cost to cover benefits for these groups is \$61.77 million in the FY22 budget. Additionally, the collective bargaining agreement requires contributions to the MTA-ATU Health Benefit funds is estimated to be \$78.99 million in the FY22 budget.

Over the course of the existing contract, the former benefits consultant negotiated savings of \$11.7 million compared to the \$2.37 million total cost of their seven-year contract. We anticipate the selected firm will be equally capable of achieving significant savings on benefit premiums.

Governmental Accounting Standards Board (GASB) requires an actuarial valuation to calculate Metro's expense for retiree medical, dental, and life insurance benefits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons but could influence the health condition of employees through their access of high-quality, affordable healthcare.

FINANCIAL IMPACT

Funding of \$234,000 for benefits consulting services is included in the FY22 budget in cost center 5211 (Pension & Benefits) under projects 100001 and 100003. Since this is a multi-year contract, the Cost Center Manager and Chief, Human Capital & Development Officer will be responsible for budgeting the cost in future years, including any options exercised.

Impact to Budget

The source of funds for this contract is General Overhead and PTSC Overhead funds comprised of Federal, State, and local funds. These funds are eligible for bus and rail operating costs.

EQUITY PLATFORM

The RFP was released to SBE's and the selected firm, The Unisource Group, Inc., is a registered SBE with Metro and has experience as a DBE subconsultant under a prior benefits consulting prime contractor. Metro's group health insurance plans as referenced in this board report are part of a total compensation package offered by Metro. Currently, 95.4% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4.6% choosing to waive coverage by providing proof they are covered under another plan. There are no equity impacts anticipated as a result of this proposed action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 “provide responsive, accountable and trustworthy governance within the LA Metro organization.” The responsible administration of Metro’s group health insurance plans is strongly enhanced by the services and expertise of a Benefits Consulting firm.

ALTERNATIVES CONSIDERED

An alternative considered was to complete all benefits marketing and negotiations with in-house staff. This is not recommended, as we would lose access to the consultant’s depth of experience with the ever-changing marketplace for insured benefits. The consulting firm completes hundreds of renewals each year, giving them access to the insurers' most comprehensive plan designs and favorable rates.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS41236000 with The Unisource Group, Inc. effective February 1, 2022, to provide health benefits consulting services.

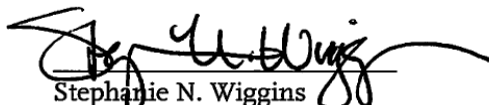
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Prepared by: Jan Olsen, Director, Pension & Benefits, (213) 922-7151
Teyanna Williams, Executive Officer, Labor & Employee Services (213) 922-5580

Reviewed by: Patrice McElroy, Interim Chief Human Capital & Development Officer
(213) 418-3171
Debra Avila, Deputy Chief Vendor/Contract Management Officer
(213) 418-3051


Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

HEALTH BENEFITS CONSULTING SERVICES/PS41236000

1.	Contract Number: PS41236000	
2.	Recommended Vendor: The Unisource Group, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: August 9, 2021	
	B. Advertised/Publicized: August 11, 2021	
	C. Pre-Proposal Conference: August 20, 2021	
	D. Proposals Due: September 9, 2021	
	E. Pre-Qualification Completed: October 12, 2021	
	F. Conflict of Interest Form Submitted to Ethics: October 5, 2021	
	G. Protest Period End Date: November 22, 2021	
5.	Solicitations Picked up/Downloaded: 17	Bids/Proposals Received: 1
6.	Contract Administrator: Steven Dominguez	Telephone Number: (213) 418-3158
7.	Project Manager: Jan Olsen	Telephone Number: (213) 922-7151

A. Procurement Background

This Board Action is to approve the award of Contract No. PS41236000 to The Unisource Group, Inc. to provide employee health benefits consulting and actuarial services. Board approval of contract award is subject to resolution of any properly submitted protest.

Request for Proposals (RFP) No. PS41236 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed price. The RFP was open only to Metro Certified Small Business firms.

One (1) amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on August 11, 2021 revised the Pre-Proposal Conference date.

RFP No. PS41236 was released on August 9, 2021 as a competitive procurement. The solicitation was available for download from Metro's website. Advertisements were placed with the Los Angeles Daily News to notify potential proposers of this solicitation. Metro notified proposers from Metro's vendor database based on applicable North American Industry Classification System (NAICS) codes.

A virtual pre-proposal conference was held on August 20, 2021 and was attended by four participants representing four firms.

Seventeen (17) firms downloaded the RFP and were included on Metro's planholders' list. There were no questions received during the solicitation.

On September 9, 2021, one (1) proposal was received from The Unisource Group, Inc.

Metro staff canvassed all firms on the planholders' list to determine why no other proposals were received. Of the 17 firms canvassed, three firms responded. The following is a summary of the market survey:

1. Potential proposer provides insurance brokerage and employee benefits consulting services but is not a Metro certified SBE firm.
2. Potential proposer is not a Metro certified SBE firm but is interested in submitting a proposal. However, it could not find a Metro certified SBE Prime to partner with.
3. Potential proposer is a Metro Certified SBE, however, it could not find a larger, established insurance brokerage firm to team up with.

The planholders list includes four Metro certified SBE firms, five insurance brokerage firms and eight firms that provide services that are unrelated to the requested services. Of the four Metro certified SBE firms on the list, only the recommended contractor is an insurance brokerage and employee benefits consulting firm.

B. Evaluation of Proposal

A Proposal Evaluation Team (PET) consisting of staff from Management Audit Services, Maintenance and Pension and Benefits Departments was convened and conducted a comprehensive technical evaluation of the proposal received from The Unisource Group, Inc. The proposal was evaluated based on the following evaluation criteria stated in the RFP:

Phase I Evaluation – Minimum Qualification Review: This is a pass/fail criteria. The criteria focused on the proposer's experience in performing renewals for comprehensive group plans including medical, dental, life insurance, and long-term disability plans and the qualifications and experience of the proposed lead consultant.

The PET determined that the proposal received met all minimum qualification requirements and proceeded with Phase II- Technical Evaluation based on the following criteria and weights:

- | | |
|--|------------|
| • Qualification and Experience of the Firm/Team | 35 percent |
| • Qualifications and Experience of Key Personnel | 25 percent |
| • Planning Documents/Work Plan/Activity Chart | 25 percent |
| • Price | 15 percent |

The evaluation criteria are appropriate and consistent with criteria developed for similar services. Several factors were considered in developing these weights, giving the greatest importance to the qualification and experience of the firm/team.

Evaluations were conducted from September 13, 2021 through October 8, 2021. After the evaluation, the PET determined The Unisource Group, Inc. to be responsive, responsible, and qualified to perform the services based on the RFP's requirements.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	The Unisource Group, Inc.				
3	Qualification and Experience of the Firm/Team	84.45	35.00%	29.56	
4	Qualifications and Experience of Key Personnel	81.32	25.00%	20.33	
5	Planning Documents/Work Plan/Activity Chart	78.32	25.00%	19.58	
6	Price	100.00	15.00%	15.00	
7	Total		100.00%	84.47	1

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based on the independent cost estimate (ICE), cost/price analysis and technical evaluation.

Proposer Name	Proposal Amount	Metro ICE	Award Amount
The Unisource Group, Inc.	\$1,794,100	\$2,495,000	\$1,794,100

This is a firm fixed price contract that was estimated based on historical cost, plus annual escalation. The price evaluation was based on annual firm fixed costs for the seven-year term (including options). Cost/price analysis determined the recommended award amount to be fair and reasonable.

D. Background on Recommended Contractor

The recommended firm, The Unisource Group, Inc. (Unisource), located in Encino, CA, has been providing employee benefits consulting services for a broad range of employer groups since 1990. Other services provided include risk management, cost containment and funding strategies, utilization review, project management, health risk assessment, wellness program design and human resource consulting such as strategic workforce planning, job classification and compensation and job specification review. Unisource's public sector clients include the City of Long

Beach, County of Santa Barbara, University of California, California Highway Patrol, State of California and State of Montana.

For over ten (10) years, Unisource was a subcontractor to Metro, providing similar benefits consulting services and performance was satisfactory.

Unisource's subcontractor, Alliant Employee Benefits, has been providing benefit consulting services since 1971. Collectively, the Unisource team has an extensive client base and public sector experience to provide keen insights into the costs of employee benefits and emerging strategies to maintain stability in benefits programs for public sector employers.

DEOD SUMMARY

HEALTH BENEFITS CONSULTING SERVICES / PS41236000

A. Small Business Participation

Effective June 2, 2014, per Metro's Board-approved policy, competitive acquisitions with three or more Small Business Enterprise (SBE) certified firms within the specified North American Industry Classification System (NAICS) as identified for the project scope shall constitute a Small Business Set-Aside procurement. Accordingly, the Contract Administrator advanced the solicitation, including posting the solicitation on Metro's website, advertising, and notifying certified small businesses as identified by NAICS code(s) that this solicitation was open to **SBE Certified Small Businesses Only**.

The Unisource Group, Inc., an SBE Prime, is performing 56.85% of the work with its own workforce.

SMALL BUSINESS SET-ASIDE

SBE Prime Contractor		SBE % Committed
1.	The Unisource Group, Inc. (Prime)	56.85%
Total Commitment		56.85%

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.



Board Report

File #: 2021-0669, **File Type:** Informational Report

Agenda Number:

**FINANCE, BUDGET, AND AUDIT COMMITTEE
NOVEMBER 17, 2021
CONSTRUCTION COMMITTEE
NOVEMBER 18, 2021**

**SUBJECT: REVIEW OF PROJECT MANAGEMENT SUPPORT SERVICES (PMSS) CONTRACT
- BEST PRACTICES TO FUND & EXTEND PROFESSIONAL SERVICES
CONTRACTS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General Review of Project Management Support Services Contract (PMSS) Best Practices to Fund & Extend Professional Services Contracts.

ISSUE

In May of 2021, Program Management came to the Board to exercise the optional two-years of the Program Management Support Services (PMSS) staff augmentation contract (five year + two additional year option). At that time the Board requested additional information on how the original contract was performed and tabled the matters of increasing the funding for the additional years sought after.

BACKGROUND

In June 2017, the Board approved awarding a five-year plus two years option of a cost reimbursable fixed fee staff augmentation contract, for Program Management Support Services (PMSS) and a not-to-exceed \$90,809,070 for seven years. Program Management would be in control of a staff augmentation contract for 54 projects.

Management has made four separate presentations to the Metro Board including one request for initial funding, and three subsequent presentations to renew funding and/or extend contract time, as summarized below:

Base/Option Year	Board Presentation	Description	Cost Increment	FY NIE
1	6/22/2017	2018 & 2019	24,970,960	24,970,960
2	4/25/2019	2020	\$25,339,082	\$51,306,204
3	5/28/2020	2021	\$12,041,501	\$63,347,705
4	5/27/2021	2022	10,296,886	\$73,644,591
Pending - Option		2023-2024	27,461,365	\$101,105,956

Board Presentations and Funding Requests (Summary)

On May 27, 2021, Program Management sought authorization from the Board for three actions on PMSS Contract. 1) To increase the authorized budget to fund Year 5, 2) To authorize the extension period for an additional two years, and 3) To approve budget to fund the option period. The Board approved the first request but tabled the option for addition two years and the funding for those years pending an audit report “to hear how well the original contract was performed.” (Board Minutes from 5/27/2021, Najarian Amendment.)

The OIG and MASD commenced an audit immediately following that Board matter. To avoid duplication of review, the OIG agreed that MASD would audit certain detailed aspects of the contract including invoice review, and the OIG would review a broader, more macro level of other aspects of the Board’s concerns to use in directing further action on the PMSS Contract.

OIG examines whether:

- Internal policies and practices are in place and used to track and evaluate contractor performance on key performance indicators related to work and quality, compliance with contract terms, and maintenance of budget;
- Internal policies and practices are in place and used to track and evaluate the budget for professional services as it relates to the individual budget for each program and project making use of staff augmentation; and
- Internal policies and practices are in place and used to foster continuous improvement of staffing to ensure the benefits of consultant services are not outweighed by costs which include not only financial costs but also standardization, risks of loss of retaining institutional knowledge, and succession planning.

DISCUSSION

The Office of Inspector General (OIG) found that the board presentations for contract renewals to fund or extend contract time under the PMSS Contract could be improved through supplemental information on the topics of vendor performance, budget status, and Contract Efficacy/Continuous Improvement. Robust controls practices and data collection methods are currently used for oversight of the vendor and to track budget utilization but these practices are not self-evident. Enhanced reporting on Metro’s controls practices could allow the Board to assess management’s renewal recommendations with greater efficiency and confidence.

The OIG's recommendations encourage development of written policies and procedures to standardize both collecting and reporting upon management's existing controls practices for more comprehensive board presentations. The OIG's recommendations are not intended to impose onerous time and resource impacts associated with timely preparation, presentation, reading and analysis of board reports.

Findings and Recommendations

Performance Evaluation

Finding 1: Program Management/Project Management lacks written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract.

Recommendation 1: Develop written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract. A standard checklist used monthly, quarterly, or other regular basis can be used to document vendor's compliance with key performance indicators.

Finding 2: The processes in place by Program Management/Project Management and V/CM Departments constitute a de facto controls process ensuring the vendor is generally performing satisfactorily. However, no methods to analyze key performance indicators (KPIs) and identify sub-optimal use of staff augmentation resources were identified.

Recommendation 2: Describe key performance indicators (KPIs) to identify and track performance metrics for the vendor.

Finding 3: Management did not use its board presentations to articulate its best practices efforts to assure that the vendor performs satisfactorily and showing that management optimizes use of the staff augmentation resources.

Recommendation 3: Include in the board presentation a summary of management's quality review actions and statement of findings on KPIs affirming vendor's satisfactory performance.

Budget Controls & Status

Finding 4: The total budget for the PMSS Contract is derivative of the individual budget(s) for the programs/projects anticipated to use staff augmentation resources under the PMSS Contract. Management's initial baseline budget for the PMSS Contract did not link estimated soft costs on a per program/project basis (or revise the baseline budget where necessary over the term of the contract), creating the appearance of no budget controls.

Recommendation 4: Establish long-term initial baseline budget using estimated soft costs associated across identified and identifiable program/project budgets to serve as a necessary budget control measure.

Finding 5: Management's presentations to the board omitted necessary explanations for variances between an initial baseline budget/Recommended NTE established as a control for the PMSS

Contract and the Actual costs to date and the projected cost trend.

Recommendation 5: For each Board presentation, documenting the reasons for the variance between management's initial or revised baseline budget/Recommended NTE, and the Actual NTE.

Finding 6: Program Management/Project Management appears to engage in annual/short-term planning for staff augmentation in lieu of longer-term planning for use of staff augmentation resources under the PMSS Contract.

Recommendation 6: For multi-year cost-reimbursement professional services contract, plan and develop multi-year CWOs to encourage longer-term staff capacity plan, to minimize administrative efforts.

Finding 7: Management may issue CWOs that address one functional area of staff augmentation and use those services across programs or projects ("many-to-1"), or issue one CWO for each program or project and include a range of functional areas ("1-to-1"). The issuance of "many-to-1" CWOs requires more tedious labor for cross-checking of timesheets and invoices across different project managers, and additionally requires checking of correct cost coding for budget use across projects and budget.

Recommendation 7: For multi-year cost-reimbursement professional services contract providing services across projects, issuing 1-to-1 CWOs or 1 to multiple CWOs which ever one is most efficient based upon the consultation with project management, V/CM, accounting and the vendor to confirm which method best facilitates budget tracking and make more efficient the invoicing process for CWOs.

Contract Efficacy/Continuous Improvement

Finding 8: Management omits discussion regarding the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.

Recommendation 8: Review and communicate to the Board the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.

Finding 9: Management omits discussion of (presumed) net benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.

Recommendation 9: Review and communicate to the Board the benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.

Finding 10: Management omits discussion of opportunities to hire and train local community members.

Recommendation 10: Review and communicate to the Board opportunities to hire and train local community members.

Finding 11: Management omits discussion of opportunities to bridge or prepare for the next PMSS

Contract solicitation.

Recommendation 11: Review and communicate to the Board the opportunities to bridge or prepare for the next PMSS Contract solicitation.

FINANCIAL IMPACT

There are no anticipated financial impacts from the information provided in this report to the agency.

EQUITY PLATFORM

In the OIG's opinion, there are no anticipated equity impacts identified as a result of this informational report.

Program Management has stated, Metro DEOD assigned a 30% DBE commitment for this Contract. The joint venture consultant proposed a 73.31% DBE commitment making this Contract the largest small business led consultant services contract at Metro which they state this utilization will continue the end of the Contract.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations that the Office of Inspector General has put forward support Metro's Strategic Plan Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization and CEO goals to exercise fiscal discipline to ensure financial stability. The OIG mission includes reviewing expenditures for fraud, waste, and abuse in Metro program, operations and resources. Our goal is to provide rational, trustworthy information to the Board and support the efforts of Metro management to constantly improve and refine its efforts for the benefit of the public.

NEXT STEPS

Our preliminary review with management regarding the OIG's report and recommendations was generally positive. Management will review and respond to recommendations, and implement as appropriate.

ATTACHMENTS

Attachment A - OIG Report dated October 16, 2021: Review of PMSS Contract - Best Practices to Fund & Extend Professional Services Contracts

Attachment B - Tracking Schedule for Recommendations

Attachment C - Power Point Presentation

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A handwritten signature in blue ink, appearing to read "Ramona", is written over a horizontal line.

