



OPERATIONS COMMITTEE
JULY 15, 2004

SUBJECT: WORKERS' COMPENSATION INVESTIGATION SERVICES

**ACTION: APPROVE CONTRACT AWARDS FOR WORKERS'
COMPENSATION INVESTIGATION SERVICES PANEL**

RECOMMENDATION

A. Authorize the Chief Executive Officer to award five-year, unit rate multiple award agreements to provide Workers' Compensation Investigations, inclusive of two one-year options, effective August 1, 2004 with a total cumulative amount not to exceed \$5,000,000 with the following firms:

Aztec Investigations	PS-5310-1457 -A
Baechler Investigations	PS-5310-1457 -B
Benn & Associates	PS-5310-1457 -C
Budeselich & Associates	PS-5310-1457 -D
Facticon, Inc.	PS-5310-1457 -E
Frasco Investigative Services	PS-5310-1457 -F
Fu-Gen, Inc.	PS-5310-1457 -G
Jerlow & Associates	PS-5310-1457 -H
Miles Investigations	PS-5310-1457 -I
MJM Investigations	PS-5310-1457 -J
Page Investigations	PS-5310-1457 -K
Phillip J. Burruel & Associates	PS-5310-1457 -L
RJN Investigations	PS-5310-1457 -M
Secure Investigations	PS-5310-1457 -N
West Shield Investigations	PS-5310-1457 -O

B. Authorize the Chief Executive Officer to execute Task Orders, under these contracts for the investigative firms' services in a total amount not to exceed \$5,000,000.

RATIONALE

The MTA has initiated an aggressive workers' compensation fraud deterrence, detection and prosecution program. Deterring fraud is our primary goal. An aggressive fraud detection and prosecution program is an important element to deterring fraud and reducing the overall Metro Workers' Compensation Program costs.

A panel of highly qualified investigation firms who are diverse in experience, technical expertise, ethnicity and geographic location are vital to success, allowing the Special Investigations Unit (SIU) to tailor investigative resources to the workers' compensation investigation workload.

The Metro SIU manages the workload to determine whether a reported injury or illness actually occurred and is accurately reported, and if the injury occurred within the course and scope of employment. Additionally, the investigation can reveal subrogation and apportionment possibilities. When it is determined that the claim may be fraudulent, the investigations firm will gather and document evidence to utilize in any administrative discipline, criminal and/or civil action. The investigations firm may also be utilized to determine if the financial charges submitted by a medical provider are for services actually rendered or to investigate other aspects of provider fraud. A diverse and experienced Investigation Services Panel is required to be successful and will contribute significantly to the overall reduction in Metro workers' compensation costs.

The services of this panel will begin August 01, 2004, and continue as needed, for a term of three years with two one-year option terms. This panel will expand the existing Investigation Services Panel with fixed price, unit rate contracts that will provide cost efficiency and ease of management and increased geographic coverage.

FINANCIAL IMPACT

The annual funding of \$1 million for this service is included in the FY05 budget in cost center number 0531, Non-Departmental Risk Management, PRMA, project number 100004, line item 50291. Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting the cost in future years, including any options exercised.

During fiscal year FY03, \$ 330,467 was disbursed for investigation services. The increase in FY05 reflects increased usage as the Metro claims have aged and as Metro's self-insured claims portfolio continues to grow.

ALTERNATIVES CONSIDERED

The option of bringing all investigation services in-house was considered. This option was dismissed as ineffective and cost prohibitive for the following reasons:

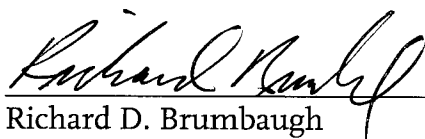
- The level of investigative services required fluctuates significantly from week to week. There would be times when we would not have sufficient in-house investigators to do the work and times when there would not be enough work for the in-house investigators.

- Due to the size of the Metro service area, it is a financial advantage to select firms that are geographically located throughout the service area. Satellite offices would be required to make efficient use of in-house investigators.
- Providing specialized vehicles, office equipment and hi-tech surveillance equipment for a team of Metro in-house investigators would be cost prohibitive.

