SUBJECT: APTA PEER REVIEW OF VENDOR/CONTRACT MANAGEMENT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the Vendor/Contract Management Action Plan in response to the American Public Transportation Association (APTA) Peer Review. (Attachment A)

ISSUE

Over the next 30 years, the recently reorganized Vendor/Contract Management business unit will be responsible for executing, administering, and managing over $30 billion in contracts for major construction, highway, and planning projects, including public-private partnerships and acquisition services for Transit Bus and Rail Operations. The successful delivery of the voter approved Measure R program is highly dependent on a strong Vendor/Contract Management (V/CM) team that utilizes industry-best practices to fulfill Metro’s Mission as the agency responsible for the continuous improvement of an efficient and effective transportation system for Los Angeles County.

In December 2013, CEO Art Leahy requested a peer review of the V/CM business unit be conducted by an APTA panel of highly experienced and respected transit procurement professionals from around the country. The review suggests that a number of issues, including an appropriate staffing plan, streamlining of processes, and improved communication must be addressed over the next few months to strengthen the capabilities of this business unit.

DISCUSSION

Observations and recommendations offered by the APTA Peer Review Panel with V/CM Management response are presented below.

The APTA panel observed that there is a significant lack of respect for and understanding throughout the agency of Metro’s acquisition process and the procurement function. Staff concurs with this observation. Many Metro Departments fail to include V/CM staff in planning and defining acquisitions. Departments develop project timelines without consideration for the time necessary for V/CM staff to conduct
all the required steps in the solicitation phase of the acquisition process. Additionally, departments fail to develop adequate scopes of work, technical specifications, independent cost estimates, and other documents that are necessary for procurement staff to support their client’s needs. The recent reorganization of this business unit now has V/CM reporting directly to CEO Art Leahy. This should help to reinforce the message to Executive Staff and employees throughout the organization that the acquisition process is initiated long before a solicitation is released for competition, and that the successful delivery of Metro projects and services requires adequate acquisition planning.

APTA Recommendation #1 – Executive Management should review the staffing levels, skill assignments, and priorities within the V/CM unit. Staff concurs with this recommendation. The initiation of Megaprojects has consumed substantial staff resources with experienced procurement staff. The loss of 23 FTE positions as part of the reduction in workforce that occurred in FY2010 is also a contributing factor to the challenges V/CM is facing in meeting the core transportation responsibilities for Metro. This will be further analyzed as part of the restructure of the Procurement department to best meet the needs for all Metro projects and services. A recommended staffing plan will be prepared as part of this analysis, including additional FTE requests if they are needed to strengthen the procurement function.

APTA Recommendation #2 – The agency should develop and implement a succession plan for procurement with particular emphasis for the Material Management staff. Staff concurs with this recommendation. 26% of the Material Management contract staff have tenure of more than 25 years with the agency. A succession plan will be developed and implemented.

APTA Recommendation #3 – Provide ongoing functional and technical training for all staff involved in the acquisition process. Staff concurs with this recommendation. Procurement needs to conduct regular training classes for V/CM staff as well as mandatory classes specifically targeted for every employee at Metro that is involved in the acquisition process. The establishment of a "Metro University/Project Manager Academy", as proposed by the Project Management Office, could be very helpful in this process, but only if Procurement has a substantial role in the course development and is considered to be a contributing partner to the process. Another challenge is the recent reduction of the Training/Travel FY15 budget for all departments. This further restricts Procurement's ability to make progress in the area of technical training for V/CM Staff. To mitigate this, priority should be given for technical training opportunities during FY15.

APTA Recommendation #4 – The role and importance of the acquisition process must be made a performance objective for all Executives. Staff concurs with this recommendation. Members of the APTA Peer Review panel frequently heard comments that accountability was not viewed as a core value throughout the agency. The panel suggested that changing this perception is something that Metro's senior management can embrace and communicate by stressing the importance of
accountability for all departments engaged in the acquisition process. Regular reporting on the progress being made at the weekly CEO meeting offers an opportunity to emphasize how important this is to the successful and timely delivery of all Metro projects and services.

APTA Recommendation #5 – Review the development and implementation for the Contract Information Management System (CIMS) project including the communication plan. Staff concurs with this recommendation. The communication plan has been revised to provide more detail regarding inclusion of all staff involved in the acquisition process. CIMS presentations have been held with the CEO Executive Team, Project Managers, Internal Board of Customers, Contract Administrators, and Buyers.

APTA Recommendation #6 – Provide a full suite of boiler plate templates with user input. Staff concurs with this recommendation. This effort is currently underway as part of the CIMS implementation.

APTA Recommendation #7 – Consider augmenting legal resources dedicated to procurement. Staff concurs with this recommendation. Staff will determine the level of legal resources that are required to adequately support all phases of the acquisition process. The focus of this support should be on minimizing agency risk; and early legal support of scope of work development and product definition are important areas to address. Once this is completed, staff will work with County Counsel to determine if they can provide the resources needed to support a very ambitious procurement program. If dedicated resources cannot be provided by County Counsel, it may be necessary to consider contracting separately for outside legal services to support the V/CM Unit.

APTA Recommendation #8 – Include V/CM at the initiation of project planning. Staff concurs with this recommendation. This requires a culture change at Metro. A Project Manager’s role in and understanding of the entire acquisition process is critical to an efficient and effective delivery of goods and services at Metro. V/CM has traditionally become involved with projects long after project initiation by the responsible Department and this often has created challenges in complying with Metro rules and regulations and in meeting the demands of the particular Project Manager. To correct this problem, V/CM needs to be viewed as a “valuable partner” in successful project delivery by everyone involved in the acquisition process at Metro. V/CM’s primary responsibility is to help their clients understand the rules and regulations associated with each type of procurement and to provide the necessary expertise to move projects forward in an expeditious manner. V/CM staff must also emphasize to their clients that circumventing Procurement rules and regulations is not an acceptable option for timely project delivery.

