M E M O R A N D U M

FINAL AUDIT REPORT WITH RECOMMENDATIONS
Contract Audit No. 09-037

SUBJECT: Audit of Martek Global Services, Inc.   **DATE:** October 2, 2009
Contract No. CO-6048

FROM: OIG – Helen Lew /s/

TO: GM – John B. Catoe, Jr.

This Final Audit Report entitled *Audit of Martek Global Services Contract No. CO-6048*, presents the results of our audit. At the request of the Washington Metropolitan Area Transit Authority's (WMATA) Assistant General Manager (AGM) for the Office of Workforce Services (WORX), we conducted an audit of Contract No. CO-6048, a requirements contract for database consulting services. The AGM expressed concern that WMATA did not receive the services prescribed in the contract and that contract management and procedures were not followed. The objectives of our audit were to determine whether: (1) the contractor performed work in accordance with contract terms and provisions and (2) payments made under the contract were proper. We added a third objective later to determine the status of the training software module tasked in the contract.

BACKGROUND

The Office of Organizational Development (ODEV), Division of Workforce Development and Administration needed contractual services to address training and developmental requirements.[1] WMATA issued a Request for Proposals (RFP)[2] in March 2006 to solicit offers to "provide a wide variety of computer skills training, e-learning courseware and services." The RFP requested services in six areas: (1) presentation of standard personal computer training courses; (2) highly technical computer training courses; (3) design and development of database applications; (4) provision of distance learning/on-line meetings; (5) provision of standard, off-the-shelf, computer based training library; and (6) design and development of media-based training.

On June 27, 2006, WMATA awarded an hourly requirements contract (Contract No. CO-6048) to Martek Global Services, Inc. to provide services in two of the six areas--design and development of database applications and design and

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[1] The requirements were in four categories: (1) managerial and leadership skills, (2) professional and technical skills, (3) core skills and career management, and, (4) organizational analysis and intervention.
[2] RFP No. CO-6007/STH.

development of media-based training. Six task orders were issued under this contract before it was terminated in April 2008. Task Order Number (No.) 1 was for the migration of WMATA's legacy TrainingServer system to the PeopleSoft Enterprise Learning Management (ELM) system.[3] The other five task orders were for database technical support and maintenance of databases and systems, such as the TrainingServer, Question Mark, and Computer Kiosks. Total estimated costs for year one of the contract were $649,760, and total expenditures were $1.1 million. Total expenditures from July 2006 through April 2008 were $1.4 million.

WMATA had purchased PeopleSoft's ELM system in June 2004 for $213,960, as well as a support and maintenance services agreement.[4] Maintenance fees were paid through fiscal year 2007. In May 2006, WMATA's Board of Directors (Board) approved a request in the form of a Metro Electronic Action Document (MEAD) to install the ELM software system for $900,000. RFP CQ7071 was issued in March 2007, soliciting vendors to install ELM, but this RFP was cancelled in June 2007 due to insufficient funds.

AUDIT RESULTS

We found that WMATA did not adequately manage the Martek contract to ensure that data migration from the legacy system, TrainingServer, to the PeopleSoft ELM system would be completed and within budget. Specifically, WMATA directed the contractor to perform general database support services rather than the data migration services prescribed in Task Order No. 1 of the contract.

In addition, while we found that contract payments made to Martek were proper, WMATA did not have adequate budgetary controls over task order payments to ensure funds were available to complete the data migration services, as well as to install the ELM system.

Lastly, WMATA must continue to use the legacy system after having spent more than $400,000 on the ELM system.

In the General Manager's September 30, 2009 response to a draft of this report, he agreed with three of the five recommendations. He stated neither agreement nor disagreement with Recommendations 2.1 (implement an encumbrance or similar system to reserve funds designated for specific purposes) and 3.1 (ensure that additional personnel are cross-trained on how to maintain and support users of TrainingServer). The General Manager did cite actions taken or planned to address the OIG concerns expressed in these two recommendations. The complete text of the General Manager's response is included as Attachment 1 of this report.