Inspector General/Chief Hearing Officer

Review of PMSS Best Practices to Fund & Extend Professional Services Contracts

Office of the Inspector General

Report No. 2021-0669

DATE: November 2, 2021

TO: Board of Directors
Chief Executive Officer

FROM: Karen Gorman
Inspector General

**SUBJECT: Review of Project Management Support Services (PMSS) Contract
Best Practices to Fund & Extend Professional Services Contracts**

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) found that the board presentations for contract renewals to fund or extend contract time under the PMSS Contract could be improved through supplemental information on the topics of vendor performance, budget status, and “alternatives considered.” Robust controls practices and data collection methods are currently used for oversight of the vendor and to track budget utilization but these practices are not self-evident. Enhanced reporting on Metro’s controls practices could allow the Board to assess management’s renewal recommendations with greater efficiency and confidence.

Program Management (PM), Program Management Oversight (PMO), and Vendor/Contract Management (V/CM) effectively administer the PMSS Contract through use of “four levels of control.” Level One relates to projects with life of project (LOP) budgets using time-phased cost-loaded staffing plans for all staff (Metro or consultant); non-LOP projects will use fiscal year budgets. Budgets for each are evaluated monthly for trend analysis and potential revision. Level Two involves annual work plans that are developed on a per project basis in conjunction with task orders issued for staff augmentation. On a monthly basis, the PM, PMO, and V/CM each play a role in reviewing staff allocations and funding to assure compliance with vendor’s scope of work and contract terms, analyzing trends and potential revision. Level Three involves PMs reviewing monthly invoices to verify staff time billed and proper cost coding. Also, V/CM reviews invoices for compliance with the task order to assure compliant staffing, billing rates and small business compliance. Level Four engages the vendor themselves to regularly report on task order status, and to provide to Metro annual work plans for every task order reviewing staff allocation and funding which involves engaging with the PM, PMO, and V/CM.

The OIG’s recommendations encourage development of written policies and procedures to standardize both collecting and reporting upon management’s existing controls practices for more comprehensive board presentations. The OIG’s recommendations are not intended to impose onerous time and resource impacts associated with timely preparation, presentation, reading and analysis of board reports.

Review of PMSS Best Practices to Fund & Extend Professional Services Contracts

Office of the Inspector General

Report No. 2021-0669

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INTRODUCTION

On May 27, 2021, Metro’s Program Management Team sought authorization from Metro’s Board of Directors’ (Board) for three discrete actions on Contract No. AE35279 Program Management Support Services (PMSS Contract).¹ First, to increase the authorized budget to fund the fifth and final base year of the contract; next, to authorize Metro’s unilateral exercise of an option to extend the period of performance for an additional two years; and finally, to approve budget to fund the option period. The Board approved the request for an additional fifth year budget but tabled the other two matters pending a report “to hear how well the original contract was performed.” (Board Minutes from 5/27/2021, Najarian Amendment.)

The OIG commenced an audit immediately following that Board matter; also, the Management Audit Services Department (MASD) commenced an audit to assess the conformity of services to contract requirements performed by the Vendor. To avoid duplication of review, the OIG agreed that MASD would audit certain detailed aspects of the contract including invoice review, and the OIG would revise its review to a broader, more macro level of other aspects of the Board’s concerns. MASD will present its audit results to the Board in or about November 2021 simultaneously with this report. This OIG review of Metro Staff management of the PMSS Contract and its communication of key information to the Board for its use in directing further action on the PMSS Contract is intended to not materially duplicate the MASD’s efforts.

OBJECTIVES, METHODOLOGY AND SCOPE OF REVIEW

In 2016, the Los Angeles Metropolitan Transportation Authority (LA Metro, Metro) published its Program Management Plan (PMP) to map implementation of the 40-year Los Angeles County Traffic Improvement Plan (LACTIP) estimated to cost \$64.52B and financed by Measure M funds.² Out of twenty-eight key projects, four “Pillar Projects” have been identified as key to finish by 2028 to prepare for the US Olympics, and as part of Metro’s “The Reimagining of LA County” initiative.³

The PMP includes three key strategic initiatives implicated in this OIG Review: Staff Capacity Planning; Acquisition Process Innovation; and Strengthen(ing) the Budget Process.

Metro’s Acquisition Policy also states a key guiding principle:

¹ Kal Krishnan Consulting Services/Triunity Engineering and Management Joint Venture (KTJV, Vendor) is the vendor on this contract.

² [Program Management Plan - Measure M \(metro.net\)](#)

³ See February 2019 Board Reports prepared for meetings of Planning & Programming Committee, Executive Committee and Board of Directors.

“The goal of every Metro Acquisition is to procure and receive delivery of goods and services to support the agency’s activities in a timely and cost-efficient manner while maintaining the public’s trust in fulfilling Metro’s public policy objectives.”

(ACQ-1, Para. 3.2.) PMP and Acquisition Policy compel the Board to continuously review the efficacy of every contract. Indefinite delivery contracts for professional services due to their size, evolving staffing priorities, and bolstering the community through small/disadvantaged business hiring incentives should be reviewed in detail.

Management requests for additional funding and/or extensions to the period of performance present opportunities for focused review. For purposes of the OIG’s review, presentations to the Board for funds and/or contract extensions are referred to as a “contract renewal action.”

The objectives of this report are to aid the Board’s efficient and confident review of management’s recommendations for renewing the contract. To that end, the OIG examines whether:

- Internal written policies and practices are in place and used to track and evaluate contractor performance on key performance indicators related to work and quality, compliance with contract terms, and maintenance of budget;
- Internal policies and practices are in place and used to efficiently track and evaluate the budget for professional services as it relates to the individual budget for each program and project making use of staff augmentation; and
- Internal written policies and practices are in place and used to foster continuous improvement of staffing to ensure the benefits of consultant services are maximized.

To achieve the OIG review objectives, we performed the following procedures:

- Reviewed relevant local, state, and federal requirements related to the type of contract, total contract value, limits to length of period of performance, requirements for exercise of option, and extension to periods of performance in absence of option;⁴
- Reviewed Metro’s policies and procedures that relate to Metro’s Procurement: Acquisition Policy Statement (ACQ-1); Acquisition Policy and Procedure Manual (ACQ-2); Vendor/Contract Management Guide;
- Reviewed Metro’s policies and procedures that relate to Program and Project Management;

⁴ The terms and conditions of use of federal funds provided through the Federal Transit Administration (FTA) require Metro to comply with Title 31 of the Federal Acquisition Regulation (FAR) and FTA Circular 4220.1F. The Best Practices Procurement and Lessons Learned Manual (2016 ed.) provides a useful but secondary resource.

- Reviewed detailed time-phased staffing plans conforming to FTA planning standards.
- Reviewed Metro’s policies and procedures that relate to budgeting during the planning phase, life of project (LOP) budgeting, timing of requests for budget authorization, and Frequently Asked Questions; and
- Interviewed Metro staff across the following Departments: Program Management, Project Management, Vendor/Contract Management, and the Office of Management & Budget.

The PMSS Contract is the primary focus of review and is discussed in detail. For purpose of analysis, we also discuss a professional services contract providing construction management support services (CMSS) to an ongoing construction project. These two professional services are not directly comparable. The PMSS contract is program-based with a mix of LOP and non-LOP budgeting. The CMSS Contract relates to a single project with an LOP budget and is used to discuss the potential for efficiencies, and better understanding administrative constraints under the PMSS Contract.

- Contract No. AE35279, Program Management Support Services (PMSS Contract) is a multi-year professional services contract with a base five-year term and two-year option with an initial anticipated contract value of \$90,809,070 which is the amount approved in 2017. The PMSS Contract was described as a “new approach” for augmenting staff at the program level and across projects for program management duties. A high priority was placed upon using small businesses, and the participation of disadvantaged, minority and women-owned businesses currently exceeds 71%.
- Contract No. AE5818600MC072-PLE2, Purple Line Extension Section 2 Project, Construction Management Support Services (CMSS, PLE-2 CMSS Contract) is a multi-year professional services contract augmenting staff for one project only, e.g., Contract No. C1120 Westside Purple Line Extension Section 2 Project. This contract has a base term of 108 months, and two one-year options. The anticipated total contract value is \$54,718,942. In 2016, the Board authorized a not-to-exceed cost increment of \$8,890,488 through Fiscal Year 2018. Management has not returned to the full Board since 2016.

The OIG does not rely upon using only generally accepted government auditing standards for this review. The OIG solely uses “hard data” in this review that is above an audit standard with no predisposition to, or conditions for, any particular bias.

APPLICABLE RULES

Metro’s procurement, contract administration, and budgeting activities must comply with applicable state and federal law, as guided by documented policies and procedures

promulgated within Metro.⁵ This truism provides a backdrop to the entirety of the OIG’s review. Specific laws, regulations or principles will be discussed only if placed directly at issue by a finding or recommendation.

A list OIG interviews and materials reviewed is provided at Attachment A.

RENEWING PROFESSIONAL SERVICE CONTRACTS

Indefinite Delivery Cost-Reimbursement Contract

Unlike a competitive sealed bid procurement that generally seeks lowest cost from responsible and responsive bidder, an indefinite delivery type contract for professional services allows an agency to select based on performance criteria. Step 1 prior to contract formation involves negotiating labor unit price ranges for identified positions and other rates that will be applied for cost reimbursement. Provisional rates may be agreed upon subject to a final review that occurs post-award. Step 2 following contract award involves “micro-procurements” where the agency orders staff augmentation services at the agreed rates.

Services under the cost-reimbursement-type contract are “ordered” through a Task Order (also known as Contract Work Order (CWO). (ACQ-5.14(B)(3).) Task Orders must be issued within the approved not to exceed value of the contract and funds shall be obligated to cover the cost of the Task Order. (ACQ-5.14(D); see also ACQ-18.7.) “Each Indefinite Delivery contract issued must include a fixed dollar ceiling that represents the target Not to Exceed (NTE) cost authorization for the work specified. Unused funds may only be transferred from one task to another when the unused funds have been unencumbered and a new acquisition has been approved.” (ACQ-5.14(G).) Each order placed under an indefinite delivery/task order contract shall contain required minimum information needed for a contract including price justification, documented negotiations, and price reasonableness decision.” (ACQ-5.14(I).)

PMSS Contract No. AE35279 operates as an indefinite delivery contract as reflected in the Compensation and Ordering provisions controlling the terms and conditions for performing work and receiving payments for services under the contract. (See Form of Contract, Art. IV D & VIII; SP-06.) The vendor is guaranteed no minimal quantity of work. (*Ibid.*)

Renewing Funds & Extending Time

For Metro’s professional service contracts, the Board typically authorizes an initial cost increment to be used to reimburse costs services. Management must return to the Board to request an additional cost increment. Alternatively, OMB may “program” the budget in

⁵ The OIG’s high-level review of Metro’s compliance with state and federal contracting and procurement laws and regulations with respect to the PMSS Contract revealed no obvious problems or concerns.

accordance with the Life of Project (LOP) budget. The Board's funding authorization may reference a period of performance, which period will be treated as extended if the contract contemplates an automatic extension if funds remain available. This is the case with the PMSS Contract. (See Form of Contract, Art. VII.)

The PMSS Contract establishes a five-year base term with an option to extend for an additional two-year period. Metro's Acquisition Procedure indicates that options may be included in a solicitation and the contract if found to be in Metro's best interests to include this unilateral right. (ACQ-6.1A, C (2).) The record shows that the option was reviewed as part of the negotiations for the PMSS Contract. The FTA views options as beneficial mechanisms for continuing an existing contract where there appear to be no countervailing detrimental impacts.^{6, 7} Management's request to exercise the bargained for option under PMSS Contract No. AE35279 appears to comport with FTA guidelines.

If the contract contains no option for unilateral exercise of a right to extend the base term, the term may be continued in accordance with contract terms to the extent authorized funds remain available. Additionally, management may seek a bilateral contract modification to extend the period of performance. The terms and conditions during the extended period may be subject to negotiation.

Compliance with the FTA

Federal regulations and the FTA's published best practices leave to a sponsoring agency's business judgment whether to augment internal staff with external consultants, the manner and method of contracting for these services, the total value and term for period of performance, and renewal decisions. that management will perform proper oversight, and that the benefits of the contracting method and requested approval will outweigh any risks or harm to the agency.

Metro Policies & Practices

The OIG reviewed Metro's Administrative Code and the policies and procedures developed by the Program Management and Vendor/Contract Management departments regarding professional services contracts. Metro's PMP states a preference for negotiated procurements for these contracts.⁸ However Metro codes do not tell Metro Management how to implement the contract.

⁶ To exercise an option, the Contracting Officer should determine that (a) funds are available; (b) the requirement fills an existing need; (c) the exercise of the option is the most advantageous method of fulfilling the Government's need considering price and other factors; (d) the option part of original solicitation; (e) the contractor remains in good standing; and (g) the contractor's performance has been acceptable. (FAR 17.207 c.)

⁷ The Owner may exercise the option unilaterally, in accordance with any contract requirements for the exercise. A bilateral agreement may be necessary if the Owner needs to update any terms and conditions, particularly those associated with revisions to federal funding requirements that must be complied with by the Vendor.

⁸ PMP Section 3.5.3.3, p. 124.

BACKGROUND

Comparing & Contrasting the PMSS & CMSS Contracts

The PMSS and PLE-2 CMSS contracts are each multi-year indefinite delivery cost-reimbursement contracts providing professional services. For each contract, management identified labor categories for services, developed an anticipated level of effort (LOE) for each labor category and applied estimated costs to develop an Independent Cost Estimate (ICE) for purposes of negotiating with the vendor. Based on the different LOEs and terms, the two contracts differ significantly on anticipated total contract value and period for performance.

Contract	Initial Recommended Total Value	Period of Performance	Presentation to Board Frequency
PMSS	\$90,809,070	5 years, 2-year Option	2017, 2019, 2020, 2021
CMSS	\$54,718,942	108 months, two 12-month Options	2016

Table 1: PMSS versus CMSS Contract

The Program Management team is responsible for managing and supporting the delivery of Metro’s overall Capital Program and was developed to augment staff in eight key functional areas at the program level:

- Program Management
- Project Management
- Project Delivery and Contract Development/Compliance
- Project Control
- Estimating
- Configuration Management
- Project Management and Other Technical Training
- Project Management Information Systems (PMIS) Support

Within these eight functional areas, the PMSS Contract describes twenty-four “labor category descriptions” ranging from Administrative Aide to Training Manager. (See Attachment B for complete list).

PMSS consultants are embedded throughout programs and projects, and over the term of the PMSS Contract, the level of staff augmentation has “flexed” to meet Metro’s staffing needs. A graphic showing staffing levels is provided at Attachment C. Currently, 53 consultants actively assist the Program Management/Project Management Teams in various roles.

Contract Work Orders as Micro Procurements

For the PMSS Contract, Project Managers request staff augmentation services through CWOs.⁹ CWOs incorporate the general terms and conditions of the PMSS Contract. The terms of the PMSS Contract will take precedence if a conflict arises from a CWO. (SP-06 B.) The CWO controls the scope of work, agreed rates and NTE value and the period for performance. (SP-06 C-M.)

The Acquisition Procedures appear to apply to both the overall contract and derivative task orders and state that each task order under an indefinite delivery contract be based on “[a] realistic estimate of the total quantity or dollar amount that will be ordered, based on the most current information available...” (ACQ-5.14 C.) CWOs must be supported by required minimum documentation needed for a contract including price justification, documented negotiations, and price reasonableness decision. (ACQ-5.14 I.)

A single CWO may be used to order professional services for one program area or project, (“1-to-1”) or it may order a particular service that will be used across many program areas or projects (“many-to-one”). A program/project ordering services may have an approved Life of Project (LOP) budget, or it may still be in the planning stages with no approved LOP. Metro Staff must track the variable funding sources used to reimburse the contractor’s costs incurred. Tracking costs is straightforward when the CWO provides services to one program area or project, and more complex when dealing with many programs/projects.

CWOs may be issued for a single or multi-year period of performance. During the OIG review, Metro staff reported that 54 different CWO’s have been issued. Task order modifications or changes (approximately 209) have been generated primarily reflective of controls used to reconcile changes to the initial CWO’s budget over time. A total of 40 CWOs appear to be “open” and available to be invoiced against.

PMSS Contract – Board Presentations

Management has made four separate presentations to the Metro Board to request initial funding and to renew funding and/or extend contract time.¹⁰ The Table 2, below, provides details regarding management’s requests for initial or renewal cost increments in each of four board presentations, including the funding request for the two-year option period pending before the Board.¹¹ Table 3 provides a summary snapshot of the net cost increment for each fiscal year, and the cumulative NTE value for the PMSS Contract.

⁹ The PMSS Contract defines a Contract Work Order (CWO) as, “[t]he documents issued by Metro for each separate assignment detailing the Scope of Work, price and completion time.” (General Conditions (GC)-01B; see also Special Provisions (SP)-06.)

¹⁰ Each visit to the Metro Board is preceded by a presentation to the Construction Committee for an initial presentation of issues.

¹¹ Board presentations reconcile the prior fiscal year’s requested cost increments and transparently notify the Board that previously authorized funds are being shifted to the next fiscal year.

Review of PMSS Best Practices to Fund & Extend Professional Services Contracts

Base/Option Year	Board Presentation	Description	Cost Increment	FY NTE
1, 2 FY 2018 FY 2019	6/22/2017	New FY 18-19 Cost Increment	24,970,960	24,970,960
	4/25/2019	Retroactive Adjustment to FY 2019	-850,228	24,120,732
3 FY 2020	4/25/2019	<i>Request for remaining 3 yr base/2 yr option funding rejected. Staff to return in 2 years w performance eval. No NTE</i>	65,838,110	90,809,070 - Rejected
	4/25/2019	Unspent 2019 Move to FY 2020	850,228	24,970,960
	5/28/2020	Retroactive Adjustment to FY 2020	-2,572,832	22,398,128
	5/28/2020	Reconciled Cost Increment for FY 2020	26,335,244	48,733,372
	5/28/2020	Unspent 2020 Move to FY 2021	2,572,832	51,306,204
4 FY 2021	5/20/2021	Retroactive Adjustment to FY 2021	-2,650,429	48,655,775
	5/28/2020	New FY 2021 Cost Increment	12,041,501	60,697,276
	5/20/2021	Unspent 2021 Move to FY 2022	2,650,429	63,347,705
5 FY 2022	5/20/2021	New FY 2022 Cost Increment	10,296,886	73,644,591
	5/20/2021	OPTION TERM (2 YEARS) FY 23-24;	27,461,365	101,105,956

Table 2: Board Presentations and Funding Requests (Detailed)

For Fiscal Year 2020-2021, staff extrapolated a cost increment from the base year funding value of \$63,347,705 of \$12,699,541 per year (or \$25,339,082 for two years). Based on acceleration of the 4 Pillar Projects, the two-year cost increment was used faster than expected, prompting management to return in May 2020.

