

Northern Virginia
Transportation Commission

Potomac and Rappahannock
Transportation Commission

Virginia Railway Express Management Audit

Phase II Final Report
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Summary of Key Issues and Recommendations

This report summarizes Parsons Brinckerhoff's findings and recommendations of its management audit of Virginia Railway Express (VRE). The audit team reviewed VRE's organizational direction and structures, management and oversight roles, key business processes and guiding documents, and conducted extensive stakeholder interviews and a peer best practices analysis.

The audit identified general strengths of the agency, as well as a number of recommendations for improvement in the general areas of VRE organizational structure and practices, VRE functions and processes, and VRE Operations Board oversight.

General Findings regarding VRE Strengths

- **Customer Service:** The audit team affirmed that dedication to customer service permeates the operation. VRE provides safe, reliable, and high quality commuter rail service, and communication to the riding public is also strong.
- **On-Time Performance:** VRE has strong On-Time Performance (OTP), which is a primary concern of VRE customers. The agency generally meets customer expectations without compromising other factors such as maintenance and safety.
- **Safety:** VRE prioritizes and emphasizes a strong culture of safety.
- **Perception by Internal Stakeholders:** The agency has a nimble staff that is entrepreneurial and embraces new ideas. Staff expressed strong internal pride for working and being affiliated with VRE.
- **Perception by External Stakeholders:** There is a favorable perception of VRE by state and local officials. VRE is considered an industry leader in providing high quality passenger rail service.
- **Agency Staff and Management Team:** VRE has a seasoned management team that has smoothly implemented a recent reorganization of the agency. There is long-term stability in the ranks of staff.
- **Rolling Stock:** VRE's rolling stock is relatively new, with an average locomotive age of 2.5 years and an average passenger car age of 5.7 years.
- **Relationships with Local Governments:** VRE has relatively strong relationships with the local governments it serves, and maintains clear lines of communication between local agency staff and VRE staff.
- **Relationships with Host Railroads:** There is a generally strong working relationship between VRE and its host railroads, with a collaborative effort between VRE and the railroads to address future capacity needs.

- **Relationship among CEO and Commission Executive Directors:** There is a strong professional relationship among the VRE CEO and Executive Directors of the Commissions that is built on mutual respect and understanding.

VRE Organizational Structure and Practices

- **Organizational Alignment with Strategic Vision:** VRE has a 2040 System Plan that defines the strategic vision of the agency, which reflects the maturation of VRE into a stable operation that thousands of commuters rely upon daily. However, VRE has not yet developed a strategic business plan detailing VRE's vision, mission, goals, and objectives to move ahead incrementally in accomplishing the vision established in the 2040 System Plan. The audit team recommends that VRE develop a strategic business plan to implement the 2040 System Plan, including performance metrics to track progress toward short, medium and long term goals. In addition, it should include a financial plan detailing capital and operating funding scenarios over a multiyear timeframe.
- **Capacity/Staffing to Support Strategic Goals:** VRE staff strains to execute existing tasks in an efficient manner during specific periods of the year (such as audits). In addition, existing staff levels are sized to deliver a significantly smaller capital program than VRE anticipates in the near future. VRE is addressing these issues in part by requesting additional staff for the 2016 budget year. The audit team examined staffing levels of several peer agencies to determine the magnitude of VRE staffing relative to peers, and found that VRE is a relatively lean organization with a limited number of staff who work across a number of key functions. The audit team recommends that VRE conduct an analysis of the staffing required to support existing and projected workloads, and incorporate an annual review of staffing needs as part of its budgeting process.
- **Relationship Between Commissions and VRE:** VRE is a unique transit entity, existing as a transportation partnership of the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC). The audit team recommends an annual training session for Commission members on their roles and responsibilities with respect to their oversight of VRE. The audit team recommends regular meetings between the Commission Executive Directors, VRE CEO, and Operations Board and Commission chairs to coordinate issues jointly concerning VRE and the two Commissions. In addition, the audit team recommends that the Commissions serve as lead planning agency when a mode has not been selected, and VRE serve as lead planning agency when commuter rail has been selected. The audit team recommends that the Commissions continue to serve as the locus for discussions of regional funding—balancing the needs of VRE with other agencies in their districts—while VRE advocate for funding for its particular capital projects and transit services, in coordination with the Commissions.

VRE Functions and Processes

- **Purchasing/Procurement:** The audit team found that VRE's procurement function is robust in terms of policies and information flow, but identified several opportunities for improvement. The audit team recommends that VRE consider switching from credit cards to purchasing cards to manage micro purchases. In addition, VRE should bring rail maintenance warehouse and inventory staff in-house to facilitate purchases (as proposed in VRE's FY 2016 budget);

investigate opportunities to update procurement templates to facilitate acquisition of new technology; and expand the use of blanket purchase orders.

- **Human Resources:** The audit team found that the existing Human Resources function at VRE could be more strategically focused by providing more broadly for staff development. The audit team recommends that VRE develop job descriptions and determine classifications for new staff positions; tie employee evaluations to the organization's strategic objectives; streamline its human resources manual; and document its process for CEO evaluation.
- **Legal Counsel:** Management, staff and stakeholders are satisfied with the quality of legal work performed for VRE by the Arlington County Attorney's office. There are opportunities to build on the strengths of the existing relationship. The audit team recommends that VRE and the County Attorney work together to document timeframes for legal review; identify assistant attorneys available to provide direct support to VRE; examine staffing levels and opportunities to quarter legal staff at VRE; and meet quarterly to discuss past and forthcoming issues.
- **Finance:** PRTC is a designated recipient of Federal Transit Administration (FTA) grants, and serves as a conduit for VRE's federal funding. Delays in congressional appropriations, in the apportionment of federal funds, and the approval of grants by FTA have in some instances caused difficulties for VRE in gaining access to federal funds and the associated state grants, which are withheld until federal approval is received. In addition, for PRTC's last two completed financial audits PRTC's auditors have noted material weaknesses and deficiencies in the compliance section of the PRTC audit. In response to an FTA finding during PRTC's 2014 Triennial Review PRTC has developed a detailed schedule for resolving deficiencies noted by financial and FTA auditors. Because PRTC serves as grantee for VRE's federal funding, PRTC's failure to clear these deficiencies could have an impact on VRE's future receipt of federal funds

As PRTC completes the implementation of a new financial management system and addresses the noted deficiencies, VRE should provide assistance and support to PRTC as requested. In addition, VRE and PRTC staff should continue to work cooperatively to implement identified improvements to the grant drawdown process and to monitor these improvements. The audit team recommends that VRE management provide a copy of PRTC's periodic progress reports to VRE Operations Board members as an information item, so that they are kept abreast of progress towards resolution of this issue.

Separately, VRE staff spend a significant amount of time compiling the appropriate information to prepare for external compliance reviews. Therefore, the audit team recommends that VRE work with external reviewers (to the extent that VRE is able) to optimize the efficiency of file sharing and other protocols of the review.

- **Technology:** VRE information technology (IT) staff is focused on managing day-to-day technical issues (such as fixing printers and assisting staff with network connectivity) rather than executing a broader IT strategy or vision for the organization. The audit team recommends that VRE develop a comprehensive IT strategy and perform a detailed assessment of its technology needs to understand where its technology gaps are. VRE should also verify that appropriate staff is in place to effectively plan and manage technology upgrades.

VRE Operations Board Oversight

- **Board Authorization and Approval of Procurements:** The audit team recommends that VRE and the Commissions maintain current Operations Board and (when required) Commission approval roles, which include the authorization of procurements and the approval of contract awards. However, the audit team recommends increasing the threshold for administrative approval of a purchase by the VRE CEO to \$100,000; allowing the VRE CEO or his designee to authorize the issuance of procurements administratively if the good or service to be procured is budgeted in the VRE annual operating or capital budget and the cost is below \$500,000; informing VRE Operations Board Members of forthcoming procurements greater than \$500,000 on a consent agenda; and placing all contract awards for which the good or service to be awarded is below a threshold of \$500,000 on the Operations Board consent agenda. These thresholds should be reviewed every two years.
- **Board Information:** In general, the content of board packets is sufficiently detailed yet concise, but there are opportunities to provide additional information regarding the fiscal impact of purchases and background on the selected procurement approach. VRE does not presently have a planning calendar of upcoming major agenda items or cyclical discussions such as budget development; the audit team recommends that VRE develop a calendar and provide this to board members as a monthly information item. The CEO Report provides a comprehensive performance summary and highlights ridership, on-time performance, and safety, but is not directly tied to the agency's strategic business goals. The audit recommends that VRE augment its existing CEO Report by including a dashboard performance summary, executive letter from the CEO, and additional performance measures for each department tied to the organization's strategic business goals. The audit team also recommends that VRE management continue to be forthcoming in sharing news updates with Board Members, seeking to get out in front of significant issues on which Board members could receive questions, in advance of Board members being first contacted by others.
- **Board Orientation and Training:** Existing board materials provide useful background on VRE but do not explain key points crucial for Operations Board members to effectively fulfill their duties. The audit team recommends that orientation materials cover VRE governance, members' common responsibilities, how to be an effective Board member, and board roles with respect to personnel, legal, procurement, and other confidential issues. In addition, a full-day orientation program for new members is recommended, supplementing the training recommended to be provided in their roles as Commission members.
- **Dissemination of Board Information To Stakeholders:** The audit team recommends that VRE develop a mailing list to electronically disseminate notice of agendas and meeting packets to local agency staff, other interested stakeholders, and members of the public. VRE may also wish to make notice of other publications available via email, including service summaries, the CEO report, press releases, and other documents.
- **Public Access to and Location of Meetings:** VRE Operations Board meetings comply with the requirements of the Virginia Freedom of Information Act, but not held at a location that is easily accessed by VRE commuter rail. Given the time and location of VRE Board meetings, the audit team recommends that VRE examine the cost of video recording meetings and posting videos online for access by the public. At a minimum, VRE should provide online access to audio recordings of meetings and PDF files of presentation materials. In addition, meetings of the VRE

Chief Administrative Officers Task Force (or VRE Coordinating Committee) should be held in a more central location, such as PRTC Headquarters, to facilitate the inclusion of representatives from smaller jurisdictions.

Implementation

Chapter 7 of the report outlines the key short-term (less than 12 months) and medium-term (1-3 years) action items recommended in this report. This document, or a version created after the Operations Board and Commissions have accepted the report, is recommended as a means of tracking implementation progress.

Chapter 1: Introduction

This report summarizes Parsons Brinckerhoff’s findings and recommendations for *Phase II: Issues Inventory* of the Virginia Railway Express (VRE) management audit. These findings and recommendations result from the Parsons Brinckerhoff management audit team’s analysis of VRE’s organizational direction and structures, management and oversight roles, key business processes, guiding documents, stakeholder interviews, and peer best practices analysis. This Phase II report supplements the analysis conducted during *Phase I: Project Initiation and Initial Investigation*, which included a kick-off meeting, an initial review of background information on VRE, a review of previous audits of VRE, and development of interview guides. Interviews were conducted with over thirty staff, managers, Operations Board members, members of the Northern Virginia Transportation Commission (NVTC) and Potomac and Rappahannock Transportation Commission (PRTC), and Commission Executive Directors, as well as Virginia Department of Rail and Public Transportation (DRPT) leadership and members of the General Assembly. The findings and recommendations in this report are based on interviews, an assessment of VRE’s internal processes and practices, and an analysis of VRE’s peer agencies. The report includes recommendations on how changes to these processes and practices can be implemented for enhanced performance.

Throughout this report, NVTC and PRTC are collectively referred to as the Commissions. References to “Board members” include members of the VRE Operations Board, while references to Commissioners refer to NVTC and PRTC members.

1.1 Management Audit Overview

The purpose of this management audit is to evaluate VRE management, organization, and internal controls through the lens of its *policies*, *people*, and *processes*, the factors on which organizational success depends. In particular, this audit will:

- Review VRE’s management, organizational structure, and internal controls to assess the agency’s capability and performance in meeting today’s needs.
- Identify policies, processes, plans and organizational changes—and an implementation strategy—as necessary to fulfill tomorrow’s mission. This audit focuses on several key management functions of VRE, including oversight and authority, communications, human resources, procurement and program management, and the agency’s safety culture.
- Review the findings of recent audits—including a recent Virginia Auditor of Public Accounts (APA) report—to provide background for review of VRE’s internal controls, organizational structure, strategic planning, and management of resources, and to rule out potential topics of investigation previously covered by others in adequate detail.
- Seek to understand the views of stakeholders, particularly the VRE Operations Board, and its relationship to the Commissions, and how the Operations Board’s vision for the future and their issues, perspectives, and objectives drive agency performance and shape its management structure.

- Review, confirm, and recommend changes to delegation of authority, decision-making thresholds and the effectiveness and timeliness of communications among VRE Management, the VRE Operations Board, and the Commissions to provide proper accountability, oversight, and internal controls to optimally manage VRE operations and capital program delivery.

The audit does not address VRE's governance structure, including its joint ownership by NVTC and PRTC.

The intended objective of this management audit is a series of findings summarizing the current status of VRE management, organization, and internal controls and recommendations for improvement. The audit team has accomplished this through a collaborative approach that applies an iterative process, incorporates industry best practices, and provides a roadmap for implementation.

1.2 Report Contents

The report contains the following chapters:

- **Chapter 2: Research Methodology:** A summary of the audit team's approach to Phase I and Phase II of this study.
- **Chapter 3: General Findings:** The findings, alternatives, and recommended options related to VRE's strengths.
- **Chapter 4: VRE Organizational Structure & Practices:** The findings, alternatives, and recommended options related to the organization's alignment with its strategic vision, staffing levels, and the role of the Commission Executive Directors, the jurisdictional staff, and the CAO Task Force. This chapter begins to weave in peer analysis and practices from comparable agencies across the country.
- **Chapter 5: VRE Functions and Processes:** The findings, alternatives, and recommended options related to the Procurement, Human Resources, Legal, Finance, and IT functions.
- **Chapter 6: Board Oversight:** The findings, alternatives, and recommended options related to procurement, board oversight, board orientation, and board meeting location/structure.

The report also includes the following appendices:

- **Appendix A:** Summary of Reports Reviewed by Management Audit Team
- **Appendix B:** Interview Guide: Operations Board Members, NVTC, and PRTC Commissioners
- **Appendix C:** Interview Guide: VRE Directors, Managers, & Staff
- **Appendix D:** Management Audit Interviewees

Chapter 2: Research Methodology

This chapter describes the audit team's research methodologies for Phases I and II of this study.

2.1 Phase I Research Overview

The initial findings, interview guides, and action plan documented in this report are based on the research, interviews, and project meetings, as well as review of VRE background information and prior audits.

Project Meetings

These meetings included:

- **Kick-Off Meeting:** The audit team conducted a kick-off meeting between the management audit team and the Executive Directors of the Commissions in order to enhance the audit team's basic understanding of VRE and to review the proposed work plan, schedule, and deliverables.
- **Commission Executive Director and VRE CEO Interviews:** The audit team met separately with the Executive Director of each Commission and with the VRE CEO to hear their individual perspectives on VRE management and organization. The interviews generally included discussion of their objectives for conducting the audit, insights into what VRE does well, significant management and organizational issues, obstacles, and risks. Other questions examined were their views on ways of improving VRE's overall effectiveness, the quality of information received from VRE, its interaction with the Commissions, and VRE's interface with internal and external stakeholders.
- **Joint Audit Committee Meeting:** The audit team observed an Operations Board meeting and met with the VRE Joint Audit Committee (JAC) to hear their insights regarding VRE management and organization. The JAC is a joint committee of the Commissions and not of the VRE Operations Board, reflecting VRE's ultimate ownership and the accountability to the Commissions. JAC members highlighted several areas of potential focus for the VRE management audit study, including management structure, Operations Board and Commission roles, internal controls, oversight, human resources practices, procurement and capital program management. There was broad agreement that the agency is well-managed and operates efficiently, but the Commissions want to understand how VRE can do its job better.
- **Phase I Findings Meeting:** The audit team reported its activities and initial findings in a Phase I draft report dated May 27th, and met with the Commission Executive Directors, VRE CEO, and other staff members to discuss the draft report and solicit feedback on the consulting team's initial findings, interview guides, and action plan. The revised report reflects the comments received during that meeting.

Review VRE Background Information and Prior Audits

Parsons Brinckerhoff reviewed relevant reports for insights about VRE management and organization, including:

- **Effectiveness:** Does VRE have clarity as to its mission, objectives, and desired performance outcomes and are these being achieved?

- **Economy:** Does VRE adequately balance public need with resources?
- **Efficiency:** Given available funding, are VRE resources optimally deployed and internal controls properly aligned?

The purpose of this review was to gather additional details regarding the management and organization of VRE, as well as to identify areas sufficiently addressed by previous investigations. This allowed the audit team to focus its investigation on management and organizational issues not previously addressed in detail. The audit team identified the audits and reports that were most helpful as well as particular findings regarding management and organization that warrant further investigation. In addition, the review noted those areas that appear to have been adequately investigated to help narrow the focus of this study.

This review included VRE's routine and unscheduled audits from the past two years to identify areas for further investigation, including internal controls, organizational structure, strategic planning, and management of resources. These reports are listed in Appendix A.

This review included the Virginia Auditor of Public Accounts September 2013 report, "Review of the Governance Structure over the Virginia Railway Express," which provides recommendations regarding the management and organizational structure of the agency, including delegation of authority, internal controls and board orientation practices. The Auditor's recommendations regarding VRE's governance structure are beyond the scope of this management audit, and as such are not addressed.

2.2 Phase II Research Overview

During Phase II, organizational structure and direction, roles, key processes, and guiding documents were assessed and compared to industry best practices, resulting in the initial findings and suggested recommendations presented in Chapters 3, 4, and 5 of this report.

Interviews

During June, July, and August 2014, the audit team conducted interviews with over 30 individuals associated with VRE, the Northern Virginia Transportation Commission (NVTC), and the Potomac and Rappahannock Transportation Commission (PRTC), including VRE management and staff, members of the Joint Audit Committee, and the VRE Operations Board. In addition, the audit team interviewed several external stakeholders in key leadership positions, including DRPT officials and members of the Virginia General Assembly. A full list of over 30 board, management, and staff members interviewed is included as Appendix D. The purpose of the interviews was to understand the views of the VRE Operations Board, staff, and other representative stakeholders, their vision for the future, and their issues, perspectives, and objectives for the agency.

Interviews focused on general organizational and management strengths, weaknesses, opportunities, and threats, with specific emphasis on the following areas identified during Phase I of the VRE Management Audit:

- VRE Oversight and Authority
- Human Resources
- Communications
- Procurement & Program Management
- Safety Culture

The interview guide for Operations Board members and NVTC and PRTC commissioners are included in Appendix B, and the interview guide for VRE directors, managers, and staff is included in Appendix C.

