MEETING OF THE
Audit and Finance Subcommittee

Date:
April 12, 2018

Starting Time
12:00 p.m.

Location:
Valley Metro
Lake Mead Conference Room (10B)
101 N. 1st Avenue, 10th Floor
Phoenix

If you require assistance accessing the meetings on the 10th floor, please go to the 13th floor or call 602.262.7433.
Agenda

April 6, 2018

Audit and Finance Subcommittee

Thursday, April 12, 2018
10th Floor, Lake Mead Conference Room (10B)
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Action Recommended

1. Public Comment
A 15-minute opportunity will be provided to members of the public at the beginning of the meeting to address the AFS on all agenda items. The Chair may recognize members of the public during the meeting at his/her discretion. Up to three minutes will be provided per speaker or a total of 15 minutes total for all speakers.

2. Minutes
Minutes from the February 15, 2018 Audit and Finance Subcommittee meeting presented for approval.

3. Travel and Entertainment Expense Audit Report
Mary Modelski, Manager, Internal Audit will present the results of the Travel and Entertainment Expense Audit to for acceptance by the Audit and Finance Subcommittee.

4. Internal Audit Update
Mary Modelski, Manager, Internal Audit will provide an update on actions taken to continue to build Internal Audit.

1. For information
2. For action
3. For action
4. For information
5. **Valley Metro RPTA Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget**

Paul Hodgins, Chief Financial Officer, will provide an overview Valley Metro RPTA Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget.

6. **Valley Metro Rail Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget**

Paul Hodgins, Chief Financial Officer, will provide an overview Valley Metro Rail Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget.

7. **Intergovernmental Agreements, Contract Change Orders, Amendments, and Awards**

Paul Hodgins, Chief Financial Officer, will provide an update on upcoming intergovernmental agreements, contract awards, amendments and change orders.

8. **Future Agenda Items**

Chair Orsborn will request future AFS agenda items from members and members may provide a report on current events.

9. **Next Meeting**

The next meeting of the Audit and Finance Subcommittee is **May 10, 2018 at 12:00 p.m.**

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print, audiocassette, or computer diskette) are available upon request. For further information, please call Valley Metro at 602-262-7433 or TTY at 602-251-2039. To attend this meeting via teleconference, contact the receptionist at 602-262-7433 for the dial-in-information. The supporting information for this agenda can be found on our web site at [www.valleymetro.org](http://www.valleymetro.org).
DATE
April 6, 2018

SUBJECT
Items for Citizens Present

PURPOSE
Members of the public will have an opportunity at the beginning of the meeting to address the Audit and Finance Subcommittee on non-agenda items. Up to three minutes provided per speaker or a total of 15 minutes for all speakers.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
This item presented for information only.

CONTACT
Paul Hodgins
Chief Financial Officer
602-262-7433
phodgins@valleymetro.org

ATTACHMENT
None
Minutes

April 6, 2018

AGENDA ITEM 2

Summary Minutes of the Audit and Finance Subcommittee
Thursday, March 15, 2018
Lake Mead Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Meeting Participants
Councilmember Thelda Williams, City of Phoenix, Vice Chair
Vice Mayor Robin Arredondo-Savage, City of Tempe – by phone
Councilmember Skip Hall, City of Surprise – by phone
Vice Mayor Brigette Peterson, Town of Gilbert – by phone

Vice Chair Williams called the meeting to order at 12:00 p.m.

1. Public Comment

None.

2. Minutes

Minutes from the February 15, 2018, Audit and Finance Subcommittee meeting presented for approval.

IT WAS MOVED BY COUNCILMEMBER BRIGETTE PETERSON, SECONDED BY COUNCILMEMBER HALL AND UNANIMOUSLY CARRIED TO APPROVE THE FEBRUARY 15, 2018 AFS MINUTES.

3. Internal Audit Update

Ms. Modelski provided an update which included the status of the Ethics and Procurement policies.

She also updated the subcommittee on the following items:
• COP – Entrance meeting held on (2/28) with City of Phoenix Internal Audit and Transit. Provided credit card files from Wells Fargo and internal documentation requests, to date.
• CSD – Invoice approval process for construction projects is being vetted through Finance and with Resident Engineers and Project Managers.
• VincentBenjamin – draft copy of the Travel and Entertainment Expense audit out to management for response and feedback. Looking to bring report to AFS in April for acceptance.
• VincentBenjamin – Begun the preliminary survey to collect information to kick-off the Non-Contract Procurement audit. Focus is upon purchases made without an RFP/RFQ/RFI.
• Information Technology – exit called schedule with KPMG and Microsoft for March 16 for the licensing true-up.
• Human Resources – First round of interviews scheduled for March 23.

4. Valley Metro RPTA and Valley Metro Rail Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget Development

Mr. Hodgins provided an update on employee development, travel and local dining. He noted that these line items are being impacted by the Shifting Gears initiative.

He also reviewed travel and conferences that are required, essential and needed for professional development.

Mr. Hodgins noted that the budget for these items in FY19 is $920,000 across the entire agency.

He noted that the goals for the FY19 Budget are:

- Consistent information between both budgets
- Greater Transparency and understanding
- More meaning narratives
- Executive summaries at beginning of each document
- Prior year actuals, current year budget and proposed budget
- Enhanced narratives explaining changes from prior year to service assumptions
- Consistent activity descriptions and category groupings

Mr. Olson reviewed the Budget Development handout which included a listing of the table of contents and what each budget document will contain.

This item was presented for information and will the proposed budget and final budget will be brought back to the AFS for action.

5. Future Agenda Items

None.
6. **Next Meeting**

The next meeting of the Audit and Finance Subcommittee is Thursday, April 12, 2018 at 12:00 pm.

With no further discussion, the meeting adjourned at 12:47 p.m.
DATE
April 6, 2018

AGENDA ITEM 3

SUBJECT
Travel and Entertainment Expense Audit Report

PURPOSE
Present the results of the Travel and Entertainment Expense Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

BACKGROUND/DISCUSSION/CONSIDERATION
The Fiscal Year 2017/2018 Internal Audit Plan was approved by the AFS on June 15, 2017. The Travel and Entertainment Expense audit was placed on the audit plan after completion of a limited scope risk assessment. The objective of the audit was to determine if travel and entertainment expenses adhere to the documented policy.

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Staff recommends the Audit and Finance Subcommittee accept the Travel and Entertainment Expense Audit.

CONTACT
Mary Modelski
Internal Audit Manager
mmodelski@valleymetro.org
602-262-7433

ATTACHMENT
Travel and Entertainment Expense Audit Report
Travel and Entertainment Expense Audit
April 2018

Audit Report
Internal Audit

Distribution
Audit and Finance Subcommittee
Scott Smith, Chief Executive Officer
Paul Hodgins, Chief Financial Officer
Penny Lynch, Human Resource Director
Michael Minnaugh, General Counsel
To Scott Smith, Chief Executive Officer:

The purpose of this report is to communicate the results of the Travel and Entertainment Expense Internal Audit. The audit was part of Valley Metro’s Internal Audit annual audit plan for fiscal year 2017.

