



Board Report

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Agenda Number: 15.

CONSTRUCTION COMMITTEE APRIL 16, 2025

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

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General Construction Change Order Spot Check Report for the period December 1, 2024, to February 28, 2025.

ISSUE

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

BACKGROUND

The OIG’s Construction Change Order Spot Check Program (“Spot Checks”) focuses on approved change orders and modifications that exceed \$500,000. The four change orders in this report were selected from the Program Management Quarterly Major Project Status for the period of December 1, 2024 - February 28, 2025. The OIG gathers data, reviews all the change orders over \$500,000 and selects change orders from the major projects. The information for the Spot Checks was collected from the Program Management Information System (PMIS), which is the department’s database system. Also, virtual meetings and telephonic interviews were conducted with Metro Program Management, Project Control, and Procurement staff from each involved project office.

For each Spot Check, we summarized:

- Description of the change order,
- Change order detail,
- Scope of Work,
- Budget,
- Schedule (Time to execute the change order),
- Safety, and
- Recommendations (lessons learned are identified starting with this report).

Metro's Program Control department has provided informal responses to this report before its issuance and they are asked to provide written responses to the recommendations in this OIG Spot Checks Report within 30 days after this Report is issued. Included with this report is a spreadsheet with the status of responses concerning previous OIG Spot Check Report recommendations (Attachment B).

DISCUSSION

Spot Checks Performed in this Quarter

Spot Check #1 - The Rail to Rail Active Transport Corridor Project

This OIG Spot Check report concerns the Rail to Rail Active Transport Corridor Project (Contract C1166 MOD 00113), Bollard Procurement.

Change Order Detail

See Attachment A Spot Check #1 table.

Summary #1

Scope of Work - This change order of \$831,894 is for MOD 00113. It is related to an increase in the scope of work for the procurement of barricades to mitigate safety concerns on the pedestrian and bicycle paths in various locations of the project. This modification was necessitated by a design change that was recommended by Metro's Systems Security Law Enforcement (SSLE) and supported by the Metro Operations Department.

Budget - This change order for MOD 00113 was approved for \$831,894. The Contractor's Proposal (CSP) was \$831,894.21, and the Independent Cost Estimate (ICE) was \$552,094. The ICE is \$279,800 (33.63%) under the CSP. The approved amount was \$279,800, which is (33.63%) more than the ICE. The Contractor's Proposal included essential costs that were not accounted for in the ICE, such as storage, touch-up painting, handling and transportation, and anti-graffiti coating. Staff confirmed that funding for this change order is available within the Life-of-Project budget.

Schedule - The CEO Delegation of Authority process was utilized for this change order. The Contractor and Metro agreed on the Scope of Work on December 17, 2024. The modification was awarded on December 26, 2024, and it took the staff six workdays to complete all signature approvals. Under the prior Board approval method for change orders, assuming presentation at the February Board meeting date, it would have taken a total of forty-one workdays to complete the transaction.

Safety - The Rail to Rail Active Transport Corridor Project has 378,019 Project hours through

February 2025 with a Total Recordable Injury Rate (TRIR) of .77 (the Bureau of Labor Statistics National Average is 2.4) and a Days Away Restricted or Transferred (DART) rate of .77 (the Bureau of Labor Statistics National Average is 1.5).

Recommendations/Lessons Learned - The OIG supports the recommendation of SSLE and Metro's ongoing efforts to incorporate safety considerations into public right-of-way management. This approach enhances accessibility and ensures that public spaces are safer and more navigable for all, including pedestrians and cyclists.

Spot Check #2 - The Purple Line Extension Section 2 Transit Project

This OIG Spot Check report concerns the Purple Line Extension 2 (Contract C1120 MOD 00230.1). Additional project staffing, and compliance activities for changes Issued during the base design phase.

Change Order Detail

See Attachment A Spot Check #2 table.

Summary #2

Scope of Work - This unilateral change order of \$1,475,323 is for MOD 00230.1. It is related to the Contractor's claim for additional project staffing, compliance, and work performed that was necessitated by design changes from October 1, 2021, to May 31, 2024.

Question to the Purple Line Extension 2 Program Management

The OIG requested an explanation of what caused the need for additional project staffing that the Contractor did not consider and plan during the bidding process.

Response from the Purple Line Extension 2 Program Management

The project underwent significant design changes that exceeded what could have been reasonably anticipated, requiring an increase in project staffing. Examples include reorienting and expanding a station entrance by 90 degrees, a major redesign of the storm drainage system, the impact of a global pandemic, and a change to the final tunnel lining material.