Most interviews were conducted in person with one individual participant; however, some interviews with VRE staff and functional managers were small group discussions. Other interviews occurred before or after Commission or VRE Operations Board meetings to take advantage of the presence of multiple interviewees assembled in one location.

To encourage candid and honest feedback and to focus subsequent analysis on substantive, actionable findings, respondents were informed that their comments would not be specifically attributed to them; in some instances, while we have attributed viewpoints to a particular organization or entity, we have preserved the anonymity of all interview responses.

A number of common themes emerged from the interviews across all roles and organizations—these included consensus around VRE’s strengths, and perception of the agency by internal and external stakeholders. In other areas, such as Board review and thresholds for procurement approval, respondents’ views differed. Issue areas are summarized by General Issues and Organizational issues in the sections that follow

Peer Analysis

The audit team obtained comparable data and practices from peer agencies that were used in assessing performance. Results are integrated into the findings. Benchmarking partners used were identified by the audit team in conjunction with the Executive Directors and VRE CEO. While none of these peers totally matches the VRE structure, each has individual attributes that make the comparison relevant.

Nine peers were selected for analysis based on the following criteria:

- Geographic mix, including a local example
- Jointly owned (similar oversight structure to VRE)
- Commuter rail operations
- System age
- Contracted service

Peer agencies and the inclusion criteria for each are summarized in Table 1. All listed agencies operate commuter rail except Hampton Roads Transit and Valley Metro Rail, which were selected for different reasons as noted below.

Table 1: Peer Agencies Analyzed

Agency Name	Inclusion Criteria
Hampton Roads Transit Hampton Roads, Virginia	Fellow Virginia transit agency
Metrolink Greater Los Angeles, California	Commuter rail governed by a multi-agency JPA; 20-year old system
Metrolinx Greater Toronto, Ontario, Canada	Commuter rail, merged organization of two operators
North County Transportation District (Coaster) San Diego County, California	Commuter railroad

Agency Name	Inclusion Criteria
Peninsula Commuter Joint Powers Board (Caltrain) San Francisco Bay Area, California	Commuter railroad governed by a multi-agency joint powers board
Sound Transit Greater Seattle, Washington	Commuter railroad founded at about the same time as VRE
Trinity Railway Express Dallas/Fort Worth, Texas	Like VRE, it is a commuter railroad jointly owned by two agencies; staff are employees of the two parent agencies
South Florida Regional Transportation Authority (Tri-Rail) Miami-Dade, Broward, and Palm Beach, Florida	Commuter railroad founded at about the same time as VRE
Valley Metro Rail, Inc. Greater Phoenix, Arizona	Governed by two boards similar to VRE; highly contracted service

The peers were questioned regarding the following issues:

- Board oversight and authority
- Procurement Thresholds
- Strategic Business Planning & Vision
- Human Resources
- Staffing levels

The objective of the peer analysis was to learn more about how people, policy, and process are aligned within peer organizations and provide guidance and parameters as to how VRE's internal functions may be improved or possibly streamlined. The audit team reviewed information provided by industry peers and conducted phone interviews with several of them. In addition, National Transit Database information was compared where appropriate. The results of this informed the alternatives and recommended actions detailed in the following chapters.

Structures, Roles, and Processes Assessment

Phase II included a review of the duties performed by VRE employees, duties performed by others including the rail service contractor, as well as a review of the Master Agreement sections related to VRE functions and processes, with a particular emphasis on the Board's oversight and authority and specific VRE functions.

The audit team reviewed the roles of the Operations Board and its orientation process, VRE's internal structure, and its relationship to the VRE Operations Board and Commissions, the relationship between the VRE CEO and the Executive Directors of NVTC and PRTC, with a specific focus on reporting lines and compliance.

The audit team reviewed a number of internal documents that describe VRE's internal processes, roles and responsibilities, and internal structures. This analysis was conducted to validate the findings from the interviews as well as obtain a better understanding of specific functions in order to assess the strengths, weaknesses, opportunities, and threats related to specific issue areas (a summary of the key areas of investigation are included in Section 2.3). The audit team reviewed the following internal documents:

- VRE organizational chart and staffing
- VRE Board Orientation Packet (bylaws, delegation of authority, etc.)
- VRE financial and debt management principles
- Thresholds for CEO purchasing approvals
- CAO Task Force Report
- VRE’s procurement policy and list of all procurement contracts
- Payment authorization for CEO, Operations and Executive, Finance and Administration, and Marketing
- Timesheet authorization forms
- DRPT Compliance Review

2.3 Key Areas of Investigation

Based on the research, the audit team focused on the areas of investigation summarized below in Table 2. The table indicates how each of the various subtopics relates to the audit team’s focus issues of *people*, *policy*, and *process*, the three perspectives the audit team applied in evaluating VRE’s management and organizational structure. Selection of the issue areas in Table 2 is based on the feedback and analysis derived from Phases I and II.

Table 2: Key Areas of Investigation

Organizational Structure and Practices	
Organizational Alignment with Strategic Vision	<i>Policy, Process</i>
Capacity/Staffing to Support Strategic Goals	<i>People</i>
Relationship between Commissions and VRE	<i>People, Policy</i>
VRE Functions and Processes	
Purchasing/Procurement	<i>Policy, Process</i>
Human Resources	<i>People, Process</i>
Legal Counsel	<i>Policy, Process</i>
Finance	<i>People, Process</i>
Technology	<i>Policy, Process</i>
Board Oversight	
Board Authorization and Approval of Procurements	<i>Policy, Process</i>
Board Information	<i>Process</i>
Board Orientation	<i>People, Process</i>
Dissemination of Board Information to Stakeholders	<i>Process</i>
Public Access to and Location of Meetings	<i>Process</i>
Other Issues	
Customer Service	<i>Policy, Process, People</i>
On-Time Performance	<i>Policy, Process, People</i>
Safety	<i>Policy, Process, People</i>
Perception by Internal Stakeholders	<i>Policy, Process, People</i>
Perception by External Stakeholders	<i>Policy, Process, People</i>

Chapter 3: General Findings regarding VRE Strengths

A key purpose of this audit is to identify and build on the strengths of the organization, specifically, those policies, processes, and roles that work well and should be leveraged for further success. This chapter summarizes the general findings regarding the strengths of VRE management and organizational structure based on meetings, interviews, as well as a review of VRE background information and prior audits. Subsequent chapters of this report summarize VRE's weaknesses and provide informed recommendations to address shortcomings.

3.1 Customer Service

The audit team affirmed that dedication to customer service permeates the operation. Interview respondents, across the spectrum from Board members to staff and state officials, agreed that VRE's strengths are that it provides safe, reliable, and high quality commuter rail service. Staff has pride in being affiliated with the organization and place an emphasis on good customer service, from both the viewpoint of individual activities as well as through the contracted service provider. Staff members also observed that VRE is an organization that accepts and embraces change.

Communication to the general public is also strong. VRE routinely and effectively communicates with its customers and the general public, including operational information, marketing its commuter rail services and educating the general citizenry on the role that commuter rail plays in providing transportation options for the region.

3.2 On-Time Performance

VRE has strong On-Time Performance (OTP), which is a primary concern of VRE customers. The agency generally meets customer expectations without compromising other factors such as maintenance and safety. This should be commended, as many other agencies in the Northeast and elsewhere have compromised safety for other factors in recent years. VRE has established an OTP goal of 90 percent. Over the last 28 months (July 2012 to September 2014), overall (combined) system performance has been above 90 percent for all but four months and has always equaled or surpassed 85 percent.

Disaggregating the performance by line indicates that the Manassas Line consistently exceeds the performance target, with OTP of less than 90 percent during only two of the last 28 months. The Fredericksburg Line generally performs above 90 percent, but experienced five months during the last 28 months in which OTP was less than 90 percent.

Slow orders from VRE's host railroads were the primary reason for delays. This factor is beyond the control of VRE and its operator. Along VRE's Fredericksburg Line, CSX implements slow orders during hot weather to mitigate the potential for heat kinks in the tracks, which could cause a derailment. Similar heat-related slow orders are not common along the Manassas Line, which has less rail traffic and a different geometry than the Fredericksburg Line and therefore less potential for heat kinks. Along the Manassas Line, abnormally wet weather in December 2013 led to flood restrictions, which caused Norfolk Southern to reduce train speeds below 20 miles per hour, causing excessive delays. When slow orders

are expected, VRE actively communicates the expected delays to passengers, which helps customers to plan around them.

3.3 Safety

The audit team found that VRE prioritizes and emphasizes a strong culture of safety. Central to any transportation company's mission is the overriding value of safety, both for railroad employees and members of the traveling public. From the Commissions and Operations Board down through VRE management and staff, the audit team examined the extent to which the organization values, prioritizes, and communicates safety in carrying out its mission. The aim was to identify any critical gaps in organizational policies and processes with respect to safety.

The Federal Transit Administration (FTA) Triennial Review (2011) found no deficiencies in safety and security. The audit team took into consideration the Preliminary Audit Report for VRE prepared by APTA (2011), which focused on reviewing processes, documents and records, and interviewing managers in each department to verify that all elements of the System Safety Program were developed, implemented, and reviewed on an on-going basis. The APTA audit found that a number of programs are already in place (emergency preparedness, maintenance inspections, training, workplace safety, interdepartmental/interagency coordination, internal audit, contractor coordination and security), while a few others are yet to be developed (hazard management program; safety certification; configuration management; VRE project-specific contractor safety and security plans; safety data analysis capabilities; accident investigation; and safety goals and objectives). The audit team took this into consideration during interviews with executives and staff regarding VRE's safety culture. Furthermore, the team has examined the service provider's Alcohol and Drug Audit (2014) as well as the Operational Audit (2014), which provides analysis of the contractors' drug and alcohol policies and testing. VRE's relationship with its operations contractor is key to advancing its safety culture.

VRE was a recipient of a 2014 APTA Rail Safety and Security Excellence award and both staff and Board members noted that VRE makes a strong effort to prioritize the safety and welfare of riders. To support that view, they note that the organization plays a key role in coordinating emergency readiness among first responders in local jurisdictions and that on the maintenance and operational side, the equipment is reliable and the fleet is updated and maintained appropriately.

3.4 Perception by Internal Stakeholders

The audit team found that staff members express strong internal pride for working and being affiliated with the organization. Senior management described the organization's culture as entrepreneurial in nature, in that staff embraces new ideas. The organization's size was described as small and nimble, qualities that staff seek to retain as the organization continues to grow.

3.5 Perception by External Stakeholders

The audit team found that there is a favorable perception of VRE by external stakeholders, including state and local officials. Commission members and VRE managers and staff agree that VRE is considered an industry leader in providing high quality passenger rail service. Many believe that the perception by external stakeholders—specifically DRPT and the General Assembly—may have been tarnished in the

recent past. Interviewees believe that these perceptions were based on specific, isolated events and practices that have been reformed and by findings that some allegations were untrue or exaggerated. The audit team found that these relationships are continuing to improve and strengthen with new leadership at both DRPT and VRE, and cooperative working relationships have developed between DRPT leadership, the Commissions, and VRE.

Board members described the customer base as loyal, and one strategy that has reinforced this sense of customer loyalty is VRE's annual "Meet the Management" program. This program was structured as an opportunity for customers to directly connect and communicate with VRE management and staff. VRE management visits the five primary destination stations once annually during the afternoon commute – attendance at least one session is mandatory for managers – to meet riders in person and answer their questions, and to respond to their complaints and comments. The loyalty of VRE's customer base is corroborated by VRE Customer Opinion Surveys. In the most recent customer survey, 34% of respondents stated that service has improved over the last year, and approximately 44% of customers stated that they would recommend VRE to their friends and colleagues. Over 50% of respondents gave highest rating to the responsiveness and friendliness of VRE Staff.

3.6 Agency Staff and Management Team

VRE has a seasoned management team with many years of experience working in commuter rail in general and for VRE in particular. The transition to a new CEO and ensuing reorganization of the agency has generally been smooth. There is long-term stability in the ranks of staff, with many having greater than 10 years of experience with VRE. Some departments have especially pronounced longevity such as Finance, which has not had a change in any staff member in approximately nine years.

3.7 Rolling Stock

VRE's rolling stock is relatively new, with an average locomotive age of 2.5 years and an average passenger car age of 5.7 years. Twenty of VRE's 22 locomotives have arrived since 2010, and 71 of VRE's 91 passenger cars have been acquired since 2006. These relatively new vehicles have been well-maintained by VRE's operations and maintenance contractor, which contributes to a relatively strong on-time performance record.

3.8 Relationships with Local Governments

In part as a result of its ownership structure, as well the composition of its Operations Board and the Commissions—in which all local jurisdictions are represented by elected officials—VRE maintains relatively strong relationships with the local governments it serves. The audit team observed that there are clear lines of communication between local agency staff and VRE staff, as local agency staff remarked that they are able to reach out directly to VRE staff as needed, and in a manner that does not undercut management, to answer questions or work together on issues of mutual interest.

3.9 Relationships with Host Railroads

There is always inherent tension between host freight railroads who own the rights-of-way and the commuter and intercity passenger railroads that share their use. Despite this, there is a generally strong working relationship between VRE and its host railroads. In interviews, staff noted the lengths to which they went early on in VRE's history to personally connect with remote dispatchers and other host railroad staff members who can make-or-break VRE service, and this outreach resulted in tangible improvements in on-time performance that continue to this day. There is collaborative effort on planning to address future capacity needs.

3.10 Relationships among CEO and Executive Directors

During the course of this management audit, the audit team noted that there is a strong professional relationship among the VRE CEO and Executive Directors of the Commissions that is built on mutual respect and understanding. That helps to facilitate the business of VRE and the various interactions between these entities.

Chapter 4: VRE Organizational Structure & Practices

This chapter summarizes the findings and recommendations related to VRE's organizational structure and practices. This includes how VRE can ensure that staff and management at all levels of the agency are aligned with VRE's strategic vision, outlined in the first phases of the 2040 System Plan, and how the agency can ensure that it has appropriate staff to execute on the goals outlined in this plan.

4.1 Organizational Alignment with Strategic Vision

VRE's 2040 System Plan is the document that defines the broadest strategic vision of the agency. The plan provides a framework for VRE system investments and actions VRE should pursue in phases through 2040 to best meet regional travel needs. The System Plan investments are grouped into three phases between now and 2040. In the near term, the 2040 System Plan includes an initial set of recommendations linked to VRE's six-year Capital Improvement Program, and also identifies a set of longer-term capacity improvements. Specifically, the System Plan identifies a set of five overarching goals for the agency that the System Plan will help execute:

- Provide passengers with rolling stock, stations, and service maintained to the highest quality.
- Improve and expand service for current VRE passengers.
- Address emerging ridership markets.
- Advance VRE's role as part of a multimodal regional mobility network.
- Invest in partnerships to add capacity in multi-use rail corridors.

The System Plan represents a significant step for VRE, an acknowledgment that it is no longer a "start-up" commuter railroad whose future existence is open to question but has matured into a stable operation that thousands of commuters rely upon daily. The System Plan charts a path forward by outlining future areas of growth for the agency, including additional frequency, routes, and services—and more importantly, the capital investments necessary to achieve those objectives.

Inherent in the implementation of the System Plan are many risks, however, chief of which includes funding commitments from federal, state, and local partners. What the System Plan *does not* do is enumerate these risks, identify a means to achieve consensus with stakeholders, and develop a strategy to achieve the significant goals outlined in the plan.

Staff recognizes that the System Plan defines the strategic direction of the agency but acknowledges that individual functions within VRE, such as Human Resources and IT, lack strategies that link the goals of these functions to the broader goals of the agency. VRE has not yet developed a strategic business plan detailing VRE's vision, mission, goals, and objectives to move ahead in accomplishing the vision established in the 2040 System Plan, nor does it have a tactical plan to accomplish its strategic goals, including a timeframe, key metrics, and specific initiatives against which all staff at the agency could measure their current progress.

Peer agencies have applied various strategies to align organizational structure and performance with strategic goals:

- Hampton Roads Transit has adopted a business plan¹ that summarizes the vision, mission and goals of the agency, the specific steps required to achieve those goals, and the timeframe for implementation. The organizational goals of the agency are used as the foundation on which employees are evaluated. Each year employees and their supervisors determine individual goals and objectives for each employee in the upcoming year. These goals are developed with the purpose of aligning the employee's individual performance with the goals of their department and organization. For example, an annual work goal for a Human Resources professional could be to "improve the level of advice and support provided to management on HR issues by fostering and promoting open lines of communication." Success metrics for this goal could be leading a specific number of meetings per year with management on HR policies and procedures, ensuring that any request for information or questions on HR policies and procedures are addressed within a specific time frame; or ensuring that management and leadership are provided an update each time a policy or procedure is added to or modified in the HR manual. This individual work goal would then be tied to an organizational goal specified in the business plan, such as "develop a workforce that is highly qualified, efficient, and motivated by excellence." The individual goal would explain how improving internal lines of communication with management on HR issues would advance a culture of openness and accountability, help foster professional growth and employee retention.
- Valley Metro had two separate strategic plans, one for rail and one for bus, that were developed before each mode was combined into a single agency. Valley Metro has recognized that the lack of a unified, overarching business plan for the agency that defines its goals, objectives, and actions and translates these into objective success measures has been a barrier for the agency; hence, Today Valley Metro is developing a comprehensive strategic plan that reflects the agency's consolidated management of bus and rail services.
- Trinity Railway Express (TRE) is unique in that it is jointly owned and operated by Dallas Area Rapid Transit (DART) and the Fort Worth Transportation Authority (The T) and has a staff of seven, of which five are DART employees and two are employees of The T. Like VRE, TRE is not legally an independent entity. Both parent agencies link individual performance management to organizational strategic goals, albeit to those of two distinct agencies. DART, for example, has a performance management process whereby the agency's annual goals (outlined in its business plan) are provided to division managers who incorporate these goals into department work plans (only those agency goals that are directly impacted by a specific department are included in these work plans). The individual performance review is driven by these work plans, which form the basis of individual goals. Hence, the goal setting form that all individuals must complete contains and ties together the agency goals, department goals, as well as the individual's goals. Employees are evaluated on the extent to which they fulfill not just their individual goals, but also help advance the goals of their department and the agency at large.
- North County Transit District has a strategic business plan that outlines the agency's vision, goals, and objectives and is directly tied to the organization's performance management plan. Twenty-five percent of the goals in an individual's performance management plan directly relate to NCTD's agency-wide goals. The performance management plan also consists of division-level goals and individual goals, all of which are linked. The premise behind NCTD's performance management plan is that all staff should be entirely aligned with the organization's vision and mission; for example, an accountant should be as invested in ridership targets as an operations

¹ HRT Strategic Plan: <http://www.gohrt.com/documents/2013/HRT-21968-Strategic-Plan-Booklet.pdf>

staff member. To illustrate one example, an agency-wide goal at NCTD is to implement a centralized document management system across the entire agency within 18 months that will form the basis for doing business and sharing information. At the division level, the procurement team will set goals regarding how they will strategically accomplish this agency-wide goal. This may include, for example, inputting all contracts into the system and ensuring that all related files are searchable. The procurement team may also establish workflows with IT to accomplish this goal. At the individual staff level, a contract analyst who is in charge of a number of contracts will need to verify that all contracts are entered into the system and will communicate the steps that need to be taken to verify that all documents have been migrated to the document management system. The individual may then set goals related to working with IT to ensure that this is implemented smoothly. NCTD has found that this performance management process has helped break down silos within the agency.