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[3] TrainingServer is a commercial off-the-shelf training application. TrainingServer tracks WMATA internally-administered training, launches and tracks computer-based training, launches and tracks individual testing and assessments, and produces reports and electronic notifications.
[4] Support and maintenance fees for the first year were an additional $42,752, and cost for subsequent years through fiscal year 2007 was approximately $50,000 per year.

Finding 1 – Data Migration Work Was Not Completed.

Under Task Order No.1 of Contract No. CO-6048, Martek was required to perform several high-level tasks related to the migration of data in TrainingServer to the PeopleSoft ELM system. WMATA had set aside $340,357 for this task order on June 26, 2006, and a Notice to Proceed was issued on July 3, 2006. This task order included developing a detailed project plan, developing a follow-up project plan, migrating course history, determining and implementing security setup, developing training migrating data to production, and starting parallel data entry.

The migration work prescribed in Task Order No. 1 was not completed because the contracting officer's technical representative (COTR) directed the contractor to work on tasks prescribed in Task Order Nos. 2 through 6, which were for general database support services. We reviewed the timesheets for Martek consultants, who worked on Task Order No. 1, and we noted that they worked on non-migration tasks, including working on server solutions, reviewing certification programs, reviewing and testing new organization charts, modifying a student's name to get test results, addressing issues related to the Fire Ext CBT, working on bundled training spreadsheets, creating project lists for the Fiscal Year 2007 work plan, and creating badges. Only a small percentage of the charges related to data migration of TrainingServer to the ELM system—review documentation, follow up with Oracle, prepare planning documents for PeopleSoft, match the PeopleSoft organization chart with the Visio organization chart, and meet with the Oracle representative about the ELM system.

We identified several reasons why Martek did not complete the data migration from the legacy system to the ELM system. These include: (1) the COTR assigned to the Martek contract did not properly carry out his duties and responsibilities, (2) there was poor management oversight over the Martek contract and the ELM project, and (3) the procurement vehicle used to acquire data migration services for the ELM system may not be the most appropriate.

<u>COTR Did Not Properly Carry Out Duties and Responsibilities</u>

According to WMATA's policies and procedures for COTRs, the COTR acts as the principal point of contact with the contractor, including reviewing and approving invoices and payment estimates; notifying the Contracting Officer when the estimated cost not-to-exceed amount will be exceeded; and approving the Contractor's progress schedule, when required.

Based on our analysis, the COTR assigned to the Martek contract did not have a good understanding of his duties and responsibilities as a COTR. For example, he did not know that the Martek contract was a requirements contract and could not tell us if the task order requirements in the contract were specific enough to accomplish the objectives of Task Order No. 1. The COTR told us that he had not received any COTR training, which may explain why he did not monitor the contract to ensure that the Task Order No. 1 charges were accurate and within

the contract's budget. ODEV decided to remove responsibility for financial monitoring of the contract from the COTR in October 2007 because his supervisor learned that the contractor had exceeded the budget for the contract.

Poor Management Oversight

Standards for Internal Control in the Federal Government[5] state that all personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Management needs to identify appropriate knowledge and skills needed for various jobs and provide needed training. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved.

We found that there was little or no management oversight of the COTR and Contract No. CO-6048. The COTR essentially worked alone, with little to no guidance and supervision. There also were a number of personnel changes in ODEV and WORX during the period July 2006 through August 2007. According to the COTR, "there was a revolving door of managers." He said that his supervisor served as Acting Director of ODEV three times between August 2006 and August 2007. Another supervisor served as Acting Director twice during the same time period. The ODEV Budget Officer also expressed concern to the AGM for WORX about the lack of management oversight on the Martek contract. However, this concern was not expressed until one year after the contract started.

In addition, there was no WMATA employee officially assigned the role and responsibilities of a Project Manager for Task Order No. 1 to ensure that work relating to the ELM system would be completed on time and within budget. The COTR functioned as the Project Manager for all practicable purposes.