The new Internal Board of Customers, established in February 2014 by the Executive Director of Vendor/Contract Management, provides an opportunity for V/CM to communicate their role as a valuable partner in the acquisition process. Monthly meetings with the Board also help to reinforce the need for early involvement of V/CM
staff in the acquisition process and it provides an opportunity for the timely discussion of process improvements that may be needed. A message is also being delivered that V/CM is willing to listen to its clients and make improvements where possible.

APTA Recommendation #9 – Develop a procedures manual for the V/CM Department and a user manual for clients. Staff concurs that the current V/CM procedures manual is outdated and not user friendly. Staff will update the manual and develop a user manual for clients.

APTA Recommendation #10 – Simplify the procurement process to make it more effective and easier for everyone to understand. Staff concurs with this recommendation. One clear message heard throughout the APTA Peer Review process was that procurements take too long and there is staff confusion and inconsistent application of procurement policies. There is a need to streamline internal processes, where possible, and client cooperation will be critical if Metro is to be successful in implementing improvements in this area. Staff has initiated a Six Sigma process improvement initiative, with a focus area on the Request for Proposal Process. Six Sigma is a set of techniques and tools for process improvement used by many Fortune 500 companies. This is the first of many areas that will be reviewed for process improvement. Staff has also developed a Request for Comments process that provides internal and external clients an opportunity to comment on draft procedures before they are finalized.

APTA Recommendation #11 – Communicate, Communicate, Communicate. Staff concurs with this recommendation. The APTA Peer Review Panel heard from staff at all levels and departments about organizational silos, poor communication between business units, and the lack of accountability between departments, resulting in inefficiencies and uncertainty of responsibilities throughout Metro. In an effort to immediately begin to improve communication with V/CM staff and all of their clients an Internal Board of Customers comprised of Senior Staff has been established to meet monthly with the Executive Director, Vendor/Contract Management. V/CM has also implemented an automatic notification of contract expiration to all staff to support timely management of contract renewals. Key Performance Indicators will be reviewed for the V/CM business unit and a Vendor Scorecard will be developed to emphasize performance of vendors.

NEXT STEPS
Staff has developed an Action Plan (Attachment A) in response to the APTA Peer Review Report. Recommendations for increased staffing and/or budget needs will be brought forward for Board consideration later this calendar year.

ATTACHMENTS:

A: Vendor/Contract Management Action Plan
B: APTA Peer Review – Vendor/Contract Management
Stephanie Wiggins
Executive Director, Vendor/Contract Management

Arthur T. Leahy
Chief Executive Officer
**OBJECTIVE #1:** Change Metro staff perceptions of the role & capabilities of the agency’s procurement function.

1. **Reorganize V/CM Business Unit to Report Directly to CEO**
   - Reinforces the message to all Metro staff that the CEO regards the procurement function as critical to the successful delivery of Metro projects and services.
   - **COMPLETED: FEBRUARY 2014**

2. **Implement a Continuing Education & Mentoring Program**
   - A program to ensure that there is a formal method for the transfer of knowledge & skills from the senior V/CM staff to the newly hired V/CM staff.
   - **COMPLETED: JUNE 2014**

3. **Review Staffing, Skill Sets, & Assignments of V/CM Dept**
   - An analysis of resourcing requirements to meet the demands of the Agency will be completed. A recommended staffing plan will be prepared as part of this analysis.
   - **TIMELINE: SHORT TERM**

4. **Consider Augmenting Legal Resources Dedicated to V/CM**
   - Evaluate the resources required to support all phases of the procurement process. And determine if additional support can be provided by County Counsel or private counsel.
   - **TIMELINE: SHORT TERM**

5. **Add Acquisition Process as Performance Objective for Execs**
   - The goal is to stress the importance of accountability for all depts engaged in the acquisition process. Regular reporting on this occurs at the weekly CEO meeting.
   - **TIMELINE: MID TERM**

6. **Develop & Implement a Succession Plan for V/CM**
   - With particular emphasis on the Material Management Staff, a succession plan will be developed and implemented to promote transfer of knowledge.
   - **TIMELINE: MID TERM**

7. **Include Procurement at the Initiation of Project Planning**
   - Project plans & timelines will be developed with consideration for the time necessary for V/CM to conduct all its required steps. It also supports accountability among depts.
   - **TIMELINE: LONG TERM**

8. **Provide Ongoing Functional & Technical Training for All Staff**
   - V/CM to conduct regular training classes for V/CM staff as well as mandatory classes specifically targeted for every employee at Metro involved in the acquisition process.
   - **TIMELINE: LONG TERM**

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**Legend**
- **SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR**
- **$ = FY15 Budget Impact; = Technology Based Improvement**
**OBJECTIVE #2:** Streamline procurement policies and procedures to make it more effective and easier for everyone to understand.

9. Implement a Request for Comments Process
   Provides internal & external stakeholders an opportunity to comment on draft procurement procedures before they are finalized.
   **COMPLETED: MAY 2014**

10. Implement On-Line Database of SBE/DBE Certified Firms
    Provides internal & external stakeholders web access to Metro certified SBE/DBE firms 24 hrs/day. The database contains more than 4,000 firms & is updated daily.
    **COMPLETED: JUNE 2014**

11. Construction Change Order (CCO) Streamlining Initiative
    CCOs processed within 60 days of receipt of a fully defined scope of work (Phase 1) & Improved Scope Definition (Phase 2) – improves current cycle time of 3-9 months.
    **TIMELINE: MID TERM**

12. Unsolicited Proposal Policy for Public-Private-Partnerships
    Provides clarity to internal & external stakeholders of the process, promotes receipt of innovative ideas to serve Metro, & does not unduly limit fair & open competition.
    **TIMELINE: MID TERM**