The report includes the following sections: Objective, Scope and Methodology, Background, and Audit Findings.

The process by which travel is requested and reimbursement for travel and entertainment expenses were found to be a highly visible and documented. Internal controls continue to be expanded and enhanced as evident by the modifications made to the request and reimbursement process during the timeframe of the review. Management has taken a proactive role in updating documentation as improvements have been self-identified. Therefore, minimal verbiage updates and additional explanation as to costs are recommended to provide further clarity.

During the course of this audit individuals assisted by providing information on how the process works and supplied evidence for testing. Their support is greatly appreciated.

This report is intended for use by only those listed explicitly on the cover page distribution list and internally within Valley Metro Regional Public Transportation Authority.

If you have any questions or would like further clarification, please contact me at 602-322-4453.

Mary Modelska
Internal Auditor
April 6, 2018
Objective:

Determine whether Travel and Entertainment Expenses requested, incurred and reimbursed adhered to Valley Metro policies.

Scope:

The timeframe of the items under review was from July 1, 2016 through June 30, 2017. Items that were incurred prior to or carried over from this timeframe and that fall into the scope timeframe may be included within the population.

Items that were reviewed include: entertainment venues, hotel, airfare, rental cars, transportation, registration fees for conference/seminars/training, per diem, travel advances, tips, baggage fees and any other costs incurred during the course of travel or paid for by Valley Metro.

Methodology:

One hundred percent of the population was reviewed. Due to the sensitive nature of this area of expenditure, Internal Audit looked for 100% compliance. As exceptions were found, Internal Audit reported such exception to allow management to tighten controls surrounding the process.

We focused on the following areas:

- Proper preapproval for business required travel.
- Accuracy of traveler input.
- Verification, reconciliation, tracking and approval of each trip by the Travel Administration team.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed key staff in charge of Travel Administration in order to gain an understanding of existing internal controls.
- Obtained and reviewed the Travel Policy (effective July 28, 2016) and Travel Control List for fiscal year 2017 and compared them to:
  - A listing of the fiscal year 2017 Wells Fargo Travel Credit Card transactions and
  - The general ledger postings from the Abila Accounting System for the accounts associated with travel: 6307, 7305, 7306 and 7820.
Background

Valley Metro Internal Audit fiscal year 2017/18 approved Audit plan includes the Travel and Entertainment Expense audit. The Audit plan was approved by Audit and Finance Subcommittee (AFS) on June 15, 2017. The Audit plan was compiled by conducting a high-level risk assessment of the organization, including, interviewing members of the AFS and Valley Metro executive management (management), along with review of previous audit findings. An area of concern communicated by both the AFS and members of the management was expenses related to travel and entertainment. The greatest area of concern was related to compliance with the revised Travel Management Policy (policy). Significant modifications were made to the policy and process since issuance of the City of Phoenix Travel and Expense Audit released April 26, 2016.

Since issuance of the City of Phoenix audit report, management has implemented a number of changes to the area of travel and entertainment, including:

- Issuance of a revised Travel Management policy dated July 28, 2016;
- Requiring pre-approval by the Chief Executive Officer (CEO) before travel can be booked;
- Restricting who may make travel arrangements; and
- Including language in the Travel Management policy that allows travelers staying at a conference hotel, if necessary, to exceed the daily GSA rate.

Valley Metro incurs travel for a number of business purposes, including:

- Quarterly reporting to the Federal Transit Authority (FTA) on the status of capital projects;
- Attendance and/or presentation at training, meeting and/or conferences;
- Pre-inspection of equipment, such as buses and rail cars; or
- Observation of other jurisdictions transit systems.

Travel Administrators

Valley Metro does not use an outside agent or service to book travel. Employees, contractors, and members of the board (Travelers) provide information about their upcoming travel and/or conference/seminar on the Travel Authorization and Conference forms, route the forms for appropriate approval and then submit to one of three Valley Metro staff members known as “Travel Administrators” to fulfill the individuals travel and/or registration request.

According to the policy, Travel Administrators are “agency staff designated by the Chief Financial Officer (CFO), responsible for making travel arrangements, including registration for conference/seminar, airfare and lodging and post-travel duties including processing travel
expense reports”. Three Travel Administrators are located at 101 North First Avenue (101) building. All three have a Wells Fargo credit card, issued in their names, to book travel related expenses and make purchases on behalf of Valley Metro. The designated Travel Administrators are:

- Executive Administrative Coordinator
- Administrative Assistant III
- Accounting Technician

The Executive Administrative Coordinator primarily focuses on the CEO’s travel needs but will assist with backing up the other two Travel Administrators when necessary. The credit limit for the Administrative Assistant III and Accounting Technician was set at $10,000 during the scope of this audit. In February 2018, the Administrative Assistant III credit limit was raised to $15,000. The Executive Administrative Coordinator credit limit is $15,000.

**Booking Travel**

To book travel, the traveler must complete and print the tab within the Excel file called the *Travel Authorization*, last updated on July 1, 2015, located on the Intranet. Within this Excel file are three tabs each representing a different form. The tabs are:

- *Travel Authorization*,
- *Conference*, and
- *Expense Report*.

If individuals are traveling inside Maricopa County to attend a conference or seminar, they are to complete the *Conference* tab only. For a conference, seminar or event outside of Maricopa County, individuals are required to complete both the *Travel Authorization* and *Conference* tabs. Upon return from travel outside of Maricopa County, the Travelers must complete the *Expense Report* tab for reimbursement or to return any excess funds that had been advanced prior to travel.

The *Travel Management Policy* requires the Agency Travel, Conference and Out-of-County Training Form be submitted at least 21 days in advance of travel, so that the Travel Administrator can purchase travel at least 14 days prior to departure.
Travel Authorization Form

In order for a flight, hotel, and car reservation to be made, the traveler needs to complete the Travel Authorization form which includes:

- Name of the requestor, destination and purpose of the travel.
- Requested airlines, departure/return flight number and frequent flyer number.
- Preferred hotel, check in/out date, and General Service Administration (GSA) hotel maximum rate.
- If a rental car or travel advance is needed and if baggage will be checked.
- Cost estimates for the airfare, hotel, meals, transportation, baggage fees, subsidy, travel advance and total estimate of travel.
- Distribution code and activity for financial recording.
- Approval signatures from Supervisor/Manager, Division Director, Chief Financial Officer (CFO) and CEO.

Travel Authorization forms from the Greenfield or Tempe facilities are picked up by an employee and hand delivered to the Operation Maintenance Center (OMC). The OMC and Mobility Center place all Travel Authorization forms in an inter-office envelop for picked up by courier on Monday, Wednesday and Fridays and brought to the 101 building. This routing of the paper Travel Authorization can take different amounts of time to process a reservation, due to a request being held up within different level of management’s in-box and/or need for multiple hand offs for delivery to the 101 building for processing.