- While not a peer of VRE, the DRPT's business plan² is a model that VRE should consider. It outlines the purpose of the business plan, the results achieved by the agency, the agency's strategic direction, and business plan initiatives. The objectives are tied back to the agency's legislative mandates (as specified in state statute) as well as its role implementing the state's long-range transportation plan, VTrans2035. The business plan initiatives are specific steps required to implement each goal, and include a timeframe for completion.

Strategic Business Plan

Strategic business plans are a tool to focus the performance of staff members across all levels of the organization on the organization's strategic vision and purpose. The audit team recommends that VRE develop a strategic business plan to implement the 2040 System Plan. This plan would outline concrete actions to be taken by the agency over the next 3-5 years to implement the short, medium, and long-term goals outlined in the System Plan. The VRE strategic business plan should primarily focus on steps required in the near-term to implement the first phase of the System Plan in the next 3-5 years. However, the strategic business plan should outline risks and issues that VRE should take care to navigate in the near-term so that it does not limit the opportunity to implement the System Plan's longer-range objectives.

Between 2015 and 2020, the System Plan focuses on capital investments required to expand system capacity to 25,000 daily riders within the parameters of VRE's existing agreements with CSX and Norfolk Southern railroads. The business plan would outline steps required to achieve that, including incorporation of the Financial Plan analysis and recommendations.

The strategic business plan should outline funding requirements, known funding sources, and anticipated funding sources, and a strategy for achieving commitments from VRE's various capital funding partners in time deliver capital projects on schedule. This plan should include scenarios that consider potential federal funding opportunities, including the New Starts and Core Capacity programs, as well as eligible state transit and rail funding programs. In addition, strategic business plan scenarios should consider risks to existing funding programs, including potential changes to existing federal transit formula programs during surface transportation reauthorization, and the Commonwealth's looming "bond cliff," which, left unresolved by the General Assembly, could reduce state transit capital funding and operating assistance.

Funding for the first phase of the System Plan should be the primary focus of the business plan, because these investments are VRE's highest priority projects. However, the strategic business plan should

² DRPT Business Plan: http://www.ctb.virginia.gov/resources/2014/july/pres/Presentation_Agenda_Item_5.pdf

consider planning studies, new agreements, and other activities required over the next 3-5 years for VRE to confirm the costs, benefits, needs, and timing of later stages of the System Plan, including reverse commute peak, express trains, and the extension of service to the Gainesville-Haymarket corridor.

The strategic business plan should be updated annually and provide a detailed explanation of how VRE will accomplish its strategic goals in the upcoming fiscal year and how this is anticipated to affect financial and operational performance in the multi-year time frame. It should serve as a work plan for the coming year, and provide general plans and timelines for all major work products or initiatives. This will establish a clear path forward on the steps that need to be accomplished each year by the VRE Operations Board and the Commissions, and will communicate to external funding partners—such as a federal, state, and local governments—their role in helping VRE achieve its objectives. By breaking down the individual tactical steps required, including approvals and funding commitments, the heavy lift of implementing the System Plan will become more manageable for VRE and its partners.

Performance Measures

The audit team recommends that the strategic business plan include performance metrics to track progress toward short, medium and long term goals, including implementation of the 2040 System Plan and other strategic goals of VRE. General categories of performance measures include achievement of on-time performance goals; fulfillment of passenger and workplace safety and security objectives; completion of financial performance guidelines; delivery of capital project benchmarks; achievement of customer service expectations, and other areas. Within each category, metrics should follow SMART criteria, meaning they should be specific, measureable, assignable, realistic, and have a time horizon. The performance measures should be regularly tracked and reported in publications such as the monthly CEO report. In addition, these measures should serve as the basis for evaluation of staff and management performance, to orient employees towards execution of the agency's strategic mission. These performance metrics will help the agency to clarify its resource needs in specific areas in order to execute the vision outlined in the 2040 System Plan and move forward with the first few phases of the Plan's implementation.

Multiyear Financial Plan

VRE is required under its master agreement to produce a six-year financial plan, which is developed annually along with the operating budget and capital improvement plan (CIP). The six-year financial plan considers the operating cost of additional service as well as the operating cost impacts of large capital projects (such as positive train control). The plan also incorporates the CIP, which covers the same six-year timeframe.

The audit team recommends that the strategic business plan build on this financial plan to include a multiyear financial plan outlining capital and operating funding scenarios over a 15-20 year timeframe. These scenarios should anticipate various opportunities for additional federal, state, and local funds, as well as potential threats to existing funding streams and mechanisms for securing additional funds. The multiyear financial plan should incorporate VRE's existing six-year financial plan, but will provide additional scenarios and examine funding needs over a longer horizon.

The audit team understands that VRE is presently developing a financial plan to support implementation of System Plan, and recommends that it be incorporated into the strategic business plan. The purpose of the financial plan is to look to the coming fiscal year and beyond to enable the timely commitment of capital and operating funds required to fulfill the strategic business plan. In the near term (1-2 years

beyond the current fiscal year), funding commitments should be relatively firm. Over the next 3-5 years, funding commitments may be less certain, but there should be a reasonable plan for achieving the commitment of each funding source.

The multiyear financial plan may serve as a starting point for the annual budget and capital improvement program as VRE continues the process to meet its capital needs. This way, new funding needs can be communicated to VRE's funding partners years in advance. Advance notice of funding needs will be especially important as funding needs ramp up to deliver particular capital projects and new rail services anticipated in the System Plan. This minimizes surprises for VRE's funding partners, thereby providing a greater degree of funding certainty that VRE can rely on.

4.2 Capacity/Staffing to Support Strategic Goals

VRE's ability to conduct the existing business of the agency as well as implement the phases of the 2040 System Plan depends on the staff that is responsible for delivering it. This includes the agency's ability to manage contractors and successfully see projects through to completion within budget and schedule. Therefore, the audit team has examined potential staffing needs, and the standards that VRE should apply to determine adequate staffing levels for key functions as VRE's program evolves.

Existing capital program management staff levels are sized to deliver a significantly smaller program than VRE anticipates in the near future. Moreover, the audit team found that staff is particularly strained to execute existing tasks in an efficient manner during specific periods of the year, such as during audit cycles. These weeks require significant investment of time and resources to gather and organize data.

The small size of VRE's organization is becoming a constraint because VRE lacks the adequate staff to oversee and execute the annual scope of work demanded by the agency's current programs and commitments. VRE is addressing this issue by requesting additional staff. For the 2016 budget year, VRE originally requested the addition of five full-time equivalent (FTE) employees within various departments, as follows:

- **Budget and Finance – Financial Analyst:** This position would help enhance the CIP process, assist with the tracking of complex financial grant arrangements, and assist with debt issuance and management
- **Procurement and Contract Administration – Senior Contract Specialist:** This position would help alleviate the increased workload associated with additional projects and broader scopes, provide additional assistance with expanded federal requirements, and provide additional assistance with the development and organization of procurement and contract documents
- **Program Development – Project Planner:** This position would help address the increased workload associated with implementing the first phase of the System Plan, provide additional assistance for the management of planning and environmental projects, assist in administration and project controls for Program Development office, and maintain coordination on outside projects led by host railroads, DRPT, and jurisdictions.
- **Communication and Information Technology – Senior Manager of IT:** This position would manage the Positive Train Control (PTC) back office system, provide overall management for IT operations and staff, and develop an overall strategic direction for IT and management of

information systems. More detail about the staffing needs of the IT function is included in Section 5.5 of this report.

- **Safety and Security – Security Specialist:** This position would strengthen the focus for expanding operations, provide assistance for additional FRA requirements and increasing workload, enhance emergency preparedness for staff and contractors, assist with the coordination of micro-drills with equipment for regional first responders, and perform additional site inspections for safety and security.

Furthermore, VRE has also requested three FTE employees in Equipment Operations to replace current contract positions. These include:

- Manager of Warehouse and Inventory
- Inventory Control Administrator
- Inventory Control Specialist

These latter positions are cost neutral and would help reduce the current overlap between VRE staff and the contractor as well as enhance efficiencies by streamlining roles and responsibilities. The audit team supports these hires, which will help to address existing deficiencies in VRE staffing; however, further hiring will be required to begin to implement the System Plan.

For its FY 2014 operating budget of \$68 million and \$11 million capital budget, VRE has a total of 6 FTEs in Finance, 4 Procurement FTEs; 2 Planning FTEs; 1 Director of Engineering and Construction; and 3 Project Managers. VRE also has 1 FTE each in Safety and Security, Quality Assurance, Equipment, and Facilities. In addition, some functions, including some aspects of state and federal grants reimbursement, are handled by staff of NTVS and PRTC, respectively.

The audit team examined staffing levels of several peer agencies to determine the magnitude of VRE staffing relative to peers. Because the functions and responsibilities of each agency are unique, it is difficult to make an “apples-to-apples” comparison across agencies. However, these comparisons are still useful to see how VRE staffing levels generally compare.

Hampton Roads Transit (HRT), by comparison, has a FY 2014 operating budget of approximately \$96 million and a \$30 million capital budget, the agency has 6 Procurement, 12 Planning, 3 Engineering, 3 Project Management, and 38 Finance FTEs.

Sound Transit has a FY 2014 operating budget of \$221 million and a \$719 million capital program, with 35 FTEs in its Procurement and Contracts Division, 49 FTEs in its Planning, Environment and Project Development Department, 240 FTEs in Design, Engineering and Construction Management Department, and 60 FTEs in Finance. Note that Sound Transit’s project management staff is primarily located in the Planning and Engineering departments, with a few project management staff also located in Finance/IT and Operations departments.

South Florida Regional Transit Agency (SFRTA) has a FY 2014/15 operating budget of approximately \$96 million and a capital budget of approximately \$93 million. It has 9 FTEs in Procurement, 11 FTEs in Planning, 5 FTEs in Engineering, and 14 FTEs in Finance.

North County Transit District (NCTD) has a FY 2014-15 capital budget of \$15 million and operating budget of approximately \$97 million; the total dollar value of its RFPs and IFBs are \$40 million. It outsources most of its work and maintains approximately 150 staff in house. Its procurement and contract administration division has 9 in-house FTEs. Its development services division, which includes

engineering, rail systems, maintenance, real estate, and facilities is a mix of contracted and direct staff, with 8 direct FTEs. The majority of operations is contracted out, but NCTD has 12 direct FTEs that are primarily responsible for operations oversight and contract management. It has 18 direct Finance FTEs. Under California state law, the MPO (SANDAG) has taken over all planning activities and is responsible for implementing NCTD's capital program and planning funds are not disbursed to the agency. The 9 direct FTEs in the planning division focus on service planning, real estate, and mobility issues.

North County Transit District (NCTD) has also modified the balance of in-house and contracted staff to streamline a number of its functions. A few years ago the agency faced a significant backlog of maintenance and capital improvement projects and it realized that its 2 Project Management staff was not sufficient to address the backlog. Management made the decision to outsource the entire agency's Project Management to a consultant team that is working with NCTD's development, real estate, and engineering groups to address the backlog of work, via a 2-year contract. These staffing modifications are made on a case-by-case basis where the agency feels it can build efficiency while still remaining compliant with federal regulations. The oversight and quality assurance is still conducted by NCTD staff.

Peer agency staffing levels by function are summarized in Table 3.

Table 3: Peer Agency Staffing Levels by Function

Agency	FY14-15 Operating Budget	FY14-15 Capital Budget	FY14-15 Total Budget	Staffing			
				Procurement	Planning	Engineering/Project Management	Finance
VRE	\$68	\$11	\$79	4	2	4	6
HRT	\$96	\$30	\$126	6	12	7	38
Sound Transit	\$221	\$719	\$940	35	49	240	60
SFRTA	\$96	\$93	\$189	9	11	5	14
NCTD	\$97	\$15	\$112	9	9	8	18

Notes:

- VRE FTEs do not include staff functions performed by NVTC and PRTC, such as some aspects of state and federal grants reimbursement
- Sound Transit: Planning FTEs encompass "Planning, Environment, and Project Development Department"; Engineering FTEs represent all staff in "Design, Engineering and Construction Management Department." All Project Management staff are primarily in Planning and Engineering, with a few in Finance/IT and Operations departments
- NCTD Project Management is entirely contracted out to consultants.

When the staffing levels for these peers are normalized by agency budget, a clearer picture develops of the relative degree of staffing by agency. Table 4 summarizes staffing levels for VRE and peer agencies as a function of agency budgets. Procurement, planning, and finance are standardized on the basis of each agency's total budgets, while engineering/project management is standardized on the basis of the agency capital budgets. As noted earlier, given differences in the size and function of each transit agency, direct comparisons of staffing by agency are not possible. However, VRE staffing levels for in the functional areas of procurement, planning, and finance are generally below average relative to its peers.

Table 4: Peer Agency Staffing Levels by Function per \$10 Million Budget

Agency	Procurement	Planning	Engineering/ Project Management	Finance
Denominator	Total Budget	Total Budget	Capital Budget	Total Budget
VRE	0.51	0.25	3.64	0.76
HRT	0.48	0.95	2.33	3.02
Sound Transit	0.37	0.52	3.34	0.64
SFRTA	0.48	0.58	0.54	0.74
NCTD	0.80	0.80	5.33	1.61
<i>Maximum</i>	<i>0.80</i>	<i>0.95</i>	<i>5.33</i>	<i>3.02</i>
<i>Minimum</i>	<i>0.37</i>	<i>0.25</i>	<i>0.54</i>	<i>0.64</i>
<i>Average</i>	<i>0.53</i>	<i>0.62</i>	<i>3.04</i>	<i>1.35</i>

The analysis of peer agencies shows that compared to its peers, VRE is a relatively lean organization with a limited number of staff who work across a number of key functions. VRE should determine where workload demands cannot be met by existing staffing and explore options to augment resources through a number of strategies employed by peers, such as bringing in part-time or temporary staff on a flexible basis during specific periods of the year, until additional full-time staff can be incorporated into its annual budget.

The preceding discussion of peer agencies and their staffing requirements is intended to provide perspective on the number of FTEs, disciplines, skill sets, and the various ways in which the agencies evaluate and fill their staffing needs. All of these agencies have unique staffing needs, and they vary in size and business activities when compared to VRE. Nevertheless, the comparison of these peer agencies provides at least a rough guide to how VRE might determine its staffing needs.

The audit team recognizes that VRE is in the process of augmenting staff levels for specific functions. The audit team recommends that VRE conduct a comprehensive study of its current and future staffing needs by discipline and organizational unit. The review should encompass the staffing needs for these functional areas in their totality, so additional resource needs are identified each for VRE and the Commissions organizations.

To determine the exact staffing needs and build a case for including additional staff in the future budget cycle, the team recommends that VRE conduct a review of the workload needs, requirements, and shortfalls in the following functions as VRE activities evolve:

- Finance
- Procurement
- Planning
- Engineering
- Project management

The VRE staffing study should determine the drivers, activities, statistics, schedules and special needs of each major organizational unit.

For example, it may be possible to determine the FTEs required for the procurement unit by first conducting an historical study of the number, dollar amount, complexity and person hours required to

prepare, process and approve past procurements. The historical analysis of procurement should also take into consideration the kinds of goods and services to be procured and types of procurement, since each type of procurement—request for proposals, invitation for bids, blanket purchase orders, and small dollar purchases—may require different levels of effort. The results of this analysis would then serve as a benchmark for evaluating and forecasting the staffing requirements for procurement.

Similar analyses for the other VRE organizational units and disciplines will yield information and metrics that can be applied to assess current and future staffing needs. This organization-wide approach to evaluating staffing needs will allow VRE to develop models for forecasting staffing requirements. VRE could then determine whether it is more efficient to recruit and hire permanent staff, temporary staff, or to use outside third parties to meet certain staffing requirements.

This would include an inventory of the skills of existing staff and analysis of the projected increase in workload. In some cases, additional training may suffice to improve the skills and capabilities of staff and better utilize staff within existing functions without additional hiring.

VRE has previously utilized temporary staff, including contract employees, temp agency staff, consultants, and interns. The audit team recommends that VRE conduct an analysis of additional staffing required for audit preparation and identify methods to expedite the existing process of preparing for state and federal reviews and audits by adopting new technology or procedures. Once the workload and requirements are identified, VRE should consider hiring part-time or temporary staff to assist as required during review and audit cycles.

Staff workloads are evaluated annually by several peers of VRE. Sound Transit's staffing needs are assessed annually and are incorporated into the annual budget cycle. If additional support is required mid-cycle, Sound Transit has the option to bring in term-limited staff (rather than FTEs) through its Human Resources group. Temporary staff (brought in on an as-needed basis, say for one to two months) is available through contracts with two temporary staffing agencies.

At the Trinity Railway Express, staffing levels are assessed during the budget period based on anticipated need for the coming year; however, if mid-cycle staffing additions are required, a request for additional headcount can be made and approved through the agency's finance or the human capital divisions to hire either through a contract service agreement or through a temporary assignment. Staffing needs and work assignments are made by the department head or hiring official for any given position.

The audit team recommends that VRE implement a similar review of staffing needs as part of the annual budgeting process. This will provide a flexible framework for the agency to grow as needs require.

4.3 Relationship Between Commissions and VRE

VRE is a unique transit entity, existing as a transportation partnership of NVTC and PRTC. VRE is not a free-standing legal entity but is wholly owned by the two commissions. All assets of VRE are owned by each Commission, and all employees of VRE are in fact employees of PRTC. While most staff functions are performed by VRE, some functions, including state and federal grants reimbursement, are handled by staff of NVTC and PRTC, respectively. The VRE Operations Board is not a free-standing governing board, but a joint committee of the two Commissions. VRE is an important function of each Commission, but each has other priorities as well, such as PRTC's OmniRide commuter bus service, OmniLink local bus service, and OmniMatch ridesharing service; and NVTC's transit policy advocacy and funding support for local jurisdictions' transit service and the Washington Metropolitan Area Transit Authority (WMATA).

Thus, while VRE is not independent of the Commissions, there is natural tension between the organizations' varied missions.

During interviews conducted for this management audit, there were divergent viewpoints regarding the role of the Commissions, and specifically Commission management, in providing oversight of VRE. Officially, the VRE CEO has a contract with both Commissions, and in accordance with the VRE Master Agreement, reports to the Operations Board. The VRE CEO does not report to the Executive Director of either Commission. In practice, however, there is frequent interaction between management of VRE and the Commissions and a lack of clarity regarding the relationship between these officials. Some view the Commissions' membership, but not the staff of the Commissions, as having oversight over VRE, with management of both Commissions serving as an advisory resource to VRE management in pursuit of the agencies' shared objectives. Others saw that both Commissions' membership and management have an oversight role monitoring VRE performance, in accordance with the planning and business objectives of each Commission. Another view holds that the role of the Executive Directors is to serve as staff to the Commissioners in their oversight roles, as opposed to having any direct supervision over VRE.