ATTACHMENT

A. Procurement Summary

Prepared by: Pamela Murano
Workers' Compensation Investigation Manager



Richard D. Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

**APPROVE CONTRACT AWARDS FOR WORKERS' COMPENSATION
INVESTIGATION SERVICES PANEL**

1.	Contract Number: PS-5310-1457 A through O		
2.	Recommended Vendor(s): Aztec Investigations Miles Investigations Baechler Investigations MJM Investigations Benn & Associates Page Investigations Budeselich & Associates Phillip J. Burruel & Associates Facticon, Inc. RJN Investigations Frasco Investigative Services Secure Investigations Fu-Gen, Inc. West Shield Investigations Jerlow & Associates		
3.	Cost/Price Analysis Information: The Project Manager for Metro's Special Investigation Unit (SIU) performed a market analysis to determine fair and equitable pricing for these contracts. Metro gathered data from the current panel for Investigative Services, from Investigative Firms and from other Public Agencies in the determination of fair and equitable rates. All Contractors' performing investigative services under these Contracts will be compensated utilizing the same, pre-established rates.		
	A. Bid/Proposed Price: Rates to be utilized were established by Metro's SIU Project Manager.		Recommended Price: N/A Contract awards are "\$0" based. Task Orders will be issued for specific work. Project Manager estimates that annual expenditures of \$850,000 to \$1M will be issued as task orders to Contractors on the panel.
	B. Details of Significant Variances are non-existent.		
4.	Contract Type: Fixed Unit Rate, Task Order Contract		
5.	Procurement Dates:		
	A. Issued: March 1, 2004		
	B. Advertised: February 27, 2004 through March 3, 2004		
	C. Pre-proposal Conference: March 8, 2004		
	D. Proposals Due: April 2, 2004		
	E. Pre-Qualification Completed: April 26, 2004		
	F. Conflict of Interest Form Submitted to Ethics: June 8, 2004		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 25% DBE		Date Small Business Evaluation Completed: April 12, 2004
	B. Small Business Commitment: 25% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 12	Bids/Proposals Picked up: 46	Bids/Proposals Received: 22

8.	Evaluation Information:		
	A. Bidders/Proposers Names: (See Attachment A-3 for list of Proposers)	<u>Bid/Proposal Amount:</u> N/A	<u>Best and Final Offer Amount:</u> N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: July 20, 2004		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Maria V. Lechuga	Telephone Number: (213) 922-7206	
11.	Project Manager: Pamela Murano	Telephone Number: (213) 922-3625	

BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY

APPROVE CONTRACT AWARDS FOR WORKERS' COMPENSATION
INVESTIGATION SERVICES PANEL

A. Background on Contractor(s)

Aztec Private Investigations, Inc. of Alhambra, CA was established in 1980 and has provided Workers' Compensation Investigation Services to the City and County of Los Angeles as well as other private companies.

Baechler Investigative Services of San Diego, CA has been in business since May 1981 and has provided Workers' Compensation Investigation Services for such companies as Intercare Insurance Services and Federated department Stores as well as the Los Angeles County District Attorney's Office.

Benn & Associates of Tustin, California was incorporated in California in May 1997. Since that time, Benn & Associates has provided Workers' Compensation Investigation Services to the Housing Authority of the City of Los Angeles, the County of San Bernardino, and such companies as SBC/Pacific Telesis, The Stockman Group and others.

Budselich & Associates of Los Alamitos, California has been in business since 1995. Since then, Budselich & Associates has provided Workers' Compensation Investigation Services to companies such as Golden State Transportation, Secure Solutions, Forward Claims Services Inc. as well as attorney offices.

Phillip J. Burruel & Associates of Los Angeles, California has been in business since 1988 and provided Workers' Compensation Investigations for Crawford and Company (TPA), Adohr Farms/Heritage Foods, the Los Angeles County Sheriff's Department and the Los Angeles Unified School District. Phillip J. Burruel was awarded a contract on Metro's current Investigations Panel and their work has been satisfactory to Metro.

Facticon, Inc. of Irvine, California was established in 1990 and has provided Workers' Compensation Investigation Services to such national corporations as LSG Sky Chefs and American Airlines. Facticon was awarded an investigations contract on Metro's current panel of Workers' Compensation Investigations and their work has been satisfactory to Metro.

Fu-Gen, Inc. of Beverly Hills, California has been in business since 1985 and has served as a sub-contractor to Metro's third party claims administrator, Hertz since 1993. Fu-Gen was also awarded an investigations contract on Metro's current panel of Workers' Compensation Investigations and their work has been satisfactory to Metro.