Conference Authorization Form

Individuals attending a seminar or conference within Maricopa County are required to only complete and print the Conference Authorization tab. The Conference/Seminar Authorization form includes:

- Requestors name and division.
- Seminar requested, cost and date offered.
- Relationship of the conference/seminar to job improvement.
- Distribution code and activity for financial recording.
- Approval signatures from Supervisor/Manager, Division Director, CFO and CEO.

Transportation costs associated with attending a conference or seminar within Maricopa County were not considered within the scope of this audit. The chart on the next page illustrates the expense breakdown for conferences, seminars, training and webinars within and outside of Maricopa County.
Expense Reporting Form

Upon return from travel, the Travel Expense tab is to be completed, printed and submitted. The Travel Policy states: “If a Traveler accepts a Travel Advance, a settlement must be made based on actual expenses paid. If actual expenses are less than the estimated amount, the Traveler will reimburse the Agency by writing a check payable to the “Valley Metro” for the unused balance and submit it with the Agency Travel, Conference and Out-of-County Training form within five (5) working days of returning to work.” The Travel Policy identifies one of the responsibilities of the traveler is to “submit actual post-travel expenses with itemized receipts and the Agency Travel, Conference and Out of County Training Form to Travel Administrator with five (5) working days after competing travel”.

The Travel Expense form includes:

- Employee name, destination and purpose (of travel expense).
- Breakdown of daily expenses including:
  - Airfare
  - Transportation
  - Lodging
  - Breakfast
  - Lunch
  - Dinner
  - Parking
  - Other
  - Per Diem
  - Daily total
- Any prepaid items are designated by an asterisk (*) on the form.
- Date, description and amount of any other expenses incurred during the trip.
- Distribution code and activity for financial recording.
- Approval signatures from Supervisor/Manager, Division Director, CFO and CEO.

The Travel Expense form requires the employee attach the “Travel Authorization and certify the expenses reported are in compliance with the Valley Metro Travel Policy” for expenses they incurred and are seeking reimbursement.

The chart to the left represents total amount paid for conferences, seminars, training, and webinars within and outside of Maricopa County. The amount show for “Outside Maricopa” represents registration fees and does not include associated travel expenses, such as: airfare, hotel, per diem, mileage, etc.
The Travel Administrators use a copy of the *Travel Authorization and Conference/Seminar form* to complete their monthly credit card reconciliation for expenses incurred by travelers for items such as airfare, registration, etc...

The policy, dated July 28, 2016, “is intended to ensure Agency related travel is conducted in a manner compliant with public agency best practices, as well as provide guidelines to complete travel procedures related to authorized and budgeted travel”. All travel will provide a justification and will be tracked against the Travel Control List. Emergency travel must be approved by the Division Head responsible and CEO prior to travel.”

**Travel Control List**

The Travel Control is a list of anticipated travel expenses requested on an annual basis during the budget process. As departments, divisions, and/or units are compiling their yearly budget, a list of travel related expenses are compiled. The Travel Control List does not include registration fee for any conferences or seminars as that is considered a separate line item in the budgeting process. The budgeted amount for this timeframe was $152,669.

**Travel Expenses**

Total travel expenses for the Valley Metro amounted to $119,054.33 for time period of July 1, 2016 through June 30, 2017. Fifty five employees made 93 trips during the timeframe. Below are highlighting of travel expenses found during the course of this audit.

**Exhibit 1: Travel Expenses by Type**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals</td>
<td>$18,007</td>
<td>15%</td>
</tr>
<tr>
<td>Misc</td>
<td>$2,124</td>
<td>2%</td>
</tr>
<tr>
<td>Airfare</td>
<td>$35,474</td>
<td>30%</td>
</tr>
<tr>
<td>Lodging</td>
<td>$59,551</td>
<td>50%</td>
</tr>
<tr>
<td>Other Transport</td>
<td>$3,541</td>
<td>3%</td>
</tr>
</tbody>
</table>

FY 2017 Travel Expense by Type
Exhibit 2: Average Travel Cost per Category

Exhibit 3: Top Attended Travel Event

Multiple Attendee Travel

<table>
<thead>
<tr>
<th>Event</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>APTA Rail Rodeo</td>
<td>9</td>
</tr>
<tr>
<td>FTA Quarterly 12/16/16</td>
<td>8</td>
</tr>
<tr>
<td>Rail-Volution Conference</td>
<td>5</td>
</tr>
<tr>
<td>APTA Annual Conference</td>
<td>5</td>
</tr>
<tr>
<td>MOD Sandbox Mtg</td>
<td>4</td>
</tr>
<tr>
<td>APTA Rail Conference</td>
<td>3</td>
</tr>
<tr>
<td>APTA Bus &amp; Paratransit Conference</td>
<td>3</td>
</tr>
<tr>
<td>APTA 2017 Legislative Conference</td>
<td>3</td>
</tr>
<tr>
<td>Rail Rodeo Planning Meeting</td>
<td>3</td>
</tr>
<tr>
<td>Bus Manufacturer Visit - El Dorado</td>
<td>3</td>
</tr>
<tr>
<td>FTA Transit Construction</td>
<td>2</td>
</tr>
<tr>
<td>FTA Quarterly Mtg 6/20/17</td>
<td>2</td>
</tr>
<tr>
<td>Pilot Bus Inspection</td>
<td>2</td>
</tr>
<tr>
<td>WTS Annual Conference</td>
<td>2</td>
</tr>
<tr>
<td>2017 APTA Marketing &amp; Communications...</td>
<td>2</td>
</tr>
<tr>
<td>Inspect Brookville Streetcar</td>
<td>2</td>
</tr>
<tr>
<td>TRB</td>
<td>2</td>
</tr>
</tbody>
</table>
During the timeframe under review, management proactively identified areas where internal controls could be enhanced. The Excel Travel Authorization was modified to remove the Conference tab and additional fields were added as listed below. The Conference tab was replaced with a separate form called the Professional Development Request. The Professional Development Request was released in November 2017 and was expanded to include a membership option. Previously, conferences, seminars and training were tracked on the Excel Conference tab. The additional items added to Travel Authorization were:

- Name of traveler as listed on state issued identification
- Name of the event
- Dates the event was being offered
- Reminder below the requestors signature “By signing above I acknowledge that I have read and understand Valley metro’s Travel policy”
- Travel Control List – yes or no
- Cell phone number to provide the airlines with a means to communicate updates
- Registration code general ledger distribution code

The Travel Expense Report was also modified in August 2017 to include a line for the Chief Executive Officers signature. Management appears to be continuing to self-review the process and modifying to increase controls, streamline the process and improve efficiency.
AUDIT RESULTS

Finding 1: Travel Policy Clarification

The Travel policy:

- Encourages individuals to stay at the conference or training host hotel site. If the host hotel nightly rate exceeds the GSA Lodging Rate Schedule, the excess host hotel rate is authorized. GSA §301-11.303 states: “The maximum amount that you may be reimbursed under actual expense is limited to 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate.” 17 of 93 travel instances were identified where the daily rate for lodging was in excess of the GSA published rate but under the 300 percent cap. The rates ranged from $35 to over $100 per night above the allowed GSA rate. Total spending on lodging for travel during fiscal year 2017 was $59,551, of which a total of $2,539 was spent in excess of GSA lodging limits (4.26%). Additionally, the Travel Authorization form states "Hotel expenses are reimbursable up to the maximum GSA hotel rate". Also, “the traveler is responsible for the difference in the rates.” Evidence of reimbursement by the traveler of the amount in excess of the GSA rate did not exist.