There is a shared view that VRE and the Commissions have a common goal to utilize the board structure of these organizations to build and sustain support for VRE. Several interviewees noted that the VRE Operations Board and the Commissions bring together representatives of the state and local entities that will ultimately fund the capital and operating costs of implementing the 2040 System Plan, and the membership of the Board and Commissions could form the nucleus of a vocal chorus of support of additional funding for the commuter railroad within regional transportation priorities.

Peer Agency Examples

While VRE's ownership and governance structure is unique, there are parallels to other transit agencies in the country. One is the Trinity Railway Express in Texas, which is not an independent entity but is jointly owned and operated by Dallas Area Rapid Transit (DART) and Fort Worth Transportation Authority (The T). However, TRE's entire small staff of seven employees are actually employees of its parent organizations, five from DART and two from The T. TRE does not have its own board, but is governed by a Management Action Committee (TREMAG), a small working group comprised of DART and T management, and a seven-member TRE Advisory Committee (TREAC) which consists of three board members from each agency plus one representative of other cities served by TRE. TRE, unlike VRE, truly functions as a subsidiary of its parents rather than a joint venture, and therefore faces different pressures than VRE relative to its parent organizations' missions.

Another organization that answers to multiple governing boards is Valley Metro. It functions as an amalgamated agency in the Phoenix, Arizona region that supervises contractors operating the regional bus and light rail transit systems, and has the responsibility to plan and deliver capital projects to renew, enhance, and expand regional transit infrastructure. It answers to two boards, the Regional Public Transportation Authority (RPTA), responsible for bus service, and Valley Metro Rail, Inc., responsible for rail. Members of the two boards are appointed by the cities that comprise the Valley Metro service area, and in some cases, the same members serve on both boards. Like VRE, Valley Metro management must be responsive to two different boards. However, unlike NVTC and PRTC, each of those boards is solely focused on distinct mission that is carried out by Valley Metro management, does not address competing priorities and in some cases have differing policies.

In the case of VRE, there are three key issues to be addressed regarding the relationship between the Commissions and VRE. One is the relationship between the Commissions' Executive Directors and VRE's CEO; the second is the oversight of VRE by the Commissions; and the third involves the division of

responsibility between VRE and the Commissions for tasks that each entity is capable of managing, such as planning and securing transportation funding.

Relationship Between Executive Directors and CEO

As noted in Section 3.10, there is a strong professional relationship among the CEO and Executive Directors that is built on mutual respect and understanding. Therefore, the issue is not one of personalities, but of the appropriate roles and responsibilities for each position.

A fundamental question is to what degree the Executive Directors should exercise oversight over VRE management. The audit team sought to clarify this point by reviewing the position description and other documentation of each Executive Director's enumerated roles and responsibilities, but in both cases, they are limited with respect to the Commissions' ownership and oversight of VRE. While this review did not provide the clarity the audit team sought, it is telling in that demonstrates the degree to which the Executive Directors are expected to focus on addressing other goals and objectives of the Commissions.

In establishing VRE, the Commissions delegated responsibility to hire a CEO to the VRE Operations Board. According to Article V Section 2 of VRE's bylaws, "the CEO shall report directly to and shall act at the direction of the Operations Board. With the exception of matters expressly delegated by the Commissions, the CEO shall act only upon the prior authorization of the Operations Board. The Operations Board may direct the CEO to act only to the extent authorized by the Commissions."

Therefore, the audit team believes that the oversight of the CEO is the responsibility of the Operations Board and not the Executive Directors. The Executive Directors should never seek to directly intervene between the CEO and Operations Board. However, there will be instances in which the Executive Directors, by virtue of their responsibility to assist the Commission in performing its oversight over the VRE Operations Board, may request information or otherwise exercise authority over VRE as an agency. In these situations, the audit team believes that the role of Executive Director is to provide institutional oversight of VRE as an entity, but the Executive Directors should not be directly managing the CEO as a subordinate. For example, a request for information or input from an Executive Director to the CEO is appropriate, but should generally be within the parameters of the Commission's oversight over VRE.

The audit team recommends that the Executive Directors, the CEO, and the chairs of each Commission and the VRE Operations Board (or the chairs' designees) meet regularly to coordinate issues jointly concerning VRE and the two Commissions. This will ensure open lines of communications among VRE and the Commissions and facilitate the Commissions' corporate oversight of VRE.

Oversight of VRE by Commissions

The Commissions, as joint owners of VRE, play an important oversight role. While they have jointly delegated significant authority to the VRE Operations Board, ultimately the Commissions are the legal owners of VRE and thus bear all corporate responsibilities and risks of ownership, including accountability for funds provided from federal, state and local sources.

The audit team finds that the staff and management of VRE and the Commissions appropriately route approvals for consideration by the Operations Board and each Commission in accordance with the VRE Master Agreement, the VRE Operations Board Bylaws, and the VRE Delegation of Authority. Each commission meeting includes a VRE section on its agenda, with participation by VRE management. The Commissions provide due diligence to the VRE issues that require their consideration.

Based on comments and questions received from Operations Board and Commission members, however, the audit team believes that the liabilities and responsibilities of the Commissions with respect to VRE may not be fully understood by all members. Therefore, the audit team recommends that each Commission provide its members an informational presentation on their roles and responsibilities with respect to VRE in their capacity as Commissioners. This session may draw upon the VRE Operations Board orientation materials recommended in Section 6.3, but should be tailored to provide a Commission perspective both for Commissioners serving on the Operations Board and those who do not, as well as Commissioners from jurisdictions not served by VRE (who, as Commissioners, bear responsibility for VRE nonetheless). This session should be presented annually, to provide an orientation to new Commission members and a refresher to continuing members.

The desired outcome of this training is to make all members aware of their roles and responsibilities and to empower Commissioners to question and act on VRE issues if they believe it appropriate.

Division of Responsibility Between Commissions and VRE

There are certain functions that are of concern to the Commissions as well as affecting VRE, such as planning and transportation funding.

Funding is a significant concern of the NVTC in particular, which serves a clearinghouse for regional fuel tax revenues and other transit funds to agencies throughout the NVTC District, and must balance the needs of VRE, the Washington Metropolitan Area Transit Authority (WMATA), and local transit agencies. PRTC plays a similar role in its district. This includes decisions regarding the amount, type, and timing of funds that each agency's priorities will receive, and given resource limitations, often involve trade-offs and compromise. In these deliberations, VRE's status as an entity jointly-owned by each Commission should give it no greater priority than other transit providers in each district.

VRE advocates for funding for specific commuter rail projects, seeking the support of NVTC and PRTC for funding from the federal government, the Commonwealth, the Northern Virginia Transportation Authority, and individual cities and counties. At times, it must make the persuasive case for funding alongside other transit agencies competing for the support of NVTC and PRTC. In some cases, however, there are funds for which VRE is eligible that other transit agencies in the region are not—particular state and federal rail funds. For these sources, the Commissions are free to join VRE in advocating for funding of its projects.

In the area of planning there is natural overlap in staff capabilities and responsibilities among VRE and the Commissions. In general, the Commissions' interests are long-range and strategic, and may focus on multiple modes of transit and multiple corridors across their entire territory. VRE's planning is focused on commuter rail in its specific corridors. A key consideration is the degree of involvement by VRE prior to and following decisions regarding selection of mode (or technology) for a particular corridor, and its role as lead or supporting agency for project implementation. In general, VRE, the Commissions, and other agencies engaged in transportation planning in the region have successfully worked this out for past planning studies, but it would help to have clear guidance that is understood by all.

The audit team believes that the Commissions play a key role coordinating regional issues, including transportation funding and general systems planning. The purview of VRE, meanwhile, is to plan, advocate and secure funding for commuter rail-specific projects and service. It is important that each entity play to its strengths in executing these missions. Clarifying roles and responsibilities will facilitate the allocation of responsibility when future issues arise.

Therefore, the audit team recommends that the Commissions—or other regional planning entities (when appropriate)—serve as the lead planning agency when a mode has not been selected, and that VRE only serve as a lead planning agency once the appropriate planning agencies have made a decision to invest in commuter rail in a particular corridor. However, as the sole commuter rail agency in Northern Virginia, VRE planning staff should provide technical support to any planning studies that could result in commuter rail being selected as a preferred mode. This ensures that planning studies benefit from the mode-specific expertise of VRE planning professionals.

For example, a corridor study or alternatives analysis in which commuter rail is one of several modal options under consideration (along with bus, bus rapid transit, and/or other types of rail) is best handled by an agency that does not have a modal focus (like VRE—or for that matter, other transit operators in the region). However, should a corridor study or alternatives analysis point to commuter rail as the appropriate mode, and the project is officially adopted into regional plans, VRE would be the appropriate agency to manage environmental clearance, permitting, development of grant applications, and similar project planning activities, with appropriate advice and approvals from the Commissions as concepts advance.

The 2040 System Plan was the product of planning efforts led by VRE staff and the Operations Board and endorsed by the Commissions. As the System Plan is focused squarely on regional commuter rail investments, the audit team believes VRE's leadership in producing this plan appropriate. However, the Commissions will play a significant role in deliberations regarding elements of the System Plan, especially the later phases which will require policy decisions regarding new service types and features.

With respect to transportation funding, the audit team recommends that the Commissions continue to serve as the locus for discussions of regional funding, including new broad-based funding sources for all transit modes, and will continue to balance the funding needs of VRE with other transit providers in each Commission's district. Meanwhile, VRE should continue to advocate for funding for its particular capital projects and transit services. To the extent that the VRE Operations Board wishes to weigh in on general, regional funding approaches, it should coordinate its activities with the Commissions. The audit team recommends that VRE and the Commissions actively identify opportunities for the Commissions to ally with VRE to secure new funding for VRE that does not compete with the needs of other transit agencies.

Chapter 5: VRE Functions & Processes

In addition to broader analysis of VRE's management, oversight, and authority, the audit team identified specific functional areas within the organization that warrant further examination. This chapter focuses on these five specific functions within VRE: Purchasing/Procurement, Human Resources, Legal, Finance, and Information Technology. These were the five most salient functions that were highlighted during the audit team's analysis of interviews conducted for this audit, reports, and a review of internal processes. This chapter summarizes the key issues with respect to these five functions and presents options and recommendations to address each issue.

5.1 Purchasing / Procurement

One of the key purposes of the management audit is to determine VRE's ability to achieve its existing mission, as well as to implement each phase of the 2040 System Plan over the next 25 years. Key to this is procurement of professional services, construction services, transit maintenance and operations services, and materials and supplies. The audit team reviewed opportunities to facilitate management of the procurement workload while remaining compliant with the state and federal statutory and regulatory requirements. The team also examined the procurement delegation thresholds and best practices employed by peer transit agencies. In addition, the audit team reviewed the structural configuration and capacity of procurement staff to address existing procurement demands, and evaluate future needs.

VRE's procurement policies and procedures were revised in response to the last FTA triennial review, which found deficiencies in compliance with FTA requirements for procurement. These deficiencies related to federal clauses being omitted from an agreement and an inconsistent document control system between VRE and PRTC. VRE has since addressed the corrective actions outlined in the FTA report.

The procurement function is robust in terms of policies and information flow. VRE has a thorough public procurement policy and procedures manual. VRE currently does both competitive seal bids including Invitation for Bid (IFB), which is mandatory for construction, and competitive negotiations through Requests for Proposals (RFPs), which are mandatory for professional services. In the former, VRE issues a written invitation to bid which contains the specifications, terms, and conditions, it receives and evaluates bids through a public process and awards to the lowest responsive and responsible bidder. In the latter, an RFP is issued with general terms, evaluation criteria, and specifications, which VRE typically uses as the basis to negotiate with the top two offerors who meet the qualifications and select a final candidate based on the best proposal and value. (For professional services, the qualification and price stages are separate.) While these processes are robust, the audit team identified several issues with VRE's purchasing practices:

- VRE staff currently use credit cards, rather than purchasing cards, for micro purchases, which can pose challenges with respect to tracking payments.
- Employees of VRE's rail maintenance contractor are not able to enter requisitions directly into the financial system, which impacts the timeliness and efficiency of processing requests. Rail maintenance staff members make supply needs known to VRE staff, which then must process the purchase on their behalf. (As noted below, a VRE fiscal year (FY) 2016 budget proposal to bring these positions in house should resolve this issue.)

- Procurement processes and templates are dated; existing templates are not equipped to acquire new technology in a streamlined and efficient way.

The audit team's recommendations regarding each of these issues are summarized below.

Purchasing Cards

VRE should weigh the advantages and disadvantages of replacing its current credit cards with purchasing cards, since purchasing cards offer more visibility within the accounting records for historical analysis of expenses. Purchasing cards can assist an organization in streamlining its procure-to-pay process, and obtaining goods and services efficiently. The purchasing cards, like the current credit cards, may be used for "micro" purchases, which according to the PRTC/VRE procurement manual, are less than \$3,000 for federally-funded purchases and less than \$5,000 for non-federally funded purchases. The advantage of purchasing cards is that they reduce transaction costs, track expenses within the financial system, and generally provide a percentage payment back to the organization. This should be weighed against potential disadvantages, such as the additional work that may be required to reconcile purchasing card statements with a purchase log and distribute charges to the proper accounts. A purchasing card program, like a credit card program, requires robust and continuous oversight to assure that there is no misuse.

North County Transit District uses purchasing cards primarily for micro purchases (purchases that are less than \$3000) and has found that it is an effective way to streamline and efficiently obtain these types of goods and services.

Similarly, Trinity Railway Express uses purchasing cards for up to \$2,500 per transaction or activity (an amount driven by Texas statutes and procurement law), up to a maximum of \$10,000 in purchases per card per month.

In advance of implementing a purchasing card program, VRE management should verify the percentage of accounts payable payments that are micro and review the impact of implementing purchasing cards on staff workload. This will require an analysis of the entire procurement process, rather than simply adding purchasing card processing to existing procedures.

Rail Maintenance Purchase Requisitions

VRE's proposed FY16 budget includes the transfer of three employees from agency's rail maintenance contractor to VRE. The positions include the Manager of Warehouse and Inventory, an Inventory Control Administrator, and an Inventory Control Specialist. The audit team supports this proposed change, which will streamline processing of rail maintenance purchase requisitions by allowing warehouse staff to directly prepare purchase requisitions. By transferring staff from the contractor to VRE, VRE will be able to maintain adequate oversight and controls over rail maintenance purchasing.

Procurement Protocols

Procurement templates should be updated to reflect the procurement of new technology, such as software and other applications that utilize licensing agreements. VRE may want to consider beginning with an IT procurement plan that describes the agency's overall strategy to accomplishing and managing its information technology acquisitions.

VRE should expand its use of blanket purchase orders for repeat procurements and requirements with the same vendors. Examples include office, operations, and maintenance supplies that are routinely

procured on a recurring basis. This approach will increase the efficiency and reduce staff effort required to procure routine purchases. Unlike the normal purchase order process currently used by the agency, a blanket purchase order will streamline the process, reduce procurement lead time, reduce administrative costs, and potentially provide opportunities to negotiate improved discounts in a way that is not in conflict with current contracts. If VRE does expand its use of blanket purchase orders, steps should be taken to ensure that local and small businesses are not precluded from the process.

Trinity Railway Express uses blanket purchase orders for many services that are required more than once (such as direct marketing campaigns, for example). These have a \$50,000 maximum threshold and a two-year maximum duration, with the possibility of extending the order for a third year, procured through a competitive process.

5.2 Human Resources

The audit team reviewed VRE's ability to attract and retain top-notch talent to staff the agency. This included a review of the agency's human resources policies and practices, including the extent to which the agency's practices align with its adopted policies. This review focused on several facets of human resources. The audit team examined how VRE recruits and reviews prospective hires, as well as the onboarding process. The team considered how staff performance is evaluated, including the consistency of approaches vertically and horizontally across the agency. The agency's efforts to train and retain staff were also reviewed. The goal of this effort was to understand the steps that VRE is taking to develop personnel and foster professional growth.

The audit team considered several recent reviews to inform this area. In response to recommendations of the Virginia Auditor of Public Accounts, the team examined VRE's CEO evaluation and recruitment practices as well as succession planning and role transitioning. The VRE organizational chart informed analysis of the structure needed to address the goals of each phase of the 2040 System Plan, the existing organizational span of control, staffing of functions, the location of functions across the organization, and the reporting structure to the CEO.

The audit team also reviewed the findings of the VRE and PRTC Total Compensation Market Study Report (2013), which provides a peer comparison of how VRE pay practices, health benefits, and retirement benefits compare to peer employers. The APA Review of the Governance Structure over VRE (2013) recommends the organization establish a policy for evaluating the CEO to ensure expectations for performance are clearly communicated as well as regularly and formally assessed.

The Human resources function has become more streamlined since it was folded into the Finance function approximately one year ago, but the HR function has historically not been a very visible function within the organization and has not been active in emphasizing and promoting training and employee development. The hiring and benefits role primarily serves as information provider. VRE employees are legally employees of PRTC, so PRTC and VRE therefore share a personnel policy and collaborate on any policy revisions. However, the VRE and PRTC human resources functions are independent of each other, with the exception of Affirmative Action compliance, which is handled by PRTC.

The audit team recognizes that VRE currently provides opportunities for education and training and is continuing to develop these offerings. VRE also offers educational leave (without pay) for up to one year for education continuance, as well as allowable leaves of absence for employees who wish to participate in activities, exams, and institutes related to their work. Employees may also be reimbursed for these education and training courses, at the discretion of supervisors.

VRE also takes care to award and recognize employees who perform well. VRE maintains an incentive program for employees who meet specified, quantifiable objectives with measures of success (these are one-time awards that part of the annual budget). VRE also maintains a bonus program as a one-time monetary bonus for extraordinary contributions. Bonuses are awarded to employees who utilize business practices that result in substantial revenue increases not foreseen in the adopted budget; a “good Samaritan” act; or completion of a major project under budget and ahead of schedule, to name a few examples.

While VRE and PRTC recently completed a joint review of compensation, job descriptions, and classifications, the study focused on the organizations’ existing positions and structure. The audit team recognizes that new staff positions will be required to deliver an enhanced capital program, which will require appropriate job descriptions and classifications.