Frasco Investigative Services of Burbank, California has been in business for almost 40 years providing Workers' Compensation Investigation Services for several area

municipalities including Burbank and Long Beach. Frasco was awarded a contract on Metro's current Investigations Panel and their work has been satisfactory to Metro.

Jerlow & Associates of Orange, California has been in business since 1990 and since then have provided Workers' Compensation Investigation Services for Rockwell International, City of Anaheim, County of Los Angeles, Sharp HealthCare as well as other companies and attorney firms.

Miles Investigations, Inc. of Los Alamitos, California has been in business since March 1986. In that time, Miles Investigations Inc. has provided Workers' Compensation Services for the Long Beach Housing Authority, Intercare, State of Arizona, Department of Health Services, the City of Santa Ana Housing Authority and others.

MJM Investigations, Inc. of Ontario, California was incorporated in 1989 and has provided services for the California Insurance Fraud Division, Sedgewick CMS, Unum Provident, County of San Bernardino and City and County of San Francisco. MJM was also awarded a contract on Metro's current Investigations Panel and their work has been satisfactory to Metro.

Page Investigations of Moreno Valley, California was established in 1991 and has assisted various attorneys in Workers' Compensation surveillance cases. Page Investigations was also awarded a contract on Metro's current Investigations Panel and their work has been satisfactory to Metro.

RJN Investigations, Inc. of Hollywood, California has been in business since 1992. Since that time, RJN Investigations has provided Workers' Compensation Investigation services for the City and County of San Francisco, the County of Riverside, Riverside Department of Corrections and Southern California State Fund.

Secure Investigations, Inc. of Santa Ana, California has been in business since 1992. During that time, Secure Investigations has provided Workers' Compensation Investigation services to the City of Irvine, City of Los Angeles, the State Compensation Insurance Fund Claims Management Services and FAST/Gate McDonald.

West Shield Investigations of Newport Beach, California was started in May 1981. Since that time, West Shield Investigations has provided Workers' Compensation Investigation services for Farmers Insurance Group, City of Long Beach and County of Los Angeles. West Shield Investigations also worked under contract with Hertz Claim Management, a third party administrator, to conduct AOE/COE Investigations and Surveillance investigations on behalf of Metro from 1992 to 1998. Their services were found to be satisfactory.

B. Procurement Background

On March 1, 2004, a solicitation was issued to establish a Panel for Workers' Compensation Investigation Services using the explicit factors evaluation methodology. This solicitation required award to the highest rated firms based on the combined technical criteria. The Source Selection Committee reviewed the proposals and ranked the firms technically. Price was not a factor in this solicitation since the Metro's Special Investigations Unit (SIU) established the rates that will be used to compensate the contractors selected for the panel. The fifteen firms with the highest scoring were recommended for award.

Task Orders will be issued for each individual claim. Task Orders will be assigned to contractors based on the following criteria in the listed order of importance:

- past performance on prior task order work, and
- qualifications of the Contractor.

The Diversity & Economic Opportunity Dept. (DEOD) recommended a Disadvantaged Business Enterprise (DBE) goal of 25%. Six of the fifteen recommended firms on the panel are DBE's. The other nine firms on the panel were responsive to the 25% DBE goal.

C. Evaluation of Proposals

Twenty-two proposals were received and evaluated in accordance with Metro's Procurement Policies and Procedures Manual. Seven proposals did not meet the minimum requirements and were not considered beyond the preliminary evaluation. The technical qualifications of the remaining fifteen proposers were evaluated and scored based on a review of the proposals, clarifications, and reference check information. The fifteen recommended contractor's proposal scores were determined to be most advantageous to Metro when qualifications and other factors were considered.

D. Cost/Price Analysis Explanation of Variances

The Metro's Special Investigation's Unit (SIU) established the rates that are considered to be fair and reasonable rates for the various services that will be required of the investigation firms. A price analysis was performed by the SIU's Project Manager to determine the fair market rates that the Metro will utilize to reimburse the WC Investigations firms.