13. Implement Automated Contract Mgmt System - CIMS
    Automate contract solicitation, post award, and close out process to reduce process cycle time, ensure consistent application of rules & regulations, & track procurements.
    **TIMELINE: MID TERM**

14. Provide Full Suite of Boiler Plate Templates w/User Input
    Ensures consistency of application of rules and regulations in an efficient manner through CIMS.
    **TIMELINE: MID TERM**

15. Implement Vendor Portal – One Stop Service
    Provide automated access to solicitations, pre-qualification, & small business enterprise certification applications. Post self-service training videos.
    **TIMELINE: MID TERM**

16. Six Sigma Process Improvement Review
    Internal & external stakeholders review processes from start to finish & recommend changes that reduce cycle time, reduce costs, & improve customer satisfaction.
    **TIMELINE: LONG TERM**

**Legend**
SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR
$ = FY15 Budget Impact; © = Technology Based Improvement
OBJECTIVE #3: Communicate, Communicate, Communicate. Improve the understanding of the procurement function throughout the agency.

17. Establish an Internal Board of Customers
   Improve communication with internal clients and address client issues in a timely manner.
   COMPLETED: MARCH 2014

18. Implement Automatic Notification of Contract Expiration
   Improve internal client satisfaction by providing advanced notification of pending expiration of contract terms. Reduce last minute requests to extend contracts.
   COMPLETED: MARCH 2014

19. Review Implementation & Communication Plan for CIMS
   The Plans now provide more detail regarding the inclusion of all staff involved in the acquisition process. CIMS presentations have been held w/ internal stakeholders.
   COMPLETED: JUNE 2014

20. Develop a User Manual for Clients
   Improve client satisfaction & reduce process cycle time by providing clear information on the role & responsibilities of internal clients in the acquisition process.
   TIMELINE: SHORT TERM

21. Develop & Implement an Annual Procurement Plan
   Project schedules will be included w/FY budget submittal so that V/CM can determine the level of resources required to procure goods & services in a timely manner.
   TIMELINE: MID TERM

22. Develop & Implement a Vendor Performance Scorecard
   Improves communication of performance to Project Managers & Vendors. Scorecard will emphasize DBE/SBE/DVBE participation & prompt payment activity.
   TIMELINE: MID TERM

23. Review Key Performance Indicators (KPI) for V/CM
   Evaluate current metrics to ensure KPIs are aligned to make recommendations to improve future agency performance.
   TIMELINE: LONG TERM

   Conduct a review and inventory of internal resources, materials, and collateral to support updating the Procurement Manual.
   TIMELINE: LONG TERM

Legend
SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR
$ = FY15 Budget Impact; = Technology Based Improvement
REPORT
OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
PEER REVIEW PANEL
FOR
Los Angeles County Metropolitan Transportation Authority
Los Angeles, CA

March 2014

A Service of the Safety Management (Peer Review) Program of the
American Public Transportation Association
REPORT
OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

PEER REVIEW PANEL
ON
Vendor/ Contract Management

PROVIDED FOR
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

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   A – Peer Review Request
   B – Peer Review Agenda
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I. INTRODUCTION

In December 2013, Mr. Arthur Leahy, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority (LACMTA) contacted the American Public Transportation Association (APTA) to request a peer review of the agency’s Vendor and Contract Management functions.

Through discussions between APTA and LACMTA, it was determined the review would be conducted February 10 – 13, 2014.

A panel of industry peers was assembled that provided expertise in procurement, contracts, supply chain management and vendor relationships. The peer review panel consisted of the following individuals.

ROBERT BERGEN
Executive Vice President
MTA- New York City Transit
New York, NY

ADAM NICHOLAS
Assistant Vice President
Dallas Area Rapid Transit
Dallas, TX

HEATHER OBORA
Chief Procurement Officer
Washington Metropolitan Area Transportation Authority
Washington, DC

MICHAEL SANDERS
Transit Administrator
Connecticut Department of Transportation
Newington, CT

RICHARD WIECZOREK
Department Manager, Procurement
Bay Area Rapid Transit

FRANCES HOOPER
APTA
Facilitator to the Peer Review Panel
Washington, DC

The panel convened in Los Angeles on February 10, 2014. Panel coordination and logistical support was provided by APTA Staff Advisor Fran Hooper. Ms. Hooper also coordinated panel member input in the drafting of this peer review report. Ted Montoya and David Vila provided agency liaison support for LACMTA.

The panel began its peer review at LACMTA on Stephanie Wiggins’s first day as the agency’s new Executive Director of Vendor/Contract Management. Ms. Wiggins participated in the entire peer review process.
Methodology

The APTA Peer Review process is well established as a valuable resource to the public transit industry. Highly experienced and respected transit and subject matter professionals provide their time and support to address the scope required. The panel conducted this peer review through documentation review, and briefings and interviews with LACMTA staff.

Scope of Report

The findings and recommendations provided through this peer review are offered as an industry resource to assist the LACMTA in optimizing its procurement, contracts and supply chain management organization including its procedures, practices and systems, and its staffing strategy to meet the agency’s operating and capital program requirements. The review included consideration of the significant growth that will occur in the agency’s programs and services in the future.

In order to provide the fullest exposure possible for the review team, meetings and interviews were conducted with agency staff. In its review the panel focused particular attention to the following items:

- Organization design, structure and functions
- Staff leadership, capabilities and resource requirements
- CIS/IOS transition
- Procurement policies, strategies, and operating model effectiveness
- Supply chain service delivery
- Relationships with internal stakeholders
II. OBSERVATIONS AND RECOMMENDATIONS

OPENING COMMENTS

The review team recognizes Metro’s mission as the agency responsible for the continuous improvement of an efficient and effective transportation system for Los Angeles County. In discussions with LACMTA staff it was unmistakable that the agency’s mission has seen major growth recently with the approval of Measure R and if the additional local funding initiative currently being discussed is approved, that will enlarge the agency’s mission even more. This level of growth, which few transit agencies have experienced in such a short period of time, provides both significant opportunities for the agency as well as potential challenges that need to be considered.