- Defines: “Agency Travel, Conference and Out-of-County Training form – The Valley Metro (Agency) form used to process all authorized and budgeted Agency travel. This form requires Division Head, Chief Financial Officer (CFO) and Chief Executive Officer (CEO) signature approval”. Of the 93 forms completed, two Division Head signatures were found not to be present.

- Identifies one of the responsibilities of the traveler is to “submit actual post-travel expenses with itemized receipts and the Agency Travel, Conference and Out-of-County Training form to Travel Administrator with five (5) working days after competing travel”. Of the 93 forms submitted, we found 45 forms were not submitted within five working days, based upon the date of the Expense Report. Below is a table outlining the number of days, after travel was completed, the Expense form was dated:

<table>
<thead>
<tr>
<th>Days</th>
<th>Number of Forms</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-5 Days</td>
<td>22 forms</td>
</tr>
<tr>
<td>6-9 Days</td>
<td>11 forms</td>
</tr>
<tr>
<td>11-15 Days</td>
<td>5 forms</td>
</tr>
<tr>
<td>Over 18 Days</td>
<td>7 forms</td>
</tr>
</tbody>
</table>

- States: “The Traveler will adjust the Per Diem amount for meals provided by business host or conference when applicable. If hotel has full breakfast included it will be deducted from per diem; continental breakfasts provided will not be deducted”. We found six occasion where a traveler requested per diem when food was to be provided by the host. The policy is silent on situation where the traveler may not be able to take part in others meals provided, due to dietary restitutions or timing of the meal coincides with business requirements.
The *Travel policy* provides the foundation by which travelers and administrators are to operate. Clear direction and instructions as to what is expected, allowed and un-allowed expenses alleviates confusion and incurring of expense which may be declined.

The *Travel policy* continues to mature and expand as travelers encounter situations which brings forth the need for further clarity to address situations not previously considered or addressed within the policy. As travelers are held accountable to the provisions within the Travel policy, areas not previously addressed have come to light.

**Recommendations:**

Management should align the *Travel policy* intent with associated forms and practices. If circumstances warrant travel to be completed in less than 21-day of the submission the *Agency Travel, Conference and Out-of-County Training* form, the policy should reflect such verbiage. The *Travel Authorization form* should be revised to include identification if the user is staying at the host hotel and the rate exceeds the GSA rate. Otherwise, revisions to verbiage related to “hotel expense are reimbursed up the to the maximum GSA hotel rate; and a traveler is responsible for the difference in the rates” should be considered. Further clarity should be added to the *Travel policy* advising the traveler if they are taking part in the meal provided by the host, the per diem amount should reflect accordingly. Travelers should be held accountable for submission of their *Expense* form within the five-days after travel has been completed. Finally, management should ensure appropriate signatures are gained prior to booking or reconciling final travel expenses.

**Views of Responsible Officials:**

Management concurs with the recommendation. Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that documentation is proper and complete.

**Responsible Party:**

Chief Financial Officer

**Due Date:**

May 31, 2018
Finding 2: Travel Policy Exceptions

After reviewing 93 travel requests, 87 instances were in compliance. In six instances, documentation was insufficient to determine whether costs were appropriate. The six instances were:

- One traveler requested to arrive at a more distant airport and rent a car to a different city where the conference was held. The traveler indicated on the Travel Authorization form the arrival city would be a savings. Additionally, a copy of the airfare cost comparison nor explanation was not included. Therefore evidence to verify the saving was not present.
- One traveler used a more expensive vehicle option for transportation for a San Francisco hotel to the Oakland airport at the end of the conference. The cost was $96. An explanation as to why this vehicle was selected did not exist within the travel file.
- One traveler utilized the terminal parking at Phoenix Sky Harbor airport for two days. Resulting in a reimbursed expense of $50.00 ($25 a day) verses $22 ($11 a day). The Travel policy states: “economy parking should always be used”. This was the travelers’ first trip for Valley Metro and was unaware of the Travel policy parking requirements.
- One traveler purchased the CEO a $150 ticket for the Rail Rodeo Awards Banquet and submitted the expense. The traveler did obtain the CEO approval on her Expense form; but additional approval was not obtained from the CFO nor Board of Directors on the expense for the CEO.
- On two occasions airfare was purchased at four and six days prior to departure resulting in fares of $1,052.00 (Savannah GA) and $1,285.20 (San Francisco). The Travel policy states: traveler(s) are to “submit the Agency Travel, Conference and Out-of-County Training Form at least 21-days in advance to travel so that the Travel Administrators can purchase travel at least 14-days prior to departure”. The travel was approved, but the reasons why these purchases were made less than 14-days prior to departure was not documented within the travel file.

The Travel policy states: “Extenuating circumstances may arise during travel which may require unanticipated expenses. Whenever possible, approval should be received from the CEO and CFO prior to incurring the expense”. Evidence to demonstrate follow-up on unusual expenses was not maintained with Expense forms. This is resulting in expenses being Travel policy exceptions.

Recommendations:

Management should require travelers acknowledge review of the current Travel policy on an annual basis. Travel Administrators should document within the travel file any unusual requests for travel expenses and receive appropriate approval for such requests prior to
booking. Travelers should be required to explain any unusual expenses incurred on the Expense form prior to being approved for reimbursement.

Views of Responsible Officials:
Management concurs with the recommendation. Annual refresher training will be provided to ensure compliance with the Travel Policy.

Responsible Party:
Chief Financial Officer

Due Date:
May 31, 2018
Information Summary

DATE
April 6, 2018

SUBJECT
Internal Audit Update

PURPOSE
To update the Audit and Finance Subcommittee on actions taken to continue to build Internal Audit.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Item presented for information only.