Procurement Vehicle Used To Acquire Data Migration Services May Not Be The Most Appropriate Type

WMATA's Procurement Manual (Tenth Addition 2004) states:

> The Contracting Officer may use a requirements contract for acquiring any supplies or services when the Authority anticipates recurring requirements but cannot predetermine the precise quantities of supplies or services that designated Authority activities will need during a definite period. The Contracting Officer shall state a realistic estimated total quantity in the solicitation and the resulting contract.... (Section 1215.3)

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[5] *The Standards for Internal Control in the Federal Government* incorporates relevant guidance developed by the Committee of Sponsoring Organizations (COSO) and is useful to auditors at any level of government.

Section 16.104 of the Federal Acquisition Regulation states that in selecting contract type, several factors should be considered including price competition, price analysis, cost analysis, type and complexity of the requirement and urgency of the requirement.

The requirements contract awarded to Martek to provide database technical support and design and development of media based training may not have been the most appropriate type of contract to use in this case. The "firm fixed hourly requirements contract" was too broad and general; it did not contain specific tasks, and timelines were not defined. For example, the unit price was based on daily rates per consultant level, and the estimated quantity of days for most of the consultants approximated the number of work days in the year.

We asked a Contracting Officer in the Office of Procurement and Materials (PRMT) whether another type of contract could have been used for data consulting services. This individual indicated that the Martek contract could have been structured as a fixed-price contract, and the contractor's duties should have been strictly defined. A fixed-price contract is generally in the best interest of the government.

Because the data migration from TrainingServer to the ELM system was not completed, WMATA must continue to use the legacy system after spending more than $400,000 to purchase the ELM system and maintenance support for three years.

Recommendations

We recommend that the General Manager, in all future procurements, direct the Executive Leadership Team (ELT) to:

1.1 Ensure that employees, designated as COTRs, are competent in their roles and responsibilities and receive adequate training related to monitoring of contracts and performing related administrative duties;

1.2 Ensure that there is adequate management oversight over COTRs and contracts to ensure goods and services meet the terms and conditions of the contract; and

1.3 Work with PRMT to ensure that the proper type of procurement vehicle is used to acquire goods and services.

Management Comment

Management concurs with our recommendations and has taken certain actions to address our recommendations. These include: developing and implementing a COTR training program; conducting COTR training classes; certifying 146 COTRs; and training over 146 contract administrators, buyers and program managers in contract administration. Action which management has planned

includes: 1) developing a master list of COTRs not yet certified or in need of refresher training; 2) establishing oversight of COTRs as a goal in the evaluation process for contract administrators; and 3) establishing a policy memorandum governing the applicability and use of a time and materials/labor hour contract.

OIG's Comment

The corrective actions which management has taken or planned should help address our recommendations

Finding 2- Contract Payments Were Proper, But Budgetary Controls Over Payments Not Adequate.

Based on our review, contract payments made to Martek were proper in that they were for tasks under the contract. However, we found that the budgetary controls over payments made under Task Order No.1 were inadequate.

Our analysis of the Martek invoices and related consultant timesheets showed that only 138 of the hours charged to Task Order No. 1 were for data migration of TrainingServer to the ELM system. Task Order No. 1 was for $340,357 and called for 395 days of work at rates ranging from $660 to $2,650 per day. Using the maximum daily consultant rate of $2,650, our calculation showed that the maximum amount that can be charged to data migration for the year is $48,760.[6] Further, the ODEV Budget Officer told us that about 95 percent of the funds obligated for data migration and expended were not related to the ELM system. The Budget Officer said these charges were supposed to be adjusted or reversed to another budget account later. However, the Office of Accounting (ACCT) would not allow this to occur because WMATA was "coming in over budget" for fiscal year 2007. In addition, Martek began general database consulting services under Task Order No. 2 on July 1, 2006, before WMATA had issued the Notice to Proceed on November 16, 2006.