Budget - This unilateral change order for MOD 00230.1 for the amount of \$1,475,323. The Contractor's Proposal was \$2,677,731, and the Metro Independent Cost Estimate (ICE) was \$1,548,617. The ICE is \$1,129,114 (42.17%) under the CSP. The unilateral approved amount is \$73,294 (4.73%) under the ICE. The staff stated that funds for this change order are within the

recently amended Life-of-Project budget.

Schedule - The CEO Delegation of Authority process was utilized for this change order. The Contractor and Metro agreed on the Scope of Work on November 14, 2024. The modification was awarded on December 20, 2024, and it took the staff twenty-five workdays to complete all signature approvals. Under the prior Board approval method for change orders, assuming presentation at the February Board meeting date, it would have taken a total of sixty-three workdays to complete the transaction.

Safety - The Purple Line Extension 2 Project has 5,515,525 Project hours through February 2025 with a Total Recordable Injury Rate of 2.21 (the Bureau of Labor Statistics National Average is 2.4) and a Days Away Restricted Transferred (DART) rate of .48 (the Bureau of Labor Statistics National Average is 1.5).

Recommendations/Lessons Learned - None.

Spot Check #3 - The Purple Line Extension Section 1 Transit Project

This OIG Spot Check report concerns the Purple Line Extension Section 1 Transit Project (Contract C1045 MOD 00235). The Wilshire/La Cienega Plaza Station Standby Generator, Design and Construction.

Change Order Detail

See Attachment A Spot Check #3 table.

Summary #3

Scope of Work - This change order, in the amount of \$1,116,083, pertains to MOD 00235 at the Wilshire/La Cienega Plaza Station. It is related to the design changes and construction improvements that were necessitated to accommodate the larger-capacity standby generator of 2750 kW, as compared to the previous design of 1750 kW. The change order incorporates the Contractor's design, construction, necessary changes to the electrical infrastructure and modifications to the generator enclosure.

Budget - Metro and the Contractor jointly conducted a fact-finding and a technical evaluation to help develop an understanding of the work and establish a mutual agreement for the final amount for MOD 00235 of \$1,116,083. The Contractor's Stated Proposal (CSP) was \$1,116,083, and the Independent Cost Estimate (ICE) was \$1,011,649. The agreed amount is \$104,434 (9.36%) over the ICE. The staff stated that funds for this change order are within the Life-of-Project budget.

Schedule - The CEO Delegation of Authority process was utilized for this change order. The Contractor and Metro agreed on the Scope of Work on December 17, 2024. The modification was

awarded on January 02, 2025, and it took the staff eleven workdays to complete all signature approvals. Under the prior Board approval method for change orders, assuming presentation at the February Board meeting date, it would have taken a total of forty-two workdays to complete the transaction.

Safety - The Purple Line Extension 1 Project has 10,762,835 Project hours through January 2025 with a Total Recordable Injury Rate of .82 (the Bureau of Labor Statistics National Average is 2.4) and a Days Away Restricted Transferred (DART) rate of .09 (the Bureau of Labor Statistics National Average is 1.5).

Recommendation/Lessons Learned - I recommend incorporating larger equipment specifications early in the procurement process, which allows for more accurate budgeting and planning. This proactive approach helps establish a consistent set price and reduces the likelihood of unforeseen expenses.

Spot Check #4 - The I-5 North County Enhancement Project

This OIG Spot Check report concerns the I-5 North County Enhancement Project (Contract C70396C1205 MOD 00050), Differing Site Conditions.

Change Order Detail

See Attachment A Spot Check #4 table.

Summary #4

Scope of Work - This change order, in the amount of \$535,471.90, pertains to MOD 00050. It is related to differing site conditions on the I-5 North County Enhancement Project Contract C70396C1205. The Contractor was drilling foundations at various depths from July 10, 2023, to September 13, 2023, and encountered groundwater and buried man-made objects (BMMOs) that were not identified in the initial foundation reports submitted during the proposal process. This resulted in additional work and a Request for Change (RFC) by the Contractor.

Question to I-5 North County Enhancement Program Management

The OIG requested an explanation due to the initial vague scope of work and lack of merit documentation provided that is normally required for this type of change order.

Response from I-5 North County Enhancement Program Management

The 2019 Foundations report and the 2017 Boring logs reported soil moisture and density range well below the expectation of encountering groundwater during drilling. The Contractor also encountered concrete that required removal and struck a drain that was not in the As-built drawings that necessitated additional work.

Budget - This change order MOD 00050 was negotiated to \$535,471.90. The Contractor's Stated Proposal (CSP) was \$535,471.90, and the Independent Cost Estimate (ICE) was \$532,200.10. The ICE is \$3,271.80 (.61%) under the CSP. The negotiated amount is \$3,271.80 (.61%) over the ICE. The staff stated that funds for this change order are within the Life-of-Project budget.