CONTACT
Mary Modelska
Internal Audit Manager
mmodelska@valleymetro.org
602-262-7433

ATTACHMENT
None
## Travel and Entertainment Expense Audit

<table>
<thead>
<tr>
<th>No.</th>
<th>Finding</th>
<th>Response</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Travel Policy Clarification</td>
<td>Management concurs with the recommendation. Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that documentation is proper and complete.</td>
<td>5/31/18</td>
</tr>
<tr>
<td>2.</td>
<td>Travel Policy Exceptions</td>
<td>Management concurs with the recommendation. Annual refresher training will be provided to ensure compliance with the Travel Policy.</td>
<td>5/31/18</td>
</tr>
</tbody>
</table>
City of Phoenix - Audit Objectives and Scope

Meet with:
- Valley Metro management – under way
- Key stakeholders – under way
- Audit and Finance Subcommittee (AFS) – April and May

Gather areas of concern
- What are some of your areas of concern?
- Do you have any specific area you would like reviewed? Why?

Document areas of concern within Excel – on going

Rank areas of concern – May

Compile recommendations for 2018/19 Audit Plan - June
Submit recommended 2018/19 Audit Plan to AFS for approval - June
Publish 2018/19 Audit Plan on Internet IA webpage - June
## Fiscal Year 17/18 Audit Plan

<table>
<thead>
<tr>
<th>Process</th>
<th>Objective – Determine If:</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals process</td>
<td>Accrual process is operating effectively</td>
<td></td>
</tr>
<tr>
<td>Credit card transactions</td>
<td>Credit card transactions adhere to the documented policy</td>
<td>✔</td>
</tr>
<tr>
<td>New employee relocation expenses</td>
<td>New employee relocation expenses adhere to the documented policy</td>
<td>✔</td>
</tr>
<tr>
<td>Non-revenue fleet management</td>
<td>Vehicles are adequately tracked for physical location of storage and assignment</td>
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</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>Travel and entertainment expenses adhere to the documented policy</td>
<td>✔</td>
</tr>
<tr>
<td>Hardware and software management strategy is within organizational standards and best practices</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Contracts process</td>
<td>Contracts adhere to the award, review and closure process</td>
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</tr>
<tr>
<td>Non-contract procurement</td>
<td>Non-contract items are acquired in compliance with procurement policies</td>
<td>Beginning</td>
</tr>
<tr>
<td>RFP/RFQ/Bid Awards</td>
<td>Request for proposal/quotation and/or bid awards are in compliance with procurement policies</td>
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</tr>
<tr>
<td>External Audit(s)</td>
<td>Facilitate execution of external audit(s) conducted by outside parties</td>
<td>Continuous</td>
</tr>
</tbody>
</table>

Preliminary survey indicated there were only three participants who were in compliance with the policy

## Update:

### Policies:

- Ethics – Under review with the CEO.
- Procurement Policy – General Counsel has advised he and the CEO are in the final stages of the policy.

### In conjunction with:

- COP – Facilitating the City of Phoenix Internal Audit documentation requests and remediation efforts for areas of potential concern.
- Entrance Meeting for the Non-Contract Procurement audit will be held after this meeting (4/12). Focus is upon purchases made without an RFP/RFQ/RFI.
- Information Technology – KPMG and Microsoft licensing true-up. Authorization for purchase of general software licensing for agency personnel will be coming to the board in May to comply with the May 30th due date.
- Management – Begun meeting with members of management and key stakeholders for the annual risk assessment.
- Human Resources – Candidates references are being checked.
Information Summary

DATE
April 6, 2018

AGENDA ITEM 5

SUBJECT
Valley Metro RPTA Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget

PURPOSE
To provide information regarding the Valley Metro RPTA FY19 Preliminary Operating and Capital Budget.

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Regional Public Transportation Authority (RPTA) FY19 combined operating and capital budget (the budget) is $319.0 million (M) and includes $60.1M of expenses for light rail/high capacity transit capital.

The preliminary FY19 operating and capital budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on an accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The RPTA budget includes a significant level of expenditures on behalf of Valley Metro Rail (VMR). RPTA is the official employer for all Valley Metro employees therefore all employee related expenses for VMR are include in the RPTA budget. VMR reimburses RPTA for its share of employee expenses. RPTA is also the recipient of all public transportation funds received from Proposition 400. Revenues to support the rail program are passed through to VMR on a reimbursement basis.

The total operating budget of $192.0M represents a $5.9M (3%) increase from the previous year’s operating budget of $186.1M. The total capital budget of $127.1M represents a $17.0M (12%) decrease from the previous year’s capital budget of $144.1M. Details and explanations of the major budget changes are discussed in the Executive Summary on the website.
The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY19 there are 376 employees budgeted in the integrated agency, with 151 FTE’s budgeted to RPTA activities and 225 budgeted to VMR activities. Compensation budget based on 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

**STRATEGIC PLAN ALIGNMENT**

This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
  - Tactic C: Deliver projects and services on-time/on-budget.
  - Tactic E: Maintain strong fiscal controls to support Valley Metro’s long-term sustainability.

**COMMITTEE PROCESS**

Preliminary Budget Review:
- Financial Working Group: March 20, 2018 for information
- RTAG: March 20, 2018 for information
- TMC: April 4, 2018 for information
- AFS: April 12, 2018 for information
- Board of Directors: April 19, 2018 for information

Proposed Budget Adoption:
- TMC: June 6, 2018 for action
- AFS: June 14, 2018 for action
- Board of Directors: June 21, 2018 for action

**RECOMMENDATION**

This item is being presented for information only.

**CONTACT**

Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

**ATTACHMENT**

None

The Valley Metro RPTA FY19 Preliminary Executive Summary is located on the Valley Metro website: [https://www.valleymetro.org/finance-budget-reports](https://www.valleymetro.org/finance-budget-reports)
DATE       AGENDA ITEM 6
April 6, 2018

SUBJECT
Valley Metro Rail, Inc. Fiscal Year 2019 (FY19) Preliminary Operating and Capital Budget

PURPOSE
To provide information regarding the Valley Metro Rail, Inc. FY19 Preliminary Operating and Capital Budget.

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Rail, Inc. (VMR) FY19 combined operating and capital budget (the budget) is $308.4 million (M) and includes $36.7M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit capital.

The preliminary FY19 operating and capital budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards, reserves and bond proceeds. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on a modified accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The total operating budget of $69.0M represents a $1.2M (2%) decrease from the previous year’s operating budget of $70.2M. The total capital budget of $239.5M represents a $44.3M (23%) increase from the previous year’s capital budget of $195.2M. Details and explanations of the major budget changes are discussed in the Executive Summary on the website.

With the agency integration, the RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY19 there are 376 employees budgeted in the integrated agency, with 151 FTE’s budgeted to RPTA
activities and 225 budgeted to VMR activities. Compensation budget based on 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

**STRATEGIC PLAN ALIGNMENT**
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- **Goal 2**: Advance performance based operation
  - **Tactic C**: Deliver projects and services on-time/on-budget.
  - **Tactic E**: Maintain strong fiscal controls to support Valley Metro’s long-term sustainability.