Procurement (acquisition) and materials management are essential functions in a public transit agency, and the proper and timely procurement of goods and services is vital to meeting the agency’s core function of moving people safely, as well as supporting its capital development program. Proper procurement practices ensure fair and open competition and protect the agency from public criticism and litigation. An effective and efficient procurement organization is central to LACMTA’s ability to keep its current services running smoothly and to support the required level of fleet availability, issues which are critical in maintaining the agency’s public support. As one panel member put it, “a week without full service on the Red Line would create major damage to the agency’s image”. Such an event would not bode well for public support for additional local funding for public transportation in Los Angeles County. The Board of Directors’ concern about how the agency appears to the public, which the staff mentioned, underscores the importance of the proper and timely procurement of goods and services by the agency.

The panel observed that there is a significant lack of respect for and understanding of the procurement function throughout the agency. In its discussions with procurement staff at all levels, the panel repeatedly heard that staff in other departments submit incomplete procurement packages and frequently managers do not review procurement packages before they are submitted. They fail to develop adequate and full statements of work, technical specifications, independent cost estimates and other documents that are necessary for the procurement staff to support their client’s needs. This adds time to the procurement process as documents get passed back and forth for edits or completion of required documentation, and increases the level of frustration on both ends of the exchange. Another example that the panel heard regarding the lack of understanding is that project managers do not regularly or thoroughly respond to vendor evaluation forms, a survey that permits procurement staff to obtain data about vendor performance. This limits the ability of procurement staff to insure that agency suppliers provide expected quality of goods and services.

It was also clear that full understanding or appreciation of why those procurement documents are needed and the time required for procurement staff to do their job is not recognized by other agency staff. LACMTA procurement personnel want to support their clients but they indicated that many departments fail to include procurement staff in planning those
procurements. In particular, departments develop project timelines without consideration for the time necessary for procurement to conduct all their required steps. This often results in frustration when procurement staff, lacking sufficient time to conduct their responsibilities, are unable to meet a department’s timeline. Examples that were related to the panel included a major overhaul project that required a lot of parts and materials with no procurement staff involvement in developing the project plan, and departments that suddenly realize that budgeted funds will soon expire and they want to spend them quickly. The panel was told that occasionally procurement staff hold a class for other agency personnel on the agency’s procurement process.

The panel believes that changing LACMTA staff perceptions of the role and capabilities of the agency’s procurement function and staff needs to start at the top. As noted above, new leadership has been provided for the agency’s procurement function with the recent appointment of Stephanie Wiggins as the new Executive Director of Vendor/Contact Management. Having this position now report directly to Chief Executive Officer Art Leahy sends a message that the CEO regards the procurement function as critical. This change should also help resolve issues that have limited the effectiveness of the agency’s procurement functions.

In spite of the challenges of working in this complex agency, LACMTA’s procurement leadership and staff uniformly expressed their commitment and dedication to achieving the mission and goals of the agency. They believe in the agency’s mission and want to see the agency succeed, and they feel that they are an important part of the process of providing and improving public transportation for the residents of Los Angeles County.

**OBSERVATIONS**

1. **MEGAPROJECTS:** The initiation of megaprojects has consumed substantial staff resources

The panel was briefed on the wide range of new public transportation projects and services that LACMTA is initiating. The approval of the $40 billion Measure R initiative includes a variety of megaprojects that the agency must deliver effectively and with a process that is based upon transparency and accountability. The possibility of an additional tax measure in 2016 increases the criticality of making the changes that will permit the agency to deliver on its promises and having a high performance team in place. These expectations put significant pressure on LACMTA to deliver and the agency’s board of directors has indicated it is particularly concerned about the need to speed up the project delivery time.

To deliver these megaprojects the agency has drawn upon its experienced procurement staff, “the best and the brightest”, to insure that these highly visible priority projects are delivered correctly and that project schedules are met. The panel was told that, while the staff resources for these new projects have been drawn from existing personnel, additional procurement headcount to backfill those resources have not been authorized. Moving “the best and the brightest” talent to these megaprojects has severely undermined the ability of the remaining staff to fully support the ongoing ‘core’ functions and the ongoing capital program of LACMTA. This not only increases the friction between staff in both the operating departments
and procurement, but it puts at risk the agency’s ability to meet its basic transportation responsibilities.

The panel questioned whether contracting for additional procurement staff support could assist in dealing with the procurement staffing situation. Both LACMTA procurement staff and megaproject staff did not embrace the idea, and told the panel that such an action would be short-sighted. They felt that what was needed was staff with institutional knowledge and who would have the same buy-in investment as other full-time staff. And since project management personnel already included contractors, they felt that reinforced the need for agency staff on the procurement side.

In response to Mr. Leahy’s question to the panel regarding the effectiveness of consultants doing procurement work vs. full time employees, more than one panelist indicated that, while it may help in getting work done, it is a highly inefficient approach. Procurement is an area that comprises complex regulations, rules and legal requirements. The interactions of the various organizational elements that serve to initiate and complete procurements are numerous. The contract documents themselves are highly complex. It virtually takes an individual staff member to work side-by-side with a consultant to ‘walk them through the process’ in order to complete a single procurement. It is certainly more efficient to do that type of training on a permanent employee than one that may leave. There is also the question of the ethical obligations of procurement personnel which, at least one panel member believes, are more securely enforced when an employee’s livelihood and pension is at stake.

A third panel member expressed a split opinion on the effectiveness of procurement consultants: agency staff bring commitment and dedication not found on the same level as consultants. However consultants can bring in a wealth of knowledge around specific skill sets but are paid a lot more than agency staff. He noted that consultants can fill the bill for short term (30 to 90 day periods) when there is a specific need, but when they leave they take all their knowledge with them. He also said that if an agency finds itself repeatedly hiring consultants or hiring them for extended periods of time, it should evaluate the need for agency staff and develop the business case for support those requirements.

