



Management Update on the A&E Contract Compliance Review

(Prepared by the Procurement & Contracts Division
for ST management)

Audit and Reporting Committee

March 17, 2016

Responsive to the “Architectural & Engineering Services Report on Contractual Compliance” prepared by RSM US LLP (formerly McGladrey LLP) dated November 16, 2015, presented to the Audit and Reporting Committee on December 17, 2015.

Overview of this Management Update

At the Audit and Reporting Committee meeting of December 17, 2015, the firm of RSM USA LLP (formerly McGladrey LLP) presented its Report entitled “Architectural & Engineering Services Report on Contractual Compliance” dated November 16, 2015.

The engagement, requested by Sound Transit’s Internal Audit Division, consisted of a contract compliance review of five (5) architectural and engineering agreements (or contracts) entered into between Sound Transit and Parsons Brinkerhoff. The focus was on verification of amounts due under these cost plus fixed fee agreements, with observations on Sound Transit project management.

In its Executive Summary at Section I of the Report, RSM USA LLP concluded:

Overall, RSM observed that project costs reviewed were well supported, well documented and in compliance with contractual terms and conditions. Other than the observations noted in Section II Observations on Project Management, Parson-Brinckerhoff’s invoices were typically well organized, accurate and complete. We found that Sound Transit’s A&E procurement and contract administration processes, procedures and controls were generally strong and being adhered to by Sound Transit personnel.

Section II of the Report went on to offer observations on project management processes, policies and procedures, with recommendations, in the areas listed below:

- Approval of Personnel Additions
- Approval of Direct Labor Rates
- Approval of Travel Costs
- Approval of Overtime Costs
- Project Cost Tracking
- Leased Vehicle Costs

At the December 17, 2015 meeting, the Committee requested that management return at a later meeting with an update on our actions taken in response to the recommendations.

We appreciate this opportunity to summarize, with the attached spreadsheet, the actions taken to address each recommendation.

Attachment: Recommendations/Management Actions

Recommendations/Management Actions
“Architectural & Engineering Services Report on Contractual Compliance”

Recommendation	Management Action	ST Lead	Complete By
<p>Approval of Personnel Additions:</p> <p>Review the agreement that addresses Direct Labor costs (Section 12.B) to determine if additional requirements should be added for the addition of new project personnel (page 3).</p>	<p><i>ST has added the following clarifying language to our standard A&E agreement (Section 12.B.1.):</i></p> <p><i>b. Changes in staff such as addition or promotion of an employee shall be addressed separately by the Project Manager at any time and evaluated as a new hire or new position.</i></p>	D&C Contract Manager	Completed
<p>Approval of Direct Labor Rates:</p> <p>i. Review the agreement that addresses Key Personnel and Key Personnel changes (Section 2.D) to determine if additional language should be added requiring the employee’s labor rate be provided with the request for change (page 4).</p> <p>ii. Review the agreement to ensure that references to exhibits are accurate (page 4).</p>	<p><i>i. ST has added the following clarifying language to our standard A&E agreement (Section 2.D.):</i></p> <p><i>The consultant shall not remove or change assignments of the Key Personnel without Sound Transit’s prior written approval of Key Personnel changes, including associated changes such as hourly labor rates.</i></p> <p><i>ii. Sound Transit has reviewed the standard A&E agreement and made minor corrections to ensure the internal accuracy of references.</i></p>	D&C Contract Manager	Completed
<p>Approval of Travel Costs:</p> <p>Adhere to existing controls in the request and approval process for travel costs (page 5).</p>	<p><i>Project Managers, and the A&E consultants as well, have been reminded of the existing controls for strict compliance that will continue to be monitored.</i></p>	DECM ED PEPD ED	Ongoing
<p>Approval of Overtime Costs:</p> <p>Adhere to existing controls in the request and approval process for overtime costs (page 5).</p>	<p><i>Project Managers, and the A&E consultants as well, have been reminded of the existing controls for strict compliance that will continue to be monitored.</i></p>	DECM ED PEPD ED	Ongoing
<p>Project Cost Tracking:</p> <p>Confirm that PB’s current accounting of total costs-to-date are free of error, and request that PB withhold any disputed amounts from future billings until resolved (page 6).</p>	<p><i>Sound Transit has reviewed PB’s current accounting of total costs-to-date and confirmed that they are accurate, and has instructed PB to withhold any disputed amounts from future billings until they are resolved.</i></p>	Contract Specialist and Project Control Specialist	Completed
<p>Leased Vehicle Costs:</p> <p>Review the agreement that addresses project equipment (Section 12.B) to determine if requirements should be added related to leased vehicles (page 6).</p>	<p><i>ST has added the following clarifying language to our standard A&E agreement (Section 12.B.3.):</i></p> <p><i>b. Cost for equipment, materials, and supplies including, but not limited to approved equipment lease or rental....</i></p>	D&C Contract Manager	Completed