**COMMITTEE PROCESS**
Preliminary Budget Review:
- Financial Working Group: March 20, 2018 for information
- RTAG: March 20, 2018 for information
- RMC: April 4, 2018 for information
- AFS: April 12, 2018 for information
- Board of Directors: April 19, 2018 for information

Proposed Budget Adoption:
- RMC: June 6, 2018 for action
- AFS: June 14, 2018 for action
- Board of Directors: June 21, 2018 for action

**RECOMMENDATION**
This item is being presented for information only.

**CONTACT**
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

**ATTACHMENT**
None

The Valley Metro Rail, Inc. FY19 Preliminary Executive Summary is located on the Valley Metro web site:

[https://www.valleymetro.org/finance-budget-reports](https://www.valleymetro.org/finance-budget-reports)
Information Summary

DATE
April 6, 2018

AGENDA ITEM 7

SUBJECT
Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE
To provide an update to the Audit and Finance Subcommittee on upcoming Intergovernmental Agreements, Contract Amendments and Awards that will be presented to the Boards of Directors for action. For additional background information, the Board Information Summaries are included.

The following items will be presented to the Boards of Directors for approval:

A. Financial Services Audit Contract Extension
Execute an extension through December 31, 2018 with CliftonLarsonAllen LLP for Financial Audit Services utilizing a Cooperative Agreement extension (16031-FAS) through the State of Arizona. The period of service will cover the fiscal year 2018 audit.

B. Information Technology Solutions
Allocate $1,373,900 to purchase additional hardware, software, licensing, and professional services as well as to enter into contracts not to exceed $3,118,000, which includes a contingency amount of $347,000.

C. Project Management/Construction Management Services Contract Amendment
Execute a contract amendment for the Program Management/Construction Management (PM/CM) Services contract with PB/Wong to allow them to complete their construction oversight responsibilities for the Gilbert Road Light Rail Extension for an amount not to exceed $1,987,371.

RECOMMENDATION
For information only.

CONTACT
Paul Hodgins
Chief Financial Officer
phodgins@valleymetro.org
602-262-7433

ATTACHMENT
Information Summaries for items listed above
Information Summary

DATE
April 6, 2018

AGENDA ITEM 7A

SUBJECT
Financial Audit Services Contract Extension

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute an extension through December 31, 2018 with CliftonLarsonAllen LLP for Financial Audit Services utilizing a Cooperative Agreement extension (16031-FAS) through the State of Arizona. The period of service will cover the fiscal year 2018 audit.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro Rail Inc. (VMR) and the Regional Public Transportation Authority (RPTA) executed a contract with CliftonLarsonAllen LLP (CLA) in May 2016 utilizing the State of Arizona Financial Audit Services Cooperative Agreement Contract ADSP013-046756. CLA was contracted to audit the VMR and RPTA financial statement and Federal Single Audit Act audits for fiscal years ending June 30, 2016 and 2017.

These audits were performed in accordance with generally accepted auditing standards, as set forth in the General Accounting Office’s (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The State of Arizona’s Cooperative Agreement Contract with CLA was extended through December 31, 2018. Based on the timing of the Fiscal Year 2018 audit, the need to have one audit firm complete the audit and the timeframe needed to procure a new audit services an extension of the current contract through December 31, 2018 is requested.

COST AND BUDGET
Costs for the Fiscal Year 2018 audit contract with CliftonLarsonAllen LLP on the Cooperative Agreement Contract Extension is $93,700. A 10% contract contingency of $9,370 is recommended for adjustments to scope of work.

VMR share of the Fiscal Year 2018 contract will be $43,200 plus a 10% contingency of $4,320. The RPTA share of the Fiscal Year 2018 contract will be $50,500 plus a 10% contingency of $5,050. A portion of the FY 2018 audit is included in the FY 2018 adopted budget and a portion is included in the FY 2019 proposed budget. The costs
for VMR will be city funded in the Agency Operating Budget. The costs for RPTA will be funded through the overhead allocation pool.

**COMMITTEE ACTION**
RTAG: March 20, 2018 for information
TMC/RMC: April 4, 2018 for approval
Boards of Directors: April 19, 2018 for action

**RECOMMENDATION**
Staff recommends the AFS forward to the Board of Directors authorization for the CEO to execute an extension with CliftonLarsonAllen LLP for Financial Audit Services until December 31, 2018, utilizing a Cooperative Agreement extension (16031-FAS) through the State of Arizona. The period of service will cover the fiscal year 2018 audit for $93,700 plus a 10% contract contingency of $9,370.

**CONTACT**
Paul Hodgins
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phodgins@valleymetro.org

**ATTACHMENT**
None
DATE
April 6, 2018

AGENDA ITEM 7B

SUBJECT
Information Technology Solutions

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase additional hardware, software, licensing, and professional services to improve the information systems and information security of the agency. In addition, to request Board authorization for CEO to execute:

- A five-year contract with Mosaic451 for 24x7 security monitoring with incident response services and onsite staff in an amount not to exceed $2,076,000 plus an additional $208,000 (10%) contingency for the period of July 1, 2018 to June 30, 2023.
- A five-year contract with Imagine Technologies for managed printing services for our large MFP printers in an amount not to exceed $475,000 plus an additional $95,000 (20%) contingency for the period of July 1, 2018 to June 30, 2023.
- A two-year contract with Alesig Consulting, LLC for maintenance and upgrades for our Customer Assistance System (CAS) in an amount not to exceed $220,000 plus an additional $44,000 (20%) contingency for the period of July 1, 2018 to June 30, 2020.

BACKGROUND/DISCUSSION/CONSIDERATION
Staff tasked the new Information Technology (IT) Manager with reviewing Agency information systems to identify risks and opportunities, and then move to mitigate the former and pursue the latter. Outlined below are seven purchases of hardware, software, licensing, and professional services, along with three contracts, required to reduce the Agency’s information security risks and pursue opportunities for cost savings and improved service levels.

Staff requests funds not to exceed $125,000 with an additional $12,500 (10%) contingency for the purchase of additional Storage Area Network (SAN) equipment for the Mobility Center (MOB) and the Operations & Maintenance Center (OMC) from Nimble Storage. Currently our Backup and Disaster Recovery (BDR) system allows us to continue providing access to operations-critical information systems and data in the event of a disaster (fire, power outage, internet service outage, cyberattack, etc.) affecting any given facility, as long as our colocation facility is not impacted. This additional equipment will remove the single point of failure and allow us to sustain
information system operations under such conditions as long as either the colocation facility or the OMC remains functional.

Staff request funds not to exceed $284,000 with an additional $28,400 (10%) contingency for the purchase of network switches for the 101 building from World Wide Technology, Inc. (WWT). The existing equipment has reached its manufacturer’s End of Life (EoL), and will no longer receive security updates for newly discovered vulnerabilities or manufacturer support in the event of hardware failure. This makes the aged equipment both an information security risk and a liability to guaranteeing information system access to end users in the 101 building. Replacing the aged equipment with equivalent modern models also provides us with the opportunity to improve network speed, service levels, and eliminate brownouts to devices (desk phones, wireless access points, etc.) powered from the switches.

