

**Metro**Los Angeles County
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metro.net**MEASURE R PROJECT DELIVERY COMMITTEE
EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
APRIL 20 AND 21, 2011****SUBJECT: PROCUREMENT PROCESS IMPROVEMENTS****ACTION: RECEIVE AND FILE STATUS REPORT****RECOMMENDATION**

Receive and file this status report on the policies, procedures and practices changed in response to the Management Audit Services (MAS) audit findings regarding competitive bidding.

ISSUE

At the July 2009 Operations Committee meeting, Director Ridley-Thomas requested that a review be conducted of current procurement policies and procedures to identify ways to engender more competition and participation in our procurement process. MAS conducted the review through an audit. The interim audit results were presented to the Board in June 2010 and final audit results in January 2011. At the January meeting, Director Ridley-Thomas requested a status of Procurement policy and procedural changes in response to this audit be brought back to the board within ninety days.

DISCUSSION

All Federal, State, and Board adopted procurement policies and procedures are designed to produce full and open competition when expending public funds. Limited exceptions to this policy include procurements for inventory items that are subject to warranty or when the specifications identify original equipment manufacture, MOUs with other government agencies, advertising in local or trade newspapers and magazines, and emergency procurements. These exceptions comprise less than 3% of Metro's total procurement actions.

Metro's procedures include requirements for Contract Administrators to seek competition and to include documentation in the procurement files substantiating this competition. These files are frequently reviewed through FTA Triennial reviews, FTA Procurement Systems Reviews, MAS periodic audits and Procurement management operational reviews/assessments. Over the past decade, FTA sponsored reviews have

concluded that Metro staff has complied with the mandate to seek full and open competition.

As a result of the MAS audit, Procurement and Materials Management staff implemented corrective action in procedures where opportunities for improvement were identified. The progressive success of this implementation was identified in the MAS audit and is hereby refreshed in Attachment A with the corresponding changes to policies, procedures and practices. Initiatives to improve the Procurement process, already implemented and planned for the near future, are in Attachment B

NEXT STEPS

Procurement will continue to proactively pursue competition on all procurements and to discuss issues surrounding the competitive process with the Board when necessary.

Attachments:

- A. Status of Policies, Procedures and Practices Changed As A Result of MAS Audit
- B. Procurement Process Improvement Initiatives Implemented Since January 2010

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**STATUS OF POLICY, PROCEDURES AND PRACTICES CHANGED AS A
RESULT OF MAS AUDIT**

The following table was included in the January 2011 MAS report to the Board. It presented data substantiating continued improvement in components of the procurement process critical to sustaining and documenting full and open competition. Continuing improvement since the Final Review is hereby documented in the table's footnotes:

MAS AUDIT FINDINGS CORRECTIVE ACTION STATUS

		Initial Audit 1/1/09 to 12/31/09	Interim Review 5/1/10 to 7/31/10	Final Review 8/1/10 to 10/31/10
		Percentage in Compliance	Percentage in Compliance	Percentage in Compliance
1	Documentation of Sole Source Justification	71%	90%	100%
2	Adequacy of Sole Source Justification	65%	86%	100%
3	Adequacy of Cost or Price Analysis	63%	68%	100%
4	Market Survey	89%	89%	95%
5	Delegated Authority Limit	87%	100%	100%
6	Signed Procurement Checklist	n/a	28%	92%
7	Signed Sole Source Justification	n/a	28%	93%
8	Signed Non-Conflict Certification	n/a	42%	79%

Footnotes

1. The File check list now contains a mandatory annotation from the Contract Administrator and a corresponding certification from a Procurement Manager before a procurement action can be created in FIS.
2. For formal procurement actions (>\$100K) the sole source justification must be reviewed at the Readiness Review with the Metro customer. Informal actions (<\$100K) require a manager's review and acknowledgement.
3. Cost or Price analysis adequacy is reviewed by the cognizant Procurement Manager.
4. The file check list contains a mandatory declaration for this item. The manager reviews it before contract award.
5. Staff has been re-trained and information posted on the Procurement intranet site reflecting the current contracting delegation authorities.
6. The checklist is reviewed by Procurement management before contract award.
7. Signatures on required forms are acquired as part of the process described in #2 above.
8. These forms are posted on the Procurement intranet page and are also mandatory components of the procurement file as documented in the file checklist. The Purchase Order document has been revised to include a Non-Conflict of Interest Statement.