Base/Option Year	Board Presentation	Description	Board Authorized NTE	To Date NTE
1	6/22/2017	2018 & 2019	24,970,960	24,970,960
2	4/25/2019	2020	\$25,339,082	\$51,306,204
3	5/28/2020	2021	\$12,041,501	\$63,347,705
4	5/27/2021	2022	10,296,886	\$73,644,591
Pending - Option		2023-2024	27,461,365	\$101,105,956

Table 3: Board Presentations and Funding Requests (Summary)

Management’s presentations to the Board include essential information related to the scope and purpose of the contract and a detailed status update related to Diversity & Economic Opportunity Department goals. Management reconciles past expenditures and describes new funds needed on a per project basis.

Vendor Performance

As to vendor performance, from 2019 through 2021, Management affirmed vendor cooperation: “KTJV has been responsive and works with Metro staff to provide...qualified resources...” Methods used to verify the vendor’s satisfactory performance, supporting data or key performance indicators used by management are not described to the Board to demonstrate management’s diligence in overseeing vendor performance.

Budget Status

As to budget status, this text from the 2017 Board Report under the headings “Financial Impact” and “Impact to Budget,” is representative for the level of detail typically provided:

Funding for these services is included in the approved FY18 Budget for the various Metro projects. The individual CWOs will be funded from the associated life-of-project (LOP) budgets that are approved by the Board. The project managers, cost managers and Chief Program Management Officer will be accountable for budgeting the cost in future years, including cost associated with exercising the option.

There is no impact to the FY18 Budget as funds for this action will be included in the approved budget for each project. Most of the projects are funded with multiple sources of funds: federal and state grants, federal loans, bonds and local sales taxes. Much of local sales taxes are eligible for bus and rail operations and capital improvements. These funds are programmed to state of good repair projects and to augment the costs of mega projects, where eligible and appropriate.

Management’s statement establishes that the Board will not be committing “new money” for the PMSS Contract does not reference or integrate the four levels of controls used by management in overseeing the PMSS Contract.

Alternatives Considered

As for contract efficacy, Board Reports for 2019, 2020 and 2021 include an “Alternatives Considered” section used by Management to compare the status quo (continuing to fund staff augmentation needs) with ceasing the further procurement of consultant services. A statement is made suggesting that hiring Metro Staff would be inefficient and attempts, likely futile:¹²

The Board may elect to discontinue using KTJV for PMSS. Staff does not recommend this alternative as the Program Management capital projects are in

¹² Metro Staff ascribes “futility” to Metro’s out-of-date pay bands asserted to be non-competitive for a range of hard to fill jobs in the competitive marketplace.

various degrees of completion and the loss of staff would cause these projects to be significantly impacted.

Another alternative would be to hire Metro staff to perform the required services. This alternative is also not recommended since the intent of the PMSS is to augment Metro staff in terms of technical expertise and availability of personnel. PMSS are typically required on a periodic or short-term basis to accommodate for peak workloads or specific tasks over the life of the projects. Further, for some projects, the specific technical expertise required may not be available within the ranks of Metro staff, whereas the KTJV consultant can provide the technical expertise on an as-needed basis.

For purposes of brevity, perhaps, management does not use the board presentation to describe known challenges or opportunities related to long-term staff capacity planning. The OIG acknowledges that impacts arising from the COVID-19 emergency render this issue less salient.

EVALUATION

Performance Evaluation

The Board requested management report upon the vendor's performance both in 2019 and 2021, pursuant Solis and Najarian amendments.^{13, 14} In general, vendors providing professional services based on expertise cannot be easily measured against an objective standard. The criteria for vendor compliance relate to contractor inputs not a particular outcome, and Metro bears most of cost or performance risk if the contractor fails to make its best efforts.

For that reason, best practices oversight calls for strong internal controls by management to ensure that (1) CWOs are issued only for work scope included under the PMSS Contract; (2) the vendor provides and supports qualified staff who understand Metro's deliverables (whether tangible or intangible), as guided by clearly defined expectations; (3) the vendor accurately and timely submits monthly invoices; and (4) vendor remains aware of and complies with not-to-exceed budgets.

¹³ Solis Amendment: "[T]hat the Board amends Agenda Item No. 31 to authorize funding for two years and direct Metro staff to return in April 2021 with the next request for authorization as well as a report on the contractor's performance."

¹⁴ Najarian Amendment: "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."

The OIG did not review the specifics of the vendor’s performance to avoid duplication of MASD’s efforts and confined its review to the policies and practices used by the PMO, PMs and V/CM teams. With respect to vendor performance, the OIG identified that multiple tools exist for management to ensure that vendor continues to comply with the PMSS Contract. Because some of those tools overlap with budget controls which are discussed below, the OIG limits its discussion here to the written performance evaluation that has been developed by Program Management.

The OIG has been informed by staff that on at least two occasions Metro’s PM executive met with its counterpart for the vendor to go through a written process of performance evaluation. The OIG was provided a signed copy of one of the performance evaluations agrees it reflects a detailed review of key performance metrics. The performance evaluation process that occurred was not pursuant to written procedures. To ensure consistency and fairness in vendor performance reviews across contracts, the OIG recommends that V/CM and Project Management consider developing an agreed documented approach for regular performance evaluations. It may be appropriate to reference the process in Metro’s solicitation and contract documents.

Communication of KPIs

Based on management’s board presentations containing a very succinct affirmation of Metro’s satisfaction with the vendor, the OIG inquired as whether management captures data related to key performance indicators (KPIs). Management confirms that standardized tools for collection and measurement related to KPIs exist that may provide useful insights. The OIG encourages management to investigate whether board presentations could be made more comprehensive and useful with the inclusion of this KPI data.

Budget – Cost Trends and Efficient Gatekeeping

Initial PMSS Contract NTE Value

Management’s 2017 board presentation requesting authorization to proceed under the PMSS Contract described its potential to augment staff across 111 “Anticipated Projects” at a recommended total contract NTE of \$90,809,070.¹⁵ Staff requested two years’ cost increment based on a pro rata share of the total anticipated funding and stated that they “will return to the Board every two years to request additional authorization for the subsequent two-year period.” The board presentation holistically communicates that the purpose of the PMSS Contract will be to flexibly adjust Metro’s staff resources to implement and deliver capital projects and communicates that funding requests will reflect up to date information on staffing needs.

¹⁵ In its presentation to the Construction Committee in advance of its presentation to the full Board, Management indicated a Recommended NTE for the total contract value equivalent to the vendor’s proposal value, e.g., \$109,181,894. The original NTE has perhaps been retroactively validated.

For this report, Staff provided to the OIG the independent cost estimate (ICE) prepared by Metro in anticipation of negotiations with the PMSS Contract vendor. A representation was made that “the Solicitation ICE used historical information from past support services contract and then included assumptions for new positions. Based our assumptions on our org chart, program management org chart, prior support services org chart, and required FTA staff allocation needs.”

Records provided for review include an Excel spreadsheet showing a level of effort (LOE) for twenty-four labor categories that totals 83,580 hours/year, equating to approximately 40 full time employees (FTEs). Note 1 on the ICE spreadsheet notes that “Estimated hours are for proposal and evaluation purposes only and are not a guarantee of Metro's actual requirements.”

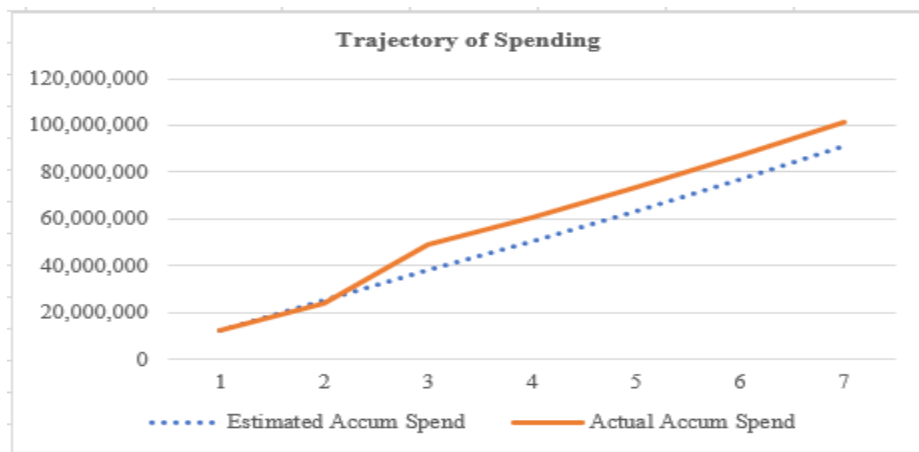
Actual and Projected Contract Value

Anticipated costs under the PMSS Contract over its seven-year term based on its initial total NTE value of \$90,809,070 is compared to actual and project remaining costs detailed in Table 2 presented earlier. Table 4, below, compares those annual cost increments.

Year	Est Accum Spend	Actual Accum Spend
1	12,669,541	12,060,366
2	25,339,082	24,120,732
3	38,008,623	48,733,372
4	50,678,164	60,697,276
5	63,347,705	73,644,591
6	77,078,388	87,375,274
7	90,809,070	101,105,956

Table 4: 2017 Planned Costs versus 2021 Actual Costs

A graph of the Table 4 data shows an increase in spending that occurred in 2020.



Graph 1: Variance Between Estimated Costs and Actual PMSS Contract Costs

In interviews with staff, OIG learned that in 2019, Program Management was directed to accelerate efforts on four Pillar Projects, e.g., Gold Line Eastside Extension Phase 2, Green Line Extension to Torrance, Sepulveda Transit Corridor, and the West Santa Ana Branch to Downtown LA. Additionally, a decision was made to hire a consultant to review issues related to the public private partnership (P3) project delivery method. As a result, expenditures were higher than anticipated under the PMSS Contract. Once the COVID-19 emergency impacted Metro's operations, management was directed to throttle down all staffing commitments.

Management's Four Levels of Control

Based on the PMSS Contract providing flexible, responsive staff augmentation that could not be comprehensively defined during its solicitation, a "top down" cost estimating process was used to establish the anticipated LOE. In lieu of comparing actual costs to the initial estimate, management implemented a controls process assuring that budget use is transparently tracked so that the Board and public are apprised of budget utilization. This comprehensive approach described as "four levels of controls" comprehensively tracks use of funds while ensuring compliance with the terms and conditions of the PMSS Contract, therefor meeting best practices oversight requirements.

Level One relates to projects with life of project (LOP) budgets using time-phased cost-loaded staffing plans for all staff (Metro or consultant); non-LOP projects will use fiscal year budgets. Budgets for each are evaluated monthly for trend analysis and potential revision. Level Two involves annual work plans that are developed on a per project basis in conjunction with task orders issued for staff augmentation. On a monthly basis, the PM, PMO, and V/CM each play a role in reviewing staff allocations and funding to assure compliance with vendor's scope of work and contract terms, analyzing trends and potential revision. Level Three involves PMs reviewing monthly invoices to verify staff time billed and proper cost coding. Also, V/CM reviews invoices for compliance with the task order to assure compliant staffing, billing rates and small business compliance. Level Four engages the vendor themselves to regularly report on task order status, and to provide to Metro annual work plans for every task order reviewing staff allocation and funding which involves engaging with the PM, PMO, and V/CM. Both Program Management and V/CM participate in a detailed review and approval process for the vendor's invoices. Project Management reviews for cost costs to ensure that costs are segregated properly and eligible for reimbursement under full funding grant terms. V/CM reviews for proper labor classification, labor rates, overhead rates, fees, scope of work and tracking against the NTE.

To supplement management's existing four levels of controls, the OIG also recommends management consider discussing in the board presentation project-specific budget information or other factors pertinent to cost variances with the initial baseline assumptions (whether LOE or costs). A reviewer comparing the board presentations for different years can identify new or modified CWOs that may have resulted in variable costs, but the better

approach may be for management to highlight and describe significant matters that impacted funding expectations. Management's practice of developing detailed project budgets is not made evident regarding costs under the PMSS Contract.

CWO Funding Process and Efficient Budget Oversight

The OIG acknowledges that the PMSS Contract is more complex to administer than a typical CMSS contract, including the PLE-2 CMSS Contract. The PLE-2 CMSS Contract made one Board presentation for an initial funding authorization in 2016, and no presentations have been made since to the full board. The PLE-2 CMSS Contract is under a project with an approved LOP Budget which allows the OMB to program its expenditures without direction by the Board.

Program Management states that a large proportion of programs/projects using staff augmentation resources do not have approved LOP budgets, and for that reason management has no option but to return annually to the board for new cost increments. OMB policies were cited as the source of the constraint. Management acknowledges that in 2017 the initial cost increment was for two years, and the 2017 staff report references an intent to return biennially. Because the PMSS Contract staff augmentation began to be requested by non-construction related departments with frequent changes, management stated it may be a sounder practice to reassess annually and limit each CWO to a one-year period of performance.

In discussions with Staff, the OIG learned that PMOC, PM and V/CM teams would welcome less burdensome administrative responsibilities associated with single year CWOs. It was agreed that multi-year CWOs might require more planning work at the "front end" which could be worth it if "nothing changed" as to scope of work and associated costs. Efforts at longer term staff capacity planning under the CWOs would be beneficial to the extent the information identifies efficiencies or alternative approaches related to using Metro staff over consultant staff.

An additional reason to increase CWO efficiency relates to budget tracking and invoice review. A single CWO may be an order for professional services for one program area or project, or for many program areas or projects. For each CWO, Metro Staff must track the variable funding sources used to reimburse the contractor's costs incurred. Tracking costs is straightforward when the CWO provides services to one program area or project, and complex when dealing with many.

In summary, improved efficiency may arise from a practice of issuing CWOs that are longer term and relate to only one program or project while covering multiple functional areas and labor categories. Efforts should be made to use OMB as a gatekeeper where possible to control total project spending. Since CWOs are the primary vehicles for ordering and tracking services and use of budget, it follows that they could be a valuable tool for long-term staff capacity and budget planning. The PMOC, PM and V/CM in consultation with and OMB are best positioned to analyze and agree upon how to most efficiently administer

CWOs. Certainly, efficiencies are encouraged to save not only the time spent by Metro employees, but costs associated with the vendor tracking and administering the CWOs.

Alternatives Considered and Principles of Continuous Improvement

Management’s “Alternatives Considered” topic could be better used to apprise the Board and public of ongoing efforts to review alternatives to status quo use of the PMSS Contract. As stated above, Metro’s 2016 PMP describes the importance of attracting, training and retaining core staff and growing through succession planning while also acknowledging the need for consultants to augment Metro Staff for work requiring specialized expertise, difficult to hire positions, and short-term assignments.

Every presentation to the Board to request additional funds and/or extended time under the PMSS Contract should be treated as an opportunity to reassess the value of the PMSS Contract and to proposed changes identified as furthering Metro’s other strategic staffing goals. If following substantive consideration of relevant issues, the status quo appears the best option, that will be self-evident.

Consultant to Metro Staff Ratio

Metro’s 2016 PMP and adopts an assumption that a 50/50 staffing split between Metro staff and consultants is appropriate and describes that the ratio should change over the course of capital program development as Metro moves from planning to close out. This PMP recommends that as part of staff capacity planning, “each staffing discipline will be reviewed on a granular basis to assess the appropriate staffing split for each staffing area.”¹⁶

The OIG’s 2016 Construction Best Practices Report reported the 2016 Metro Staff to consultant ratio as close to 50/50 and recommended increasing Metro FTEs to achieve a closer to 70/30 staff to consultant ratio consistent with best practices of other agencies. This ratio is described as promoting better succession planning and a more committed, loyal staff.

Currently, Metro staff reports the current staff to consultant ratio as variable and ranging from almost 90% consultant-based on some projects with closer to 30/70 Metro staff to consultant ratio, in general. The staffing ratio is “phase dependent” with consultant staff being more ubiquitous during the construction phase and increasing levels of Metro staff once the startup phase commences. Management states that an upcoming review will be occurring in the near future to analyze the use of consultants. A deliverable will be provided with comprehensive up-to-date information that can be used to improve (where necessary) Metro’s staff capacity planning. Recently the OIG completed a study of Metro hiring practices describing organizational challenges toward hiring Metro staff (that have been exacerbated by the labor scarcity effects of COVID-19), as referenced in Office of The

¹⁶ LACTMA Program Management Plan (2016), page 14.

Inspector General Report On Metro Personnel Hiring Process Study Board report September 17, 2020, (2020-0426).

Compliance with AB5 Independent Contractor Restrictions

On January 1, 2020, AB5, also known as the “gig worker law” took effect in California. This law requires that workers formerly identified as contractors should be given employee status and benefits. A supplemental Assembly bill was passed to establish an AB5 exemptions list. The “Business to Business Exemption” allows sole proprietors, partnerships, limited liability partnerships/companies, or corporation to enter into a contractual relationship with a business. This exemption applies to Metro’s professional service contracts but there is still good reason to be cautious. The exemption is a narrow one and only time will tell how a court will apply the law given a set of facts.

