



NEWS

April 26, 1995

CONTACT: STEVE CHESSER/JIM SMART
MTA PRESS RELATIONS
(213) 244-7056, 244-6347
FOR IMMEDIATE RELEASE

MTA RECEIVES ARTHUR ANDERSEN STUDY ON METRO RAIL ORGANIZATION, PERFORMANCE

A report commissioned by the MTA Board last August to analyze Metro Rail organization and performance calls for increased oversight by MTA construction staff of the MTA's Engineering Management Consultant (EMC) and Construction Manager (CM). The report was received by the MTA today.

The report, conducted by the accounting firm Arthur Andersen, found oversight needed to be strengthened in most of 16 subject areas it examined: engineering; real estate; cost estimating; contract awards; contract administration; billings and payment applications; resident engineer; change orders; schedule; cost control; reporting; safety; quality; public affairs; risk management; and human resources.

"We commissioned the Arthur Andersen Report to give us an independent look at the MTA's construction unit," said MTA Chairman and L.A. County Supervisor Mike Antonovich. "The report's recommendations provide us a roadmap to the future. Our new Executive Officer for Construction will be called on to implement these recommendations."

Antonovich added he will call for the creation of a task force, made up of the Ex-Officio members of the Construction Committee and staff from Arthur Andersen, to meet and review implementation progress on a quarterly basis.

"Angelenos deserve a modern, world-class transportation system," said MTA Director and Los Angeles Mayor Richard Riordan. "The Andersen study gives the MTA a clear direction in which to go on the path to greater efficiency. I look forward to working with the MTA Board and staff to bring the Andersen recommendations to life."

(MORE)

ANDERSEN REPORT

Page 2

The most urgent management recommendation was to hire a strong construction executive with extensive hands-on construction experience.

"I plan to announce soon the new Executive Officer for Construction (EOC)," said MTA Chief Executive Officer Franklin E. White. The individual selected will have my full support and cooperation, and this person's first order of business will be to implement many of the report's recommendations."

Aside from a new EOC, the report identified seven critical management issues that require immediate attention and action:

- ◆ Add new personnel to the Construction Unit. The MTA's hiring process must be streamlined.
- ◆ The new EOC must restore team spirit within the construction unit, instill shared values of the unit's oversight role, and encourage all to "fix the problem rather than fix the blame."
- ◆ The MTA Board must demonstrate trust and support to the Construction Unit.
- ◆ The new EOC and staff must establish a "healthy skepticism" toward EMC and CM, and clearly define services expected from them.
- ◆ The new EOC must restore strong emphasis on controlling the cost of projects.
- ◆ MTA management must show the Board, staff and consultants a willingness to have a true and complete cost picture of each project at any time.
- ◆ MTA management must support quality and safety as a priority, even over schedule and costs.

The Report endorsed the division of responsibilities between the MTA staff, the EMC and the CM, but emphasized that MTA staff must do a better job in fulfilling its prescribed roles. More staff are needed, particularly in the contract administration and cost estimating area.

(MORE)

ANDERSEN REPORT

Page 3

The Report also found that the MTA Board is too immersed in details, and should instead focus on the "Big Picture".

"After a new EOC is installed, I will present to the Board an implementation plan," said White. "This plan will continue the steps we've taken during the past six months to improve the MTA's construction organization and to strengthen oversight and control of Metro Rail construction projects."

The report also advocates granting the Construction Committee of the MTA Board authority to approve contracts and change orders up to \$500,000. It would reserve the requirement for full Board approval to contracts over \$500,000. Construction Committee meetings were recommended to be held twice a month, twice the present schedule of monthly meetings.

The Report also recommended completing the transfer of safety functions to the MTA, and eliminating duplication with the CM. Quality Control, on the other hand, should be returned to the CM. Independent audits of the risk management and billings and payment application functions were recommended.

The hire of a new EOC, addition of staff and a more professional relationship between staff and the Board were all cited as measures that would result in immediate improvements.

The Arthur Andersen Report will be presented to the full MTA Board, to be followed by the implementation plan promised by White.

#