Criteria and standards for budgetary controls for state and local governmental entities are found in generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). Sound, comprehensive budgetary procedures are provided by the National Council on Governmental Accounting- Statement 1:

> Budgeting is an essential element of the financial planning, control,
> and evaluation processes of governments. Every governmental
> unit should prepare a comprehensive budget covering all
> governmental, proprietary, and fiduciary funds for each annual
> fiscal period; Encumbrances-commitments related to unperformed
> (executory) contracts for goods or services-often should be
> recorded for budgetary control purposes as follows:

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[6] 138 hours divided by 7.5 hours per day times the maximum daily rate of $2,650

a. encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

In addition, WMATA's procurement regulations state in Section 1921.2 that "before executing any contract, the Contracting Officer shall obtain certification from an official designated by the Assistant General Manager for Finance and [the] Comptroller that the amount of the contract does not exceed the amount of unencumbered budget authority[7] as of the date on which the contract is executed."

WMATA's Accounting Manual states that ACCT should establish and maintain an encumbrance accounting system to monitor the funding of the construction and other capital programs and establish and maintain a proprietary fund accounting system to monitor the operating company.

We found that WMATA did not have adequate budgetary controls over the Martek contract to complete data migration from the legacy system to the ELM system, as well as to award a contract to install the ELM system. WMATA did not have an effective process to ensure that funds reserved were used for the intended purpose. The Managing Director, Office of Management and Budget Services, told us that WMATA does not use an encumbrance budgetary system for operating transactions. Instead, WMATA functions like a commercial or private entity when it comes to controlling operating expenditures. Responsibility for managing funds allocated to a specific department and accounting object rests with the department's managers. Each ELT member has his/her own budget staff.

An example of what can go wrong when budgetary controls are not in place is the process for funding the Martek contract and installation of the ELM system. As we discussed previously, WMATA awarded a contract to Martek on June 27, 2006. WMATA set aside $340,357 for data migration support under Task Order No. 1 and issued a Notice to Proceed on July 3, 2006. However, approximately 95 percent of the funds for Task Order No. 1 were to pay for work prescribed under Task Order Nos. 2-6 although the Notice to Proceed had not been issued for general database consulting services. Also, the actual incurred costs for the first year exceeded the first year estimate by $489,182 or 75% of the contract.

Another example of inadequate budgetary controls involves WMATA's effort to install the ELM system. The WMATA Board approved MEAD No. 99270 in May 2006 to install the ELM system; $900,000 was designated for the installation of the ELM system. However, a PRMT Workflow Specialist told us that while MEAD numbers are entered into the PeopleSoft financial management system for contracts expected to exceed $100,000, a MEAD number does not actually

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[7] "Unencumbered budget authority" shall mean that portion of an appropriation which has been allocated to the object of the procurement and which has not been reallocated to another purpose, committed to any other procurement, or expended (Section 1921.3).

reserve funds in PeopleSoft. Consequentially, after WMATA solicited and evaluated proposals and, prior to awarding a contract to a system integrator, WMATA learned that there were insufficient funds in ODEV's professional and technical services budget to award a contract for installing the ELM system.

WMATA had carried over $700,000 from the fiscal year 2006 Professional and Technical Services budget for ODEV into fiscal year 2007 by recording an entry into the Accounts Payable- Professional and Technical Services Carryover Account (account #20101040). MEAD 99270 designated $700,000 in fiscal year 2006 carryover funds for the installation of the ELM. The charges for Task Order No.1 were recorded against the carryover account in fiscal year 2007, even though most of the charges (approximately $325,000) did not relate to data migration for the ELM or ELM installation. The balance in the carryover account, approximately $375,000 ($700,000 - $325,000), was carried over from fiscal year 2007 into fiscal year 2008. ACCT reversed the balance in the carryover account at the end of fiscal year 2008 because it had not been used.