Schedule - The CEO Delegation of Authority process was utilized for this change order. The Contractor and Metro agreed on the Scope of Work on November 25, 2024. The modification was awarded on January 13, 2025. Under the prior Board approval method for change orders, assuming presentation at the February Board meeting date, it would have taken a total of fifty-six workdays to complete the transaction.

Safety - The I-5 North County Enhancement Project has 949,522 Project hours through February 2025 with a Total Recordable Injury Rate (TRIR) of 1.69 (the Bureau of Labor Statistics National Average is 2.4) and a Days Away Restricted or Transferred (DART) rate of .42 (the Bureau of Labor Statistics National Average is 1.5).

Recommendations/Lessons Learned - The project management software "Headlight," which is being used on this project to review the daily reports for the period of the modification, revealed a possible lack of sufficient oversight of documentation and technical input from the Project team and Resident Engineer. There was no record of the modification on Metro's Project Management Information System (PMIS) from the Project team for 19 months. This change order might have been identified a year ago if the project had been more proactive with its modification input on PMIS. This delay of documentation can have an effect on budget management and reserve funds status.

Recommendation 1:

The OIG recommends that the Project team review the Capital Project requirements referred to in the Configuration Management Policies and Procedures in CF01-CF04, CF07, and CF10. Metro's Program Management Information System (PMIS) must be the primary source for document control. Metro's project control procedures require that all modifications be fully documented and supported by technical justification and require the active involvement of the Project team and the Resident Engineer in assessing and recording site conditions and proposed changes.

Recommendation 2:

For best practices of project controls and fostering transparency, modifications should be entered in a

timely manner. The validity of the submitted information is uncertain, and I recommend that the Project team audit the supporting documents for the modification. The documentation input on (PIMS) submitted by the Project team does not align with the dates of the contractor's or inspectors' reporting in the "Headlight," indicating a possible communication disparity between the use of both programs.

Recommendation 3:

The OIG recommends considering negotiating and closing out Contractor claims through early intervention. This theory proactively addresses claims, and helps prevent cost overruns, fosters transparency and cooperation between the Contractor and Project management, and reduces schedule delays, and financial uncertainty; even though some believe it may introduce conflict that could strain the working relationship during the project, the benefits of early engagement often outweigh the risk.

FINANCIAL IMPACT

This report will have no financial impact on the Agency beyond what is described herein.

Impact to Budget

For all of the construction change orders reviewed, Metro stated the funds are within the approved budget and will utilize the contingency funds to cover the cost from the Life-of-Project budget.

- Spot Check #1) \$831,894 Rail to Rail Active Transport Corridor Project
- Spot Check #2) \$1,475,323 Purple Line Extension Section 2 Transit Project
- Spot Check #3) \$1,116,083 Purple Line Extension 1 Transit Project
- Spot Check #4) \$535,471.90 I-5 North County Enhancement Project

EQUITY PLATFORM

In the opinion of the OIG, we considered whether these change orders presented any equity-related issues on their face. The OIG did not receive any data concerning community impacts. The OIG observed no obvious disparate impacts created by these change orders on small businesses or low-income persons or by the performance of the work in a manner that impacted a disadvantaged community beyond what is typical and usual when conducting any construction.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality

by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this report does not directly encourage taking transit, sharing a ride, or using active transportation. This report is a vital part of Metro's Program Management, Safety in construction, and effective financial management. The Metro Board has adopted an agency-wide Vehicle Miles Traveled (VMT) Reduction Target, and this item generally supports the overall function of the agency therefore this report supports and is consistent with the goals of reducing VMT

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Office of Inspector General reviews large change orders over a calendar quarter and makes recommendations as appropriate to 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 programs, operations, and resources. For each selected change order reviewed, the OIG evaluates whether there are red flags of fraud, waste, or abuse taking place. We report the details of the significant change orders and make recommendations consistent with the OIG's Construction Best Practices report dated February 29, 2016, and supplemental report in 2023 more particularly focusing on safety, lessons learned, improving efficiencies, and prudent spending.

NEXT STEPS

The OIG shall provide every quarter, an ongoing spreadsheet of recommendations to Program Control and Program Control. Program Control and Program Management agrees to respond to the recommendations of the OIG within 30 days. The OIG continues to meet periodically to discuss reports, recommendations, and the status of implementation of the recommendations with Project Management, and receive updates. The list of OIG recommendations and Metro management responses is an attachment to this OIG report (Attachment B).

ATTACHMENTS

Attachment A - Change Order Details for Spot Checks in this report

Attachment B - OIG Recommendations and Responses Tracking Sheet

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