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May 15, 1997

Los Angeles County
Metropolitan
Transportation
Authority

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Los Angeles, CA
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TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER
INTERIM CHIEF EXECUTIVE OFFICER

**SUBJECT: AUTHORIZATION OF PMO SYSTEMWIDE TASK;
REVIEW OF AFE POLICIES AND PROCEDURES
(CONTRACT #PM020)**

RECOMMENDATION

Consider authorizing Gannett Fleming, the MTA Project Management Oversight (PMO) firm, to review policies and procedures and controls that address, but are not limited to the following:

- A. increases to the Authorization for Expenditure (AFE) justified by accumulations of Change Notices;
- B. change orders processed, dispersed and reconciled against the specific itemized list of pending and potential changes approved by the Board; and
- C. an improved mechanism that provides for unanticipated changes in the field.

ORGANIZATIONAL IMPACT

This action will expand the role of MTA local project management oversight to include an additional systemwide PMO tasks that are not solely limited to the Pasadena Blue Line and LA Car projects.

BUDGET IMPACT

Step 1 of this work is estimated at \$15-20,000, which can be accomplished within the previously approved Authorization for Expenditure ceiling of \$300,000 for systemwide tasks in the first year of this three year contract. Steps 2 and 3 may require subsequent Board approval for \$25-35,000, when a Contract Work Order for the next fiscal year is approved.

ALTERNATIVES CONSIDERED

The alternative would be to contain the PMO scope of work solely to the Pasadena Blue Line and LA Car and not undertake additional systemwide tasks. However, the Board has expressed a need for specific, limited systemwide oversight on tasks not performed by Hill International, who is the PMO consultant retained by the FTA to oversee the Metro Red Line project.

BACKGROUND

In July, 1996, the MTA Board awarded a contract to Gannett Fleming, Inc., to perform Project Management Oversight (PMO) services on the Pasadena Blue Line and the L.A. Standard Vehicle (LA Car) projects. That award provided an Authorization for Expenditure (AFE) of \$1,600,000 for the period ending June 30, 1997. In December, 1996, the MTA Board directed the PMO consultant to undertake certain, selected Metro Red Line and other systemwide oversight tasks that would not be strictly limited to the Pasadena Blue Line and LA Car projects.

Through April, 1997, the Board has authorized the expenditure of up to \$275,000 in specific systemwide oversight tasks within the systemwide AFE ceiling of \$300,000 for the fiscal year ending June 30, 1997. As shown in Table 2, this approval for Step 1 will increase the authorized expenditure to a total of up to \$295,000 within the AFE ceiling of \$300,000.

Additional authorization to complete Steps 2 and 3 of this task may be required following approval of a PMO project budget for the next fiscal year.

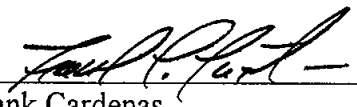
DBE PARTICIPATION

The contract has an MBE goal of 12% and a WBE goal of 6%. As determined by the MTA's Contract Compliance Unit, billings through the end of March, 1997 have expended 5.86% of the total contract value for MBE participation and 3.42% of the total FY 97 contract value for WBE participation. At this rate of DBE utilization, the Contractor is on schedule to meet its stated commitment by the end of the fiscal year.

ATTACHMENTS

- 1 - Authorization for Expenditure (AFE)
- 2 - Proposed Budget
- 3 - Proposed Scope of Work; *Review of AFE Policies & Procedures*

Prepared by: David Mieger, PMO Project Manager
Jerry Kiper, Contract Administrator



Frank Cardenas
Chief of Staff

Attachment 1

**AUTHORIZATION FOR EXPENDITURE (AFE)
PMO SERVICES
Contract #PM020 - Gannett Fleming Team**

Project	Approved AFE
Pasadena Blue Line	\$1,000,000.
LA Car	\$300,000.
Systemwide Special Tasks	\$300,000.
Total <i>(FY 1996-97)</i>	\$1,600,000.

Attachment 2

**PROPOSED BUDGET
PMO SYSTEMWIDE TASKS
Contract #PMO20 - Gannett Fleming Team**

Task	AFE Task Budget	AFE Systemwide Cumulative Budget
Prior Systemwide Tasks <i>Financial Controls</i> <i>Mid-City Alignments</i>	\$70-80,000.	\$70-80,000.
Ongoing Systemwide Tasks (date app.) <i>Cost Estimating Review (3-97)</i> <i>Design Codes & Standards (3-97)</i> <i>Third Party Agreements (4-97)</i> <i>Financial Control Monitoring (4-97)</i>	\$30-50,000. \$60-80,000. \$45-50,000. \$12-15,000.	\$100-130,000. \$160-210,000. \$205-260,000. \$217-275,000.
Proposed New Task <i>AFE Policies Step 1</i>	\$15-20,000.	\$232-295,000.
Future Systemwide Tasks <i>Available Budget (AFE) thru 6/97</i>	\$5-68,000.	\$300,000.

Attachment 3

PROPOSED SCOPE OF WORK
Review of Financial Management and Cost Control
Policies & Procedures

Description:

Provide an overview of financial management of budgets in the implementation of projects, and to review steps taken by Project Managers to manage budgets for unforeseen work which is subject to Contingency allocation in AFEs. Recommend amendments to the Policies and Procedures documents to improve visibility and accountability for budget control. Carry out the work relative to the two prime elements of a project -- Construction and Professional Services. Provide MTA with an initial sample of findings followed by more detailed recommendations, guidelines, and action plan.

Step 1: Review Documents and Develop Sample of Findings (3 weeks)

- Review current Policies and Procedures, reporting mechanisms, and financial management guidelines for continuity of process.
- Review procedures for the management of and responsibilities for cost control and cost growth through the reporting of cost trends and the respective mitigative cost management measures available to Project Managers.
- Review samples of changes to AFEs to determine the origin of change, timing, actions taken, and schedule for approval. Reconcile the same activities with the current Policies and Procedures.
- Provide a list of shortfalls within the existing documents of Policies and Procedures relative to cost control management of Construction contracts and Professional Services agreements, including, but not limited to, justification process for increases to AFEs, Change Order "traffic" accounting and reconciliation at the contract level, and visibility of the risk assessment process for setting original AFE allowances for unknown changes .
- Develop the sample report format and graphical material to support the findings.
- Summarize findings in an internal memorandum report.

Step 2: Specific Observations and Recommendations (3 weeks)

- Identify areas of financial management policies, procedures and practices which require expansion or introduction into the documents so as to assure the Board and shareholders of MTA's commitment to fiscal responsibility.
- Summarize findings into specific observations and recommendations
- Develop the accompanying rationale for these recommendations
- Provide MTA with a summary report and oral presentation of observations and recommendations.

Step 3: Draft Guidelines and Action Plan (3 weeks)

- Provide insight and guidance for the development of procedures, the implementation and reporting of Construction and Professional Services contract cost control and management (including procedures and guidelines for applying budget allowances for field changes, risk analysis, and the use of project contingency funds).
- Provide MTA with a more comprehensive, specific list of actions, which describe the recommended changes to the respective documents within the Policies and Procedures.
- Prepare and deliver a draft report and final report of the above for implementation by MTA staff or others.

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