So long as contractor employees are receiving benefits and having taxes withheld, impacts on Metro are likely to be minimal as AB5 application is unlikely. However, if a Metro contractor employs someone as an independent contractor assigned to Metro, it may present some risk of application. Also, to the extent any contractor or subcontractor staff work solely for Metro – with Metro being its first and only “gig,” Metro may face some risks. The level of risk may require further analysis by County Counsel. For Metro, compliance with AB5 may place Metro on a collision course with the salutary benefits arising from a high participation from small/disadvantaged businesses. This is another area where further analysis is required.

Planning for Next Procurement Action & Implementing Lessons Learned

In interviews, Program Management indicates that a re-solicitation of the PMSS Contract requires up to one year of advance planning. For that reason, a determination whether to unilaterally exercise a contract option – or to seek a bilaterally agreed contract time extension – must occur one year prior to the expiration date of an existing PMSS Contract. Ideally, there would be a period of overlap between an expiring professional services contract and the next contract. The transition from one contract to another could vary in complexity based on whether the new contract is awarded to the incumbent vendor. The complexity that comes with transition to a new vendor into Metro’s capital program mix as a factor worthy of consideration when deciding the nature and timing of the next procurement.

CONCLUSION

In discussions with the OIG regarding its initial findings, management describes that four levels of controls or checks and balances are used on the PMSS Contract, which is not contradicted by this OIG Report.

- 1) Project level life of project budget that involves time phased cost loaded staffing plans for all staff (i.e. Metro or consultant) or fiscal year budgets for non-LOP projects, and that both are evaluated monthly for trend analysis and potential revision;

- 2) Metro performed contract level annual work plan for every task order reviewing staff allocation and funding required engaging PM, PMO, and V/CM. AWP is evaluated monthly for trend analysis and potential revision;
- 3) V/CM level compliance reviews for invoices, staffing, small business etc.; and
- 4) Vendor performed contract level annual work plan for every task order reviewing staff allocation and funding required engaging PM, PMO, and V/CM. AWP is evaluated monthly for trend analysis and potential revision.

This OIG Report is not about absent or erroneous controls, but the adequacy of the board presentations in communicating meaningful and transparent information associated with Metro's controls related to vendor performance, budget, and contract efficacy. Management's recommendations could be made stronger if supported by key performance indicators and information that explains variances in budget utilization. Finally, management is encouraged to proactively prepare for the eventual expiration of the contract through continuous improvement measures and discussion of comprehensive staff capacity planning exercises.

FINDINGS & RECOMMENDATIONS

Findings – Performance Evaluation

Finding 1: Program Management/Project Management lacks written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract.

Finding 2: The processes in place by Program Management/Project Management and the Vendor/Contract Management Departments constitute a de facto controls process ensuring the vendor is generally performing satisfactorily. However, no methods to analyze key performance indicators (KPIs) and identify sub-optimal use of staff augmentation resources were identified.

Finding 3: Management did not use its board presentations to adequately articulate to the Board its best practices efforts to assure that the vendor performs satisfactorily - and showing that management optimizes use of the staff augmentation resources.

Recommendations – Performance Evaluation

We recommend management consider:

Recommendation 1: Develop written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract. A standard checklist used monthly, quarterly, or other regular basis can be used to document vendor's compliance with key performance indicators.

Recommendation 2: Describe key performance indicators (KPIs) to identify and track performance metrics for the vendor. These KPIs should likewise demonstrate management's use of best practices to maximize use of vendor's best efforts toward the success of the capital program.

Recommendation 3: Include in the board presentation a summary of management's quality review actions and statement of findings on KPIs affirming vendor's satisfactory performance for improved communication, accountability, and transparency for the Board, the public and regulators of Metro.

Findings – Budget Controls & Status

Finding 4: The total budget for the PMSS Contract is derivative of the individual budget(s) for the programs/projects anticipated to use staff augmentation resources under the PMSS Contract. Management's initial baseline budget for the PMSS Contract did not link estimated soft costs on a per program/project basis (or revise the baseline budget where necessary over the term of the contract), creating the appearance of no budget controls.

Finding 5: Management’s presentations to the board omitted necessary explanations for variances between an initial baseline budget/Recommended NTE established as a control for the PMSS Contract and the Actual costs to date and the projected cost trend.

Finding 6: Program Management/Project Management appears to engage in annual/short-term planning for staff augmentation in lieu of longer-term planning for use of staff augmentation resources under the PMSS Contract. This approach may be useful for annual work planning but creates inefficiencies related to committing and tracking funds for services under the PMSS Contract, unnecessary Board presentations, and burdensome administrative work related to issuance of updated CWOs – which impacts Metro as well as the vendor (who bills us for that work). This approach may interfere with OMB’s ability to act as budget gatekeeper through programmed budget allocation.

Finding 7: Management may issue CWOs that address one functional area of staff augmentation and use those services across programs or projects (“many-to-1”), or issue one CWO for each program or project and include a range of functional areas (“1-to-1”). The issuance of “many-to-1” CWOs requires more tedious labor for cross-checking of timesheets and invoices across different project managers, and additionally requires checking of correct cost coding for budget use across projects and budget.

Recommendations – Budget Controls & Status

We recommend management consider:

Recommendation 4: For future indefinite delivery cost-reimbursement type contracts like the PMSS Contract, establish a long-term initial baseline budget using estimated soft costs associated across identified and identifiable program/project budgets to serve as a necessary budget control measure over the term of the contract. An initial baseline budget may be superseded by a re-baselined budget with documented justification.

Recommendation 5: For each Board presentation, document the reasons for the variance between management’s initial or revised baseline budget/Recommended NTE, and the Actual NTE.

Recommendation 6: For any multi-year cost-reimbursement professional services contract, plan for and develop multi-year CWOs to encourage longer-term staff capacity planning, to minimize administrative efforts required to annually revise individual CWOs, and for OMB to used programmed budget allocations.

Recommendation 7: For any multi-year cost-reimbursement professional services contract providing services across projects, issue 1-to-1 CWOs or 1 to multiple CWOs which ever one is most efficient based upon the consultation with project management, V/CM, accounting and the vendor to confirm which method best facilitates budget tracking and make more efficient the invoicing process for CWOs.

Findings – Contract Efficacy/Continuous Improvement

Finding 8: Management omits discussion regarding the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.

Finding 9: Management omits discussion of (presumed) net benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.

Finding 10: Management omits discussion of opportunities to hire and train local community members.

Finding 11: Management omits discussion of opportunities to bridge or prepare for the next PMSS Contract solicitation.

Recommendations – Contract Efficacy/Continuous Improvement

We recommend management consider:

Recommendation 8: Review and communicate to the Board the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.

Recommendation 9: Review and communicate to the Board the benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.

Recommendation 10: Review and communicate to the Board opportunities to hire and train local community members.

Recommendation 11: Review and communicate to the Board the opportunities to bridge or prepare for the next PMSS Contract solicitation.

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MANAGEMENT COMMENTS

Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
Performance Evaluation	1	Develop written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract. A standard checklist used monthly, quarterly or other regular basis, can be used to document vendor's compliance with key performance indicators.	Agree	DEO Program Control	Will memorialize the annual contract performance evaluation process already in place with a policy/procedure.	12/31/21
Performance Evaluation	2	Describe key performance indicators (KPIs) to identify and track performance metrics for the vendor. These KPIs should likewise demonstrate management's use of best practices to maximize use of vendor's best efforts toward the success of the capital program.	Agree	Sr. EO Program Control	Institutional KPI's already exist to track performance metrics. Share institutional KPIs already in existence.	6/30/22
Performance Evaluation	3	Include in the board presentation a summary of management's quality review actions and statement of findings on KPIs affirming vendor's satisfactory performance for improved communication, accountability, and transparency for the Board, the public and regulators of Metro.	Agree	DEO Program Control	Will investigate and implement as necessary	6/30/22
Budget Controls & Status	4	For future indefinite delivery cost-reimbursement type contracts like the PMSS Contract, establish long-term initial baseline budget using estimated soft costs associated	Agree	Sr. EO Program Control	Will implement baseline tracking for FY23 task orders, if applicable.	7/1/2022

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Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
		across identified and identifiable program/project budgets to serve as a necessary budget control measure over the term of the contract. An initial baseline budget may be superseded by a re-baselined budget with documented justification.				
Budget Controls & Status	5	For each Board presentation, document the reasons for the variance between management's initial or revised baseline budget/Recommended NTE, and the Actual NTE.	Partially Agree	DEO Program Control	Although board reports already include variance information, will add variance tracking to FY23 task orders.	7/1/2022
Budget Controls & Status	6	For any multi-year cost-reimbursement professional services contract, planning and developing multi-year CWOs is recommended to encourage longer-term staff capacity planning, to minimize administrative efforts required to annually revise individual CWOs, and for OMB to use programmed budget allocation	Agree	Sr. EO Program Control	As per APTA Peer Review, Study already underway to evaluate Metro staff to consultant ratio.	6/30/22
Budget Controls & Status	7	For any multi-year cost-reimbursement professional services contract providing services across projects, issuing 1-to-1 CWOs or 1 to multiple CWOs which ever one is most efficient based upon the consultation with project management, VCM, accounting and the vendor to confirm which method best facilitates budget tracking and make	Agree	DEO Program Control	No action necessary as this is already the existing practice.	10/29/21

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Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
		more efficient the invoicing process for CWOs.				
Contract Efficacy/ Continuous Improvement	8	Review and communicate to the Board the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.	Agree	Sr. EO Program Control	Will occur as part of ongoing update to Program Management Plan.	6/30/22
Contract Efficacy/ Continuous Improvement	9	Review and communicate to the Board the benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.			<p>Board report language already included that states 'Metro is continuing to undertake the largest transportation construction program in the nation. This creates an unprecedented challenge to project delivery. Recognizing that staffing is a key factor in project delivery, Program Management is committed to developing strengths in its capacity and capability to ensure the multi-billion-dollar capital program can be successfully managed. Attachment E lists the projects that the Contract currently supports and those we anticipate it will support over the duration of the PMSS contract.</p> <p>Metro staff works with KTJV to scale staff up or down depending on Metro's transit, highway, regional rail and other capital improvement program needs. With the volume of work that accompanies Metro's fast-paced Capital program, the PMSS Contract utilization to assist Program Management in securing enough qualified, flexible resources across a broad spectrum of disciplines in a timely manner needed to manage and support delivery of Board approved projects has increased significantly.'</p>	
			Partial	Sr. EO Program Control		10/29/21
Contract Efficacy/ Continuous Improvement	10	Review and communicate to the Board opportunities to	Agree	EO, DEOD	Investigate program to implement at agency level	6/30/2022

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Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
		hire and train local community members.				
Contract Efficacy/ Continuous Improvement	11	Review and communicate to the Board the opportunities to bridge or prepare for the next PMSS Contract solicitation.	Agree	DEO Program Control	Current board report already states 'During these final years of the contract, Metro will begin procurement of a new contract to ensure a seamless transition of services to mitigate disruption to the projects in need of consultant staff.'	11/18/21

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ATTACHMENTS

A	Interviews & Materials	C	Staffing Levels (Program Management)
B	PMSS Labor Categories		

ATTACHMENT A

Staff Interviews

No.	Name	Title	Department	Date	Interview Type
1	Bruce Warrensford	DEO, Procurement	Vendor/Contract Management	9/13/2021	Telephone
2	Jesse Solis	EO, Finance/Controller	Office of Management/Budget	9/13/2021	Email
3	Julie Owen	Sr. EO, Project Management Oversight, Program Control (PMO/PC)	Program Management	9/15/2021 9/24/2021 10/08/21 10/15/21	TEAMS, Email
4	Robert Romanowski	Principal Contract Administrator	Vendor/Contract Management	9/16/2021 9/17/2021 9/20/2021 09/28/21 10/07/21 10/08/21	TEAMS, Email
5	Brad Owens	EO, Projects Engineering	Program Management	9/28/2021	TEAMS
6	Marie Kim	DEO, Finance	Office of Management/Budget	9/29/2021	TEAMS
7	Michael Martin	DEO, Program Management	Program Management	9/29/2021 10/08/2021 10/13/2021	Telephone, Email
8	Mayumi Lyons	DEO, Construction & Project Management SPRT Program Control	Program Management	9/30/2021 10/04/21 10/08/21	TEAMS, Email

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Board Presentations

Contract No. AE35279 Program Management Support Services (PMSS)	
	Type
Contract No. AE35279 Program Management Support Services (PMSS)	Contract
	Item No./File No.
Construction Committee Meeting: Staff Report	#14 / 2017-0188
Metro Board: Staff Report	#48 / 2017-0419
Metro Board: Staff Report	#48 / 2017-0419
Metro Board Minutes	#48 / 2017-0419
Construction Committee Meeting: Staff Report	#31 / 2019-0153
Metro Board: Staff Report (Same as Construction Committee)	#31 / 2019-0153
Metro Board Minutes with Solis Amendment	#31 / 2019-0153
Construction Committee Meeting: Staff Report	#25 / 2020-0283
Metro Board: Staff Report (Same as Construction Committee)	#25 / 2020-0283
Metro Board Minutes	#25 / 2020-0283
Construction Committee Meeting: Staff Report	#32 / 2021-0250
Metro Board: Staff Report (Same as Construction Committee)	#32 / 2021-0250
Metro Board Minutes with Najarian Amendment	#32 / 2021-0250
Contract No. AE5818600MC072-PLE2 Construction Management Support Services (CMSS)	
	Type
Contract No. AE5818600MC072-PLE2 Construction Management Support Services (CMSS)	Contract
Metro Board: Staff Report	#1 / 2016-0610
Metro Board Minutes	
Finance, Budget and Audit Committee	

Federal, State, LACMTA Authorities, Policies & Procedures

FEDERAL AUTHORITIES
Federal Transportation Agency (FTA) Circular 4220.1F, Rev. 4, March 18, 2013
Federal Transportation Agency (FTA) Best Practices Procurement & Lessons Learned Manual, Revised October 2016, FTA Report No. 0105
Federal Acquisition Regulation (FAR) - Found at Chapter 1 of Title 48 of the Code of Federal Regulations (CFR); organized into 53 parts.

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Mlinarchik, Christoph (2021 Ed.) Federal Acquisition Regulation in Plain English (Self Published)	
Contract Attorneys Deskbook, The Judge Advocate Generals Legal Center and School United States Army (2021)	Contract Attorneys Deskbook 2021 (loc.gov)
STATE AUTHORITIES	
California Government Code (GOV), Title 1, Division 5 Public Work and Public Purchases [See GOV Sections 4525-4529.20]	
California Public Contracting Code (PCC), Division 1, Purpose and Preliminary Matters & 2 General Provisions, [See PCC Sections 100-9204.]	
California Public Utilities Code (PUC) Division 12. County Transportation Commissions [See PUC Sections 130000-13028.1]	
California PUC, Chapter 2. Creation of Commissions [See PUC 130050-130059; in particular PUC Section 130051, et. seq.	
AB5	
LACMTA: AGENCY AUTHORITIES & PLANNING DOCUMENTS	
Board of Directors	
Board Rules and Procedures, Adopted 1993, Rev. 2017	Microsoft Word - Board Rules and Procedures (metro.net)
	March 2010 Board Meeting - Item 34 (metro.net)
	-
	-
Chief Executive Officer	
LACTMA Program Management Plan, October 19, 2016	Program Management Plan - Measure M (metro.net)
The Reimagining of LA County - CEO Memorandum dated April 8, 2020 (And Staff Reports submitted to Board Committees and Full Board in February 2019)	-
	-
	-
LACMTA Administrative Code	
LACMTA: OFFICE OF MANAGEMENT & BUDGET	
LACMTA Metro 2017 Funding Sources Guide	
LACMTA Metro Funding Website	-
LACMTA Office of Management & Budget - Frequently Asked Questions	Measure M - LA Metro FAQs (sharepoint.com)
LACMTA Office of Management & Budget - FY 2018 Budget	FAQs (sharepoint.com)
LACMTA Office of Management & Budget - FY 2019 Budget	
LACMTA Office of Management & Budget - FY 2020 Budget	

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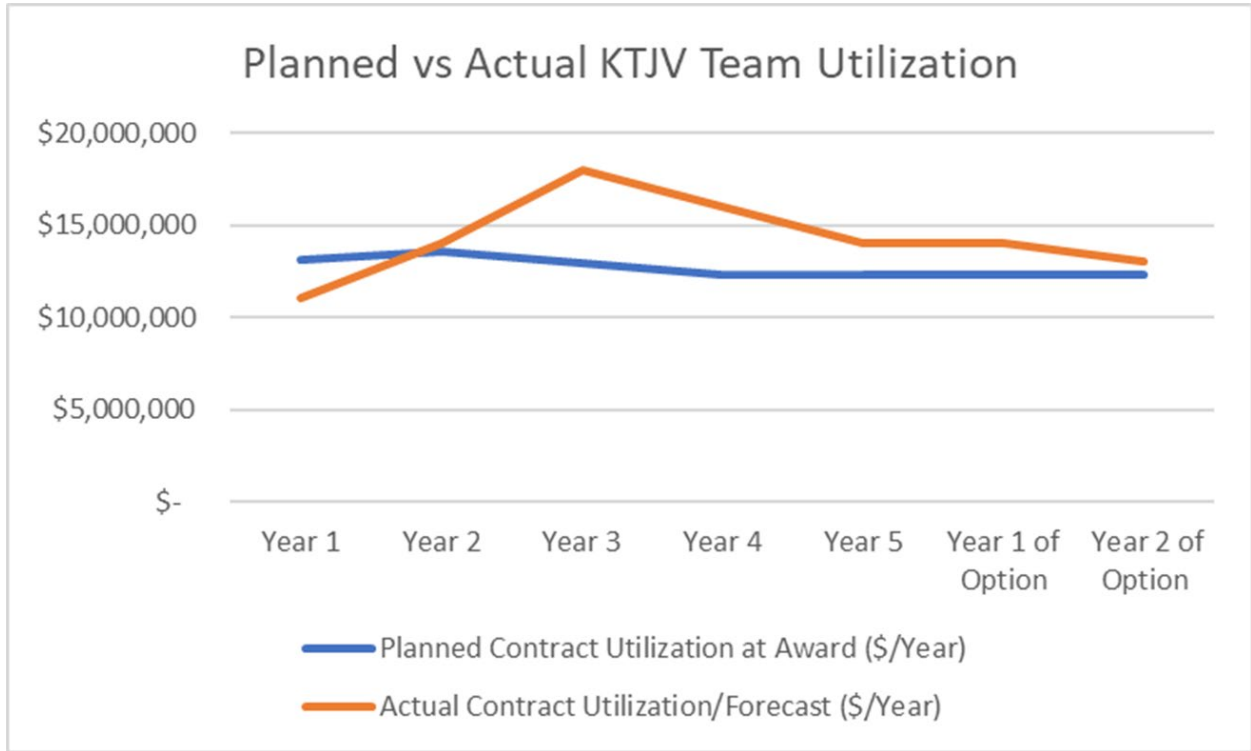
Report No. 2021-0669