Staff request funds not to exceed $260,000 with an additional $26,000 (10%) contingency for the purchase from and implementation by Extreme Integration of software for agent scheduling, quality assurance recording, and performance reporting at the Customer Service call center. Replacing this software will reduce the risk of staffing levels negatively affecting availability, customer satisfaction and cost effectiveness. It will also address the information security risk and information system availability liability introduced by the requirement to keep other systems downgraded to EoL operating system versions to continue interfacing with the outdated system. The implementation will also introduce the opportunity to implement additional functionality in existing systems that the downgraded operating systems are preventing, such as direct agent-to-agent chat.

Staff request funds not to exceed $300,000 with an additional $30,000 (10%) contingency to purchase the core modules of a new Oracle Human Resources Information System (HRIS) software and initial implementation professional services from DLT Solutions. Implementation of this software will eliminate the risk of exposure of our Personally Identifiable Information (PII) through manual and less secure digital (e.g. email) transmission. It will also allow the opportunity to eliminate unnecessary delay and manual effort in a number of core processes through direct data flow between systems. Full implementation is currently scheduled to complete in FY 2019 and additional funds have been budgeted in that period for the second phase of this project.

Staff request funds not to exceed $90,000 with an additional $9,000 (10%) contingency to purchase additional audiovisual and teleconferencing equipment for the boardroom from Immedia Integrated Technologies and Extreme Integration. This equipment furthers compliance with the Americans with Disabilities Act (ADA) by introducing an assistive listening system for board and other public forum meetings. It also provides the opportunity to improve the board meeting experience for the public, as well as tying in with the existing teleconferencing systems at the MOB and OMC to allow for agency-
wide remote conferencing and cost savings from the resulting reduction in travel between facilities.

Staff request funds not to exceed $60,000 with an additional $6,000 (10%) contingency to extend an existing Purchase Order with Twilio, Inc. for our Short Message Service (SMS) short code. The ridership uses this five-digit number to receive NextRide and other similar updates via SMS texting from a mobile device. Staff has determined that current regulations do not allow us to treat this function as a utility like long distance service, and need to establish an appropriate contract. Staff also needs to continue providing the service to riders while staff pursues that competitive procurement process.

Staff request funds not to exceed $130,000 with an additional $13,000 (10%) contingency to purchase professional services from Mosaic451 to review and improve our existing information security program. Mosaic451 is a locally headquartered Managed Security Services Provider (MSSP) with extensive experience in the Government, Transportation, and Public Transit industries (AZDOT, RTD, BART, et al.). Implementing these improvements will reduce the risk of exposure of agency, partner agency and ridership PII or interruption of mission-critical information systems due to malicious cyber-activity. It will also help us insure our compliance with the latest revision of the Payment Card Industry Data Security Standard (PCI DSS) requirements as staff works to introduce mobile ticketing and other digital fare opportunities.

In support of the aforementioned information security program, staff requests funds not to exceed $2,076,000 with an additional $208,000 (10%) contingency to establish an MSSP contract with Mosaic451 not to exceed five years in length. Mosaic451 would provide 24x7 Security Operations Center (SOC) monitoring of our network, instant containment response to any security incidents, and an on-site staff position that could be rotated in or out depending on the information security skill set required by a given situation. This service will significantly reduce our risk of malicious penetration of our networks and information systems, as well as insuring our compliance with PCI DSS requirements and information security best practice standards such as the National Institute of Science an Technology’s (NIST) special publication 800-53. Contractor performance will undergo evaluation every 12 months with an exit option written into the contract in the event of failure to perform.

Staff request funds not to exceed $475,000 with an additional $95,000 (20%) contingency to establish a contract with Imagine Technologies for Managed Print Services (MPS) to cover our Multi-Function Printer (MFP) fleet not to exceed five years in length. This contract will cover maintenance and consumables for our MFPs and plotters, as well as introducing a centralized print management software and electronic faxing (eFax). This contract will reduce the risk of exposure of confidential HR, Legal, or other information (PII, etc.) as physical copies are created. This contract also provides multiple cost saving opportunities through fleet consolidation, consumable usage reduction, elimination of phone lines for faxing, and on-site consumable stock reduction.
Contractor performance will undergo evaluation every 12 months with an exit option written into the contract in the event of failure to perform.

Staff request funds not to exceed $220,000 with an additional $44,000 (20%) contingency to establish a contract with Alesig Consulting, LLC for Customer Assistance System (CAS) Maintenance not to exceed two years in length. This contract will cover maintenance and upgrades for our CAS system as well as the outgoing SMS texting response portion of our NextRide system. This contract will allow staff to continue networking with our partner agencies to handle customer complaints and allow the Agency to continue providing automated NextRide SMS text response service to riders.

COST AND BUDGET
The seven direct purchase items carry a cost of $1,373,900, which includes a contingency amount totaling $124,900. The RPTA portion is $1,069,200 and the VMR portion is $304,700. The majority of funds will be spend in FY2018, though some professional services outlays not anticipated to exceed $250,000 might occur in FY2019.

The Managed Security Services Contract and Managed Print Services Contract for approval each have a total term not to exceed five years. For the total term of the contracts, the award cost is $2,854,000, which includes a contingency amount totaling $303,000 (10% & 20% respectively), the RPTA portion is $1,427,000 and the VMR portion is $1,427,000.

The Customer Assistance System Maintenance Contract for approval has a total term not to exceed two years. For the total term of the contract, the award cost is $264,000, which includes a contingency amount totaling $44,000 (20%), the RPTA portion is $264,000 and the VMR portion is $0.

All costs in FY18 are included in the RPTA and VMR Amended FY 2018 Operating and Capital Budgets. Contract Obligations beyond FY18 will be incorporated into the RPTA and VMR FY19 Operating and Capital Budgets and Five-Year Operating Forecast and Capital Program (FY19 thru FY23).

COMMITTEE PROCESS
RTAG: March 20, 2018 for information
TMC/RMC: April 4, 2018 for action
Boards of Directors: April 19, 2018 for action

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- **Goal 1: Increase customer focus**
  - Tactic A: Improve customer satisfaction
- Tactic C: Enhance customer service to member cities

- **Goal 2: Advance performance based operation**
  - Tactic B: Enhance Valley Metro’s role in sustainability and the environment
  - Tactic D: Maintain a culture to recruit and retain a qualified and diverse workforce
  - Tactic E: Maintain strong fiscal controls to support Valley Metro’s long-term sustainability

- **Goal 4: Focus on economic development, regional competitiveness and financial resources**
  - Tactic C: Seek opportunities to increase revenue generation

**RECOMMENDATION**
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to allocate $1,373,900 to purchase additional hardware, software, licensing, and professional services as well as to enter into contracts not to exceed $3,118,000, which includes a contingency amount of $347,000.