Bid/Proposal Amount	MTA Estimate	Recommended/Negotiated Amount
N/A	\$991,401/Yr.	N/A

BOARD REPORT ATTACHMENT A-2
LIST OF CONTRACTORS AND SUBCONTRACTORS

APPROVE CONTRACT AWARDS FOR WORKERS' COMPENSATION
INVESTIGATION SERVICES PANEL

PRIME CONTRACTOR – AZTEC INVESTIGATIONS
Small Business Commitment 25%
Jerlow & Associates

PRIME CONTRACTOR – BAECHLER INVESTIGATIONS
Small Business Commitment 25%
Jerlow & Associates

PRIME CONTRACTOR – BENN & ASSOCIATES
Small Business Commitment 100%
No subcontractor

PRIME CONTRACTOR – BUDISELICH & ASSOCIATES
Small Business Commitment 25%
Jerlow & Associates
West Shield Investigations

PRIME CONTRACTOR – FACTICON, INC.
Small Business Commitment 25%
Elliott Investigation

PRIME CONTRACTOR – FRASCO INVESTIGATIVE SERVICES
Small Business Commitment 25%
Jerlow & Associates
Benn & Associates

PRIME CONTRACTOR – FU-GEN, INC.
Small Business Commitment 100%
No subcontractor

PRIME CONTRACTOR – JERLOW & ASSOCIATES
Small Business Commitment 100%
No subcontractor

PRIME CONTRACTOR – MILES INVESTIGATIONS
Small Business Commitment 25%
Jerlow & Associates

PRIME CONTRACTOR – MJM INVESTIGATIONS

Small Business Commitment 25%

Jerlow & Associates

PRIME CONTRACTOR – PAGE INVESTIGATIONS

Small Business Commitment 100%

No subcontractor

PRIME CONTRACTOR – PHILLIP J. BURRUEL & ASSOCIATES

Small Business Commitment 100%

No subcontractor

PRIME CONTRACTOR – RJN INVESTIGATIONS

Small Business Commitment 25%

Burton Investigations

PRIME CONTRACTOR – SECURE INVESTIGATIONS

Small Business Commitment 25%

Trojan Security Services

PRIME CONTRACTOR – WEST SHIELD INVESTIGATIONS

Small Business Commitment 100%

No Subcontractor

**BOARD REPORT ATTACHMENT A-3
LIST OF PROPOSERS**

- A. **Recommended Proposer:** **AZTEC PRIVATE INVESTIGATIONS**
 118 E. Huntington Drive, Suite C
 Alhambra, CA 91801
- Name(s) of principal(s): Steve J. Baiza
 Owner/President
- Recommended**
 Subcontractor(s): Jerlow & Associates
 3128 E. Chapman Avenue, #130
 Orange, CA 92869
- Name(s) of principal(s): Robert Jerlow
 Owner
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- B. **Recommended Proposer:** **BAECHLER INVESTIGATIVE SERVICES**
 P.O. Box 19727
 San Diego, CA 92159
- Name(s) of principal(s): Anthony Baechler
 Chief Executive Officer
- Recommended**
 Subcontractor(s): Jerlow & Associates
 3128 E. Chapman Avenue, #130
 Orange, CA 92869
- Name(s) of principal(s): Robert Jerlow
 Owner
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- C. **Recommended Proposer:** **BENN & ASSOCIATES**
 P.O. Box 11470
 Tustin, CA 92781
- Name(s) of principal(s): Ms. Jolynn K. Benn
 President-Owner
- Recommended**
 Subcontractor(s) NONE
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- D. **Recommended Proposer:** **BUDESELICH & ASSOCIATES**
 3401 Katella Avenue, Suite 200
 Los Alamitos, Ca 90720
- Name(s) of principal(s): Ivan Budiselich
 Managing Fraud Investigator/Owner
- Recommended**
 Subcontractor(s) Jerlow & Associates
 3128 E. Chapman Avenue, #130
 Orange, CA 92869
- Name(s) of principal(s): Robert Jerlow
 Owner

Name(s) of principal(s): West Shield Investigations
3857 Birch Street, PMP 208
Newport Beach, CA 92660
Allen P. Cardoza
President/Owner

E. Recommended Proposer: FACTICON, INC.
18023 Sky Park Circle
Bldg. 66, Ste. 3-2
Irvine, CA 92614
Name(s) of principal(s): David Nottoli
Vice President
Heather Estrada
Regional Marketing Mgr.
Chuck Fox
Regional Operations Mgr.