LACMTA Office of Management & Budget - FY 2021 Budget	
LACMTA Office of Management & Budget - FY 2022 Budget	
OMB - POLICIES & PROCEDURES - (not provided by Staff)	
LACMTA: CAPITAL PROGRAMS/PROGRAM MANAGEMENT	
LACMTA Program Management Consultant Evaluation Form	
PROGRAM MANAGEMENT - POLICIES & PROCEDURES - NONE FOUND	Consultant Evaluation Form - yohana test (sharepoint.com)
PROJECT MANAGEMENT - POLICIES & PROCEDURES - NONE FOUND	
CONSTRUCTION MANAGEMENT - POLICIES & PROCEDURES - NONE FOUND	
“Estimating Soft Costs for Major Public Transportation Fixed Guideway Projects” published by the Transit Cooperative Research Program (2010)	TCRP Report 138 – Estimating Soft Costs for Major Public Transportation Fixed Guideway Projects (reconnectingamerica.org)
LACMTA: VENDOR CONTRACT MANAGEMENT	
Acquisition Policy Statement ACQ-1	
Acquisition Policy & Procedure Manual ACQ-2	Pages - ACQ-2 (sharepoint.com)
Vendor/Contract Management - Your Guide to Mastering Procurement for Professional Services and Construction Services, Edition 3 (2018)	Microsoft Word - Draft APPM Update 1 2021 (sharepoint.com)
	V/CM Client Guide.pdf (sharepoint.com)
LACTMA: OFFICE OF INSPECTOR GENERAL	
Capital Project Construction Best Practices Study, Report No. 16-AUD-01, dated February 29, 2016 (CPC Best Practices Audit).	

ATTACHMENT B

	PMSS Labor Categories
1	Administrative
2	Cost Estimating Manager
3	Cost Estimator
4	Cost/Schedule Analyst
5	Hosting Technical Support
6	PMIS Implementation Lead
7	PMIS Implementation Support
8	Project Control Manager
9	Project Control Supervisor
10	Project Delivery & Contract Development Technical Advisor
11	Project Manager
12	Program Manager (Administrative)
13	Program Manager (Technical)
14	Secretary
15	Senior Configuration Management Analyst
16	Senior Contract Administrator
17	Senior Contract Compliance Officer
18	Senior Cost Estimator
19	Senior Cost/Schedule Analyst
20	Senior Program Management Analyst
21	Senior Programmer
22	Senior Training Specialist
23	Solution Architect
24	Training Manager

Staffing Levels (provided by Program Management)



	KTJV PMSS Scope Item:	Year 5 Planned FTEs:	FY22 Actual FTEs:	+/-
1	Program Management	4	6	2
2	Project Management	2	5	3
3	Contract Development	7	12	6
4	Project Controls	8	6	-2
5	Cost Estimating	16	14	-2
6	Configuration Management	3	5	2
7	PM Training	1	0	-1
8	PMIS Support	2	5	3
	TOTALS:	41	53	11

**Schedule for Tracking Metro's Proposed Actions to Implement the Recommendations
PMSS Best Practices to Fund & Extend Professional Services Contracts**

Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
Performance Evaluation	1	Develop written policies and procedures to establish a comprehensive and regular process for evaluating vendor performance under a professional services contract. A standard checklist used monthly, quarterly or other regular basis, can be used to document vendor's compliance with key performance indicators.	Agree	DEO Program Control	Will memorialize the annual contract performance evaluation process already in place with a policy/procedure.	12/31/21
Performance Evaluation	2	Describe key performance indicators (KPIs) to identify and track performance metrics for the vendor. These KPIs should likewise demonstrate management's use of best practices to maximize use of vendor's best efforts toward the success of the capital program.	Agree	Sr. EO Program Control	Institutional KPI's already exist to track performance metrics. Share institutional KPIs already in existence.	6/30/22
Performance Evaluation	3	Include in the board presentation a summary of management's quality review actions and statement of findings on KPIs affirming vendor's satisfactory performance for improved communication, accountability, and transparency for the Board, the public and regulators of Metro.	Agree	DEO Program Control	Will investigate and implement as necessary	6/30/22
Budget Controls & Status	4	For future indefinite delivery cost-reimbursement type contracts like the PMSS Contract, establish long-term initial baseline budget using estimated soft costs associated across identified and identifiable program/project budgets to serve as a necessary budget control measure over the term of the contract. An initial baseline budget may be superseded by a re-baselined budget with documented justification.	Agree	Sr. EO Program Control	Will implement baseline tracking for FY23 task orders, if applicable.	7/1/2022
Budget Controls & Status	5	For each Board presentation, document the reasons for the variance between management's initial or revised baseline budget/Recommended NTE, and the Actual NTE.	Partially Agree	DEO Program Control	Although board reports already include variance information, will add variance tracking to FY23 task orders.	7/1/2022
Budget Controls & Status	6	For any multi-year cost-reimbursement professional services contract, planning and developing multi-year CWOs is recommended to encourage longer-term	Agree	Sr. EO Program Control	As per APTA Peer Review, Study already underway to	6/30/22

**Schedule for Tracking Metro's Proposed Actions to Implement the Recommendations
PMSS Best Practices to Fund & Extend Professional Services Contracts**

Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
		staff capacity planning, to minimize administrative efforts required to annually revise individual CWOs, and for OMB to used programmed budget allocation			evaluate Metro staff to consultant ratio.	
Budget Controls & Status	7	For any multi-year cost-reimbursement professional services contract providing services across projects, issuing 1-to-1 CWOs or 1 to multiple CWOs which ever one is most efficient based upon the consultation with project management, VCM, accounting and the vendor to confirm which method best facilitates budget tracking and make more efficient the invoicing process for CWOs.	Agree	DEO Program Control	No action necessary as this is already the existing practice.	10/29/21
Contract Efficacy/ Continuous Improvement	8	Review and communicate to the Board the status of overall Staff Capacity Planning including the historical vs. current ratio of Metro FTEs to consultants.	Agree	Sr. EO Program Control	Will occur as part of ongoing update to Program Management Plan.	6/30/22
Contract Efficacy/ Continuous Improvement	9	Review and communicate to the Board the benefits of the continued use of external consultants given competing considerations related to cost, institutional knowledge and succession planning.	Partial	Sr. EO Program Control	Board report language already included that states 'Metro is continuing to undertake the largest transportation construction program in the nation. This creates an unprecedented challenge to project delivery. Recognizing that staffing is a key factor in project delivery, Program Management is committed to developing strengths	10/29/21

**Schedule for Tracking Metro's Proposed Actions to Implement the Recommendations
PMSS Best Practices to Fund & Extend Professional Services Contracts**

Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
					<p>in its capacity and capability to ensure the multi-billion-dollar capital program can be successfully managed. Attachment E lists the projects that the Contract currently supports and those we anticipate it will support over the duration of the PMSS contract.</p> <p>Metro staff works with KTJV to scale staff up or down depending on Metro's transit, highway, regional rail and other capital improvement program needs. With the volume of work that accompanies Metro's fast-paced Capital program, the PMSS Contract utilization to assist Program Management in securing enough qualified, flexible</p>	

**Schedule for Tracking Metro's Proposed Actions to Implement the Recommendations
PMSS Best Practices to Fund & Extend Professional Services Contracts**

Issue Category	No.	Recommendations	Agree or Disagree	Assigned Staff	Proposed Action	Estimated Completion Date
					resources across a broad spectrum of disciplines in a timely manner needed to manage and support delivery of Board approved projects has increased significantly.'	
Contract Efficacy/ Continuous Improvement	10	Review and communicate to the Board opportunities to hire and train local community members.	Agree	EO, DEOD	Investigate program to implement at agency level	6/30/2022
Contract Efficacy/ Continuous Improvement	11	Review and communicate to the Board the opportunities to bridge or prepare for the next PMSS Contract solicitation.	Agree	DEO Program Control	Current board report already states 'During these final years of the contract, Metro will begin procurement of a new contract to ensure a seamless transition of services to mitigate disruption to the projects in need of consultant staff.'	11/18/21



**Los Angeles County Metropolitan Transportation Authority
Office of the Inspector General**

**Review of Project Management Support Services (PMSS)
Best Practices to Fund & Extend Professional Services
Contracts**

**Karen Gorman, Inspector General
November 18, 2021**



Legistar File # 2021-0669

**Board requested an audit report,
“To hear how well the original
contract was performed.”**

OIG Examined:

- ▶ Performance Evaluation
- ▶ Budget Controls
- ▶ Contract Efficacy / Continuous Improvement

RECOMMENDATIONS



PERFORMANCE EVALUATION

- ❖ Develop procedures to evaluate vendor
- ❖ Identify Key Performance Indicators (KPIs) to track vendor performance
- ❖ Add to Board presentations a summary of KPIs

RECOMMENDATIONS



BUDGET CONTROLS

- ❖ Establish long-term initial budget baseline from estimated soft costs
- ❖ Add to Board presentations variance between Initial and revised baseline budget
- ❖ Develop multi-year work orders for long-term staff capacity planning
- ❖ Consider 1-to-1 verses multiple work orders if it eases budget tracking and invoicing

RECOMMENDATIONS



CONTRACT EFFICACY / CONTINUOUS IMPROVEMENT

Communicate to Board:

- ❖ Staff capacity planning historical vs. current ratio of FTEs to consultants
- ❖ Pros and cons of consultants vs. FTEs related to cost, institutional knowledge, and succession planning
- ❖ Opportunities to hire and train local community
- ❖ Opportunities to prepare for next PMSS contract

Base/Option Year	Board Presentation	Description	Cost Increment	FY NTE
1	6/22/2017	2018 & 2019	24,970,960	24,970,960
2	4/25/2019	2020	\$25,339,082	\$51,306,204
3	5/28/2020	2021	\$12,041,501	\$63,347,705
4	5/27/2021	2022	10,296,886	\$73,644,591
Pending - Option		2023-2024	27,461,365	\$101,105,956

PMSS RENEWAL

Facts at a Glance



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

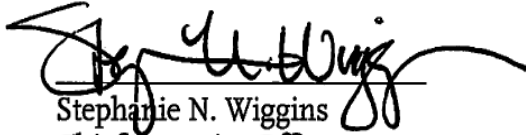
Attachment A: Board Motion 32: Program Management Support Services

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Reviewed by: Nicole Englund, Chief of Staff, OCEO, (213) 922-7950



Stephanie N. Wiggins
Chief Executive Officer

Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA



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.



Board Report

File #: 2021-0671, **File Type:** Informational Report

Agenda Number: 16.

FINANCE, BUDGET, AND AUDIT COMMITTEE NOVEMBER 17, 2021

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2021 TO JUNE 30, 2021

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2021 to June 30, 2021.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2021 to June 30, 2021. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2021 to June 30, 2021. For this period, miscellaneous expenses totaled \$3,961,106 with 447 transactions. We selected 45 expense transactions totaling \$2,215,804 for detail testing.

DISCUSSION

The miscellaneous expenses we reviewed for the period of April 1, 2021 to June 30, 2021 generally complied with policies, were reasonable, and adequately supported by required documents.

However, we found that for eight of the expenses reviewed, requirements were not followed regarding Purchase Card policies and Travel and Business Expense. Seven staff did not comply in submitting the required reports on time and one Purchase Cardholder failed to obtain written pre-approval for purchases made.

Recommendations

We recommend that:

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

Planning and Development (Grants Management and Oversight):

2. In addition to the above recommendation, consider the Purchase Cardholder going to the office once a month in order to complete the task on time if it cannot be done remotely. Otherwise, use other payment options such as Check Request instead of using Purchase Card to purchase items that the department needs.

Operations (Maintenance of Way and Operations Liaison):

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track staff travel activity and their respective TBE reports.

Chief People Office (Administrative Support):

5. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.
6. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute in minor respects to cost savings and controls.

EQUITY PLATFORM

It is the OIG's opinion that there is no equity consideration or impact in this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03)

Attachment B: PowerPoint Presentation

Prepared by: Lorena Martinez, Assistant Auditor (Interim), (213) 244-7345
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Reviewed by: Karen Gorman, Inspector General, (213) 922-2975



Inspector General/Chief Hearing Officer

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit
of Miscellaneous Expenses
April 1, 2021 to June 30, 2021

Report No. 22-AUD-03

October 22, 2021



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DATE: October 22, 2021

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit
Office of the Inspector General

E-SIGNED by Yvonne Zheng
on 2021-10-22 13:50:19 PDT

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2021 to June 30, 2021. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on eight of the 45 expenses reviewed:

- Non-Compliance with Purchase Card Policy
- Non-Compliance with Travel and Business Expense Policy

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures.
- Expenses had proper approval, receipts, and other supporting documentation.
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Communications, Chief Policy Office, Human Capital and Development, Operations, Planning and Development, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2021 to June 30, 2021. For this period, miscellaneous expenses totaled \$3,961,106¹ with 447 transactions. We selected 45 expense transactions totaling \$2,215,804 for detail testing. Thirty of the expense transactions were randomly selected, six were selected due to their large dollar amounts, and nine were selected to add more samples for Corporate Membership (Account 50905) and to sample other accounts. See Attachment A for details.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues on the following eight transactions:

¹ This total does not include transactions that were \$200 or less, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

1. Non-Compliance with Purchase Card Policy

Criteria: Pursuant to the Purchase Card (P-Card) policy, the Cardholder must forward the P-Card package (monthly P-Card log, reconciled monthly bank statement, and receipts) to the designated Approving Official for review and approval within five working days of receipt of the bank statement. The Approving Official, in turn, should review and approve statement packages within five working days from the date of receipt. The P-Card package should be received by Accounting not later than the 15th day of the following month.

We found that seven out of 17 sampled P-Card transactions we reviewed disclosed non-compliance with the policy, as discussed below:

a. Late Submission and/or Approval

Our audit found that the following cost centers failed to submit and/or approve their P-Card package on time:

No.	Cost Center	P-Card Statement Date	Statement Amount/No. of Transactions	Date Submitted	Remarks
1	Planning & Development (P&D)	10/22/2020	\$2,192.54 (6 Transactions)	Submitted 3/11/2021; approved 6/02/2021	Late submission by four months & late approval by three months
<p>Reason: Cardholder stated that he cannot remember the exact reason for late submission but added that he is now submitting the reconciliation package on time.</p> <p>The Approving Official electronically approved the statement in March but did not realize that it did not go through in the system until Accounting advised him in June.</p>					
2	P&D: Grants Management & Oversight	12/22/2020	\$2,334.00 (3 Transactions)	5/25/2021	Late by four months
<p>Reason: Cardholder stated that <i>“the late submission and approval was the indirect result of staff adherence to Metro policies that prevented equipment purchase and distribution to employees working remotely as a result of Safer-At-Home orders enacted to mitigate impacts of the unexpected global health emergency. Lack of equipment (ex: scanners) and software (ex: licensed PDF or other tools enabling digital signatures or document capture) for facilitating review, signature collection, and digital upload at the remote locations prevented completion of the established workflow within expected processing timeframes.”</i></p>					

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

	<p>The Approving Official confirmed that they “<i>were given explicit direction to not purchase equipment for use at the locations being used for work during the pandemic – which were overwhelmingly not Metro facilities (most likely employee homes).</i>”</p> <p>As we discussed the finding with her, she stated that “<i>we already advised our chain of command on the upcoming report and our recommendation to acknowledge the finding and agree to any necessary changes within Planning’s control.</i>”</p>				
3	Marketing	1/22/2021	\$2,110.78 (66 Transactions)	5/21/2021/	Late by three months
	<p>Reason: Cardholder explained that the P-Card purchases he made were not ordinary purchases (the items were for Metro online shop) and it took him a long time to complete the reconciliation. He added there were several layers of processes involved in the reconciliation, and it was really time-consuming and a little complicated with a high volume of transactions each month. He added that he was also busy with other tasks.</p> <p>The Approving Official informed us that he discussed the issue with the Cardholder who “<i>committed to submitting P-Card log/packages in a timely manner.</i>” He mentioned that the latest monthly statement was submitted and approved on time.</p>				
4	Emergency Management	2/22/2021	\$376.47 (1 Transaction)	6/29/2021/	Late by three months
	<p>Reason: Cardholder stated “<i>Honestly, I forgot. I won’t go into the details, except that I was extremely busy at work and personally.</i>”</p>				
5	Records & Information Management	4/22/2021	\$1,729.09 (12 Transactions)	6/22/2021/	Late by one month
	<p>Reason: Cardholder stated that he “<i>manages all procurement, support, maintenance, and implementation of systems for the Library and Records Mgmt. The systems totaling 47+ systems include the Board, Board Archives, Legal Hold, Ontology/Taxonomy, Records Retention Schedule, Federated Search, and Universal Records Management systems.</i>” He added that he manages all of these systems with a staff of two, including himself.</p> <p>The Approving Official said that they are aware of the deadlines and will work diligently to meet them. He said that their department is currently understaffed.</p>				

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

6	Admin Business Services	2/22/2021	\$90,645.93 (118 Transactions)	Submitted 3/23/2021; approved 5/20/2021	Late approval by two months
<p>Reason: Cardholder worked on some payments and credit issues; both cardholder and Approving Official availed of Voluntary Separation Incentive Program (VSIP) early this year and the department had to reorganize; the temporary replacement for P-Card approver was not trained until late April.</p> <p>The Executive Officer informed us that the staff has already been advised by the Manager and <i>“there has been regular follow-up to ensure that reconciliation and status updates occur. As a result, an online log was put in place and is being monitored by the Deputy Executive Officer to ensure timely processing until the vacant Administrative Aide and Sr. Manager positions are permanently filled.”</i></p>					

It is important that the P-Card summary and reconciliation package are submitted and approved in a timely manner to closely monitor the department’s expenditures and budgets. If P-Cardholders are delinquent with their P-Card logs, their cost center’s account balances are not current because they do not reflect all the purchases made. In addition, prompt submission of the P-Card statement and reconciliation package will give Accounting more time to review the transactions and ensure that purchases are made in accordance with Metro policy.

b. No Written Pre-approval of P-Card purchases

The Cardholder of Wayside Systems Track Maintenance purchased books on Principles of Track Maintenance for \$3,793.40 on April 8, 2021; however, we did not find any written pre-approval authorizing this transaction. There was no written request such as an email or interoffice memo before the purchase was made.