2. SUPPORTING CORE OPERATIONS: There has not been a concomitant backfill of resources for supporting the core operations.

While the procurement requirements of the megaprojects are a top priority, support for the agency’s other procurements is being carried out with remaining and less experienced staff who may not be receiving sufficient support. Some of these procurement staff members said that they did not feel respected by the agency and that staff working on Measure R projects have one or two projects while other staff can have 30 projects. The panel was told that the ratio of on-going procurements to megaprojects is 2:1 and the dollar value is 60:40.

This observation was supported by comments made to the panel by staff from other departments regarding the frequent turnover in the staff assigned to their procurements, the lack of consistency in the skills of the assigned staff and the need for contract administrators with a technology background. Even megaproject staff noted that the procurement staff support
dedicated to their efforts is sometimes insufficient, and the panel heard about such an example when a utility relocation Buy America audit was contracted out so that procurement staff did not have to stop work on other projects to do the audit.

Not all departments expressed concerns about the availability of procurement staff. Some specifically noted instances where their projects were well handled and delivered on time. These comments were generally made in the context of how these departments had developed a specific plan for their procurement needs or for a project.

3. CORE CLIENTS: Core Clients believe they are being shortchanged at the expense of Measure R initiatives.

As noted above, several of the agency’s core service providers felt that Measure R project procurement requirements get first consideration, creating a reduced level of procurement support. Rail operations and Motorist Services staff members specifically talked about how insufficient procurement staffing levels affect their ability to get things done well and in a timely manner.

4. PROCUREMENT RESOURCES: Procurement is under-resourced to meet the demands of the organization and may also be over-tasked. Compared to peer agencies, LACMTA procurement staff seem to have a far broader range of responsibilities with roles not only in operating purchases and capital procurements, but also a significant role in contract execution and ongoing management and acquisition of consultant services, etc.

The panel was told that procurement staffing levels have not been adjusted with the initiation of Measure R procurements and that 23 positions laid off five years ago have never been reinstated. In spite of these challenges, procurement management staff noted that they are able to hire highly qualified candidates to fill vacant positions, drawing some candidates from the aerospace industry and are able to hire individuals with BA degrees. They are making a concerted effort to hire young people and generally bring in contract administrators at the journeyman level.

The panel heard that part of the problem with procurement staffing levels is the way LACMTA’s budget office determines required headcount. The operational metrics that are used focus on the time required to award contracts and do not take into account the amount of work procurement staff still have after contracts are awarded. Unlike most of the peer agencies represented on the panel, LACMTA’s procurement staff have a continuing workload while the contract is being executed, including involvement with change orders and contract close out. The failure to take into account all the responsibilities of procurement staff in developing the procurement department’s budget can only exacerbate the understaffing of the procurement function.

An additional concern that came up in the panel discussions is the aging workforce that is prevalent in some procurement units. The panel was told that given the average age of staff in the materials management unit, two thirds of the staff can be expected to retire in five years.
CEOs asked the panel was asked what the right metrics are for procurement staffing levels. Panel members noted that conducting procurements cannot be analogized to manufacturing or maintenance functions that have repetitive, simple to analyze functions. None of the peer agencies identified specific metrics for determining appropriate procurement staff levels. Time and motion studies for simpler procurements, such as small purchases not subject to competitive bidding or purchase order against parts supply "as needed" contracts, can yield needed staff levels. As solicitations and contract management responsibilities increase in complexity, however, more judgmental analysis and experience is required to determine appropriate staffing levels.

5. LEGAL SUPPORT: It is not clear that the procurement staff has sufficient legal support.

The panel spoke with a staff member from the County Counsel's office regarding their involvement with procurement staff and the agency's procurement process. He said that procurement staff bring standardized documents to the Counsel's office for sign-off but that there is no hard and fast rule regarding which procurement documents get legal review except deviations from standard clauses in terms and conditions. Scopes of work do not get legal review, the panel was informed.

The panel expressed concern that there is significant risk for the agency if there is not sufficient legal review of procurement documents, especially including scopes of work. Procurement staff told the panel that standard contract templates do not fit every situation they face. As a result, procurement staff often cut and paste contract language from current and old templates in an attempt to tailor a contract format suited to the particular solicitation. This suggested to the panel that not all such changes get legal review, which creates risks to the agency.

While legal support on core procurement seems insufficient, megaprojects managers indicated that legal support for discussions on PPP projects had been good. On the other hand, they said that on design-build projects legal staff had not been as involved in the development of clauses regarding risk issues as had been anticipated. This may indicate the need to have a more standardized role for legal staff, and that such involvement should not only come at the end of the agreement drafting process but rather near the beginning in order to minimize drafting and redrafting activities.

6. PROCUREMENT PLANNING: Procurement does not get an adequate list of upcoming projects from their clients on an annual basis that can be used to develop their staffing plan and to program their workload.

Client departments do not anticipate and plan their annual procurement requirements. This means that the procurement staff is always reacting to the needs of other departments and it is difficult to plan their workload and staffing requirements so that they can effectively provide the needed support and prioritize their work. The development of an annual agency procurement plan, based upon the anticipated acquisition needs of each department, is a standard planning document in most public agencies. It permits the procurement department to develop an annual
acquisition plan which identifies procurement staffing, funding requirements and an improved ability to prioritize work in the upcoming year. One exception to this observation seems to be the P3 highway projects that LACMTA is undertaking where the project and contract staff have worked together so that the procurement schedule works for everyone, project risk issues are addressed and there is consistency in the procurement packages.

The panel also talked about the value of an agency-wide procurement plan that not only identifies the agency's anticipated procurements for one year but also looks forward for five years, at least for major projects, as in done in New York. Longer procurement plans not only help the agency plan its staffing resources but also helps the industry understand when major procurements will be taking place so that they can also plan for these important procurements.

