



Board Report

File #: 2023-0178, **File Type:** Informational Report

Agenda Number: 21.

**CONSTRUCTION COMMITTEE
OCTOBER 19, 2023**

**SUBJECT: 2023 OIG CONSTRUCTION BEST PRACTICES REPORT
[FOLLOW UP TO THE 2016 CAPITAL CONSTRUCTION PROJECT MANAGEMENT
BEST PRACTICES STUDY]**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General 2023 OIG Construction Best Practices Report (Follow Up to the 2016 OIG Construction Best Practices Report).

ISSUE

The Office of the Inspector General (OIG) has conducted a follow up review of its 2016 Capital Project Construction Management Best Practices Study (“2016 BP Study”). The 2023 OIG Construction Best Practices Report objective is to determine if the 109 recommendations in the 2016 BP Study were implemented and report the status to the Chief Executive Office and the Metro Board.

BACKGROUND

The 2016 BP Study resulted in over 100 findings leading to 109 recommendations for Metro to consider implementing to enhance their existing practices. Metro management provided responses to the 109 recommendations, which were included with the 2016 BP Study presented in 2016 to Metro’s Board. Of the 109 recommendations, Metro agreed with 99 as either a beneficial enhancement or in accord with existing policies or practices. Ten of the 109 recommendations were rejected as not perceived as beneficial at that time.

We found that Metro’s Program Management Group (“PMG”) developed some new and revised some existing policies and procedures based on the 2016 BP Study recommendations. The PMG also made organizational changes by increasing staff in some departments, modified some reporting relationships, and made collaborative enhancements between the PMG and Countywide Planning & Development. Out of the 109 recommendations, new or revised policies and procedures were implemented for 32 of the 109 recommendations and new or revised practices were initiated for 66 recommendations.

The Inspector General has now performed a comprehensive review of the status of PMG's implementation of the 99 recommendations they agreed were worthy of further consideration. The objectives were to determine whether:

- New or revised policies and procedures were developed to implement the recommendations in the 2016 BP Study.
- New or revised practices were established to implement the recommendations in the 2016 BP Study and if those practices meet the intent of the recommendations.
- Any gaps remain in Metro's policies, procedures, and practices, and identify opportunities for enhancements to current policies, procedures, and practices.

The OIG reviewed PMG's policies and procedures, interviewed Metro personnel, and evaluated the status of each recommendation. That evaluation was grouped into various clusters and categories to combine related matters and better direct the OIG recommendations to various Metro departments.

DISCUSSION

This report has been arranged to analyze the recommendations status grouped into 5 "Clusters" (lettered) and 22 associated "Categories" (numbered):

- A. Pre-Procurement Project Development Cluster
Categories: (1) Delivery Method Selection and Criteria; (2) General Readiness; (3) Utilities and Third Party; (4) City Approvals; (5) Life of Project Budget; (6) Risk Management; (7) Project Management Plan
- B. Post-Procurement Project Management Cluster
Categories: (8) Contract Administration; (9) Board Delegation; (10) Enforcement and Compliance; (11) Partnering; (12) Quality Management; (13) Lessons Learned; (14) Safety.
- C. Project Management Support Cluster
Categories: (15) Public Involvement; (16) Program Management. Information System; (17) Administrative Controls; (18) Reorganization, Staffing & Training; (19) Project Management KPIs.
- D. Strategic Program Oversight Cluster
Category: (20) Metro Wide Program Oversight (including EIT)
- E. Relocated Groups Cluster
Categories: (21) Highway; (22) Asset Management.

The OIG identified strengths and vulnerabilities in the construction management program based on our review of data from PMG's current policies and procedures, manuals, board reports, interviews with staff, and a review of secondary resources on construction management best practices.

Documentation review and interviews occurred throughout 2022 into 2023. The 5 Clusters listed on the following pages state the highlights of the OIG findings.

Cluster A: PRE-PROCUREMENT PROJECT DEVELOPMENT

Strengths: Metro has developed comprehensive procedures, including detailed checklists to guide both the project delivery selection process and general readiness as a project moves toward procurement. Metro is expanding its use of alternative methods of project delivery, which will assist in assessing and mitigating project risks.

Vulnerabilities: Third party project stakeholders - public and private utility owners and permitting authorities - continue to create risks, delay, and cost increases to the extent they lack resources or the collaborative drive to assist Metro. PMG does not appear to be using robust risk management tools and deep project management planning on lower cost, less complex projects.