MEAD 99270 also designated $200,000 from ODEV's fiscal year 2007 Professional and Technical Services budget for ELM installation. These funds were never carried over or used for ELM installation. Therefore, of the $900,000 that MEAD 99270 designated for ELM installation, $325,000 was used to pay Martek for other purposes, and $575,000 ($375,000 plus $200,000) was never used.

In the above two examples, WMATA did not have budgetary controls in place to ensure funds were available to complete data migration support and install the ELM system. Even though payments under the contract were proper for contract related work, the payments under Task Order No. 1 for non-data migration work were not charged to the proper source of funding. A more robust budgetary system would have alerted ODEV on the availability of funds when expenditures are charged against certain budget accounts.

Recommendations

We recommend that the General Manager in all future procurements:

2.1   Implement an encumbrance or similar system to reserve funds designated for specific purposes and to ensure that adequate budgetary controls are in place to carry out MEADs and terms and conditions of contracts.

Management Comments

Management did not state agreement or disagreement. However, management stated that: 1) WMATA's budgetary controls are worthy of review; 2) management itself will conduct a review of what would be required with implementing an encumbrance or similar system and get back to the OIG by

February 15, 2010; and 3) the Office of Management and Budget Services would welcome an OIG review of budgetary controls.

OIG Comments

We look forward to reviewing the results of Management's review of this issue and the action(s) it plans for addressing our recommendation. Also, we will consider Management's request that OIG review WMATA's budgetary controls when we prepare our fiscal year 2011 audit plan.

Finding 3- Risks Are Associated With Continued Use Of The Legacy TrainingServer.

Our audit identified several risks associated with WMATA's continued use of the TrainingServer system to track employee training. There currently are only two WMATA employees knowledgeable about operating and maintaining the system. The original manufacturer of TrainingServer sold the business to another manufacturer. WMATA decided not to establish a business relationship with the new manufacturer, because WMATA had purchased PeopleSoft's ELM system. According to the RFP for ELM installation services, the TrainingServer system lacked functionality beneficial to WMATA; specifically it could not be integrated with WMATA's enterprise PeopleSoft human resources and financial management applications.[8]

We asked the Department of Information Technology (IT) and ODEV personnel about the risks associated with continued use of TrainingServer. They told us that WMATA has taken steps to reduce the risks. The servers associated with TrainingServer have been upgraded and are under warranty, and the record files have been cleaned-up. IT and WORX personnel also told us that TrainingServer should be architecturally sound until 2014, when funds will be available for a new system.

IT personnel told us that the two WMATA employees knowledgeable about TrainingServer will back one another in the event one is not available. However, if the two employees left WMATA's employment, WMATA would have great difficulty maintaining the system and ensuring that employee training records and files are properly tracked. WMATA would benefit from cross training other employees on how to maintain and support TrainingServer.

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[8] In April 2002, the Board approved MEAD 30085 which authorized the Information Technology Renewal Program (ITRP). PeopleSoft's Human Resources (HR) and Financial Management (FM) software modules were selected as WMATA's enterprise software. In 2004, PeopleSoft launched its ELM. The ELM can be fully integrated with PeopleSoft's HR and FM modules.

<u>Recommendations</u>

We recommend that the General Manager direct the AGM for IT to:

3.1 Ensure that additional personnel are cross-trained on how to maintain and support users of TrainingServer.

Management Comment

Management did not state agreement or disagreement with the recommendation. Management stated that it has already hired four additional employees to support the TrainingServer system, begun cross-functional training sessions to encourage knowledge transfer, updated servers, and conducted a major database clean-up to provide operational and maintenance for the TrainingServer as needed.

OIG Comment

The corrective action taken by management should address our recommendation.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether (1) the contractor performed work in accordance with contract terms and provisions and (2) payments made under the contract were proper. We added a third objective later to determine the status of the training software module.

The audit was conducted from August 2007 through October 2007. The audit was suspended in October 2007 while we investigated a related allegation and was resumed in January 2009. We held an exit conference with management personnel in WORX, PRMT, ACCT, and the Office of the Chief of Staff on June 3, 2009.