7. TRAINING: Inadequate attention is paid to training for procurement staff and for all staff who play a role in the acquisition function.

As noted previously, the panel repeatedly heard that other departments don't understand their role and responsibilities in the procurement process. They don't know how to properly or completely develop the documents that procurement staff needs to support the projects. When the panel asked about the availability of training to address this problem they were told that classes were held on this issue, particularly aimed for agency project managers. LACMTA staff raised the issue of hiring technical writers in the procurement department to compensate for the failure of client departments to develop adequate scopes of work and technical specifications. The panel strongly disagreed with that suggestion, noting that this work should be done by the departments to ensure that they explain what they want. At BART the engineering staff "peer reviews" their statements of work and project scopes to insure quality control. Scopes of work are the most critical aspects of contracts, and, in some of the peer agencies, legal review of scopes is standard.

Additional discussions focused on the need for training for procurement staff. The panel did not hear that there was specific training for procurement staff. In fact it was told that new employees were expected to figure out the agency's specific procedures by asking questions and that, if they were lucky, they would find an experienced procurement staff member who would serve as a mentor. Staff from other departments commented on the inconsistent skill levels and knowledge demonstrated by the various procurement staff members that they worked with. In addition to the lack of training, the panel was told that there is no manual for procurement staff to use to help answer questions and that updating procurement procedure documents takes a very long time.

8. CONTRACT TEMPLATES: Procurement staff is not provided a full spectrum of contract templates for the variety of procurements they need to execute. This lengthens the procurement process and often leads non-attorney staff to cut and paste contract provisions in an attempt to properly tailor contracts to a particular need, thereby increasing risk to the agency.

9. METRICS: Metrics are being imposed on procurement staff by management as KPIs (key performance indicators) without full appreciation for the individual elements required to perform the work.
The panel heard a number of comments from procurement staff about the metrics that are used in their performance evaluations. Most said that their evaluations were based upon the number of requisitions that they process and how quickly they complete procurements. Some of those comments focused on the lack of understanding of what they do and the differences between the types of procurements that they work on. An example was procuring old rail parts that are not made any longer for which there is no source of information to find companies that could produce them.

Other comments that the panel heard were that the KPIs keep getting harder to achieve. For example, an average of 10 days is established for processing a procurement. Then it gets cut to 8 days, or staff is pushed to meet the metric without concern for cost or what is being procured. The issue was also raised of how long it takes when procurement staff has to pass back incomplete packages to the originating office. It appeared that the pass back time was charged against the procurement staff, thereby penalizing procurement staff for the failures of other departments. And in all that, the cost in time and money of the pass-back impacts the effectiveness of the agency, which is the ultimate performance metric.

As noted above, some areas such as small purchases not subject to competitive bidding or purchase order against parts supply “as needed” contracts, can yield needed staff levels; but if they continue to change there should be documentation of the business changes that warrant a change in the KPIs. Solicitations and contract management responsibilities with increased complexity requires more judgmental analysis and experience to determine appropriate staffing levels.

10. CIMS: A system like CIMS (Contract Information Management System) could improve the procurement process. Without full user involvement CIMS will not be able to achieve its expected objectives. The panel perceived that there has been a lack of full user involvement in the design of the system.

The panel heard that CIMS will enhance the availability of procurement decision support information and will address some of the accountability issues: it will automatically send back incomplete procurement packages that are submitted by a requesting department. The goal of CIMS is to replace the paper-based and duplicate data collection functions of the procurement process with a goal to reduce acquisition cycle time by 25%. The use of digital files will permit one time collection of data, provide a central repository for procurement files and permit the use of electronic templates and digital files, producing solicitation documents from standard templates.

As often happens in the development of new technology projects, it appears that the functionality of CIMS may suffer from limited input from both procurement staff users and staff in other departments during the development, and unintended consequences may be overlooked. One panel member cited the example at their agency when the replacement of their outdated business software system was undertaken: Procurement was not included in key meetings concerning the new financial package which required a major change in the procurement work processes. As a result of the new program for finance, the procurement workload increased by
approximately 3 full time equivalents or 25 - 30% of the existing workforce. Another panel member also reported they added significant procurement headcount due to the unintended consequences of the way new systems are developed.

In its discussions with LACMTA staff, the panel heard that the CIMS system will improve the processing of simple purchase orders but it will not communicate with the shipping module. And they also heard that the contract boilerplates that are being developed fail to recognize that one format does not fit all types of procurements. When the panel met with the Project Management staff they found that Project Management was not aware of the work on CIMS and was considering the development of a Project Management system for functions that might be able to be addressed by CIMS. From these conversations the panel suggested that there needs to be significantly more involvement of procurement staff and staff from other departments that will need to use the new CIMS system to initiate their procurements. They also cautioned not to count upon anticipated time savings until they were proven to exist.

11. Organization Changes: Recent repeated changes in procurement staff leadership, and concurrent changes in procedures, has resulted in staff confusion and inconsistent application of procurement policies. The siphoning off of top performers to the megaprojects without any backfilling of those positions has also had a negative impact on procurement staff morale and effectiveness.

12. Recent Reorganization: Staff does not understand the intended impact of the recent reorganization on the status of the procurement function within the organization.

13. Communication: The panel also heard from staff at all levels that there was an unfortunate lack of communication among the various silos in the organization, resulting in inefficiencies and uncertainty of responsibilities.

14. Silo Culture: The silo culture remains strong within the organization, affecting the efficiency of the procurement function.

One of the values that LACMTA staff expressed was the desire to be a high performance organization with a trusting culture. Senior management spoke of organizational changes being made so that the agency would be a fully responsive, client oriented organization. However, staff from all levels and departments spoke about organizational silos, poor communications between organizational units, the lack of accountability between departments, and the frequent changes in departmental leadership. The comments generally focused on the fact that departments either are not aware of, do not understand (or, perhaps, care about) the integrated nature of most procurement projects, fail to adequately communicate about the projects that they are working on that will affect other departments and will require their support and participation. In particular making financial decisions that impact another department were cited as an area where LACMTA staff communications are insufficient.