Cluster B: POST-PROCUREMENT PROJECT MANAGEMENT

Strengths: Metro has streamlined the Change Order process and implemented Delegation of Authority authorized by the Board, that has saved staff time and possibly construction money. A quarterly audit by the OIG's office assists Metro's Board in overseeing that the streamlined Change Order process operates as intended.

Vulnerabilities: Construction contractors' claims for delay remain challenging to resolve on the merit of the claims and the amount warranted for claims in a timely and transparent manner, often resulting in an accumulation of large end-of-project claims needing resolution. Partnering may not be used effectively as a tool for resolution across all claim types or projects due to differing skills, training, or philosophies about that methodology. The Lessons Learned program is not being used by all PMG related departments nor used for all projects. Also, PMG has not established a process for evaluating the contractor's performance across all projects consistently in a way that is useful for future procurements. We recommend better utilization of a vendor score card program in coordination with Vendor/Contract Management.

Cluster C: PROJECT MANAGEMENT SUPPORT

Strengths: Administrative Controls and the Program Management Information Systems ("PMIS") conform to the 2016 recommendations and are functioning well. There are strong document controls in place, and policies and procedures are adequate. PMIS effectively collects, tracks, and handles data and status reporting for large projects.

Vulnerabilities: A "gap" exists in working with the public early in the project planning process. PMG should advocate for improved public involvement at the earliest opportunity to maximize good public relations. Metro's full-time employees to consultant ratio across project and program management is at a 30/70 ratio in favor of consultants. Metro staff have identified the need to improve this to a 50/50 ratio. We believe the agency management agrees that a better balance is desirable and will work toward that objective, however, the current environment for recruitment of staff is challenging.

Cluster D: STRATEGIC PROGRAM OVERSIGHT

Strengths: Some of the recommendations made in the 2016 BP Study are addressed by Metro's

implementation of a cross-departmental team of experts, referred to as the Early Intervention Team (“EIT”). This team uses a problem-solving approach to mitigate challenges related to market conditions (e.g., the pandemic, supply chain, and inflation), project delivery methods, scope issues, and unforeseen conditions.

Vulnerabilities: Separation of duties between Countywide Planning & Development (“CP&D”) and PMG during the project planning phase is a threat to Metro’s successful delivery of capital projects. Silos between these departments without unified program guidance affect project planning, budget, and procedures and will remain a weakness until the EIT and/or the Project Charter approach has proven to mitigate this threat.

Cluster E: RELOCATED GROUPS

Strengths: The Highways group relocated to the CP&D Department and can now work more closely with Caltrans in the planning phase of projects. The Enterprise Transit Asset Management (ETAM) program is moving forward in the development phase of the maturity path now that ETAM is relocated under Operations.

Vulnerabilities: The relocation of the Highways group to CP&D has created some obstacles in reporting the status of projects. CP&D does not have the same type of regular quarterly Board reporting responsibilities as PMG. ETAM needs maintenance and warranty information to be folded into the Construction phase for tracking new assets, and the contractor needs to collect and report information to be added to Metro’s ETAM database. ETAM also needs State of Good Repair information to be integrated into the review of capital budgets to avoid the situation where new projects are proposed and implemented without consideration of older, inter-dependent transit facilities.

EQUITY PLATFORM

Equity-related issues around public involvement were investigated in the OIG’s review. The OIG identified that a “gap” may exist in working with the public early in the project planning process. A recommendation is made in this 2023 OIG Construction Best Practices Study that PMG should advocate for improved public involvement at the earliest opportunity to maximize good public relations, especially in equity focused communities

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This 2023 OIG Construction Best Practices Study supports 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 programs, operations, and resources. The goal of the 2016 BP Study was to identify opportunities for enhancing the capital projects’ construction management practices. This 2023 follow up report demonstrates that Metro benefitted from the 2016 study by implementing improved processes. This report provides accountable and trustworthy governance by identifying areas of strength and reports areas that could use further enhancements with recommendations for Metro to consider.

NEXT STEPS

The 2023 OIG Construction Best Practices Report includes 37 recommendations to further enhance Metro's construction management best practices. The list of 2023 OIG recommendations and Metro management responses is an attachment to this OIG report (Attachment B).

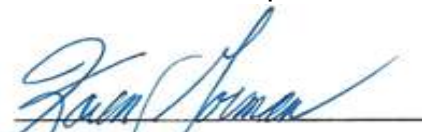
ATTACHMENTS

Attachment A - OIG Report: 2023 Follow Up Review on Implementation of the 2016 Construction Best Practices Recommendations

Attachment B - Recommendations & Responses

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