To accomplish our objectives, we interviewed representatives from ODEV, PRMT, ACCT, and IT. We also interviewed some of the consultants employed by Martek Global Services, Inc., who worked on the contract. We analyzed payments to the contractors, reviewed timesheets of the contractor's employees, and related services in the contract's requirements.

We reviewed WMATA's procurement manual, accounting manual, contract files, and contract databases. We also researched applicable generally accepted accounting principles promulgated by GASB and the *Standards for Internal Control in the Federal Government* prescribed by the Comptroller General of the United States. We performed queries in WMATA's PeopleSoft financial management system. We also interviewed third party representatives and reviewed contracts and other documents provided by the third party.

We conducted our audit in accordance with *Government Auditing Standards*, appropriate to the scope. Those standards require that we plan and perform the

audit to afford a reasonable basis for our judgments and conclusions regarding the contract and functions under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy our audit objectives.

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office of the Inspector General's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this report.

We appreciate the cooperation and assistance extended by ODEV, PRMT, ACCT, and IT representatives during the audit.

Should you have any questions, please contact Andrew Clemmons, Assistant Inspector General – Audits, at (202) 962-1014 or me at (202) 962-2515.

/s/
Helen Lew
Inspector General

cc: CHOS   Shiva Pant
    COUN   Carol B. O'Keeffe
    CFO   Carol Kissal
    CAO   Emeka Moneme
    AGM   Andrea Burnside

ATTACHMENT 1

MEMORANDUM

SUBJECT: Audit of Martek Global Services, Inc.

DATE: September 30, 2009

FROM: GMGR – John B. Catoe, Jr.

TO: OIG – Helen Lew

We received your memorandum dated June 24, 2009 on the Draft Audit Report No. 09-037 titled "Audit of Martek Global Services Contract No. CO-6048". You requested that we provide written comments on the findings and recommendations of the draft report. The following represents our response to Draft Audit Report No. 09-037.

Finding 1: Data Migration Work Was Not Completed

Recommendation 1.1: Ensure that employees, designated as COTRs, are competent in their roles and responsibilities and receive adequate training related to monitoring of contracts and performing related administrative duties.

Metro Response: The Washington Metropolitan Area Transit Authority (Metro) concurs with this recommendation. The Office of Procurement and Material (PRMT) developed and implemented a Contracting Officer Technical Representative (COTR) training program. The program consists of a manual, a PowerPoint presentation and a two hour training session. The manual is divided into three parts: (1) Understanding the Basics of the COTR Role; (2) COTR Duties and Responsibilities; and (3) Ethics in Contracting. Part 2, in particular, addresses the audit findings concerning documentation, monitoring of contractor performance and inspection and acceptance of deliverables.

Since January 31, 2008, PRMT has scheduled six COTR training sessions. This training is offered Metro-wide and is on the Office of Organizational Development (ODEV) Training Server. There are approximately 146 certified COTRs. The training is conducted by PRMT Managers, who stress the importance of following the contractual mandates of both the Federal Acquisition Regulations (FAR) and Metro's Procurement Procedures Manual (PPM). The training begins with a quick discussion to test the knowledge of the participants about the duties of a COTR and is followed by a PowerPoint presentation and discussion. Each participant was issued a certificate in recognition for the successful completion of the Contracting Officer's Technical Representative Training.

Action to address Recommendation 1.1: PRMT is in the process of identifying those persons who were designated as a COTR prior to January 31, 2008, and have not been certified or need refresher COTR training. A database of all COTRs was completed on August 15, 2009. A master list will be created of those COTRs who have not been certified or need refresher COTR training. Depending upon the number of non-certified COTRs, a training schedule will be developed to ensure that all COTRs will receive training and are certified no later than October 2009. All future designated COTR delegates must be certified within 15 days of designation.

Recommendation 1.2: Ensure that there is adequate management oversight over COTRs and contracts to ensure goods and services meet the terms and conditions of the contract.

