



Board Report

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Agenda Number: 33.

**CONSTRUCTION COMMITTEE
JANUARY 17, 2019**

**SUBJECT: OFFICE OF THE INSPECTOR GENERAL CHANGE ORDER/MODIFICATION
CONSTRUCTION SPOT CHECKS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General Change Order/Modification Construction Spot Check Report.

ISSUE

On January 25, 2018, the Metro Board directed the Office of the Inspector General (“OIG”) to conduct random spot checks on the projects listed in the quarterly program management report to ensure that the delegation of authority to approve construction Change Orders policy is performing in the manner desired by the Board of Directors.

BACKGROUND

I. SUMMARY

The OIG has developed a spot check program (“Spot Checks”) that primarily focuses on approved Change Orders and Modifications that exceed \$1 million. The Change Orders in this report were selected from the January 2019 Program Management Major Project Status Report (File # 2018-0780), covering September, October, and November 2018. The information for the Spot Checks was collected from the Program Management Information System (PMIS) which is the department’s database system. Also, in-person and telephonic interviews were conducted with Metro Program Management, Project Control, Bus Operations, and Procurement staff from each individual project office.

The OIG has reviewed four Change Orders for the period of September 1, 2018, to November 31, 2018; one processed from Crenshaw/LAX, one from Regional Connector, and two from Westside Purple Line Extension Section 2. For this quarter, the Westside Purple Line Extension Section 1 did not have any Change Orders above \$500,000.

We found that all the Change Orders in this report were negotiated/approved/executed on average

faster than the former Board approval process would have taken. In addition, the negotiated cost for one Change Order was lower than Metro's Independent Cost Estimate (ICE) and two were higher than the ICE, but were lower than the contractor's proposed price, and one was equal to Metro's estimate amount. For the Change Orders/Modifications the OIG reviewed, the Spot Checks have shown that the delegation of authority has, in certain cases, resulted in:

- Minimized/reduced delay costs,
- A negotiated amount that was reasonable for the work to be done; and
- Minimized construction delays.

Each Spot Check summarizes the following areas:

- Introduction of Change Order/Modification
- Facts of Change Order (charts and pictures shown on Attachment A)
- Scope of Work
- Budget
- Time to Execute Change Order
- Recommendations

Metro's Program Control department will provide responses to the recommendations in this report to the OIG Spot Checks within 30 days after this Board report.

DISCUSSION

II. Spot Checks Performed in this Quarter

A. Spot Check #1 - Crenshaw/LAX Transit Project

This OIG Spot Check report concerns the Crenshaw/LAX Transit Corridor Project (Contract C0988 MOD-00335.1). Cable Transmission System Update - Construction

Facts of Change Order

See Attachment A Spot Check #1 chart.

Summary #1

Scope of Work - Specifications for the Crenshaw line communications system were prepared many years ago. The scope of work, written 3 years ago for the Line, incorporated those specifications pending any evaluation of new technology. After an evaluation was completed it was determined that Metro's rail communications system agency wide will migrate over time from the SONET System currently in use, to new technology provided by FUJITSU. This Modification is to correct the specifications to the new technology platform (FUJITSU (FW) 9500 a Native Ethernet platform). Eventually, all Metro rail lines will migrate to the new FUJITSU 9500 system. The contractor shall procure, provide, and construct this System for the ROC, stations, and the South West Rail Yard for the Crenshaw Line. These costs are net of the offset of the elimination of the older technology, but still require drawing changes and similar expenses for the new technology.

Budget - The ICE was \$966,285. The Modification was awarded for \$1,180,296. The award was \$214,011 (18.13%) higher than the ICE.

Schedule - The new delegation process was utilized for this Modification which was executed on October 3, 2018. The negotiations of the scope of work began on February 2, 2018. The 8-month delay occurred because Metro and the contractor disagreed on the schedule for accomplishing the Modification. The parties agreed on the Modification without having a set schedule. This Change Order could not have gone to the Board for approval until the November Board, a full 47 work-days later. The schedule is pending.

Recommendation

The OIG agrees with and recommends the use of newer technology. It is appropriate to have the communications system updated from the original legacy SONET platform that is over 25 years old to accomplish critical communication.

The OIG recommends that schedule negotiations with the contractor be expeditiously concluded so the schedule impacts are minimized.

B. Spot Check #2 - Regional Connector Transit Project

This OIG Spot Check report concerns the Regional Connector Transit Corridor Project (Contract C0980 CO-00023). Add Wye Junction Fan Plant - Construction

Facts of Change Order

See Attachment A Spot Check #2 chart.

Summary #2

Scope of Work - This Change Order is part 3 of 4 for the addition of fans at 1st street and Alameda junction. Part one and two covered the design of the fan system that was jointly developed by both contractor and Metro Fire Life Safety Committee. In December 2015 Metro Board approved the deletion of the original 8 jet fan ventilation design and the addition of the fan system at the interior intersection of the two converging/diverging tunnel segments. The revised design of the tunnel section is now complete and ready for the installation of the fan system. This Modification is to pay for the items necessary for the fan system and work performed to date for the fans.

Budget - The award amount for this Modification is \$1,200,000. The contractor was not required to submit a proposal because this is a unilateral Change Order by Metro. The payment enables the contractor to order the fan parts and invoice for work performed to date. The Metro Board approved \$12,000,000 for the fan system in December 2015 and the \$1,200,000 will be paid out from that account.