The Cardholder stated that he obtained verbal pre-approval to purchase the items and his proof was the signature of the approving official on the credit card statement.

The P-Card policy requires that the *“Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc.”*

Securing written approval prior to making purchases ensures that transactions are authorized and valid. The Cardholder and Approving Official should be aware of the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

2. Non-Compliance with Travel and Business Expense Policy

Travel and Business Expense (TBE) Report Was Submitted Almost Two Years After Travel

The Superintendent of Operations Liaison and Planning attended the APTA Conference in Toronto, Ontario, Canada from June 23 to 26, 2019. However, the employee did not submit his TBE Report with reimbursable expenses of \$1,968.94 until March 21, 2021 - almost two years later – just before he retired in the same month. It was approved by his Supervisor and the Travel Program Administrator in May 2021 and by the Chief Operations Officer on June 24, 2021.

The Travel and Business Expense Policy (FIN 14) requires that the *“TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

The employee explained in his memo that he was unable to locate the receipts for his luggage (\$60.26) and taxi (\$51.07) and hoped that he would eventually find them but did not have any luck. He added that he changed departments and got busy; thus, he was unable to submit the TBE Report on time.

The Travel Program Administrator stated that after the employee retired in March, she worked with his department’s administration staff to get the report approved because there were some items that she needed prior to her approval.

It is important that TBE reports are submitted in a timely manner in order for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated.

Staff should be reminded to submit TBE Reports in a timely manner. The traveler’s department and Travel Program Administrator should keep track of travels for which the TBE Report has not yet been submitted.

OBSERVATIONS

1. Corporate Membership for Fiscal Year 2022 Recorded in Fiscal Year 2021

The following annual memberships for Fiscal Year 2022 were recorded as expenses for Fiscal Year 2021:

- American Public Transportation Association (APTA) - \$146,500
- Mobility 21 Transportation Coalition - \$25,000

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

The staff in Board Relations who filled out the Corporate Membership form and submitted the check request explained that the error was due to oversight. Upon our inquiry, Accounting coordinated with the cost center and made an adjusting entry to record the expenses to the correct accounting period.

It is important that transactions are recorded in the proper accounting period to monitor the department's expenditures and budgets in each period, and for their department's budget balances to be updated.

2. Comparison of Miscellaneous Expenses for the Current Period with Prior Period/Year

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period and prior year. (Note: All amounts were based on audit population.)

a. Current Quarter (FY21 Q4) vs. Last Quarter Miscellaneous Expenses (FY21 Q3)

Miscellaneous expenses tripled from \$1.3 million last quarter to almost \$4 million this quarter, an increase of approximately \$2.7 million over the prior quarter. This was mainly due to the \$2.6 million increase in advertising expense because of media campaigns on Micro Transit, "Return to Service," bus operator recruitment, ridership, and others.

Corporate membership increased by \$218,800 but this was mainly due to FY22 membership stated in section 1 above that was erroneously recorded this quarter/fiscal year.

The decrease of \$211,751 in Miscellaneous expense (account 50999) was mainly due to payment made last quarter for TAP cards worth \$270,000; the cards were given to seniors to help them get to vaccine centers. Other accounts posted a minimal increase compared to the prior quarter. See Table 1 below:

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

Table 1: Current Quarter vs. Last Quarter

Account	Apr-Jun 2021	Jan-Mar 2021	Increase (Decrease)
Advertising	\$ 3,162,947	\$ 572,451	\$ 2,590,496
Business Travel	17,476	2,730	14,746
Corporate Membership	298,579	79,779	218,800
Professional Membership	18,625	10,435	8,190
Seminar and Conference Fee	59,466	32,170	27,296
Miscellaneous (50999) *	385,221	596,972	(211,751)
Others (Business meals, etc.)	18,792	15,113	3,679
Total	\$ 3,961,106	\$ 1,309,650	\$ 2,651,456
Increase over Prior Quarter			202%

*Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

b. Current Quarter (FY21 Q4) vs. Same Quarter of Last Year (FY20 Q4) Miscellaneous Expenses

Miscellaneous expenses doubled in the current quarter compared to the same quarter of last year, mainly due to advertising and corporate membership, as explained in section (a) above. See Table 2 below:

Table 2: Current Quarter vs. Same Quarter of Last Year

Account	Apr-Jun 2021	Apr-Jun 2020	Increase (Decrease)
Advertising	\$ 3,162,947	\$ 1,022,171	\$ 2,140,776
Business Travel	17,476	375,121	(357,645)
Corporate Membership	298,579	44,000	254,579
Professional Membership	18,625	11,461	7,164
Seminar and Conference Fee	59,466	54,881	4,585
Miscellaneous (50999) *	385,221	314,239	70,982
Others (Business meals, etc.)	18,792	80,463	(61,671)
Total	\$ 3,961,106	\$ 1,902,336	\$ 2,058,770
Increase over Same Quarter of Last Year			108%

**Statutorily Mandated Audit of Miscellaneous Expenses
April 1, 2021 to June 30, 2021**

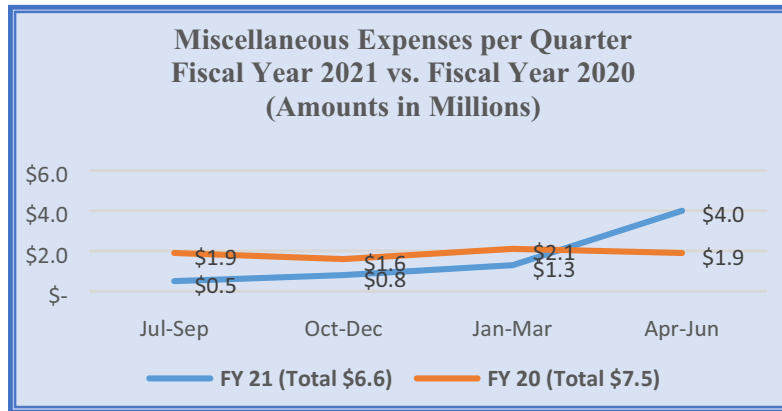
Office of the Inspector General

Report No. 22-AUD-03

c. Fiscal Year 2021 (July 2020 - June 2021) vs. Fiscal Year 2020 (July 2019 - June 2020)

Miscellaneous expenses for the Fiscal Year (FY) 21 amounted to \$6.6 million or an average of \$1.6 million per quarter. In comparison, total miscellaneous expenses for FY 20 amounted to \$7.5 million or \$1.9 million per quarter. See Figure 1 below:

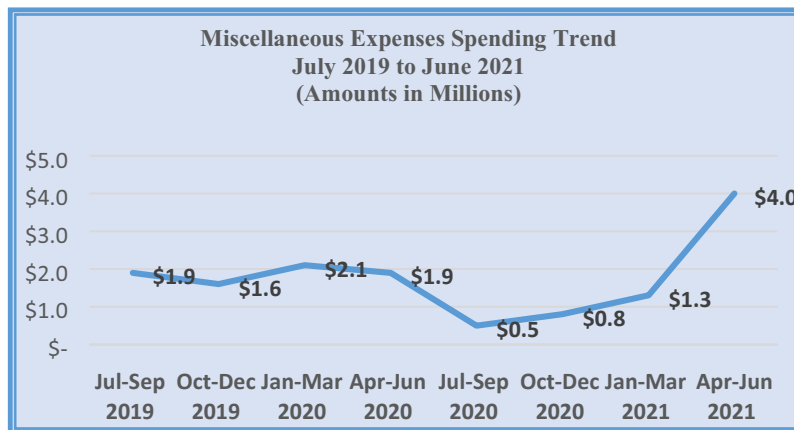
Figure 1: Miscellaneous Expenses per Quarter – FY 21 vs. FY 20



As mentioned in our previous report, Audit of Miscellaneous Expenses from January 1 to March 31, 2021 (22-AUD-01), cost savings measures were implemented from April 1 to October 1, 2020, in compliance with the former Chief Executive Officer’s mandate to cease expenditure in travel, seminar, business meals, training, membership, advertising, and other miscellaneous expenses.

Figure 2 below shows the spending trend for miscellaneous expenses from July 2019 to June 2021:

Figure 2: Miscellaneous Expenses Spending Trend - July 2019 to June 2021



Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

As shown in the above chart, after the cost savings actions ended in October 2020, miscellaneous expenses have been trending upward. As discussed in 2.a above, out of \$4 million expenses in the current quarter, \$3.16 million or about 80% was spent for advertising.

CONCLUSION

The miscellaneous expenses we reviewed for the period of April 1, 2021 to June 30, 2021 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for eight of the expenses reviewed, requirements were not followed regarding Purchase Card policies and Travel and Business Expense. Seven staff did not comply in submitting the required reports on time and one Purchase Cardholder failed to obtain written pre-approval for purchases made.

RECOMMENDATIONS

We recommend that:

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

Planning and Development (Grants Management and Oversight):

2. In addition to the above recommendation, consider the Purchase Cardholder going to the office once a month in order to complete the task on time if it cannot be done remotely. Otherwise, use other payment options such as Check Request instead of using Purchase Card to purchase items that the department needs.

Operations (Maintenance of Way and Operations Liaison):

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track staff travel activity and their respective TBE reports.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

Chief People Office (Administrative Support):

5. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.
6. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On October 8, 2021, we provided Metro Management a draft report. On October 22, 2021, Metro Management submitted their responses summarizing their corrective actions, as shown in Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

Summary of Sampled Expenses Audited
April 1, 2021 to June 30, 2021

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 11,989	\$ 1,495
50903	Business Meals	2,446	300
50905	Corporate Membership	298,579	250,939
50908	Employee Relocation (a)	0	0
50910	Mileage and Parking	4,357	760
50912	Professional Membership	18,625	1,140
50914	Schedule Checkers Travel (b)	0	0
50915	Seminar and Conference Fee	59,466	2,125
50917	Business Travel	17,476	2,378
50918	Advertising	3,162,947	1,871,695
50930	Employee Activities and Recreation (a)	0	0
50999	Other Miscellaneous Expenses	<u>385,221</u>	<u>84,972</u>
	Total	<u>\$3,961,106</u>	<u>\$2,215,804</u>

(a) No transaction for this quarter

(b) Transactions below \$200; thus, not included in the audit population

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 8, 2021
To	Yvonne Zheng Sr. Manager, Audit
From	Collette Langston Board Clerk
Subject	Response to OIG Audit No. 22-AUD-03

This memo is in response to the Office of the Inspector General audit, 22-AUD-03, which found Records and Information Management noncompliant with Metro's Purchase Card Policy due to late submission of the reconciliation package for payment.

Board Administration agrees with the Office of the Inspector General (OIG) that it is important that the P-Card summary and reconciliation package are submitted and approved in a timely manner.

Staff responsible for the reconciliation process have been advised to submit and approve monthly statements in a timely manner.

Please contact me at 213.364.6681 if you would like to discuss or require additional information.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	10/13/2021
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Glen Beccerra  Executive Officer, Marketing
Through	Yvette Raposey  Chief Communications Officer
Subject	Audit of Metro Miscellaneous Expenses April 1, 2021 to June 30, 2021

This memo is Communications' management's response to the recommendations in the Statutorily Mandated Audit of Metro Miscellaneous Expenses for the period of April 1, 2021 to June 30, 2021.

Recommendation

1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

Management Response

Communications management agrees with the OIG recommendations.

The cardholder explained that the P-card purchases he made were not ordinary purchases and therefore, took him a long time to reconcile. Given the nature of such purchases, in the future, the employee has been instructed to reserve the needed time to complete the reconciliation on time. Since that time, he has been working diligently and has submitted the PCard reconciliation on time.

Please contact me at (213) 418-3154 raposey@metro.net if you have any questions.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 15, 2021
To	Karen Gorman Inspector General
From	James T. Gallagher <i>JTG</i> Chief Operations Officer
Subject	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 22- AUD-03)

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from April 2021 – June 2021 in the Maintenance & Engineering and Operations Liaison units within Operations. The report includes the following recommendations for Operations:

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing

Response: Agree; Maintenance & Engineering purchase cardholders and approval officials have been reminded to be aware of the written pre-approval policy for all purchases and that cardholders should only make purchases which are explicitly pre-approved in writing by their supervisor and approving official.

4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track travel activity and their respective TBE reports.

Response: Agree; Operations Liaison staff have been reminded to submit TBE's in a timely manner to the Travel Program Administrator or no later than 30 days of the date returning from travel, or from date of credit card statement.


CC: Yvonne Zheng, Sr. Mgr., Audit
Diane Corral-Lopez, EO, Operations Administration
Paul Squires, Director, Wayside Systems
Frank Alejandro, Sr. Executive Officer, Operations Liaison
Errol Taylor, Sr. Executive Officer, Maintenance & Engineering (Acting COO)
Nancy Alberto-Saravia, Director, Finance & Administration

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 15, 2021
To	Karen Gorman Inspector General
From	Debra Avila  Chief Vendor/Contract Management Officer
Subject	Response to OIG Draft Report, Audit of Misc. Expenses (Report No. 22-AUD-03)

OVERVIEW

I have reviewed the results of the subject draft report and concur with the findings and recommendations for V/CM in the report.

RESULTS OF AUDIT

Corrective measures have been taken by V/CM, and are included below under the heading **PROPOSED ACTIONS**, to correct the observation that sampled P-Card transactions reviewed disclosed noncompliance with the policy, AND cost centers failed to submit and/or approve their P-Card package on time.

RECOMMENDATION

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

PROPOSED ACTIONS

Vendor/Contract Management concurs with this recommendation and the department will continue to address the timely submission of statements.

The Executive Officer over Support Services, the department responsible for PCard activity for V/CM, has sent out a communication to staff on September 15, 2021 (see Figure 1 below) to ensure that reconciliation and status updates occur timely. In addition, an online log (see Figure 2 below) was put in place and is being monitored by the Deputy Executive Officer and department Senior Manager to ensure timely processing by staff.

V/CM P-Card Program participants (cardholders and approvers) have now all been trained and shall take the appropriate re-fresher training every two years as required by the program.

Management Comments to Draft Report

Communication to V/CM Staff

Figure 1:

Gonzales, Michael

From: Gonzales, Michael
Sent: Wednesday, September 15, 2021 4:14 PM
To: Perez, Raul; Lora, Abraham; Lin, Shuyen; Gonzalez, Raul (GonzalezRa@metro.net); Maul-Crumby, Gaby; Castro-Hernandez, Stephanie; Wright, Keenan
Subject: PCard Reconciliations

While some of you may not be specifically responsible for all Purchase Card activities, it is still important to be sure that all Purchase Card program participants involved in the reconciliation process have the information necessary to submit and approve the monthly statements in a timely manner. This includes, but is not limited to the completion of logs and statement reconciliations. If for any reason you anticipate a potential delay, you are responsible for communicating status to your manager to ensure that any delays can be mitigated.

Thank you for your cooperation.

Michael E Gonzales

Executive Officer Support Services
Vendor/Contract Management
213.418.3106 W
213.804.5447 C
metro.net | facebook.com/losangelesmetro | [@metrolosangeles](https://twitter.com/metrolosangeles)
Metro provides excellence in service and support.