Metro Response: Metro concurs with this recommendation. PRMT has trained over 146 contract administrators (CAs), buyers and project managers in contract administration to ensure that the goods and services meet the terms and conditions of the contracts. All of PRMT's CAs have received COTR training and understand the importance of monitoring and reviewing Progress Reports. Supervisory Contract Administrators monitor the work of the CAs to ensure that they are actively engaged in contract monitoring.

Action to address Recommendation 1.2: In the future, the oversight of contracts and COTRs will be a part of the goals established in the employee evaluation process for each CA.

Recommendation 1.3: Work with PRMT to ensure that the proper type of procurement vehicle is used to acquire goods and services.

Metro Response: Metro concurs with this recommendation. The Procurement Manager, the Supervisory Contract Administrator and the CA, in consultation with the requesting office and other Metro departments, as appropriate, established the contract terms, including any options, and incorporated these terms and conditions in the solicitation document. The terms were based on sound business judgment, considering the nature of the work to be performed; the potential costs or savings associated with it; the risk in the event of unsatisfactory contractor performance; and the impact on the competitive market place.

Action to address Recommendation 1.3: PRMT is drafting a Policy Memorandum (PM) to establish criteria governing the applicability and use of Time and Materials/Labor Hour contracts. This will be completed by October

1, 2009.

Finding 2: Contract Payments Were Proper, But Budgetary Controls Over Task Order Payments Were Inadequate

Recommendation 2.1: Implement an encumbrance or similar system to reserve funds designated for specific purposes and to ensure that adequate budgetary controls are in place to carry out MEAD and terms and conditions of the contract.

> **Metro Response:** The matter of budgetary control is certainly worth review and updating if necessary. In order to better understand what would be required with implementing an encumbrance or similar system to reserve funds designated for specific purposes, Metro will conduct a review of the issue and get back to the Inspector General by February 15, 2010. The review will also look at whether adequate budgetary controls are in place to carry out MEAD and terms and conditions of the contract.
>
> The Office of Management and Budget Services would welcome and encourage an Office of Inspector General review of budgetary control and appreciate any recommendations that may come from such a review. Metro recognizes the need for transparency and openness in budget processes. This is crucial to maintaining ongoing credibility with the Board of Directors and Metro's supporting jurisdictions.

Finding 3: Risks Associated with Continued Use of Legacy TrainingServer

Recommendation 3.1: Ensure that additional personnel are cross-trained on how to maintain and support users of TrainingServer.

> **Metro Response:** TrainingServer is comprised of many different Information Technology (IT) components. These include TSOnline, LM Webware and Questionmark applications as well as Structure Query Language (SQL) Servers, Windows Servers and Oracle database servers.
>
> The Department of Workforce Services (WORX) and IT hired four additional staff members to support TSOnline, LM Webware and QuestionMark applications and all associated hardware. Those staff members, combined with the original two IT support staff, total six full time permanent staff and one manager to support TrainingServer. This support ratio is well above most systems under IT support.

Although two of the newly hired employees were former Martek consultants with historical knowledge of the systems, they are no longer the only members of the Workforce Systems Integration (WFSI) team who can support the systems. Since the new team was formed, more than a year ago, there are weekly staff meetings and cross-functional training sessions to encourage knowledge transfer.

The recent successful upgrade of eight servers, a major database clean-up and full failover support for these applications is evidence that IT is able to respond to enhancements and provide operational and maintenance support of the TrainingServer system as needed.

In closing, we reiterate that this audit was initiated at the request of the Assistant General Manager (AGM) for WORX in the summer of 2007. As noted in the audit report introduction, the AGM's assessment was that the organization did not receive the services it had contracted for and that the contract had not been well managed. For this reason, the AGM directed that the COTR be removed from their duties and that the responsibility be re-assigned. At that time, the AGM of WORX also directed a review of the type of training that was required of COTRs within WORX and to develop that training if it did not exist. As noted in our response, a COTR training requirement has been established and is being implemented by PRMT.