Two opportunities for improvement were still open as of the January 2011 MAS report:
1) periodic(annual) reviews by the Procurement Executive of sample contract files and
2) redesigning the Procurement Summary included with Board reports to provide more meaningful and better detail regarding the procurement process. The current status of both items follows:

- 1) Procurement has included two entry level trainee program (ELTP) positions in the FY12 proposed budget. Part of their basic training requirements will be to learn procurement file structure and contents through reviews of the Department's files. Results of these reviews will reported directly to the Executive Officer, Procurement and be provided to the Board during the January 2012 cycle.
- 2) The Procurement Summary had been redesigned through the Board report improvement Initiative led by the Office of the CEO. The new template will become effective during the April 2011 Board cycle.

**PROCUREMENT PROCESS IMPROVEMENT INITIATIVES IMPLEMENTED SINCE
JANUARY 2010**

1. Board approved policy change (January 2010) increasing the CEO's delegated authority from \$200K to \$500K for new negotiated procurements and from \$200K to \$1M for new sealed bids. This change speeds the procurement process and is consistent with recommendations received from the consulting team studying the delivery of Measure R projects.
2. Completed FTA Procurement Systems Review with five findings. Corrections in these five areas have improved contract change procedures, option pricing, independent cost estimates, reduction in arbitrary actions and contractor responsibility determinations. The review team shared with us that LACMTA Procurement is one of the best of its peer group.
3. Integrated MASD's Procurement process review findings into its procedures. These improvements addressed file documentation, adequate number of sources solicited, sole source justification, cost or price analysis and single bid/proposal procedures.
4. Met with each Department chief during the FY11 budget process to determine level of support required during the upcoming fiscal year.
 - a. Reduced 23 contract administrators and estimators from baseline of 67
 - b. Board approved five additional CA's for Measure R project work and one estimator in December; recruitments pending.
 - c. Hired five consultants through the Construction Management consulting contract to provide contract administration support for the I-405 construction project, multiple sound wall projects and environmental work.
 - d. Proposed a new Deputy Executive Officer position in the FY12 budget to coordinate Measure R contract administration.
5. Revised Board report approach to accelerate Highway Planning contracts by requesting that the Board grant authority to award based on Not-To-Exceed amounts. This would facilitate expedited contract award.

6. Set up the following Bench contracts to streamline the Procurement process:
 - a. IT Services Bench
 - b. Highway Planning Bench-completed 87 contracts in six disciplines; more than 50% of the contracts were for DBE/SBE firms
 - c. County-wide Planning and Development Bench
 - d. Labor Compliance Monitoring Bench
 - e. Joint Development Bench
 - f. Rail Vehicle Consultant Bench
 - g. Rail Facilities and Systems Engineering Bench
 - h. DBE Certification Bench (Planned for FY12)
7. Expanded P-Card program to include master agreements on frequently purchased items to achieve 10-40% discounts.
8. Approved Crenshaw project provisional overhead rates to begin work sooner.
9. Accelerated work on the Regional Connector and Westside Subway Preliminary Engineering contracts by negotiating provisional overhead rates rather than requiring full documentation for fixed rates.
10. Issued Indefinite Delivery Indefinite Quantity contracts for Construction authorities (Expo and Foothill) to use to purchase rail parts, thereby, ensuring commonality with other Metro Rail lines.
11. PLANNED FOR FY12 LEGISLATIVE PROGRAM:
 - a. Raise the small purchase threshold from \$100K to \$150K consistent with Federal guidelines
 - b. Authorize CEO to approve Design/Build methodology
 - c. Permit Technical Pre-Qualification prior to solicitation release
 - d. Reduce mandatory Design/Build advertising period from 60 days to 10 days for procurement actions <\$5M.
 - e. Change the requirement to list subcontractors on bid if performing less than ½ % of the work
 - f. Eliminate statutorily mandated change order process to accelerate processing time
 - g. Allow Board to participate in the selection of advocacy contracts
12. PLANNED FOR FY12: Work with County Counsel to rewrite contract terms and conditions.
13. PLANNED FOR FY12: Explore different procurement methodologies such as issuing multiple design-build contracts for different segments of a single project

and investigating the benefits of a systems engineering contractor to oversee systems integration issues to ensure consistency among the different rail systems.

14. **PLANNED FOR FY12: Award contract and start implementing the Contract Information Management System and Project Management Information System to ensure that all project management systems conform to best practices used in the architecture and engineering, construction management and construction fields.**