Other human resources issues identified by the audit team include the following:

- VRE conducts annual employee evaluations (new employees are evaluated more frequently, both after completing a probationary period as well as after six months of employment). The performance evaluation form used to guide this process provides a range of five ratings for a number of factors, resulting in a final evaluation score. The performance evaluation is conducted by an employee’s supervisor; the supervisor and employee then meet no later than two weeks after the evaluation to discuss it, after which the employee has two weeks to react (including assent or dissent) to the review. The final evaluation is provided to the supervisor’s supervisor no later than two weeks following the review, after which it is signed off by the supervisor and sent to the Manager of Personnel Administration for filing. This review also forms the basis of future pay allocation for that year. While this process is clearly laid out and monitored, employee performance reviews are not linked to the agency’s broader strategy and goals. This is due in part to the fact the agency has not yet adopted a business plan to implement its 2040 System Plan. The performance evaluation form contains fields for five employee goals (“tailored to each employee and designed to motivate improvement over the year”) but there is no mention of how these specific goals relate to VRE’s strategic objectives. In the past year, VRE has made modifications to the performance evaluation system and created a 2-page sheet on the organization’s plans and goals for the next year. The next step is to align career development with these goals.
- The Human Resources manual, at 52 chapters, is cumbersome as a reference manual with many extraneous chapters that staff do not need to reference routinely. This manual contains a hodgepodge of issues, ranging from recruitment and hiring, rules of conduct, performance evaluation, drug-free workplace policy, to internet usage guidelines. Chapters on VRE’s fragrance policy, communicable diseases, cost of living allowance, and other issues that do not need to be referenced on a routine basis could be designated to a supplementary manual or online database for employees to reference. This manual is shared with PRTC and opportunities to jointly condense this manual should be explored.

There are opportunities to more clearly define policies and processes in the manual. For example, the process for reclassifying job descriptions has been described as unclear because staff were not able to easily determine the most efficient processes for reclassifying certain positions.

- The Board must establish and document its process for evaluation of the CEO. This should be tied to the performance objectives of the agency as whole, as outlined in the strategic business

plan and tracked in the monthly CEO report. In addition, there will likely be additional personal performance targets particular to the role of CEO. Having a documented process will provide public transparency and an objective basis for evaluating the CEO. This will help to facilitate Board discussion of additional merit-based compensation for meeting performance targets.

Peer Agency Practices

- **Hampton Roads Transit** offers a variety of training to employees, some of which is mandatory (such as substance abuse, conflict of interest, and security awareness) and other training options on a tuition reimbursement basis. Furthermore, HRT encourages employee attendance at conferences, seminars, training programs, and other related educational programs and meetings designed to provide staff members with the skills, training and experience necessary for their continued development.

HRT also conducts an annual review of all employees. New hires or employees who are promoted to a new position receive an evaluation at the end of their 6-month probationary period. At Hampton Roads, evaluations are prepared by the employee's immediate supervisor. The employee's performance is rated in various categories such as goal achievement, job knowledge, initiative, quality of work, judgment and decision making, teamwork, leadership and attendance.

- **Valley Metro** offers employees tuition stipends and offers opportunities through organizations such as APTA and the Eno Foundation. Furthermore, employees are provided skills training in GIS and other technical areas.

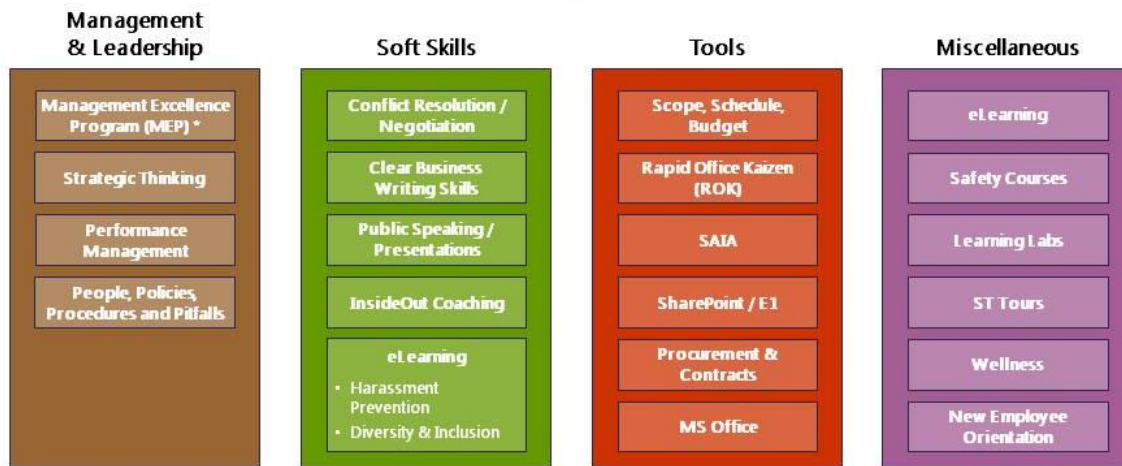
Like Hampton Roads Transit, Valley Metro also evaluates employees through its annual performance review. Employees are reviewed on a set of goals that they have established with their manager during the previous year.

Valley Metro human resources department conducts on-boarding for new employees through a number of channels, and these are not condensed into a single document or manual.

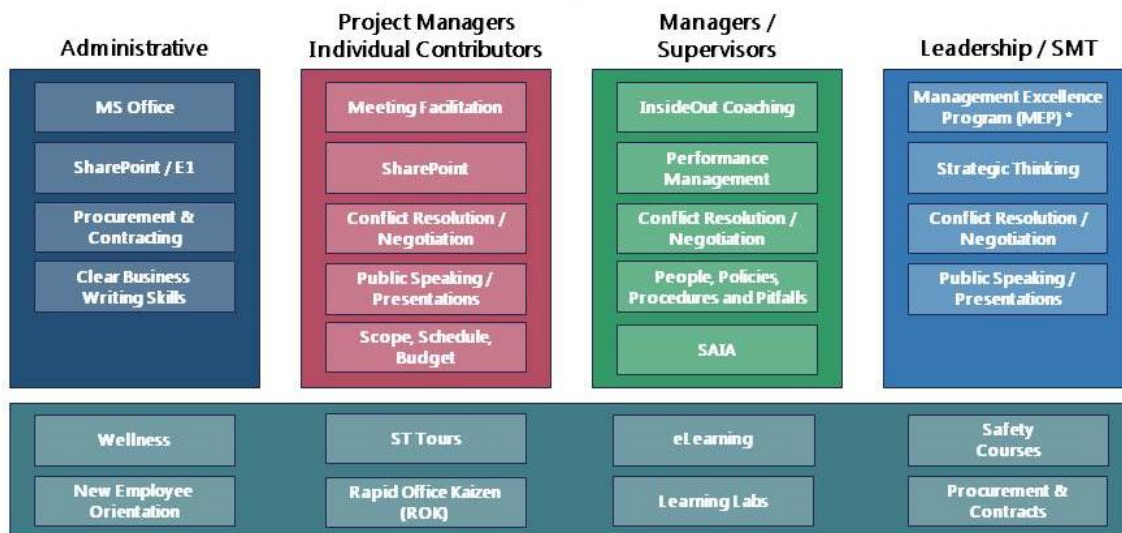
- **South Florida Regional Transportation Authority (SFRTA)** provides several training opportunities, including workshops and seminars. The agency also provides licensing and certification, supervisory, and self-improvement training. SFRTA provides educational assistance via tuition reimbursement for a number of courses, including both graduate, undergraduate, and certification-related. SFRTA administers written performance appraisals once a year that include acceptable performance standards for each employee, goals, and, when necessary, areas of improvement and training needs required to achieve or maintain acceptable or above standards expectations.
- **Sound Transit** has a robust training and employee evaluation program. The employee development opportunities that it offers are illustrated in Figure 1. In addition, Sound Transit also offers eLearning from Microsoft for the Office software suite, department-specific training (technical knowledge) and customized workshops in areas such as team building and staff coaching. The agency provides tuition reimbursement of up to \$2,000 annually after one year of employment, and a Management Excellence Program for middle and upper management which occurs across two weeks each year.

Figure 1: Sound Transit Training

ST Standard Training Offerings 2015 by Type



ST Standard Training Offerings 2015 by Role



Sound Transit also has an extensive Performance Management Program that the agency uses for employee evaluation. This is a new policy that is in its first year of implementation. There are three types of performance review forms for staff to use: 1) for individual contributors, 2) for project and administrative professionals, and 3) for supervisors and managers, ensuring that all relevant staff is involved in the review process.

Recommendations

The audit team recommends that VRE expand the scope of its human resources function to be more strategic, so that the agency's policies and procedures related to employees fit into VRE's broader strategic goals, thereby facilitating the growth of its organization and its employees. Staff development should address state and federal requirements, job specific skills and knowledge, employee engagement, and leadership development. A strategic human resources function has several benefits, for example:

- Fosters a sense of team-building and improve employee relations, thereby leading to improved employee retention and productivity.
- Helps monitor progress, since the HR function can consistently monitor staff progress and tweak processes for the benefit of the organization at large, thereby improving work flow.
- Facilitates better and more transparent compliance with laws and legal requirements related to employees, salaries, insurance, and the like.

VRE's ability to attract, retain and develop top talent is a critical risk to the success of the 2040 System Plan. In order to do so, VRE must proactively and visibly align staff development and its organizational capability to the overall requirements of VRE's long-term business strategy. Currently the 2040 System Plan outlines the strategic direction of the agency, but VRE has not yet developed a strategic business plan that serves as a blueprint for the agency's goals, direction, and performance and the resources that will be required. The strategic business plan should outline the agency's key goals, which managers can reference to guide the performance of staff. This approach should be incorporated into performance evaluation of employees from the CEO on down

In addition to an expanded role for HR, the audit team recommends modifications to HR administration, such as updating the Human Resources Policy Manual by editing and condensing the content to be succinct, easy-to-digest, and useful. VRE should also develop an annual schedule and guidelines for routine training that can be expanded, updated, and customized depending on staff needs, similar to the program created by Sound Transit but appropriately sized to VRE's requirements. Once this has been developed, the audit team recommends formalizing this training program and creating a specific set of modules for new hires. This will help develop the skills of new hires, many of whom have few years of the institutional or railroad-specific knowledge critical to the achievement of VRE's strategic objectives.

5.3 Legal Counsel

VRE currently contracts with the Arlington County Attorney's Office to provide legal counsel. As is customary in Virginia, the attorney reports directly to the agency governing board (in this case, the two Commissions) rather than the VRE CEO. The Arlington County Attorney also serves as counsel for NVTC and for all PRTC legal issues related to VRE; the Prince William County Attorney serves as counsel for PRTC for all non-VRE issues. Functionally, however, VRE staff members are in direct contact with the County Attorney's office as issues arise requiring legal review, negotiation support, or litigation. The County Attorney delegates some issues to members of his staff, and brings in external legal counsel when issues require specialized expertise or additional resources are needed. VRE pays Arlington County \$70,000 annually for this support. The cost of outside legal counsel, if required, is paid directly by VRE, often from its Insurance Fund (if related to litigation) or from bond proceeds (if for bond counsel related to debt issuance).

Management, staff, and stakeholders are satisfied with the quality of legal work performed for VRE by the Arlington County Attorney's office. Due to the tenure of legal staff, the legal support meets a high standard and reflects deep institutional knowledge of VRE and its parent Commissions. The audit team noted the respect and admiration that the staff has for the strengths that the legal team brings to the organization. However, there have been instances in which long lead times have been required to receive legal advice. VRE does not have in-house counsel and it depends on the Arlington County Attorney and his staff to be responsive to its needs. As a result, the legal function is perceived by VRE staff as being slow to respond to questions and requests as the organization has grown. VRE staff has responded in part by utilizing standardized agreement templates, which simplify the amount of legal review required.

Legal counsel is sensitive to the needs of VRE staff and the steps required to provide high-quality service to the agency. The County Attorney's staff attorneys frequently address routine issue items such as procurements and leases. The County Attorney has obtained outside assistance on an as-needed basis—typically for issues that are beyond the capabilities of the County Attorney and his staff. In some cases, legal issues require a response from non-attorney parties to negotiation outside the organization—especially related to complex issues negotiated between VRE and the host railroads—and this, rather than a legal team workflow issue, is the cause of delay.

At Hampton Roads Transit, a senior staff attorney provides legal counsel for the agency. The attorney reports directly to the human resources chief and solely comprises the in-house legal team of one. HRT augments legal staff support through contracts with three local law firms. The partial outsourcing of legal counsel, on an as-needed basis, has been successful in achieving cost reductions by limiting and managing outsourced legal representation.

At North County Transit District, an in-house General Counsel is hired by and reports directly to the Board. It was a position that had been contracted out for the past thirty years and has been brought in-house in the last year (2013). The General Counsel has one paralegal who assists with all legal and contract issues. This function was brought in-house after the agency decided that it required more day-to-day access to the General Counsel with whom staff can directly interface and who can provide immediate and timely advice, as opposed to the contracted counsel that staff saw approximately once a month and communicated primarily through the phone. The General Counsel signs all contracts and Memorandums of Understanding. Additional specialized attorneys (in environmental law, for example) are brought in on an as-needed basis.

There are several potential options for provision of legal counsel to VRE. These include the following:

- **Continue to contract with a local County Attorney's office for legal support.** This would continue the arrangement that has been in place since the founding of VRE, first with the Prince William County Attorney's Office, and later, after the Prince William County Attorney moved to Arlington County, with the Arlington County Attorney's Office. This is not unlike the arrangement for other cross-jurisdictional governmental agencies in Northern Virginia and across the Commonwealth, including other special-purpose authorities for transportation, solid waste, juvenile detention, parks, and variety of other shared services. It has provided VRE with high quality, cost-effective legal advice, though, as described above, the timeliness of support has been criticized. The County Attorney offers the resources to pull in additional staff when needed, and can contract with an outside law firm if a need for specialized expertise arises.
- **Develop in-house legal counsel.** This official would still report to the Commissions but would be located in VRE's Alexandria headquarters rather than in Arlington. This arrangement would provide the advantage of co-location, which could help to address complaints regarding the timeliness of advice, and would provide counsel singularly focused on the issues of VRE. VRE would likely require at least one staff attorney, but the limited volume of issues requiring legal support may not be sufficient to occupy a single attorney full-time. In addition, it is doubtful that one individual could provide the range of knowledge and support that the current arrangement with the County Attorney's office is able to provide. This could result in more need to call on external legal counsel to resolve particular issues. In addition, VRE would lose the institutional knowledge inherent in the current arrangement. The net result of this option could result in more timely advice in some areas, but costlier and less experienced advice in other areas.

- **Contract with an outside legal firm.** The Commissions would contract with a private law firm for advice instead of the County Attorney's office. This would provide a pool of resources to respond to VRE's needs, but is likely to be at a much higher cost than the current arrangement. The ability to respond to the particular issues VRE faces—especially related to railroad law and complex negotiations with host railroads—will depend on the qualifications of the firm selected. As with the prior option, VRE would lose the institutional knowledge of the current attorney.

Of these options, the current arrangement is likely to provide the most knowledgeable and cost-effective service going forward, at least in the current configuration of VRE responsibilities. Therefore, rather than seek other providers of legal counsel, the audit team recommends that VRE and the County Attorney work together to build on and improve the existing arrangement. There are several methods of accomplishing this:

- Document timeframes required for items commonly reviewed by legal counsel to establish reasonable expectations for all parties of how long reviews should take. This will allow VRE staff to build in sufficient lead time for legal review on routine matters, to properly account for the time required by attorneys.
- Identify assistant attorneys able to directly field inquiries from VRE staff. This will likely relate to routine items the County Attorney's office reviews, but may help to expedite reviews by allowing VRE staff to interface directly with knowledgeable legal counsel when appropriate. While additional training may be required, this option leverages existing resource in a more efficient manner. On all correspondence, the County Attorney himself should be copied to ensure that any items requiring review by a more senior attorney can be identified.
- Examine whether additional staff is required in the County Attorney's office to address VRE's needs. This will include a review of whether the appropriate resources (time, skills, or roles) are available in the current organization and what would be a cost effective way to provide them.
- Consider quartering any attorneys who spend a significant portion of their time addressing VRE's needs at VRE headquarters in Alexandria. This will allow for direct interaction with VRE staff, which can potentially improve the quality and timeliness of responses. The effective workload related to VRE may only warrant doing this one or two days per week, which would allow for a split-time arrangement in which the staff attorney works part of the week at VRE and the remainder in the Arlington County Attorney's Office. This would allow for direct interaction with both VRE staff and the County Attorney and his staff.
- Develop additional avenues for direct interface and communication between VRE staff and legal counsel (as well as legal support staff). The audit team recommends that VRE and the County Attorney's office establish quarterly progress meetings between legal counsel and the management team. These meetings will create an open channel to discuss any issues in the timeliness or responsiveness of legal counsel, and provide a forum for the principals involved to develop options to resolve these issues. In addition, these meetings should look ahead and discuss any issues likely to be encountered in the next quarter.

5.4 Finance

The audit team identified two key areas of concern, federal grant reimbursements and audit processes.

Grant Reimbursements

VRE's federal grants are managed by PRTC and state grants and loans are managed by NVTC.

State funds received from DRPT cover a portion of capital costs, in accordance with state transit capital grant guidelines. In addition, the state provides operating assistance to transit agencies. State transit grant funds are received on a reimbursement basis. VRE staff prepare grant invoice requests, which are then submitted to NVTC. NVTC reviews the request to be certain that costs intended for grant reimbursement are allowed under the term of the grant, reviews documentation for completeness, and tracks the billings under each individual grant. When reimbursed by DPRT, NVTC staff direct revenue to VRE's account and notify VRE. In general, both VRE and NVTC staff report that state grant reimbursements are a smooth and effective process.

A similar process exists for the processing of federal grant reimbursements, which are handled by PRTC, a designated recipient of federal transit grants. Delays in congressional appropriations, in the apportionment of federal funds, and the approval of grants by FTA have in some instances caused difficulties for VRE to gain access to federal funds and the associated state grants, which are withheld until federal approval is received. (For example, in February 2013, VRE drew \$11.7 million in federal funds for a year of access fees that had been held pending FTA grant approval). In addition, for PRTC's last two completed financial audits (FY 2012 and FY 2013) PRTC's auditors have noted material weaknesses and deficiencies in the compliance section of the PRTC audit. Because PRTC serves as grantee for VRE's federal funding, PRTC's failure to clear these deficiencies could have an impact on VRE's future receipt of federal funds. In response to an FTA finding during PRTC's 2014 Triennial Review PRTC has developed a detailed schedule for resolving deficiencies noted by FTA auditors.

The management audit team recommends that VRE support PRTC in exploring options to streamline grant reimbursements, specifically on the federal side. One recommendation is to better utilize IT systems, such as additional features of the Microsoft SharePoint program, to post a draw calendar (including staff absences) so timing can be better coordinated between both entities. North County Transit District, for example, uses JD Edwards as its enterprise system. Modifying the reimbursement request cover sheet can be made so that the preparers and reviewers sign off once they have performed their respective roles.

As PRTC completes the implementation of a new financial management system and addresses the noted deficiencies, VRE should provide assistance and support to PRTC as requested. VRE and PRTC staff should continue to work cooperatively to implement identified improvements that will benefit all users in the grant drawdown process, and subsequently monitor those improvements.