Recommended
Subcontractor(s): Elliott Investigations
P.O. Box 6098
Altadena, CA 91003-6098
Name(s) of principal(s): Brenda J. Elliott
Owner

F. Recommended Proposer: FRASCO INVESTIGATIVE SERVICES
215 W. Alameda Avenue
Burbank, CA 91502
Name(s) of principal(s): John C. Simmers
President & CEO
Richard F. Smith
Vice President

Recommended
Subcontractor(s): Jerlow & Associates
3128 E. Chapman Avenue, #130
Orange, CA 92869
Name(s) of principal(s): Robert Jerlow
Owner

Name(s) of principal(s): Benn & Associates
P.O. Box 11470
Tustin, CA 92781
Ms. Jolynn K. Benn
President-Owner

- G. Recommended Proposer: FU-GEN, INC.
8306 Wilshire Blvd., #106
Beverly Hills, CA 90211
Name(s) of principal(s): Glenn S. Brown, J.D.
CEO
Marsha L. Brown, M.A.
President
- Recommended
Subcontractor(s): NONE
- H. Recommended Proposer: JERLOW & ASSOCIATES
3128 E. Chapman Avenue, #130
Orange, CA 92869
Name(s) of principal(s): Robert Jerlow
Owner
- Recommended
Subcontractor(s): NONE
- I. Recommended Proposer: MILES INVESTIGATIONS
10701 Los Alamitos Blvd., #213
Los Alamitos, CA 90720
Name(s) of principal(s): Steven S. Starkel
President
Bruce R. McConnell
Vice President
- Recommended
Subcontractor(s) Jerlow & Associates
3128 E. Chapman Avenue, #130
Orange, CA 92869
Name(s) of principal(s): Robert Jerlow
Owner
- J. Recommended Proposer: MJM INVESTIGATIONS, INC.
2151 E. Convention Center Way, Suite 211A
Ontario, CA 91764
Name(s) of principal(s): Sam King
Senior Vice President
- Recommended
Subcontractor(s): Jerlow & Associates
3128 E. Chapman Avenue, #130
Orange, CA 92869
Name(s) of principal(s): Robert Jerlow
Owner

- K. Recommended Proposer: PAGE INVESTIGATIONS
P.O. Box 8601
Moreno Valley, CA 92552
Name(s) of principal(s): George R. Page
Owner
Recommended
Subcontractor(s): NONE
- L. Recommended Proposer: PHILLIP J. BURRUEL & ASSOCIATES
4201 Wilshire Blvd., Suite 401
Los Angeles, CA 90010
Name(s) of principal(s): Phillip J. Burruel
Sole Proprietor
Recommended
Subcontractor(s): NONE
- M. Recommended Proposer: RJN INVESTIGATIONS, INC.
7095 Hollywood Blvd., #765
Hollywood, CA 92028
Name(s) of principal(s): Robert Nagle
President
Recommended
Subcontractor(s): Burton Investigations
13705 Purche Avenue
Gardena, CA 90249
Name(s) of principal(s): Curtis Burton
Owner
- N. Recommended Proposer: SECURE INVESTIGATIONS
2021 E. 4th Street, Suite 200
Santa Ana, CA 92705
Recommended
Subcontractor(s): Trojan Security Services
5400 E. Olympic Blvd., Ste. 250
Los Angeles, CA 90022-5142
Name(s) of principal(s): Martin Renteria
President
- O. Recommended Proposer: WEST SHIELD INVESTIGATIONS
3857 Birch Street, PMP 208
Newport Beach, CA 92660
Name(s) of principal(s): Allen P. Cardoza
President/Owner
Recommended
Subcontractor(s): NONE

OTHER PROPOSERS NOT Recommended for Award

Mr. Wayne Zippi, Director
Beau Dietl & Associates
1851 East First Street
Suite 805
Santa Ana, CA 92705

Ms. Karen Fogarty, Owner
Karen Paris Investigations
P.O. Box 54121
Irvine, CA 92619-4121

Ms. Brenda J. Elliott, Owner
Elliott Investigations
P.O. Box 6098
Altadena, CA 91003-6098

Mr. Mario A. Loffredo, Owner
Loffredo & Associates
141 S. Lake Avenue, Suite 140
Pasadena, CA 91101

Mr. Darryl Lucas, President
Edward Vasquez, Vice President
Maye Investigations
5196 Benito Street, #19
Montclair, CA 91763

Mr. Ray Mendoza, President
Pegasus /Elite Investigations
910 West 17th Street, #A
Santa Ana, CA 92706

Mr. Robert Trejo
Owner
Trejo Investigations
15454 Gale Avenue, Ste. G
Hacienda Heights, CA 91745