The panel outlined several ways that their agencies have worked to overcome silo issues. BART uses accountability agreements, for example, and other panel members spoke about agreements between departments that define client expectations and interdependencies. At
LACMTA, Supply Chain Management reported that they have worked to establish similar agreements with their client departments. The panel members all commented that culture issues such as these need to be driven from the top of the organization. The panel believes that silos are not necessarily bad. The peer agencies have found that specialization areas can be effective, but only if there is effective communication across the silos.

One example the panel noted where the silo culture impacts the procurement process is with Diversity and Equal Opportunity staff. In this instance the issue was DEOD staff reaching out to companies under contract without letting Contract Administrators know about the calls. Similarly, the lack of sufficient LACMTA staff involvement in determining the requirements for the new CIMS system as discussed above is another example of the silo culture.

Recommendations

The peer review panel concluded its work with a meeting with LACMTA Chief Executive Officer Art Leahy, Deputy Chief Executive Officer Lindy Lee, Executive Director Vendor/Contract Management Stephanie Wiggins, Executive Officer Ted Montoya, Deputy Executive Officers Don Dwyer, Julie Ellis, Robert New, Victor Ramirez, and Dwayne Martin, Acquisition Officer Dave Vila and other LACMTA staff. The panel provides the following recommendations:

**Vendor/Contract Management Review:** Executive management should review the staffing levels, skill sets, assignments and priorities within the Vendor/Contract Management department to insure that it can meet LACMTA’s new and core requirements with equal competence and capacity.

**Procurement Succession Planning:** The agency should develop and implement a succession plan for procurement. This effort is critical for the Materials Management staff but is also important for determining how to accommodate existing procurement staff that are moved from core agency procurements to Mega Project procurements.

**Staff Training:** Provide ongoing functional and technical training for all staff involved in the acquisition process.

This effort needs to include training for staff in client departments so that they understand the integrated nature of procurements, the importance of their role in successful procurements, what information they are expected to provide and how the process works. It also needs to focus on how to develop statements of work, technical specifications and independent cost estimates that will get them the goods and services that they need. Client departments also need to understand that after the procurement is completed they need to evaluate the contractor and product so that procurement staff can insure that suppliers continue to provide high quality goods and services.

**Executive Performance Objectives:** The role and importance of the acquisition process must be made a performance objective for all Executives.
The panel frequently heard comments that accountability was not viewed as a core value throughout the agency. While the agency staff that the panel met expressed their commitment to the mission and goals of the agency and their belief that LACMTA had a high performance culture, accountability was not an organizational value that they cited. Changing this perception is something that the agency's senior management can embrace and communicate by stressing the importance of accountability for all departments in the procurement process.

**CIMS IMPLEMENTATION:** Review the development and implementation process for the CIMS project including the communications plan.

**PROCUREMENT PROCESS RECOMMENDATIONS:**

- Provide a full suite of boiler plate templates with user input.
- Consider augmenting legal resources dedicated to procurement.
- Enforce annual procurement planning for all departments.
- Include procurement at the initiation of project planning.
- Develop a procedures manual for the procurement department and a user manual for clients.

One final suggestion that the panel made during the discussion with CEO Leahy was to undertake a review of LACMTA's procurement requirements and procedures to simplify the process to make it more effective and easier for everyone to understand. Such a review process is occurring throughout the Connecticut state government with remarkable success. With the support and commitment of the Governor all of the departments are involved in the Connecticut LEAN (Kaizen) initiative.

At least two members of the LACMTA management team have participated in Kaizen activities in prior jobs. As LEAN or Kaizen has been implemented in Connecticut, internal and often external stakeholders review the processes from start to finish and recommend changes that reduce unnecessary or no-value-added steps. Often the recommendations create a new process that is much less linear (Group 1 completes a task assigned to them, passes it along to Group 2, but if it's not adequate, it gets passed back to Group 1), and runs more parallel, or perhaps better expressed as overlapping (Group 1 invites Group 2 to sit in at opportune times during project development to increase familiarity with the project but also to be sure that Group 2 can make sure their requirements are incorporated into the scope/schedule during project development). So in an LACMTA example, procurement staff may be involved as scopes, specs and schedules are developed by the operating unit or design unit. Then when a project officially moves over to procurement, there is almost no chance a referral back to the originator is needed. The Connecticut experience shows that saves time in the project schedule along with significantly improving the quality of the result.

**COMMUNICATE, COMMUNICATE, COMMUNICATE**
III. CONCLUDING COMMENTS

The findings provided through this review are intended to assist LACMTA in its strategies for continually strengthening its vendor and contract management policies, procedures and strategies. As part of their efforts, the panel members provided a number of documents from their organizations that might be helpful to the LACMTA staff. They included:

Responses from each agency to a series of questions including:
- how their procurement unit is organized, the use of Integrated Project Teams for major capital projects, the use of specialized procurement function units, and how oversight is handled
- procurement staff training
- the use of purchase cards
- procurement staffing and workload
- how post-award administration is handled, staff workload and assignment information
- construction change order procedures and staff responsibilities
- the use of a supplier prequalification process and who is responsible for it
- the use of automated contract administration, procurement and supply chain management systems
- what points in the procurement process the board of directors are involved and
- the agencies’ signature authority levels for contract actions.

