



Board Report

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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