Management Comments to Draft Report

SharePoint | VCM PCARD Transaction Logs | Private group: Not Following | 8 members

Home | Search | + New | Edit grid view | State | Export | Autosave | Integrate

Advertising Log


ID	Substation No.	Description	Substation Type	CA Name / Req.	Cost Center	Project Number	Task Number	Account Number	Ad Tech Char.	Termination
8	PS2003	PS2003 - Bicycle Parking Program for Bicycle Lockers and Stables	BP	Lapeer, MI	304	30000	101	3018	8000201 1500 AM	3/16/2021
9	PS2003	PS2003 - Bicycle Parking Program for Bicycle Lockers and Stables	BP	Lapeer, MI	304	30000	101	3018	8000201 1500 AM	3/16/2021
10	PS2003	PS2003 - Bicycle Parking Program for Bicycle Lockers and Stables	BP	Lapeer, MI	304	30000	101	3018	8000201 1500 AM	3/16/2021
11	PS2003	PS2003 - Bicycle Parking Program for Bicycle Lockers and Stables	BP	Lapeer, MI	304	30000	101	3018	8000201 1500 AM	3/16/2021
14	PS2004	PS2004 - Video Wall Signs	EP	Dearborn, MI	710	40000	201	3018	8000201 1500 AM	3/16/2021
15	CM200112	CM200112 - Cardiac Information for W-Fresenius - Districts 11, 21, and 22	BP	Allen, MI	520	20100	101	3018		
16	CM200112	CM200112 - Cardiac Information for W-Fresenius - Districts 11, 21, and 22	BP	Allen, MI	520	20100	101	3018		
17	CM200112 - Cardiac Information for W-Fresenius - Districts 11, 21, and 22	CM200112 - Cardiac Information for W-Fresenius - Districts 11, 21, and 22	BP	Allen, MI	520	20100	101	3018		

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 20, 2021
To	Yvonne Zheng, Senior Manager Audit Office of the Inspector General
From	James de la Loza, Chief Planning Officer, Countywide Planning & Development 
Subject	Response to Audit Report No. 22-AUD-03, Results of Audit 1(a)

Audit Report Issue

In the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03), the audit results found the following issues for Countywide Planning & Development:

1(a) Non-Compliance with Purchase Card Policy – Late Submission and/or Approval

No. 1: Late submission by 4 months and late approval by 3 months on P-Card statement date 10/22/2020 in the total amount of \$2,192.54 for 6 transactions. The Cardholder stated he cannot remember the exact reason for the late submission but added he will now submit their reconciliation packages on time. The Approving Official thought he had approved the statement in March but did not realize his electronic approval did not go through in the system until Accounting advised him in June.

No. 2: Late submission by 4 months on P-Card statement date 12/22/2020 in the total amount of \$2,334.00 for 3 transactions. The Cardholder stated the late submission and approval was the indirect result of staff adherence to Metro policies that prevented equipment purchase and distribution to employees working remotely because of Safer-At-Home orders enacted to mitigate impacts of the COVID-19 pandemic. Lack of equipment and software at remote locations prevented completion of the established workflow within expected processing timeframes.

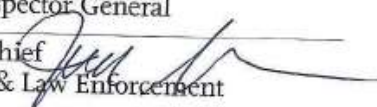
Countywide Planning & Development Response

Countywide Planning & Development's Financial & Management Services (FMS) team reminded Cardholders and Approving Officials the importance of submitting monthly reconciliation packages and approving them on time. The FMS team also reminded Cardholders and Approving Officials that if they encounter any equipment or technical difficulties in reconciling or approving monthly statements while working remotely, they are welcome to come in to the office to use office equipment or contact office staff to provide assistance. Moving forward, and as an added measure to ensure Cardholders are reconciling their monthly statements in a timely manner, the Director of Financial & Management Services is requesting all Cardholders to forward their monthly reconciliation packages to him to be included in our Department's central records.

Management Comments to Draft Report


Metro

Interoffice Memo

Date	October 20, 2021
To	Yvonne Zheng, Senior Manager, Audit Officer of the Inspector General
From	Judy Gerhardt, Chief System Security & Law Enforcement 
Subject	Response to Draft Report (No. 22-AUD-03): Audit of Metro Misc. Expenses April-June 2021
Copies	Aston T. Greene, E. O./Deputy Chief System Security & Law Enforcement

Background:

This memo is in response to the Draft Report Audit of Metro Misc. Expenses April-June 2021 (Report No. 22-AUD-03). The Metro Office of Inspector General (OIG) performed the audit, which resulted in one (1) finding. The result of the audit identified the following concern in relation to the System Security & Law Enforcement (SSLE) Department and its compliance with Metro's Purchase Card Policy.

1. Late Submission and/or Approval - Our audit found that the following cost centers failed to submit and/or approve their P-Card package on time.

1 Transaction late by three months. A February 2021 purchase was not reconciled until June 2021 (pg. 4).

Results of Audit:

SSLE has reviewed the finding related to the late purchase Card submission. The recommendation below is accepted and has been addressed.

Recommendations:

The following recommendation was directed to System Security and Law Enforcement:

- (1) #1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

Management Comments to Draft Report

Page 2

Response to Recommendation #1:

From October 2020, Cardholder cared for her ailing mother, who was hospitalized several times until her passing in July 2021. While caring for her mother between October 2020 and July 2021, Cardholder's duties increased as she managed COVID-19 related programs. Due to these factors, Cardholder admittedly neglected to submit her purchase card reconciliation on time. Cardholder acknowledged this oversight and took immediate action to correct it.

Corrective Actions(s):

The following corrective action has been taken and is in effect:

Cardholder has now set a monthly calendar reminder to ensure the timely submission of her purchase card statements.

cc:

Karen Gorman, Inspector General, Office of the Inspector General
Aldon Bordenave, Sr. Director Emergency Preparedness

Management Comments to Draft Report


Metro

Interoffice Memo

Date	October 21, 2021
To	Yvonne Zheng Senior Manager, Audit Office of Inspector General
From	Patrice McElroy <i>Patrice McElroy</i> Interim Chief Human Capital & Development Officer
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses April, 1 2021 to June 30, 2021 (Report No. 22-AUD-03)

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see below our responses to the Recommendations.

Recommendations

1. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.

Response: Staff concurs with the recommendation and will coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports. In addition, a report will be developed to assist staff in notifying the employee as well. Staff has followed up with ITS regarding the implementation of an e-mail notification for outstanding expense reports. The corrective action plan has been initiated pending ITS implementation. ITS has advised that they will resume work on this project by the 4th quarter of FY22.

Management Comments to Draft Report



Metro

Interoffice Memo

2. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

Response: Staff concurs with the recommendation and will continue to monitor travel and develop a report to assist with notifying the employees that they have not submitted their TBE Reports, while the electronic notification is not yet in place. ITS has advised that they will resume work on this project by the 4th quarter of FY22.

Final Report Distribution

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Deputy Chief of System Security and Law Enforcement
Acting Deputy Chief of Communications
Executive Officer, Administration, Management Audit Services
Manager, Records & Information Management

Audit of Miscellaneous Expenses April to June 2021

OIG Report No. 22-AUD-03

Karen Gorman, Inspector General

November 17, 2021



Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures
- Expenses had proper approval, receipts, and other supporting documentation
- Policies and procedures are adequate to ensure that expenses are documented and accounted for properly

Results

- Staff generally complied with Metro policies;
- A few exceptions on Purchase Card usage and non-compliance with Travel and Business Expense policy.

OIG provided six recommendations.





Board Report

File #: 2021-0685, File Type: Program

Agenda Number: 17.

**FINANCE, AUDIT AND BUDGET COMMITTEE
NOVEMBER 17, 2021**

SUBJECT: PROGRAM FUNDS FOR METROLINK SERVICE RESTORATION

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

APPROVE up to \$1,526,932 in additional funding to the Southern California Regional Rail Authority (SCRRA) FY-2021-22 budget to pay for Metro’s share to partially restore Metrolink commuter rail service, effective December 2021.

ISSUE

Due to a steady increase in Metrolink commuter rail ridership, SCRRA wishes to restore 22 additional weekday trains in December 2021. The SCRRA has proposed a Metrolink service restoration package which will increase service from 108 weekday trains today to 130 weekday trains. The staff recommended action will provide the additional funding needed for Metrolink’s service restoration.

BACKGROUND

Prior to COVID, SCRRA ran 175 weekday trains on the Metrolink commuter rail service. On March 26, 2020, SCRRA reduced service by more than 30% and is currently operating 108 trains per weekday. Since then, ridership has gradually increased from 5,000 passengers per weekday in April 2020 to 12,000 passengers per weekday in October 2021. This is a 140% increase in ridership since the COVID pandemic began. However, ridership is still considerably less than the 40,000 per weekday ridership pre-COVID.

DISCUSSION

Staff is recommending approval of up to \$1,526,932 for Metro’s share of the Metrolink’s service restoration that will take effect in December 2021. Refer to Attachment A- SCRRA Service Restoration Board Report dated October 15, 2021.

Change in Budget	METRO	OCTA	RCTC	SBCTA	VCTC	Total
Revenue (estimated)	710,121	28,674	96,641	127,907	93,776	1,057,119
Expense	2,237,053	(416,513)	293,719	510,112	328,766	2,953,138
Funding Required (estimated)	1,526,932	(445,187)	197,078	382,205	234,990	1,896,018

In the Summer of 2021, as Metrolink ridership started to increase, SCRRA began to plan for service restoration. When SCRRA built the service restoration proposal, special consideration was given to the following:

- 1) Customer comments and closing gaps in service.
- 2) Restoring slots that had best opportunity to build ridership or provide new service options.
- 3) A scalable restoration that can be completed in one or multiple phases.
- 4) Best use of available resources with minimal impact to the budget.
- 5) Use of existing on duty crews, and more efficient use of existing equipment.

In October 2021, SCRRA approved a mid-year budget amendment to add funds to their FY 2021-22 budget to support service restoration (Attachment A). The item was approved unanimously by the SCRRA Board and the other four SCRRA member agencies are supportive of the service restoration. Approval of the staff recommended action will provide sufficient funding to restore additional 22 weekday Metrolink trains as early as December 6, 2021.

DETERMINATION OF SAFETY IMPACT

This Board action will have no direct impact to safety standards for Metro. The restored Metrolink service will be implemented by SCRRA in accordance with Federal Railroad Administration (FRA) and class 1 railroad safety regulations.

FINANCIAL IMPACT

Up to \$1,526,932 in additional LA Metro member agency subsidy is required to restore service with an additional 22 weekday trains. Metro will utilize SCRRA surplus funds, Measure M 1% and/or Proposition C 10% commuter rail funds, which are available to fund Metrolink operations.

EQUITY PLATFORM

The Metrolink service restoration of 22 weekday trips is a 20% increase in commuter rail service and will provide better transit options for Metrolink riders. More frequent service will make it easier for riders to get to jobs, housing, appointments and access the greater LA Metro public transportation system at Los Angeles Union Station. The majority of the Metrolink service restoration, 12 out of the 22 trips, will occur on the more ethnically diverse Antelope Valley and San Bernardino lines. Annual household income, automobile availability, and employment levels are lowest on the Antelope Valley and San Bernardino lines. It is anticipated that service restoration on these lines specifically will serve Metrolink customers with the greatest needs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation to restore 22 Metrolink weekday trains is consistent with the following Metro Vision 2028 Goals and Objectives:

Goal 1: Provide high-quality mobility options that enable people to spend less time traveling

Goal 2: Deliver outstanding trip experiences for all users of the transportation system

Goal 3: Enhance communities and lives through mobility and access to opportunity

ALTERNATIVES CONSIDERED

An alternative is to not restore the Metrolink service at this time. This is not recommended since Metrolink ridership has steadily increased and the restored service will generate a 12% growth in additional projected ridership. The restored service will also fill in service gaps and give riders greater commuter service options, including highly desirable peak hour commute service on the Antelope Valley, Riverside and Ventura County lines.

NEXT STEPS

With Metro Board approval of the recommendation, SCRRA will proceed forward with plans to restore the 22 weekday trains, effective as early as December 6, 2021.

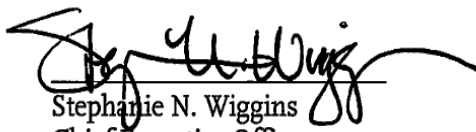
ATTACHMENTS

Attachment A - SCRRA Service Restoration Board Report

Prepared by: Jay Fuhrman, Transportation Planning Manager, Program Management (213) 418-3179

Jeanet Owens, Senior Executive Officer, Program Management (213) 418-3189

Reviewed by: Bryan Pennington, Chief Program Management Officer, (213) 922-7449
Nalini Ahuja, Chief Financial Officer (213) 922-3088



Stephanie N. Wiggins
Chief Executive Officer



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

metrolinktrains.com/meeting

.....

ITEM ID: 2020-530-0

TRANSMITTAL DATE: October 15, 2021

MEETING DATE: October 22, 2021

TO: Board of Directors

FROM: Darren Kettle, Chief Executive Officer

SUBJECT: Amendment to FY22 Adopted Budget to include Mobilization Expense and Service Restoration

Issue

On February 26, 2021, the Board of Directors approved the awarding of a contract for Track, Structure and Signal Maintenance (Mini Bundle) to Herzog. That contract included an amount of \$3,517,751.00 for Mobilization related to this new vendor. The portion of this Mobilization due in FY2020-21 (879,437.75) was covered by savings in the FY2020-21 Budget. At that time, Members were informed that we would not include the balance of the Mobilization (\$2,638,313.25) in the Budget, but that the Authority would instead use CARES Act funds to cover this cost.

Staff is adding the expense associated with Service Restoration into the FY22 Budget.

Recommendation

AUDIT AND FINANCE COMMITTEE RECOMMENDED (5-0) the Board:

- 1) Adopt the Amendment to the FY22 Budget for Mobilization Expense and
- 2) Adopt Service Restoration to the FY22 Budget

Strategic Commitment

This report aligns with the Strategic Commitments of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Consolidating Track, Structure and Signal Maintenance in a single agreement has efficiencies in work product and cost savings.
- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to delight them. The restoration of these services, and the trains selected, are the result of customer feedback and information received regarding services from the Title VI review of the services suspended as a result of the COVID-19 national emergency. Meeting the needs of the customer, being responsive to customer comments, closing gaps in service, and improving connectivity, were the factors used to determine the services to be restored.

Background

Mobilization Expense

At the time of the decision to use CARES Act funding to cover the Mobilization costs, funding for SCRRRA operational activities was provided by a combination of Member Agencies Subsidies and CARES Act funds. With the continuing effects of the COVID-19 pandemic, many Member Agencies have decided that they wish to use CARES Act funds to cover all required operational funding amounts for FY2021-22 which are eligible under the CARES Act grants.

Service Restoration

In July 2021, in response to customer comments, and increasing ridership on some trains, staff was requested to explore restoring some train services that had been suspended due to the COVID-19 national emergency.

Discussion

As a result of the change in funding circumstance, which makes use of CARES Act funding for all expenses eligible under that grant, the Mobilization cost and Service Restoration estimated to be incurred in FY2021-22, should be included with all other expenses in the FY2021-22 Budget. This action is in keeping with best accounting practices.

The allocation method used for Mobilization expense is Route miles owned. The allocation used for Service Restoration will be train miles.

Budget Impact

Mobilization Expense

Upon approval of this request by the Board, the FY2021-22 Adopted Budget will be amended to include an additional \$2,638,313.25.

Service Restoration

Upon approval of this request by the Board, the FY2021-22 Adopted Budget will be amended to include an additional \$85,645 per week for the remainder of FY22. If service is restored beginning December 1st, the cost is estimated to total \$2,398,048.96 through June 30. This does not include the farebox revenue associated with the restored service.

Next Steps

Determine the revenue and expense break out by member agency for Service Restoration. Breakout by Member Agency will be determined by the October 22, 2021 Board Meeting.

Anticipated future Budget amendments: Arrow Service Budget and FY22 Expenses and San Clemente Emergency Track Work.

Prepared by: Christine Wilson, Senior Manager, Finance

Approved by: Alex Barber, Interim Chief Financial Officer

Attachment(s)

[Presentation - Mobilization Amendment](#)

Effect of Service Restoration on FY22 Budget

FY22 Adopted Budget	METRO	OCTA	RCTC	SBCTA	VCTC	Total
Revenue	29,213,825	15,604,054	5,044,779	7,252,509	2,244,130	59,359,297
Expense	127,593,263	54,756,602	26,519,363	29,770,267	14,394,215	253,033,710
Funding Required	98,379,438	39,152,549	21,474,584	22,517,758	12,150,085	193,674,413

Change in Budget	METRO	OCTA	RCTC	SBCTA	VCTC	Total	<i>Change</i>
Revenue <i>(estimated)</i>	710,121	28,674	96,641	127,907	93,776	1,057,119	1.8%
Expense	2,237,053	(416,513)	293,719	510,112	328,766	2,953,138	1.2%
Funding Required <i>(estimated)</i>	1,526,932	(445,187)	197,078	382,205	234,990	1,896,018	1.0%

FY22 Budget with Restored Service as of December	METRO	OCTA	RCTC	SBCTA	VCTC	Total
Revenue	29,923,946	15,632,728	5,141,420	7,380,415	2,337,906	60,416,416
Expense	129,830,316	54,340,089	26,813,082	30,280,379	14,722,981	255,986,847
Funding Required	99,906,370	38,707,362	21,671,662	22,899,963	12,385,075	195,570,432

FY22 Service Restoration - Train Miles

By Member Agency						
	METRO	OCTA	RCTC	SBCTA	VCTC	Total
Train Miles - FY22 Adopted Budget	1,083,609	543,967	227,075	255,052	75,286	2,184,988
Added Miles for Restored Service	117,931	14,437	18,137	27,289	11,672	189,466
Train Miles with Restored Service	1,201,540	558,404	245,212	282,341	86,957	2,374,454
<i>Share of added train miles</i>	62%	8%	10%	14%	6%	100%
<i>% Increase in train miles</i>	11%	3%	8%	11%	16%	9%

By Line									
	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	IEOC	91/PVL	Deadhead Miles	Total
Train Miles - FY22 Adopted Budget	520,798	193,274	413,712	107,489	389,891	305,311	233,688	20,826	2,184,988
Added Miles for Restored Service	51,810	21,273	45,675	35,441	16,202	0	19,065	0	189,466
Train Miles with Restored Service	572,609	214,546	459,387	142,930	406,093	305,311	252,752	20,826	2,374,454
<i>Share of added train miles</i>	27%	11%	24%	19%	9%	0%	10%	0%	100%
<i>% Increase in train miles</i>	10%	11%	11%	33%	4%	0%	8%	0%	9%
<i># Trains restored</i>	6	2	6	4	2	0	2	0	22



Board Report

File #: 2021-0461, **File Type:** Agreement

Agenda Number: 18.

**FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 17, 2021**

**SUBJECT: LEASE AGREEMENT WITH THE CITY OF AZUSA FOR THE SYSTEM SECURITY
OFFICE LOCATED AT 890 THE PROMENADE IN AZUSA**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) or their designee to execute a ten (10)-year lease agreement with four (4) five-year options commencing May 1, 2022 with the City of Azusa (“Lessor”), for the System Security and Law Enforcement (SSLE) office for 8,206 rentable square feet located at 890 The Promenade in Azusa at a rate of \$20,555 per month with escalations of three percent (3%) annually and approximately \$2,865,318 in tenant improvements for a total of \$5,443,930 over the initial term with four 5-year options, if needed.
- B. AMENDING the FY22 budget to include an additional \$1,920,878 for FY2022 and one-time tenant improvements (initial lease costs).

ISSUE

With the Eastern expansion of the Gold Line System Security and Law Enforcement (SSLE) is requesting a deployment facility to provide infrastructure protection in the Azusa area and eastward as the Gold Line expands. This facility will allow Transit Security Officers to be deployed from the APU/Citrus College Station to protect Metro assets, employees, patrons and help deter unlawful entry into secured areas along the Gold Line. Additionally, as we reimagine our public safety efforts and continue to embrace the expansion of community engagement opportunities with ambassadors, mental health and homeless outreach workers, this space will provide the ability for these teams to deploy from the areas they serve.

BACKGROUND

Metro has need for a SSLE presence to provide infrastructure protection on the eastern portion of the Gold Line and has identified the Azusa Building as an optimal location. The building located at 890 The Promenade in Azusa (Azusa Building) is uniquely situated right next to the APU/Citrus College Station in Azusa allowing for quick walking distance access to the Gold Line. This location will aid in

supporting the expansion of the Gold Line and reduce response times to calls for service on the current line.

DISCUSSION

A presence is needed along the Eastern portion of the Gold Line to assure timely responses to security issues in the Irwindale/Azusa area and further East as the Gold Line expands toward Pomona. Without this deployment facility System Security will have severely delayed response times to infrastructure protection issues along the eastern portion of the Gold Line.

Of the four locations considered, only the Azusa Building is located within close walking distance of the Gold Line. The other locations are 1.5 to 3 miles away. Driving to the station and parking would add 10 to 20 minutes to SSLE response time and, it would be difficult and more costly to secure Metro assets at the other locations because they are in shared buildings and parking areas. After reviewing the three comparable properties (Attachment "C"), it was determined that the initial rental rate of \$1.40 per square foot (PSF) is within the range of fair market, NNN (Triple Net). Consistent with NNN leases, Common Area Maintenance (CAM), insurance and property taxes are paid separate from rent. In addition, costs have been estimated for utilities, interior maintenance and janitorial services for a 24/7 operation. Those costs are estimated to add an additional \$1.1048/PSF to the lease cost per month. This amounts to the \$20,555 per month total costs shown below. The tenant improvements shown in Exhibit D will be paid as follows:

The total tenant improvements (TI) will cost:	\$3,111,498
Lessor will contribute \$30 per SF toward TI's:	<u>(\$246,180)</u>

Metro will pay the net TI costs:	\$2,865,318
----------------------------------	-------------

This lease will provide a facility to deploy an initial team of 24 Metro Transit Security Personnel as well as 50 contract security personnel. Additionally, as we reimagine our public safety efforts and continue to embrace the expansion of community engagement opportunities with ambassadors, mental health and homeless outreach workers, this space will provide the ability for these teams to deploy from the areas they serve. Moreover, this facility prepares Metro to better address the needs of patrons and employees as the system continues to grow with the Gold Line expansion.

DETERMINATION OF SAFETY IMPACT

The proposed lease will have a direct impact on Metro's safety standards by increasing System Security's ability to respond to and address safety issues along the Gold Line as it expands Eastward.

FINANCIAL IMPACT

The proposed rent for FY22 is \$41,110 (\$20,555 monthly), which is currently budgeted in

0651.300055.55.8.01.51201 Rent Property/Facilities. Future lease obligations will be included in annual budget preparation by Real Estate staff.

The one-time lease improvements for FY22 are \$2,865,318, which are not currently budgeted in full. If approved, \$1,920,878 will be added to FY22 budget 0651.300055.55.8.01.51201 Rent Property/Facilities to cover all remaining unbudgeted expenses.

Impact to Budget

The funding for the proposed lease is the general fund, right-of-way. The funding source is eligible for bus & rail operations and capital projects.

EQUITY PLATFORM

This lease will not have any direct equity impacts. This lease will provide enhanced security for Metro infrastructure in the protection of Metro assets and employees, as well improved service and response times for patrons using the system, particularly on the San Gabriel Valley portion of the Gold Line. The lease will allow for a more effective deployment strategy of existing security personnel as it will minimize travel time to and from their work location to their assigned posts. The decentralized deployment strategy also creates an opportunity for existing security personnel to establish relationships with frequent riders utilizing the system. Security personnel will still have the ability to summon additional services for those in need including homeless outreach teams, mental health counselors, medical aid or other necessary care. Security personnel will be available to remind users of the system of our efforts for a clean and safe ride and to provide masks when needed. This lease is an essential link in Metro's overall rail security measures to ensure and maintain the security and stability of the Gold Line rail, platform, employees and riders and to keep the Metro system dependable and comfortable for all who rely on Metro for their transit options.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #2: "Deliver outstanding trip experiences for all users of the transportation system."

ALTERNATIVES CONSIDERED

The alternative is to not select the proposed site and lease another location that would be less convenient with added delays in response times to security issues along the eastern portion of the Gold Line.

NEXT STEPS

Upon board authorization, Real Estate will finalize the lease agreement with the City of Azusa, forward to County Counsel for approval, and submit for execution by the CEO or their designee for the initial 10-year lease period and, if needed in the future, additional lease options.

ATTACHMENTS

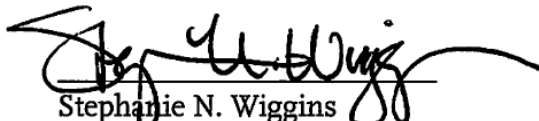
Attachment A - Location Map and Plan Draft
Attachment B - Deal Points
Attachment C - Rent Comparison
Attachment D - Tenant Improvements

Prepared by: John Beck, Principal Real Estate Officer, Countywide Planning & Development, (213) 922-4435

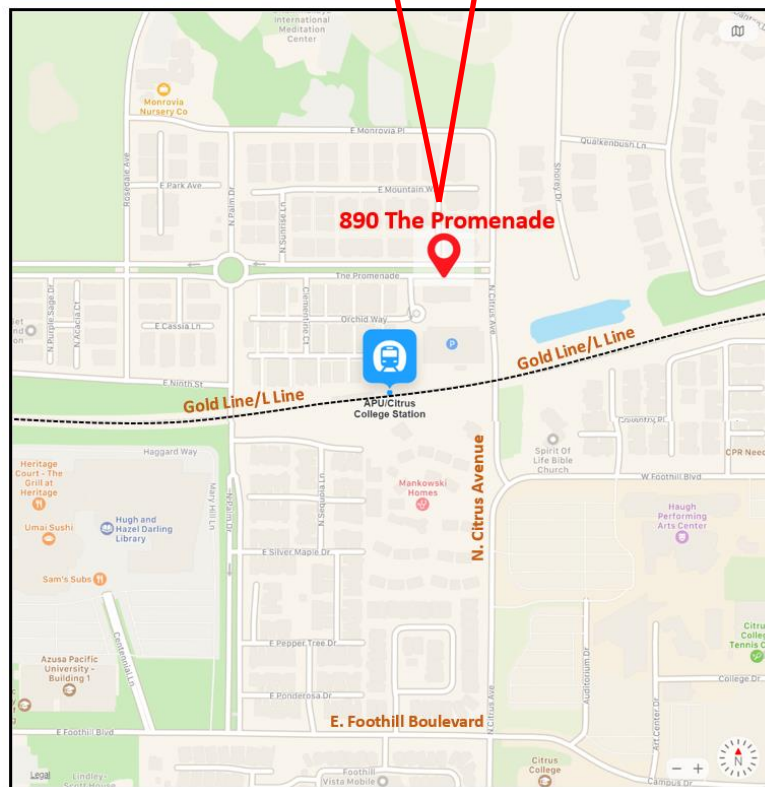
John Potts, Executive Officer, Countywide Planning & Development, (213) 928-3397
Holly Rockwell, SEO - Real Estate, Transit Oriented Communities and Transportation Demand Management, (213) 922-5585

Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920

Judy Gerhardt, Deputy Chief System Security & Law Enforcement, (213) 922-2771

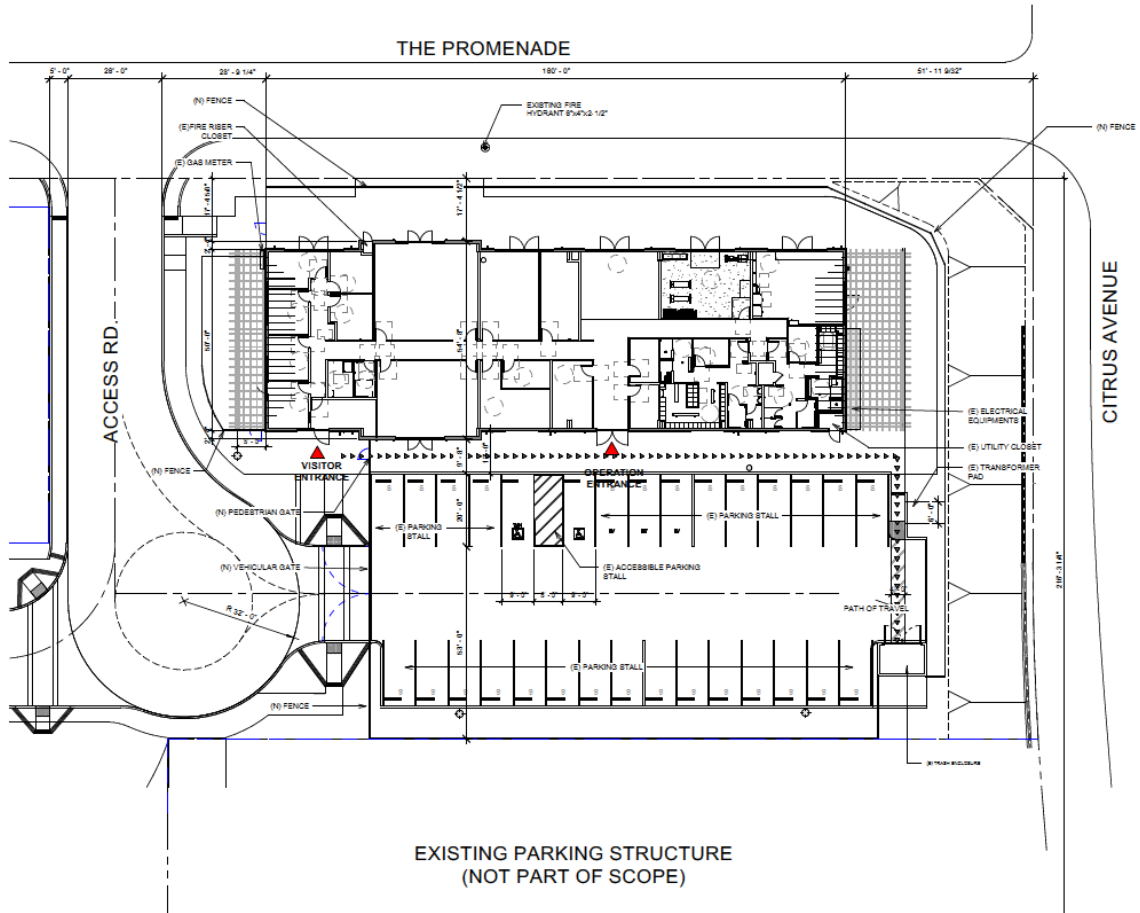

Stephanie N. Wiggins
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft



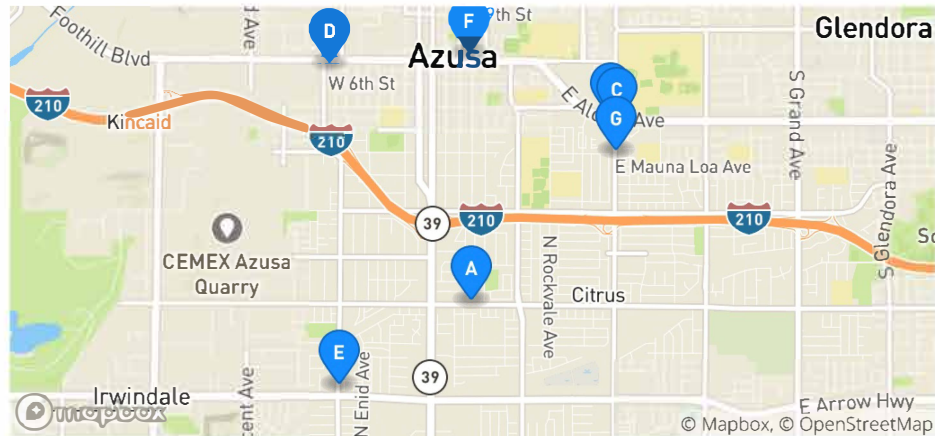
890 The Promenade, Azusa

Floor Plan Draft



Attachment B – Deal Points

New or renewal	New Lease
Landlord/Owner	City of Azusa
Location	890 The Promenade, Azusa
Premises	Approximately 8,206 square feet
Purpose	A System Security and Law Enforcement office.
Commencement and Duration (note any extensions)	10-years commencing approximately May 1, 2022 with four 5-year options to extend.
Total Cost	The total lease value is approximately \$5.4 million over the initial ten (10)-year term, and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by professional broker, Colliers.
Background with this Landlord	None. This will be the first transaction with the landlord.
Special Provisions	The TI's are estimated to cost approximately \$2,578,611. The work will be performed by the landlord and will be invoiced to Metro. Any additional tenant improvements greater than \$500,000 will go back to the Board for approval.



CREATED ON

October 13, 2021 at 10:00 PM

PREPARED BY

Linda Shuler
Linda.Shuler@colliers.com
8183341900

ADDRESS	TRANS. QTR.	TENANT	SIZE	FLOOR(S)	TRANS. TYPE	TERM	STARTING RENT	RENT SCHEDULE	FREE RENT	WORK VALUE
A 465 East Gladstone Street	2020 - Q2	Dollar Tree	10,020 SF		New Lease	10y	\$0.73 (Monthly)		4m	
C 392 North Citrus Avenue	2019 - Q3	Azusa Pacific University Galileo Studio	6,383 SF	Ground	Extension	3y	\$1.83 (Monthly)	3.00% per year	0m	\$0.00
	2019 - Q3	APU Galileo Studio	6,383 SF		New Lease	3y	\$1.83 (Monthly)	3.00% per year	0m	\$0.00
D 850 West Foothill Boulevard	2019 - Q2	DMC Exhaust Werks	1,000 SF			5y	\$1.35 (Monthly)			
E 837 South Lark Ellen Avenue	2019 - Q2	Levon Saribekyan	1,125 SF		New Lease	2y	\$1.00 (Monthly)	3.00% per year	1m	\$4.80
F 353 East Foothill Boulevard	2019 - Q2	Chinese Restaurant	3,152 SF			6y	\$2.10 (Monthly)	3.00% per year	6m	
G 310 North Citrus Avenue	2019 - Q1	The Ministry of Peculiarities	4,000 SF			3y	\$1.20 (Monthly)			

Data provided by COMPSTAK

All information is not guaranteed. Some of the data on this report was provided by preparer and not verified by CompStak.

Average Rent \$1.43 SF

Exhibit C - Rent Comparison

Exhibit D - Tenant Improvements

Estimated Leasehold Improvement Costs and Estimated Furniture, Fixtures, and Equipment Costs for L A Metro Proposed Facilities at The Promenade at Citrus 890 The Promenade, Azusa, CA 7/19/2021	
Hard Costs:	
*Tenant Improvements Hard Costs (Incl. GC fees, Insurance, & Contingency)	\$ 2,224,260
Soft Costs:	
Construction Management Fee	\$ 254,690
Architectural and Engineering Fees (including Landscape Architect)	\$ 183,545
Reimbursables (Printing, Delivery, Postage)	\$ 12,000
Building Plan Check, Permit, and Planning Review Fees	\$ 35,000
LA County Fire Review Fee	\$ 2,000
AQMD Fee (for Emergency Generator)	\$ 925
Sanitation District Fees	\$ -
School Fees	\$ -
City Utility Construction Fees	\$ -
Subtotal: Leasehold Improvements Hard and Soft Costs	\$ 2,712,420
Furniture, Fixtures, and Equipment Costs:	
Furniture, Fixtures, and Equipment (Incl. Tax, Installation & Contingency)	\$ 399,078
Total Estimated Project Costs	\$ 3,111,498
Less: Landlord's Contribution: (\$30 Per Square Foot) (8,206 SF)	\$ (246,180)
NET ESTIMATED EXCESS PROJECT COSTS	\$ 2,865,318

* Tenant Improvement Hard Costs detail on Page 2

**Expanded Hard Costs
for L A Metro Proposed Facilities
at The Promenade at Citrus
890 The Promenade, Azusa, CA**

Hard Costs:

Demo/Site/Misc. Metals	\$ 153,541
Exterior Site (Gate and Security Fence)	\$ 110,000
Interior Walls/Vertical	\$ 122,000
Windows/Glass/Glazing/Doors	\$ 242,741
Flooring & Ceramic Tiles	\$ 134,712
Accessories (Toilets, fixtures, equipment, signs)	\$ 20,735
Mechanical, Electrical and Plumbing	\$ 687,725
Fire Sprinkler and Alarm	\$ 57,806
Overhead/General/Admin/GC Profit/Insurance/Bonding	\$ 419,316
Contingency (supply chain issues, price volatility, labor)	\$ 275,684
TOTAL HARD COSTS	\$ 2,224,260