Following the Peer Review the panel members provided the following sample documents to LACMTA staff:

From BART:
- Sample Executive Decision Document for a Procurement Contract
- Sample Engineering and Operations Committee Agenda Preparation Process Schedule
- Sample Engineering and Operations Committee Agenda
- Sample Board Agenda Package
- Description of BART Board Agenda Process

From DART:
- Change Control Procedures
- Outline of Changes to Enterprise Asset Management System
- Procurement Administration Lead Time
- Supplier Performance KPIs

From New York MTA
- Authority of the Engineer: Disputes and Claims

From WMATA
- Procurement department performance measurement objectives
The panel sincerely appreciates the support and assistance extended throughout the entire peer review process by LACMTA staff. The panel stands available to assist with any clarification or subsequent support that may be needed.
APPENDIX
December 13, 2013

Michael P. Melaniphy, President
American Public Transportation Association
1666 K Street NW, 11th Floor
Washington, D.C. 20006

Dear Mr. Melaniphy:

The Los Angeles County Metropolitan Transportation Authority (LACMTA) requests the assistance of APTA in coordinating a peer review of our Vendor / Contract Management business unit recently reorganized and elevated as a direct report to the CEO. Over the next 30 years, this unit will be responsible for executing, administering and managing over $30 billion in contracts for major construction, highway and planning projects, including public private partnerships and acquisition services to Transit Operations. This unit provides strategic support for cost-effective flow of inventory to current and future bus and rail operations. In addition, this unit is implementing several technology-based solutions and is migrating from a manual paper-based acquisition process to a technology-based Contract Information Management System (CIMS) that will transform our acquisition development process in the next 12 months. All activities are performed in support of the agency's mission, public policy objectives and socioeconomic initiatives.

We request APTA’s assistance in bringing together a peer panel of professional comparably sized organizations who are experienced with procurement, contracts and supply chain management, as well as vendor relationship management programs and initiatives. The overall scope of the peer review would be to review the new business unit organization structure, enabling technology, operating model and service delivery capabilities and to determine if the unit is strategically organized and structured to manage the procurement process and supply base efficiently and effectively. It would also be desirable to review the organizational relationships with other business units that are integrally involved in the acquisition process. For an effective peer review process, we anticipate a panel of up to five (5) members.

We would like to proceed with the peer review immediately. Ted Montoya will be your contact during this review and will assemble a team to support the Peer Review Panel. Ted can be reached at 213.922.1020 (office) or montoya@metro.net.

Sincerely,

[Signature]

Arthur T. Leahy
Chief Executive Officer

Attachment: Appendix A
# APTA Peer Review Report

Vendor - Contract Management Business Unit - LACMTA

**APTA Peer Review**  
Los Angeles County Transportation Authority (LACMTA)  
Procurement / Supply Chain Management / Contract Support / Client Services  
Feb. 10 - 13, 2014

## Agenda

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<tr>
<th>Time</th>
<th>Agenda Item</th>
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<th>Participants</th>
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<tr>
<td><strong>Monday, February 10, 2014</strong></td>
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<tr>
<td>8 - 8:30 AM</td>
<td>Introductions / Welcome</td>
<td>Highland Park Conf. Room</td>
<td>Ted Montoya / Dave Vila</td>
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<td>8:30 - 9 AM</td>
<td>Review Objectives / Agenda Discussion</td>
<td>Highland Park Conf. Room</td>
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<td>9 - 9:45 AM</td>
<td>Key Department Issues / Challenges</td>
<td>Highland Park Conf. Room</td>
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<tr>
<td>11 - 12 Noon</td>
<td>Department Profile / Current Status / Achievements Strategic Objectives</td>
<td>Palisades Conf. Room</td>
<td>Ted Montoya / Dave Vila</td>
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<td>Functional Unit Reviews</td>
<td>Palisades Conf. Room</td>
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<td>Socio Economic Programs / Project Labor Agreement / Construction Careers Program</td>
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<td>Technology</td>
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<td>8 - 9:15 AM</td>
<td>Major Project Delivery / Measure R Alternate Delivery Methods</td>
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<td>Boudreau / Murthy / Falling / Ramirez / Dwyer</td>
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<td>Staff Interviews - Achieving a High Performance Trusting Culture</td>
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<td>Procurement Dept. Staff</td>
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<td>DEO'S / Directors</td>
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<td>11 - 11:30</td>
<td>Project Delivery Dept. Interviews</td>
<td>Palisades Conf. Room</td>
<td>Murthy, Boudreau</td>
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*Note: The table content is a representation of the agenda for the APTA Peer Review Report for the Vendor - Contract Management Business Unit at LACMTA. The time slots and agenda items are listed with corresponding locations and participants.*
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<td>Filling, Quon, Saadatnejadi</td>
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<td>Construction Change Orders</td>
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<td>Boudreau / Ramirez</td>
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<td>Board Reports / Interaction</td>
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Documents List

1. 1-FY14 SCM Strategic Business Plan
2. Inventory Management Overview
3. CIMS Design Review Process Workflows
4. AB2440 Chaptered
5. Administrative Code Title 4-15 Change Orders
6. Amendment EX07-01 Legislative & Regulatory Changes – SB1687 and Federal Acquisition Circular (FAC) 2005-13
7. Amendment EX09 Legislative & Regulatory Changes - AB1471
8. California Law Applicable to MTA Procurement
9. Title 4 Admin Code Ordinances Procurement
10. 2013 Reorg memo
11. Chief Admin Service Office – 9/26/13
14. Metro Org. Structure Change Summary (v8c)
15. Procurement Org. Chart 1/31/14
17. Supply Chain Management – Statistical and Performance Reports
18. Procurement Non-Inv. Activity Report
19. S-DBE Award Tracker Report
20. Acquisition Policy Statement ACQ1
21. Amendment EX10-01 – Re-delegation of Authority to Approve, Award and Ratify Contract related Actions
22. Amendment EX 10-02 – Staff Delegations of Contract Action Approval & Award Authority
23. CF10 – Rev 4
24. GC 33 Changes
25. Inventory Mgmt. Guidelines & Procedures
26. LACMTA Profile Final
27. Methods of Acquisition Table
28. Metro Change Process
29. Policy CF14 Rev3
30. PPPM 14.11 – Change Orders