PRTC staff will continue to provide periodic reports to PRTC Commission members as milestones towards resolution of this issue are reached. The audit team recommends that VRE management provide a copy of these reports to VRE Operations Board members as an information item, so that they are kept abreast of progress towards resolution of this issue.

Audit Processes

VRE staff spend a significant amount of time compiling the appropriate information to prepare for external compliance reviews. For example, the process of state compliance review dominated a six-week period during which staff had to pull approximately 1,000 electronic files related to \$58 million in funding requests that the state sought to examine. This has put undue strain on a functional area with limited staff resources.

Every year VRE staff examine opportunities to streamline the effort required to support audits, including using technology to share files with the auditors and ensure version control. The process is now fully electronic for schedules and documents. VRE used an intern to support the last two financial audit cycles and its last DRPT compliance review.

VRE has communicated concerns to DRPT regarding the processes applied to share requested documentation with the state's review contractor in 2013. Before future such reviews, the management audit team recommends that VRE work with external reviewers (to the extent that VRE is able) to optimize the efficiency of file sharing and other protocols of the review. In addition, VRE should continue to consider additional steps to productively support external audits. There are several options to address this. As discussed in Section 4.2: Capacity/Staffing to Address Strategic Goals, one solution is to add temporary staff during audits to assist with specific information requests. VRE should also continue to review additional opportunities to apply technologies or procedures to facilitate additional audit processes, which improve the efficiency of existing staff.

At the planning stage for every audit, VRE should continue to work with IT staff and consider how technology can be best applied. This may be incorporated into VRE's existing annual review of audit processes.

5.5 Technology

Robust and up-to-date information technology (IT) is key to ensuring that VRE can execute the goals outlined in its 2040 system plan and meet its internal requirements. An IT strategy is an iterative process and a means to align VRE's IT capabilities with its business strategy and requirements.

At present, IT staff is focused on managing day-to-day technical issues (such as fixing printers and assisting staff with network connectivity) rather than executing a broader IT strategy or vision for the organization. A major reason for this is that VRE does not have an IT strategy, either within the organization or for its customer-facing systems. The lack of a clear strategy around IT means that VRE is missing a key opportunity to realize the full potential of the IT function as a major enabler of innovation in both managing its internal processes as well as in reaching out to its customers. This is an important issue that VRE management recognizes. The first step to creating an IT strategic plan is to understand the agency's overarching strategic goals, the technology requirements and needs to support those goals, and the gaps that exist in existing systems and how to fill them. The other component of a plan is to look forward in both the short-term and long-term and visualize where the organization wants to go and the technology it will require to get there.

One major challenge to creating an IT strategy is staffing. IT is currently positioned as a subset of operations, with two IT staff members who are part of a nine-member operations communication ("Op Comms") team and report to the Director of Rail Operations. The first component of this challenge is that the IT group is under-staffed and hence focuses much of its time on dealing with immediate technical issues and does not have the time to plan for the long-term. As a stop-gap measure, the other seven members of the group are being trained in basic help desk functions, such as fixing printers, in part to free up time for the two IT staff to focus on more strategic issues. This is a temporary workaround and one not recommended for the long-term, as the other seven staff on the team have other assigned day-to-day responsibilities which take priority. Ultimately the IT group will need more staff to create and execute an IT strategy.

The second component of the staffing challenge is ensuring that staff have the appropriate skills to effectively execute their roles. While VRE management has a vision of where they want the organization to be on the customer-facing side (implementing mobile ticketing and parking apps, to name two ideas), the audit team found that current staff do not have the necessary expertise to create or execute a strategy around database systems, cloud computing, and other internal IT infrastructure needed to execute this vision. This occurs in part because the IT function is not presently tasked with developing and implementing a strategic agenda; the IT Manager functions more as a Network Administrator than a manager of people and projects and the Network Administrator currently functions as a help desk administrator.

The Operations group has recommended hiring a senior IT manager-level position in FY 2016 to address this skills and knowledge gap. This individual will be responsible for overseeing the implementation of positive train control throughout VRE's network, and will also be tasked with developing an IT strategy and improving the function and effectiveness of IT systems.

Much of VRE's current technology is at least twenty years old and needs to be updated. Internal issues include mobile phones, database management and intranet, and systems. External issues include fare collection and customer communications. These issues are detailed below.

VRE uses Blackberry mobile phones and has not kept up-to-date on the latest smartphone technology. VRE has recently begun providing staff whose phone contracts are up for renewal with the option to either continue with a Blackberry phone or use a company-provided smartphone (however, the smartphones are still tied to the Blackberry enterprise server). The goal of mobile technology is to provide staff with mobile access they need to perform their jobs.

Database management and intranet is another challenge. VRE manages multiple databases specific to passenger support, operations, communications, lost and found, and its front desk, to name a few. VRE's internal databases (that track everything from lost tickets to fare summons) were all created by different people and exist in different formats (Excel, Word, and Microsoft Access, for example). As a consequence, ridership data is managed by 3-4 people, so someone requesting annual ridership data may get four different figures. The audit team recommends that VRE explore options to consolidate all of these data sources into a single centralized system so that all staff query the same system and obtain data in a more accurate and efficient manner. The audit team also recommends that this data management system be web-enabled to optimize its utility.

Separate but related to this issue is that VRE does not have an internal central database that houses shared documents. Currently VRE staff use shared drives on the network directory. On some projects, staff may use Dropbox or Sharepoint, but this is because the application is provided by an external consultant for a specific project. The audit team recommends that VRE explore the implementation of an intranet or central database. VRE is taking steps to address this issue; the agency is on point to issue an RFP in the coming months to adopt a database and intranet system. VRE worked with an outside consulting firm (because staff did not have the capability in house) to prepare the scope and specifications for the procurement and structure the task order. The audit team recommends that VRE continue to make strides to implementing database management and intranet systems in a cost-effective and collaborative manner, so that both systems can speak to each other and function together effectively.

Systems also pose challenges on the IT support side. VRE would like to install security cameras at its stations as well as at Crossroads Yard, one of VRE's newer warehouses that requires heightened security. The current infrastructure does not support the bandwidth required to use the camera and monitor the feed in real-time. The lower bandwidth means that the security cameras face lags and delays

in capturing images. Hence, VRE records station activity but not in real time, and staff can only reference a video after it is recorded. Currently bandwidth is provided by Verizon; the audit team recommends that VRE explore other providers who may offer greater and faster bandwidth.

The proposed senior IT manager will also need to coordinate with VRE's Manager of Safety and Security regarding safety-related technology, including positive train control, event recorders, inward/outward facing cameras, and other tools.

On the customer-facing side, VRE uses a variety of systems for fare collection, video messaging, live public address capability (through an analog phone line) and multiple channels for customer communications such as "TRIP" screens, twitter, and text alerts. More than half of VRE's passengers have stated that they use the website as a primary point of contact for questions about service. While VRE uses social media, its Twitter and Facebook feeds are not integrated into the website. VRE has started a project to revamp the website to support interoperability with social media. The audit team recommends that the agency continue adding capability to link social media streams to the VRE website so that updates can be provided in real-time. The audit team also recommends that VRE take steps to make the website mobile-enabled for customers accessing the site from their phones. VRE has a publicly-available GTFS data feed that it has opened up to developers to create applications. While developers have created a number of passenger travel-time and navigation apps, none of these are managed by VRE.

VRE has a system for passenger communications called "TRIP," which allows staff to convey messages on video screens at the stations and communicate GPS tracking data so that customers can see where the trains are in relation to the station, as well as whether the trains are on time. The challenge with the TRIP system is that it is not able to tie in real-time feed data, such as a General Transit Feed Spec (GTFS) feed from a bus company that can alert passengers to when the next shuttle bus will be arriving at a station. The other major challenge is that TRIP was developed by a single individual and hence the agency is entirely dependent on him to make any modifications or changes to the system as the need arises. In addition to TRIP upgrades, VRE may consider upgrading its electronic ticketing, developing smart phone applications, and improving other communications technology. VRE is currently developing mobile ticketing technology through a third-party provider, Global Sherpa, that will be beta tested in January 2015 with the goal of a complete rollout in April 2015. The audit team recognizes these steps as necessary advancements to continually improve the passenger experience.

North County Transit District has an IT strategic plan that was developed about a year ago and is still a work in progress. It was developed by an outside consultant who did a 360 degree review of the NCTD IT department and helped develop the group's structure, policies and procedures. This plan is tied to the agency's business plan. NCTD uses a multi-pronged approach to determine which technology to invest in. This may come from an IT upgrade request from SANDAG for a project it is completing, or it may come from the Capital Steering Committee, an internal group with representatives from all of the major divisions. The IT group is also very involved in strategic decision-making.

NCTD has a new document management and file sharing system, Laserfiche, that it implemented in early 2014. The agency has a document repository for final record documents and a shared document repository that houses drafts and works in progress, all within the same system. The system also allows for working groups by divisions and different workflows within divisions. When staff are preparing board documents in advance of a board meeting, for example, they can enter all staff reports into a repository and begin a work flow that goes through multiple departments before it goes to the board. The board packet is housed in the document management system and is sent to board members via email (that is sent directly from the system). Like VRE, NCTD uses a multitude of customer-facing IT, such as online

ticketing, online schedules, Google trip planning, Next Ride, Twitter, and official ticketing application for smartphones provided by CooCoo, and Guest Assist, a customer service-like smartphone application through which customers can notify the agency of issues.

The audit team recommends that VRE perform a detailed assessment of its technology needs to understand where its technology gaps are. VRE must also ensure that appropriate staff is in place to effectively plan and manage technology upgrades. This includes addressing the following questions:

- How does VRE's existing technology enable it to execute its vision and goals?
- What is the current state and future aspirations of VRE's technology capabilities?
- What are the technology gaps and how can they be closed?
- What are the needs of the organization, looking forward, and what are the budgetary and investment priorities required to get to this future state?

This can form the basis of a more comprehensive IT strategy for both VRE's staff- and customer-facing systems. An IT strategy should examine whether VRE is:

- Making the right technology investments: *is VRE funding systems with a long-term strategy in mind and with a focus on those that are most impactful to improving its workflow and processes?*
- Accurately measuring the real value to the organization derived from that technology: *is VRE continually measuring the impact of technology investments through continued dialogue with staff?*
- Agile enough; flexible to continuously support its goals: *To what extent can systems adapt to upgrades and changes in technology?*
- Appropriately managing, maintaining, and securing, its systems in a cost effective way: *Is VRE monitoring how it should oversee these systems and what this will cost? What are the personnel requirements for this?*
- Supporting current and future business needs: *How does each investment in IT support VRE's long-term strategy and goals? What will be the impact in terms of workflow efficiency and productivity?*

The team also recommends that VRE modify its procurement processes to ensure that procurement forms and specifications account for technology needs.

Finally, the audit team recommends that VRE examine the appropriate reporting relationship for the planned hire of a senior IT manager. Currently, IT functions report to the Operations group. Given the strategic importance of IT in supporting effective operations throughout the agency, VRE should consider a direct reporting relationship to the Deputy CEO rather than the Director of Rail Operations.

Chapter 6: Operations Board Oversight

In recent years, VRE's operational performance and customer satisfaction have been exceptional, indicating that the rail agency's dual ownership by NVTC and PRTC is an institutional arrangement that works. However, there are opportunities to improve the overall effectiveness of oversight by the Operations Board and Commissions in ways that provide for accountability while supporting the functional effectiveness of VRE.

Central to this are the respective roles and responsibilities of VRE management, the Operations Board, and the Commissions. The ways in which authority is delegated and the documentation of these delegations is a key success factor. The audit team examined how these roles and responsibilities are documented, as well as the ways in which the roles and responsibilities are exercised in practice.

The audit team reviewed the extent to which Operations Board and Commission members—most of whom are state or local elected officials—are educated on their role in the overall management of VRE. This review included a look at the quality and sufficiency of the information members are provided to effectively execute these responsibilities. A review of the orientation briefing and materials received by new Operations Board and Commission members was also undertaken.

The audit team also examined the nature and quality of information received by Commissioners and Operations Board members. For decision-makers to provide successful leadership of VRE, they require sufficient information on which to base decisions without being overloaded by extraneous details. This includes information received from VRE and the Commissions directly, as well as from professional staff of the members' respective localities and from their personal legislative assistants. The audit team assessed how information is shared and used and whether any changes are required to improve the quality, timing, or amount of information flows to decision-makers.

The audit team considered prior reviews of VRE that address issues of oversight and authority. The APA Review of Governance Structure over VRE (2013) outlines additional recommendations, including establishing internal controls that start at the top of the organization and work down. The APA audit also recommends developing a comprehensive board member education program, establishing a policy for evaluating the CEO, and supplementing the existing monitoring and oversight activities by formalizing the audit role in the organization.

The VRE Master Agreement (2009), the Bylaws of the Operations Board (2013), and the final phase of the Delegation of Authority Plan (2007) also provided additional background and insight related to this area.

In general, the audit team finds that VRE Operations Board exercises an appropriate degree of authority over VRE management, and that the balance between issues addressed by the Operations Board and VRE staff and management is appropriate. However, there are several areas where the board's role in agency oversight can be better defined. This chapter describes these opportunities, including the Board's role in procurement, the quality and quantity of information the Board receives from VRE management and staff (and its ability to cull through this information in a useful and timely manner), board member orientation, and the location and structure of meetings.

6.1 Board Authorization and Approval of Procurements

The Commissions, in their role as cooperative owners of the VRE services and assets under a Master Agreement, have delegated authority to the Operations Board to execute most contractual agreements, provided funding is included in the approval budget. Exceptions that require approval by the Commissions include CSX and Norfolk Southern operating access agreements, operating agreements, and insurance. In addition, several other items remain the responsibility of the Commissions, including:

- Amendments to the Master Agreement
- Hiring and termination of the Chief Executive Officer
- Statewide and federal grant applications and management
- Approval of legislative agendas
- Approval of strategic plan
- Sale or purchase of real property and equipment that is held in the Commissions' name
- Other major policies such as terms for new entrants to the Master Agreement
- Other actions reserved for the Commissions by the Master Agreement such as approving annual budgets/six-year financial plans.

Among the authority expressly delegated to the Operations Board is the ability to determine the discretionary spending authority of VRE's CEO and the ability to review performance and determine the level of compensation of VRE's CEO. VRE is unique in that all contracts are in the name of the Commissions because the Operations Board is not a defined legal entity and acts on behalf of the Commissions.

This revised delegation of authority plan implemented in Fiscal Year 2009, which enables Operations Board approvals on all but the most significant agreements, appears to have adequately streamlined the need for routine procurement approvals by the Commissions.

For all procurements of goods and services over \$50,000, approval of the VRE Operations Board is required to authorize or initiate procurement, and a second affirmative vote is required to award a contract to the selected vendor. This constraint applies to all procurement methods (sealed bid or negotiated RFP) and applies whether or not the activity is funded in the budget. Procurements of goods and services of less than \$50,000 may be authorized and approved administratively by the VRE CEO.

Operationally, VRE staff members conduct the procurement process, including initiation, development of the scope of services, development of selection criteria of RFPs, evaluation of proposals, negotiation, and contract execution. The role of the Board (and Commissions, where required) is to authorize procurement and approve contract award, when contract values exceed the threshold for VRE management approval.

In interviews conducted for this Management Audit several VRE staff members suggested modification of existing procurement approval thresholds. One of the issues that the staff noted is the current policy requiring Operations Board approval prior to advertising solicitations. Due to the timing of Board meetings, there is often a one-month lag in Board approval to authorize procurements, which slows the process, especially for items that require a fast turnaround. In the event of an emergency, the VRE CEO is able to execute procurement and receive after-the-fact approval from the Operations Board; however, this authority is rarely used.

A number of VRE staff members expressed the need to revisit authorization levels of CEO approval; they stated that modifications to these authorization levels have not kept up with realities in the economy or with the needs of a growing organization. Staff also stated that keeping the Board updated on all

procurements in process that require CEO approval was cumbersome and could be modified so that the Board is informed after approval and award, rather than during the process itself.

A few Operations Board members stated that the existing thresholds for approval are appropriate and that nothing in the process should be changed since from their perspective the process works well as it stands. Other Operations Board members would prefer to delegate greater responsibility to staff to advertise solicitations and administratively approve contracts. The divergent viewpoints parallel the diverse practices of the cities and counties that participate in VRE, as some of these require city council or county board approval to authorize solicitations and award contracts, others delegate these responsibilities entirely to the locality's professional management, with most somewhere in between these extremes. The audit team's recommendations seek to set practices appropriate to VRE circumstances rather based on the most restrictive procurement practices of member jurisdictions.

Peer agency practices with regard to board oversight of procurement vary:

- **Hampton Roads Transit:** No board approval is required to initiate procurements. HRT allows the Director of Procurement to approve procurements up to \$50,000 and the CEO to approve procurements up to \$100,000. Board approval is required for awards of goods and services (other than professional services) exceeding \$50,000; for professional services (i.e. accounting, actuarial, engineering, architecture, legal, etc.) if the aggregate or the sum of all phases is expected to exceed \$30,000; and for modifications by more than twenty-five percent (25%) of the contract value or \$50,000, whichever is greater.
- **Valley Metro:** The agency's RPTA Board (governing bus service) requires board approval prior to issuing all RFPs, while the VMR Board (governing rail) does not. The CEO has been delegated contract authority up to \$150,000 by the VMR Board and \$50,000 by the RPTA Board.
- **Sound Transit:** There are no board approvals in advance of issuing an Invitation for Bids (IFBs) or Request for Proposals (RFPs). The CEO is authorized to award contracts with a value that does not exceed \$200,000 when the amount authorized by the contract is included in the adopted budget or other Board authorizations. Contracts awarded by the CEO that exceed \$100,000 are reported quarterly to the Board. The Sound Transit Board of Directors Capital Committee and Operations and Administration Committee are authorized to approve the award of contracts within their areas of delegated responsibility when the contract value does not exceed \$500,000. The full board must approve all contracts exceeding \$5 million.
- **South Florida Regional Transportation Authority (Tri-Rail):** There are no board approvals in advance of issuing IFBs or RFPs. The CEO has been delegated contract authority up to \$100,000.
- **Trinity Railway Express (TRE):** TRE has two complex and involved processes; one for contracts that are part of the operating and management scope (the majority of contracts) and one for contracts that are outside of this scope. For both types of contracts, Board approval is not required to advertise or solicit a bid, only to award the contract. TRE has two committees that meet quarterly: a TRE Management Action Committee (TREMAG) comprised of both DART and T management (this is primarily a working group) and a TRE Advisory Committee (TREAM) which consists of the Executive Directors of both DART and The T as well as board members from both agencies. These two committees are the pathway to getting contracts signed and approved. Action items over \$50,000 first go through TREMAG, where they are reviewed and commented

on, then to TREAC, which provides the go-ahead for an action item to be put in front of both the DART and T boards for approval. After it is reviewed by TREAC, it may go to a relevant committee (such as Finance, for example, depending on the nature of the action). Once it is reviewed by a Committee, it goes to the Committee as a whole – a meeting of the entire Board – before it is placed in front of the Board again for final approval. TRE has the authority to engage in procurements of less than \$50,000 without Board approval. Procurements that are within the scope of operations and maintenance contracts have a \$250,000 threshold for Board approval. All Operations and Maintenance procurements for TRE are by and large handled by DART through an interlocal procurement agreement. This process is slightly more complex. Once the solicitation process has been followed and an apparent winner identified, DART staff create a board agenda that describes the considerations, goals, and legal determinations of the procurement. It passes through TREMAC and TREAC and is then reviewed by DART's Operations Safety and Security Committee; once it is approved by the Committee it is then presented to a Committee of the Whole Board (all board members) for initial consideration. The DART Board consists of 15 individuals, of which 5 are on the Operations and Safety Committee. The Committee of the Whole Board discusses and debates the decision. Once it is approved, it then goes to the Board at large for final approval (these are the same individuals as the Committee of the Whole). This entire process consists of multiple review cycles, with committees meeting for several hours each month. The Boards as a whole meet twice per month.