Schedule - The new delegation process was utilized for this Modification. The Change Order was executed on November 2, 2018. There are no saved days accomplished by the use of the new delegation process because this item would not have needed to go to the Metro Board again since this fan system was approved in December 2015.

Recommendation

None.

C. Spot Check #3 - Purple Line Extension Section 2 Transit Project

This OIG Spot Check report concerns the Purple Line Extension Section 2 Transit Project (Contract C1120 MOD-00026). Santa Monica Blvd. Bus Layover Design and Construction Changes

Facts of Change Order

See Attachment A Spot Check #3 chart.

Summary #3

Scope of Work - This Modification is to revise the design and construction of the Santa Monica Bus layover facility. The work under this Change Order will shift the new bus layover facility 60-feet to the east. The 60-foot takes advantage of available space that provides more capacity, improves bus movement, and maintains the existing bus stop. The design will protect the left turn signal for buses in the center median of Santa Monica Blvd. The signal allows for left turns and U-turns at Century Park East and a new left turn to detect the waiting buses with vehicle loop detectors that distinguish between U-turn and straight buses and minimize overall traffic delays. LADOT Bureau of Street Lighting requested the addition of new street lights to meet ambient safety lighting standards along Santa Monica Blvd. from Avenue of the Stars to Century Park East.

Budget - The award amount for this Modification is \$1,345,904. The contractor's proposal was \$1,602,335 and the ICE was \$1,209,139. The award amount was \$256,431 below the contractor's proposal or 19% less, and the negotiated award was 10% above the ICE amount.

Schedule - The new delegation process was utilized for this Modification. The agreed upon scope of work occurred on Oct. 17, 2018 and the Modification was executed on Nov. 2, 2018, which was done in 12 work-days. If this Modification had gone to the Board it would have been on the January agenda which would be 70 work-days later. From the final scope of work to the January Board meeting there is a time savings of 58 work-days.

Recommendation

Multiple design coordination meetings (using 30% design) with Metro Bus and Rail Operations during preliminary engineering were held to develop the scope. During those meetings Bus Operations requested 6 bus bays to be incorporated into the design. Then at the 60% design meetings Bus Operations saw that the existing active bus stop was removed and asked that it be restored. The active bus stop will be added back into the plans.

The addition of the left turn signal, pocket lane with detector loops, and street lights were additions requested from the City of LA after their review of the 60% design plans who had not submitted the required changes earlier.

The OIG recommends that Operations and LADOT be provided the scope of work after requests are submitted or "no comments" are received to confirm their requests have been added into the scope

prior to the release of the RFP.

The OIG recommends the Program Management team create a check list showing to whom preliminary 30% plans and the 60% design plans were given and what were the individual requests. The check list should note follow up dates, phone calls, and emails to verify their requests are incorporated into the scope of work prior to the release of the RFP.

D. Spot Check #4 - Purple Line Extension Section 2 Transit Project

This OIG Spot Check report concerns the Purple Line Extension Section 2 Transit Project (Contract MC072 MOD-00001). Continuation of Construction Management Support Services for WPLE Sect. 2

Facts of Change Order

See Attachment A Spot Check #4 chart.

Summary #4

Scope of Work - This Modification allows for the Construction Management Support Services (CMSS) to continue for 2 years (FY19 & FY20) for the Purple Line Section 2 project. This staff augmentation is to hire additional experts to support the construction. By creating different phases for support and award, the CMSS contract allows the money to be utilized based on evolving needs.

Budget - This Modification was negotiated and the award is \$24,020,080. The contractor's proposal was \$26,770,931 and the ICE was \$25,158,756. The award amount was \$2,750,851 (or 11.5% less) than the contractor's proposal. The negotiated amount was 4.7% less than the ICE.

Schedule - The new delegation process was utilized for this Modification. The agreed upon scope of work occurred on November 1, 2018, and the Modification was executed on November 28, 2018, was completed in 20 work-days. If this Modification had gone to the Board it would have been on the January agenda which would be 60 work-days later. From the final scope of work to the January Board meeting there is a time savings of 40 work-days.

Recommendation

None.

FINANCIAL IMPACT

The financial impacts are the expenditures from the projects reserves as follows:

Spot Check #1) \$1,180,296.

Spot Check #2) \$1,200,000.

Spot Check #3) \$1,345,904.

Spot Check #4) \$24,020,080.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations that the Office of Inspector General has put forward support the Strategic Plan Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The OIG focuses on fraud, waste, and abuse. For each selected Change Order/Modification review,

the OIG is evaluating if fraud, waste, or abuse is taking place. We report the details of why the Change Order is 'out of scope', we support, and make recommendations with our construction best practices report, more particularly focusing on lessons learned, improving efficiencies, and prudent spending. Our goal is to provide rational, trustworthy information to the Board. The Office of the Inspector General will continue reporting to the Board the results of Construction Change Order Spot Checks selected from the Program Management Major Project Status Quarterly Report. The next OIG Construction Spot Check report will be in April.

Program Control and Program Management agreed to respond to the recommendations of the OIG within 30 days. Program Management has provided responses to the prior OIG Construction Spot Check reports (May, July, and October 2018) as listed in Attachment B.

ATTACHMENTS

Attachment A - Chart for Spot Checks

Attachment B - May, July, and October Recommendations and Engineering Responses

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