**CONTACTS**
Rob Antoniak  Phil Ozlin
Chief Operating Officer  Manager, Information Technology
602-495-8209  602-495-8253
rantoniak@valleymetro.org  pozlin@valleymetro.org

**ATTACHMENT**
Purchase & Contract Summaries
# Purchase Summary

<table>
<thead>
<tr>
<th>Project</th>
<th>Vendor</th>
<th>Procurement Method</th>
<th>Cost</th>
<th>Funding (%RPTA/%VMR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twilio Short Code Extension</td>
<td>SHI International Corp.</td>
<td>State Contract ADSPO16-130651</td>
<td>$66,000</td>
<td>100% / 0%</td>
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<tr>
<td>Information Security Program Overhaul</td>
<td>Mosaic451</td>
<td>State Contract ADSPO16-157083</td>
<td>$143,000</td>
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<td>101 Building Network Refresh</td>
<td>World Wide Technology, Inc.</td>
<td>State Contract ADSPO16-137345</td>
<td>$312,400</td>
<td>50% / 50%</td>
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<tr>
<td>Storage Area Network (SAN)</td>
<td>Nimble Storage</td>
<td>State Contract ADSPO16-112918</td>
<td>$137,500</td>
<td>68% / 32%</td>
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<tr>
<td>Customer Service Call Center Applications</td>
<td>Extreme Integration</td>
<td>Mohave 16B-EXTR-0723</td>
<td>$286,000</td>
<td>100% / 0%</td>
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<tr>
<td>Human Resources Information System</td>
<td>DLT Solutions</td>
<td>US Communities 13120-RFP, Maricopa County</td>
<td>$330,000</td>
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<td>Board Room Improvements</td>
<td>Immedia Extreme Integration</td>
<td>State Contract ADSPO12-032707</td>
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Subtotal   $1,373,900

# Contract Summary

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<tr>
<th>Project</th>
<th>Vendor</th>
<th>Procurement Method</th>
<th>Cost</th>
<th>Funding (%RPTA/%VMR)</th>
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<tbody>
<tr>
<td>Managed Security Services, 5-Year</td>
<td>Mosaic451</td>
<td>State Contract ADSPO16-112918</td>
<td>$2,284,000</td>
<td>50% / 50%</td>
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<td>Service Description</td>
<td>Vendor</td>
<td>Contract Type</td>
<td>Amount</td>
<td>Percentage Share</td>
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<td>-------------------------------------------</td>
<td>-----------------------------------------</td>
<td>------------------------</td>
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<tr>
<td>Customer Assistance System Maintenance, 2-Year</td>
<td>Alesig Consulting, LLC</td>
<td>GSA Schedule 70</td>
<td>$264,000</td>
<td>100% / 50%</td>
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<tr>
<td>Managed Print Services, 5-Year</td>
<td>Imagine Technologies Group</td>
<td>State Contract</td>
<td>$570,000</td>
<td>50% / 50%</td>
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<tr>
<td></td>
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<td><strong>Subtotal</strong></td>
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<tr>
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<td><strong>$3,118,000</strong></td>
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Information Summary

DATE
April 6, 2018

AGENDA ITEM 7C

SUBJECT
Program Management/Construction Management Services Contract Amendment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract amendment for the Program Management/Construction Management (PM/CM) Services contract with PB/Wong to allow them to complete their construction oversight responsibilities for the Gilbert Road Light Rail Extension for an amount not to exceed $1,987,371.

BACKGROUND/DISCUSSION/CONSIDERATION
The PB/Wong Joint Venture has been providing PM/CM Services for Valley Metro since 2012 for several projects, including:
- Northwest Light Rail Extension, Phase I
- Central Mesa Light Rail Extension
- Gilbert Road Light Rail Extension

PB/Wong has provided PM/CM services for the Gilbert Road Light Rail Extension since final design was initiated in August 2015, and their team was subsequently ramped up when construction commenced in October 2015. Changes in the project’s scope late in the design phase resulted in an elongated design and construction duration. This also affected the schedule and cost for PM/CM services. Project construction is currently approximately 50% complete.

Revenue Service for the Gilbert Road Light Rail Extension is forecasted to be in May 2019, with project close out typically taking 4 to 6 months beyond revenue service. PB/Wong is providing PM/CM services for project construction through a staff of professional engineers and field inspectors. In addition, they are providing all quality control testing and quality assurance testing for Valley Metro facilities. The PB/Wong team will also support Valley Metro in integrated testing, system startup and the safety certification process.

It will be most efficient for Valley Metro to continue utilizing PB/Wong through completion of the Gilbert Road Light Rail Extension, rather than to move PM/CM responsibilities for this project to Valley Metro’s new consultant (Hill International). This will provide staff continuity and maintain the expected level of quality through construction. A contract amendment, requiring Board approval, is necessary for PB/Wong to continue work beyond this summer.
COST AND BUDGET
Adequate PM/CM funding is included in the FY18 Valley Metro Rail budget, and appropriate funds are also programmed in the draft FY 2019 budget. However, PB/Wong’s contract is anticipated to reach its Board authorized expenditure limit in July 2018. Additional contract spending authority not to exceed $1,987,371 is needed for PB/Wong to complete the Gilbert Road Light Rail Extension. This project is funded with federal and City of Mesa dollars. No regional Public Transportation Funds are included.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
  - Tactic C: Deliver projects and services on-time/on-budget.
- Goal 3: Grow transit ridership
  - Tactic A: Expand and improve transit services to reach new markets.
  - Tactic B: Improve connectivity of transit services for greater effectiveness.

COMMITTEE PROCESS
RTAG: March 20, 2018 for information
RMC: April 4, 2018 for action
Board of Directors: April 19, 2018 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract amendment for the Program Management/Construction Management Services contract with PB/Wong to allow them to complete their construction oversight responsibilities for the Gilbert Road Light Rail Extension for an amount not to exceed $1,987,371.

CONTACT
Wulf Grote, PE
Director, Capital & Service Development
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wgrote@valleymetro.org

ATTACHMENT
None
DATE 
April 6, 2018

SUBJECT 
Future Agenda Items Request and Report on Current Events

PURPOSE 
Chair Orsborn will request future agenda items from members, and members may provide a report on current events.

BACKGROUND/DISCUSIION/CONSIDERATION 
None

COST AND BUDGET 
None

COMMITTEE PROCESS 
None

RECOMMENDATION 
This item presented for information only.

CONTACT 
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Chief Financial Officer 
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ATTACHMENT 
None.

Pending Items Request

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<th>Item Requested</th>
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Valley Metro I 101 N. 1st Ave. Phoenix, AZ 85003 602.262.7433