There are several alternatives for streamlining the process by which the VRE Operations Board and the Commissions approve procurements. These include modifications to approval thresholds, protocols for advertising solicitations, and approval protocols for awarding contracts to successful bidders and proposers. Each of these is detailed below.

Board Involvement in Procurement Process

The audit team recommends that VRE and the Commissions maintain current Operations Board and (when required) Commission approval roles, which include the authorization of procurements and the approval of contract awards, with modifications to approval thresholds as noted in the next section. VRE staff, with appropriate management oversight, should maintain responsibility for administering procurements, including development of objective evaluation criteria for RFPs. This maintains the appropriate balance between professional staff and governing board roles, and insulates Operations Board and Commission members from the significant institutional and legal risks associated with maintaining a clean and fair procurement process.

The audit team recommends that all Board members receive an annual briefing on procurement policy, ethics, and conflict issues (as part of a Board member orientation refresher) so that Board members are mindful of their role in mitigating against potential conflicts (or appearance of conflicts) of interests that may arise. This update should be provided at a regular monthly meeting of the Operations Board.

Management Approval Thresholds

The thresholds for approval of VRE solicitations were last changed in 2006. The threshold for CEO approval increased from \$15,000 originally to \$30,000 in 2001 to \$50,000 in 2006. Over time, inflation results in fewer procurements qualifying for approval by the VRE CEO, which means more procurements requiring approval of the VRE Operations Board. There are also an increasing number of procurements requiring Commission approval.

By increasing the approval thresholds, a greater share of procurements will qualify for administrative approval. This will allow the VRE Operations Board to focus on procurements with greater budgetary and policy impacts. In addition, the procurements newly-eligible for administrative approval by the VRE CEO may be completed without regard for the VRE Operations Board approval calendar, which should speed execution.

The downside of increasing approval thresholds is that the VRE Operations Board will cede authority to staff, thereby diminishing Board oversight over some procurements.

There are any number of benchmark figures at which the approval thresholds could be set. However, based on practices of peer commuter rail agencies, a \$100,000 threshold for administrative approval by the VRE CEO is reasonable.

Therefore, the audit team recommends increasing the threshold for administrative approval by the VRE CEO to \$100,000.

Any purchases of greater than \$50,000 should be communicated to the board as an information item, to provide transparency on agency purchases above the existing threshold without burdening staff with reporting the details of relatively small purchases.

Approval Protocols to Authorize Solicitations

There are opportunities to streamline the approval process to authorize IFBs and/or RFPs for budgeted goods and services. Reducing the number of procurements subject to Operations Board approval in advance of advertising solicitations would shorten the approval timeframe for eligible procurements especially those of a recurring operational nature

There are two potential alternative approaches:

- Allow VRE staff to authorize procurements administratively if the good or service to be procured is budgeted in the VRE annual operating budget. The Operations Board would receive a monthly report listing procurements authorized by staff, but would not act to approve such procurements in advance. This approach would allow much routine procurement to be authorized without explicit Operations Board action. VRE management could still bring any procurements qualifying for administrative authorization to the Operations Board for review if there are significant budgetary or policy impacts or if there were other reasons management wished to solicit the input of members. It would shorten the timeframe for staff to authorize routine procurements. However, it would diminish oversight by the Operations Board over procurement authorization while placing clear accountability with management.
- Inform VRE Operations Board Members of forthcoming procurements on a consent agenda. This approach, which is currently authorized by VRE's 2006 Consent Agenda Policy, would keep Operations Board members abreast of forthcoming procurements while affording any member wishing to discuss and/or require affirmative board approval to authorize any procurement to pull it from the consent agenda. VRE management could still bring procurements with significant budgetary or policy implications to the Operations Board for discussion as a separate agenda item. It would maintain existing Operations Board oversight of procurement authorization. However, it would not shorten the timeline to authorize procurements which remain subject to Operations Board approval.

The audit team recommends adopting the first alternative for solicitations in which the good or service to be procured is below a threshold of \$500,000, and the second alternative for all remaining procurements. Notably, any board member could request separate discussion and affirmative approval any procurement with an amount greater than \$500,000 or for which the expenditure is not budgeted. This allows an accelerated timeframe for staff to authorize procurements for goods and services anticipated to be below \$500,000, while retaining Operations Board oversight of major procurements. As with recommended changes in the threshold for procurement approvals summarized earlier, this approach strikes a reasonable balance between oversight and expedience and focuses the Operations Board on procurement decisions with the greatest consequence.

Approval Protocols to Award Contracts to Selected Bidder/Proposer

Similarly, there are opportunities to streamline approvals of contract award once a selection has been made by VRE staff. Minimizing the number of procurements subject to direct Operations Board approval would focus board attention on approvals of consequence in terms of the dollar value and policy implications.

One approach to streamlining the review and approval process is to change the thresholds for VRE management and Operations Board approval, which is discussed in detail above.

A second approach is to broaden use of the consent agenda for VRE Operations Board Members to approve contract awards. VRE's current consent agenda policy allows several contract approvals to be included on the consent agenda, including task Orders under \$200,000 that are part of a previously authorized contract; Project Agreements with member jurisdictions that have monetary implications for VRE of less than \$200,000; purchase orders and/or contracts under \$150,000; non-property leases under \$100,000 per year; and execution of annual contract options, provided the authorization is being increased by less than 15% and is within budget. This approach informs Operations Board members of contract awards and allows any member wishing to discuss and/or require affirmative board approval for contract award to pull an item from the consent agenda. As with the proposed revised protocol to authorize procurements, VRE management could still bring contract awards with significant budgetary or policy implications to the Operations Board for discussion as a separate agenda item. It would maintain existing Operations Board oversight of procurement authorization. However, it would not shorten the timeline to authorize procurements which remain subject to Operations Board approval.

The audit team recommends placing all contract awards for which the good or service to be awarded is below a threshold of \$500,000 on the Operations Board consent agenda. VRE management should retain the right to place individual approvals on the agenda as a separate item where a Board presentation or discussion is warranted and such discussion could also be requested by the Board this approach simplifies Board approvals while retaining Operations Board member oversight of major procurements and focusing member attention on procurement decisions with the greatest consequence.

Periodic Adjustment of Procurement Thresholds

The audit team recommends that the VRE Operations Board revisit procurement thresholds every two years to determine whether approval levels should be adjusted to account for inflation or other factors.

Summary of Recommended Procurement Approaches

Table 5 summarizes the audit team's recommended thresholds and protocols related to procurement approvals by the VRE CEO and VRE Operations Board.

Table 5: Summary of Recommended Procurement Approaches

Current Policy	VRE CEO	VRE Operations Board
Procurement Authorization	Up to \$50,000	Greater than \$50,000; approval via consent agenda unless determined by staff to warrant board discussion as separate agenda item
Contract Award	Up to \$50,000	Items between \$50,000 and \$150,000 and task orders under existing contracts of up to \$200,000 on consent agenda unless determined by staff to warrant board discussion; approvals above these limits as separate agenda item
Proposed Policy	VRE CEO	VRE Operations Board
Procurement Authorization	Up to \$100,000; Up to \$500,000 if budgeted	Greater than \$500,000 if budgeted or greater than \$100,000 if not budgeted; approval via consent agenda unless determined by staff to warrant board discussion as separate agenda item
Contract Award	Up to \$100,000; all purchases of greater than \$50,000 reported to the board as an information item	\$100,000 to \$500,000 on consent agenda unless determined by staff to warrant board discussion; greater than \$500,000 as separate agenda item. Board could also request discussion

6.2 Board Information

This section addresses the dissemination of information to the board, including board meeting packets, annual calendar, the CEO report, and news updates when issues arise.

Board Packets

VRE makes its board packets available to members and the public approximately one week prior to Operations Board meetings, which is consistent with the practice of other government entities in the region and peer transit agencies. The board packet includes an agenda, a CEO report, and a separate memorandum on each action and information item for board consideration. The materials are posted on VRE’s public website, and include individual links to PDF files for each item, as well as a link to a PDF file containing all agenda items. The board memos are generally concise, with a length of approximately two pages for each routine item. Issues of greater complexity are necessarily longer, but consistently summarize key issues up front.

In general, Board members are satisfied with the content and structure of board packages, which they described as concise and easy to digest, containing the appropriate amount of information required for decision making. However, some Board members would like to see more information on docket items regarding contract approvals, including the fiscal impact of contract approvals (funding sources and impact on budgets) and rationale for the selected procurement approach—for example, if VRE decides to use a selection method other than low-bid contract, then the reasoning should be clearly explained.

The audit team believes these requests are reasonable, as they provide greater transparency to board members and the general public regarding the rationale for staff recommendations.

There are specific legal criteria that govern which procurements may be low-bid and which can consider other factors to provide the best value to VRE. Based on a review of recent procurements, the audit team

believes these guidelines are understood and properly applied by VRE management and staff. However, the rationale for using an Invitation for Bids (IFB) or a Request for Proposals (RFP) is not consistently communicated in every authorization to undertake a procurement, nor in every authorization to award a contract. Therefore, the audit team recommends that VRE amend the board memo templates applied for authorizations to issue IFBs and RFPs and award contracts to include a statement regarding the rationale for the procurement approach. The following statement from a September 2014 authorization to award a contract for marketing and advertising services may serve as a model: "Since there are different approaches to the scope of work, an evaluation of technical merit is required. Specifically, the requirements of the RFP are unique because it requires a firm with demonstrated creativity and experienced personnel, and we need to understand how the firm will approach, develop and process the work to achieve desired goals. Therefore, other factors must be evaluated in addition to price."

The fiscal impacts of each authorization are included in the existing board memo template. However, the information provided is sometimes vague. For example, the fiscal impact statement of the same September 2014 authorization to award a contract for marketing and advertising services reads "The current budget for Marketing includes funding of \$324,000 for the remainder of FY15. Funding for future years will be included in each proposed budget." This statement does not indicate how much of the FY15 marketing budget has been expended, nor the range of expenditures likely to be incurred under this contract. Another example is an authorization to amend the contract for auditing services in September 2014. The fiscal impact statement reads, "The bulk of the additional costs were incurred during the years in which the work was completed and were covered by cost savings in other areas." This statement does not indicate the total expenditures by fiscal year, or the amount and nature of the cost savings that offset the additional costs.

To provide complete information to board members, the audit team recommends that VRE develop a standard pattern for reporting the fiscal and budgetary impacts of each authorization that includes 1) the cost (or range in cost) of the contract by fiscal year; 2) the amount budgeted for the cost of the contract and other expenses covered by the budget line; 3) the amount of any previous expenditures incurred under this budget item; 4) the remaining amount of budget available for the contract. If applicable, the sources of funds for the expenditure should be disclosed, including the amount (or range in amount) and type of each local, state, federal, and other funding source.

Planning Calendar and Annual Work Plan

Presently, VRE does not have a planning calendar of upcoming major agenda items or cyclical discussions such as development and approval of the annual budget and capital improvement program. This could include an annual work plan, listing major issues to be addressed by the Operations Board during each calendar year and the anticipated timing of those discussions. The annual work plan should tie to the strategic and business plans of the agency, providing a schedule for key discussions that must take place in order to accomplish the year's goals.

Some Operations Board members requested advance notification of major agenda items planned for future meetings. This would allow members more time to seek information about items of significance, well in advance of the usual one week prior to the meeting.

In addition, the Commissions requested additional advance notification to plan for upcoming major issues, including any advance discussions or approvals required by each Commission.

The audit team recommends that VRE consider adding an information item to each month's Operations Board agenda that includes a planning calendar briefly summarizing major issues anticipated for the next

month's meeting, as well as any known major items planned for discussion at subsequent meetings over the next 12 months.

In addition, the audit team recommends that VRE develop an annual work program tied to the business plan, which would provide a tentative schedule for Operations Board discussion of key issues throughout the year.

CEO Report

The VRE CEO Report is a 24 page document published monthly and distributed with Operations Board agendas. The report summarizes on-time performance, ridership, monthly citations of passengers without appropriate fare payment, train utilization, parking utilization, and bicycle counts. It also includes a financial report, a summary of rail operations (including a safety and security update), and updates on capital projects, planning, studies, procurements, and the status of projects underway. The report is very comprehensive and highlights attributes that VRE prizes, including ridership, on-time performance, and safety.

While some Board members expressed satisfaction at the level of detail and information provided in the monthly CEO Report, others stated that it could be simplified and better connected to the strategic business direction of the organization.

In general, the data reported by peers is similar in nature to the statistics reported by VRE. However, there are several opportunities to streamline the presentation of data. Up front, the report should include a dashboard that graphically summarizes performance of a handful of key performance indicators, including on time performance, ridership, citations, utilization, operating cost per passenger, farebox recovery, and measures of capital program performance, such as annual capital program. The dashboard should also include an indicator of whether trends in each performance category are positive, negative, or neutral. A potential model is Valley Metro's annual transit performance report, which is illustrated in Figure 2 below.

Figure 2. Valley Metro Rail Summary of Light Rail Performance



Source: Valley Metro 2013 Transit Performance Report (http://www.valleymetro.org/images/uploads/projects/2013_Transit_Performance_Report.pdf)

Another potential improvement is to include measures of agency performance. This should include management metrics and performance measures for each department, in addition to the metrics currently offered on on-time performance and fare evasion. These metrics should be tied to the organization's strategic business goals, and would also serve as the basis for staff evaluation. Examples could include

measures such as volume of capital projects managed, procurements initiated and completed, customer service calls fielded, number of safety incidents, and other measures.

Finally, the existing CEO Report does not include any direct message from the CEO. This would be a useful inclusion after the performance dashboard to discuss the month's major trends and orient board members to issues of interest or concern contained in the report.

The audit team recommends that VRE augment its existing CEO Report by including a dashboard performance summary, executive letter from the CEO, and additional performance measures for each department tied to the organization's strategic business goals.

News Updates

When issues arise, Operations Board members reported that VRE provides them with information rapidly, especially during emergency situations such as inclement weather or operational incidents.

Some Board members requested more timely information regarding sensitive personnel issues that may become public and result in potential litigation threats, in part so they could be aware of any issues in advance of learning from external sources. There have been a few isolated incidents under past management in which Board members were questioned about personnel issues in which they did not have any advance knowledge. Board members who raised this issue acknowledged that present management has been proactive and forthright in directly sharing sensitive information. Other Board members stated that the Board should stay out of individual human resources issues and remain focused on policy; and that issues should be dealt with by Human Resources staff at VRE.

The audit team recommends that VRE management continue to be forthcoming in sharing news updates with Board Members, seeking to get out in front of significant issues on which Board members could receive questions, in advance of Board members being first contacted by others. Care should be taken with regard to personnel issues, however, given legal obligations regarding privacy, litigation protection, and the need for confidentiality.

6.3 Board Orientation and Training

The 2013 Auditor of Public Accounts Review of the Governance Structure over VRE recommended developing a comprehensive Board member education program to ensure Board responsibilities are understood and performed. VRE's Board member orientation process has been historically ad-hoc and unstructured. In interviews, many Board members suggested formalizing this process. Most members had little recollection of the information they were provided at the time they joined the VRE Operations Board (although for most this was several years ago).

In February 2014 VRE staff created a new Board orientation package to provide Board members with background information on VRE. The package includes a presentation on VRE operations, finances, and system plan, a history of VRE, ridership survey data and subsidy history, board member directory, rider's guide, pocket guide to each line, and CEO report, along with copies of the master agreement, the Operations Board bylaws, the delegation of authority and the VRE passenger tariff. A welcome letter invites new members to ride the system and meet VRE staff at the agency's Alexandria headquarters.

A more comprehensive Board Orientation Handbook, initiated in response to the Auditor of Public Accounts review, is presently being prepared by VRE.

The existing materials provide useful background on VRE but do not explain key points crucial for Operations Board members to effectively fulfill their duties. A key item missing from current materials is detailed background on VRE governance, as well as members' common responsibilities and how to be an effective Board member. This includes consideration of how to balance the interests of their local jurisdictions (and other public offices) with the overall mission and goals of VRE, which is a conflict every member is likely to face on occasion. Board members should also be familiar with their role in addressing personnel, legal, procurement, and other confidential issues, including how these issues are typically addressed by the Operations Board and what they should do if they are confronted with outside information.

A comprehensive package should also include a summary of VRE's organizational structure, a description of the relationship between VRE and the Commissions, a summary of Board member's legal liability, a summary of the Virginia Freedom of Information Act, and background on identifying reviewing and resolving potential conflicts of interest and other ethics issues.

Other materials included in peer agencies' board orientation materials include the following:

- Agency fact sheet
- Staff contact information
- List of agency facilities and addresses
- Executive team biographies
- Schedule of meetings
- Significant board policies
- Description of board committees
- Summary of rules of order
- Budget in brief
- Overview of funding/subsidy allocation protocols
- Summary of grant programs
- Procurement overview
- Summary of governing freedom of information acts
- Overview of required financial disclosures

While most agencies provide guidebooks only when members join the board, Sound Transit provides an updated guidebook for all board members each year.

Peer agencies also host comprehensive in-person orientation programs for board members. Hampton Roads Transit's program is especially comprehensive, including an overview on the board perspective, the role of the commissioner, background on the agency, its governance, and direct reports to the commission. This is followed by an introduction to the executive team and an overview of the agency's major divisions. The program includes a tour of major operational and passenger facilities. After a working lunch, staff provides a financial overview and discussion, including the agency's cost allocation agreement, budget, and procurement. The session concludes with a walk-through of the next meeting's board package.

The audit team recommends that in developing its comprehensive Board Orientation Handbook, VRE consider incorporating the key features missing from current materials listed above. VRE should package the handbook to minimize the staff time required to update materials on an annual or semi-annual basis. The updated handbook should be provided to new and experienced Board members and perhaps to their individual staff advisors, so that all have a common framework of information to reference.

In addition, the audit team recommends that VRE implement a full-day orientation program for new Board members, featuring in-person presentations by VRE senior management at the agency's Alexandria headquarters and a tour of the rail service and facilities. This program will help to ensure that Board members are familiar with VRE operations and management and positioned to fully execute their official duties. VRE should consider inviting experienced Board members as well, who may also benefit from these activities. Participation of experienced Board members also contributes to developing ongoing working relationships among the members.

As materials are updated on an annual or biannual basis, all members (and not just new members) should be briefed on significant changes since the last update. This briefing should incorporate a discussion of ethics and conflict issues so that Board members can be fully briefed in mitigating against potential conflicts (or appearance of conflicts) of interests that may arise, particularly as ethics standards change. This update should be provided at a regular monthly meeting of the Operations Board. This continuing education will help members to keep their skill sharpened and improve the overall effectiveness of the board.

Finally, the audit team recommends that VRE also offer participation in the orientation program to non-Operations Board members of the Commissions, so they are familiar with the railroad and its functions in their capacity as joint owners of the agency.

6.4 Dissemination of Board Information to Stakeholders

This section addresses the dissemination of information regarding the VRE Operations Board to local agency staff, members of the public, and other stakeholders.

Local agency staffs (members of the VRE Chief Administrative Officers (CAO) Task Force and the VRE Coordinating Committee or VCC) typically brief their jurisdiction's member(s) of the Operations Board and Commissions on each issue up for approval at meetings. This provides board members with insight on the projected impacts of Board and Commission decisions on their localities, helping to provide consistency with local policies and budgetary objectives. To meet the lead time expected of Board and Commission members, local agency staff must prepare their reports as soon as information is posted by VRE and the Commissions.

Local agency staff reported that they must frequently check the VRE website on the day that agendas are posted to see whether the board packet has been uploaded or not. They said that information is sometimes submitted to Operations Board members via email in advance of being posted online. They requested that they be notified via email as soon as agendas are posted online, and that board packets are posted as soon as materials are sent to board members.

The Virginia Freedom of Information Act, which governs all meetings of the VRE Operations Board and the Commissions, requires public bodies to give written notice of every meeting to any citizen who has made a written request to receive such a notice, and permits electronic dissemination of such notices. In addition, the act requires that at least one copy of all agenda packets and materials distributed to members of public body before a meeting be made available for public inspection at the same time they are distributed to members. While VRE is in compliance with these requirements, there are additional steps it may take to facilitate public access to meeting notices and agenda packets.

In the spirit of open government, the audit team recommends that VRE develop a mailing list to electronically disseminate notice of agendas and meeting packets to local agency staff, other interested

stakeholders, and members of the public. Individuals should be able to opt-in to receiving email notices from a link on VRE's web site. The subscribers to this list should be notified as soon as the updated meeting packet is posted each month, and the meeting packet should be posted online as soon as is practical following distribution to Operations Board members.

VRE may wish to broaden the offerings available via email subscription to include the monthly newsletter, the "Daily Download" summary of service delays, the CEO Report, press releases, and other routine publications, in addition to the Operations Board meeting packet.

The Commissions should each consider adopting a similar procedure to distribute their agenda packets and other materials of interest.

6.5 Public Access to and Location of Meetings

This section discusses opportunities to broaden public access to VRE Operations Board meetings and the location of VRE CAO Task Force/VCC meetings.

Public Access to VRE Operations Board Meetings

In compliance with Virginia law, all VRE meetings are open to the public except to discuss items for which closed meetings are permissible (e.g., legal and personnel matters). Meetings are generally held at PRTC Headquarters in Woodbridge on the third Friday of each month. The meeting location is central to the jurisdictions served by VRE, but is not accessible by VRE commuter rail. The Executive Committee generally meets at 9:00, followed by the full Operations Board at 9:30. Other committee meetings are generally held following the Operations Board meeting.

VRE publishes Operations Board minutes on its website. The minutes are of reasonable detail, numbering 10 to 15 pages in length for the typical two-hour meeting.

VRE does not provide a live webcast stream of its meetings over the internet, or make an audio or video recording of its meetings available online.

Of the peer agencies reviewed for this study, only Metrolinx in Toronto and Sound Transit in Seattle provide access to an online video recording of meetings. In addition, Sound Transit provides a live webcast of meetings. However, most local governments served by VRE do provide both a live webcast and an online video recording of their city council or county board meetings (and in some cases, other boards and commissions).

Given the time and location of VRE Board meetings, the audit team recommends that VRE examine the cost of video recording its meetings and posting videos online for access by the public. This will make VRE proceedings accessible to interested stakeholders, as well as to VRE riders themselves, for whom in-person attendance at a VRE Operations Board meeting is difficult. If feasible, VRE should consider providing a live webcast of its meetings, but there is little additional utility to live webcasting if a video recording of the meeting can be posted online in a timely fashion (within one business day). At a minimum, VRE should provide online access to audio recordings of meetings and PDF files of presentation materials.

For similar reasons, the Commissions may wish to consider recording their meetings and posting videos online for public access.

VRE CAO Task Force/VCC Meeting Location

Local agency staff members who serve on the VRE CAO Task Force/VCC stated that their meetings should be held in a more central location, such as PRTC Headquarters, to facilitate the inclusion of representatives from smaller jurisdictions. Meetings are currently held at VRE headquarters in Alexandria, which some members speculated discourages participation by smaller jurisdictions at the southern and western ends of VRE's service area. As this would facilitate participation by more jurisdictions and was agreeable to representatives of VRE's northern jurisdictions, the audit team recommends that VRE hold VRE CAO Task Force/VCC meetings at PRTC headquarters in Woodbridge on a trial basis. If the meetings result in greater participation by other jurisdictions, VRE should consider holding meetings in Woodbridge routinely. Under any circumstance, however, occasional meetings should still be held at VRE Headquarters in Alexandria to facilitate local agency staff familiarity with VRE Headquarters and interaction with VRE staff who do not typically attend CAO Task Force/VCC meetings.

Chapter 7: Implementation

This section outlines the key short-term (less than 12 months) and medium-term (1-3 years) action items recommended in this report. This document, or a version created after the Board and Commissions have accepted the report, is recommended as a means of tracking implementation progress.

7.1 Short Term (less than 12 months)

VRE Organizational Structure & Practices

- Organizational Alignment with Strategic Vision
 - Develop a strategic business plan to implement the 2040 System Plan, including performance measures and a multiyear financial plan.
- Capacity/Staffing to Support Strategic Goals
 - Implement VRE staff changes as proposed in VRE management's FY 2016 budget (including transfer of three employees from the rail maintenance contractor to VRE) and implement a review of staffing needs as part of the annual budgeting process.
- Relationship Between Commissions and VRE
 - Relationship Between Executive Directors and CEO: Develop a schedule for regular roundtable discussions between the Executive Directors, the VRE CEO, and chairs of each Commission and the VRE Operations Board (or designee) to coordinate issues jointly concerning VRE and the two Commissions.
 - Oversight of VRE by Commissions: Develop and deliver an informational presentation to each Commission on members' roles and responsibilities with respect to VRE in their capacity as Commissioners.

VRE Functions and Processes

- Procurement
 - Purchasing Cards: Evaluate advantages and disadvantages of replacing its current credit cards with purchasing cards.
 - Protocols: Update procurement templates to reflect new technologies and expand use of blanket purchase orders.
- Human Resources
 - Develop job descriptions and determine classifications for new staff positions.
 - Develop an annual schedule and guidelines for routine staff training.
 - Document the process for CEO evaluation.

- Legal Counsel
 - Document timeframes required for items commonly reviewed by legal counsel to establish reasonable expectations for all parties of how long reviews should take.
 - Identify assistant attorneys able to directly field inquiries from VRE staff.
 - Examine staffing levels and opportunities to quarter legal staff at VRE.
 - Establish quarterly progress meetings between legal counsel and the VRE management team.

- Finance
 - Grant Reimbursements: Support PRTC in exploring options to streamline federal grant reimbursements by better utilizing IT systems such as additional features of the Microsoft SharePoint program to post a draw calendar (including staff absences) so timing can be better coordinated between VRE and PRTC.
 - As PRTC completes the implementation of a new financial management system and addresses the noted deficiencies, provide support to PRTC as needed. Provide a copy of PRTC's periodic progress reports to VRE Operations Board members as an information item, so that they are kept abreast of progress towards resolution of this issue.
 - Audits: Work with external reviewers (to the extent that VRE is able) to optimize the efficiency of file sharing and other protocols of the review. Continue to examine additional steps to productively support external reviews, including use of technology and additional staffing.

- Technology
 - Hire a senior IT manager-level position, as recommended in VRE management's FY 2016 budget, and consider the appropriate reporting relationship for this hire.
 - Perform a detailed assessment of VRE technology needs to understand where technology gaps exist.

Operations Board Oversight

- Board Authorizations and Approval of Procurements
 - Board Involvement in Procurement Process: Provide annual briefing on procurement process, ethics, and conflict issues.
 - Approval Thresholds: Review and adopt recommended procurement authorization and approval thresholds as summarized in Table 5.

- Board Information
 - Board Packets: Develop revised template for board agenda items regarding procurements to provide more detail on the fiscal impacts of purchases and the rationale for the selected procurement approach.

- Planning Calendar and Annual Work Plan: Develop a planning calendar and annual work plan. Add an information item to each month's Operations Board agenda that summarizes major issues anticipated for the next month's meeting, as well as any known major items planned for discussion at subsequent meetings over the next 12 months.
- CEO Report: Augment the existing CEO Report by including a dashboard performance summary, executive letter from the CEO, and additional performance measures for each department tied to the organization's strategic business goals.
- Board Orientation and Training
 - Develop comprehensive board orientation and training materials.
 - Implement a full-day orientation program for new Operations Board members.
- Dissemination of Board Information to Stakeholders
 - Develop a mailing list to electronically disseminate notice of agendas and meeting packets and other documents to local agency staff, other interested stakeholders, and members of the public.
- Public Access to and Location of Meetings
 - Public Access to VRE Operations Board Meetings: Investigate video or audio recording meetings and posting video/audio online for access by the public.
 - VRE CAO Task Force/VCC Meeting Location: Develop annual meeting schedule, with meetings in both Woodbridge and Alexandria to facilitate access by all member jurisdictions.

7.2 Medium Term (1-3 years)

VRE Organizational Structure & Practices

- Capacity/Staffing to Support Strategic Goals
 - Conduct a comprehensive study of current and future staffing needs by discipline and organizational unit.

VRE Functions and Processes

- Human Resources
 - Expand the scope of the human resources function to be more strategic, so that the agency's policies and procedures related to employees fit into VRE's broader strategic goals.
 - Revise employee evaluation methods to tie performance to VRE's strategic objectives
 - Edit and condense the Human Resources Policy Manual.
 - Develop training modules for new hires.

- Information Technology
 - Develop a comprehensive IT strategy for both VRE's staff- and customer-facing systems.

Operations Board Oversight

- Board Authorizations and Approval of Procurements
 - Approval Thresholds: Revisit procurement authorization and approval thresholds every two years.

Appendices

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Appendix A: Summary of Reports Reviewed by Management Audit Team

Summary of VRE Background Information and Prior Audits for Audit Team Review

Reports Reviewed	Issue Date
American Public Transportation Association (APTA) Preliminary Audit Report for VRE prepared by the American Public Transportation Association (APTA)	May 9-12, 2011
District of Columbia Homeland Security and Emergency Management Agency (DC HSEMA) Monitoring Review	January 2012
Federal Emergency Management Agency (FEMA) Desk Review	September 9, 2011
Federal Railroad Administration (FRA) Spot Inspection Report	March 25, 2011
FRA Keolis Operational Audit	May 5, 2014
FRA Keolis Rail Services America, LLC Alcohol and Drug Audit	May 5, 2014
Federal Transit Administration (FTA) Financial Management Oversight Review	September 15, 2010
FTA FY 2011 Triennial Review of PRTC (Revised, including American Recovery and Reinvestment Act (ARRA) review)	August 31, 2011
FTA FY 2014 Triennial Review of PRTC Final Report	September 19, 2014
Letter from Governor McDonnell to APA and Inspector General regarding Governance and Management Practices – October 3	October 3, 2012
Letter from VRE Board Chair to Governor McDonnell regarding Governance and Management Practices – November 15, 2012	November 15, 2012
PRTC and VRE Public Procurement Policy and Procedures Manual	July 1, 2012
PRTC Letter to FTA regarding FY 2014 Triennial Review Draft Report	September 12, 2014
Report of the Northern Virginia Agency Efficiency and Consolidation Task Force	November 9, 2012
SB 161/HB 193 Virginia Freedom of Information Act	2014 Session
Transportation Planning Board Approval of an Update of the TPB Participation Plan	September 17, 2014
Virginia Auditor of Public Accounts (APA) Review of Governance Structure Over VRE	September 2013
Virginia Department of Rail and Public Transportation (DPRT) Compliance Review	March 28, 2014
VRE 2040 System Plan (Draft)	April 17, 2014
VRE and PRTC Total Compensation Market Study Report	September 4, 2013
VRE Authorization to Amend Limits of CEO Authority	November 17, 2006
VRE Authorization to Sign Employee Timesheets	February 26, 2014
VRE Bylaws of the Operations Board	April 19, 2013
VRE CEO Report	October 2014
VRE Delegation of Authority	November 16, 2007
VRE Delegation of Payment Authority	February 6, 2014

<i>Reports Reviewed</i>	<i>Issue Date</i>
VRE Delegation of Payment Authority – Department of Finance and Administration	February 28, 2014
VRE Delegation of Payment Authority – Marketing Department	February 27, 2014
VRE Delegation of Payment Authority –Operations Group and Executive Department	February 11, 2014
VRE Financial and Debt Management Principles	November 7, 2013
VRE FY 2016 Budget Update Presentation	October 17, 2014
VRE Master Agreement (Amended)	August 12, 2009
VRE Memo regarding Approval of Financial and Debt Management Principles and Referral to Commissions	October 18, 2013
VRE Operations Board New Member Orientation Packet	February 2014
VRE Organizational Chart	September 16, 2013
VRE Orientation Presentation	February 4, 2014
VRE Passenger Tariff	May 19, 2010
VRE Personnel Rules, Regulations, and Other Policies	September 2014
VRE Procurement Process Role of Operations Board Presentation	October 17, 2014
VRE Strategic Plan 2004-2025	May 2004
VRE, NVTC, and PRTC Financial Statements, with a particular focus on any noted deficiencies and their correction	Past 5 fiscal years

Appendix B: Interview Guide: Operations Board Members, NVTC, and PRTC Commissioners

Background

The purpose of this interview is to help the Parsons Brinckerhoff consulting team understand VRE's management and structure today and how VRE can best position itself for the future. The consulting team is interviewing members of the Northern Virginia Transportation Commission, Potomac and Rappahannock Transportation Commission, and VRE Operations Board, as well as VRE staff members and other stakeholders.

The purpose of the management audit is to evaluate VRE management, organization, and internal controls through the lens of its policies, people, and processes on which organizational success depends. In particular, this audit will:

- Review VRE's management, organizational structure, and internal controls to assess the agency's capability to meet today's needs.
- Identify policies, processes, and organizational changes—and an implementation strategy—as necessary to fulfill tomorrow's mission. This will focus on several functions of the agency in particular, including oversight and authority, communications, human resources, procurement and program management, and the agency's safety culture.
- Seek to understand the views of the VRE Operations Board and other stakeholders and how their vision for the future and their issues, perspectives, and objectives drive agency performance and shape its management structure.
- Investigate and confirm delegation of authority thresholds and the effectiveness and timeliness of communications among VRE Management, the VRE Operations Board, and the Commission to provide proper accountability, oversight, and internal controls to optimally manage VRE operations and capital program delivery.

The audit will not address VRE's governance structure, including its joint ownership by NVTC and PRTC.

The intended outcomes are a series of findings summarizing the current status of VRE management, organization, and internal controls and recommendations for improvement. Parsons Brinckerhoff will accomplish this through a collaborative approach that applies an iterative process, incorporates industry best practices, and provides a roadmap for implementation.

Questionnaire

- What does VRE do exceptionally well?
- How do you think VRE is perceived by internal/external stakeholders?
- Are there any concerns or issues about VRE that are specific to your Commission or your constituency?
- How would you summarize the current strategic vision of VRE?

- Do you believe that the current management and organizational structure of VRE is aligned with its strategic vision?
- Does the current institutional structure create any barriers for you to be an effective Commissioner?
- Do you believe that that existing thresholds for VRE management, Operations Board, and Commission approvals are about right, too high, or too low? What changes, if any, would you recommend?
- Please describe the type of information you receive to assist your decision-making, including information received from VRE, the Commission, and other sources. How do staff of your jurisdiction interact with you and with VRE management? How is information used?
- How would you assess the quality and quantity of information you receive from VRE (and your Commission)? Are there any changes you would recommend to improve the information flow?
- What type of information is most relevant to you? How does the timing of the receipt of information work for you?
- How would you assess the orientation information with respect to VRE that you received when you became a member of the VRE Operations Board and/or your Commission? How could it be improved to help improve your effectiveness as a board member?
- What would you suggest to improve the overall effectiveness of VRE, especially with regard to the management and oversight of the VRE Operations Board and the Commissions?
- We are beginning to home in on a number of issue areas. In considering the VRE organization (structure, people, processes), what do you believe to be the most important *strengths*, *weakness*, *opportunities*, and *challenges* related to the following areas:
 - Oversight and authority
 - Human Resources
 - Communications
 - Procurement and Program Management
 - Safety culture
 - Are there any other issues we should consider?

Conclusion

- Are there any documents you can provide that will help describe your responses in greater depth?
- As we examine the VRE organization (structure, people, process), is there any advice that you would like to provide to the consultant team that will help us moving forward?
- Is there any other information that you would like to share with us at this time?

Next Steps

The next step is to synthesize interview findings. In the early fall, the consultant team will report to the NVTC/PRTC Joint Audit Committee regarding findings and recommendations. Thank you for taking the time to talk with us today.

Appendix C: Interview Guide: VRE Directors, Managers, and Staff

Background

The questionnaire included a Background section identical to Appendix B.

Questionnaire

- What does VRE do exceptionally well?
- How do you think VRE is perceived by internal/external stakeholders?
- How would you summarize the current strategic vision and 2040 System Plan of VRE?
- Do you believe that the current management and organizational structure of VRE is aligned with its strategic vision?
- What is your official title? Who reports to you? Who do you report to?
- What are the primary functions that you are responsible to perform?
- What is the primary purpose of your group? What are the major processes that your group performs?
- Does the current institutional structure create any barriers for you to effectively perform your job? If so, what changes would you recommend?
- Do you interact with staff from Keolis, NVTC, or PRTC in the performance of your job? If so, please describe the relationship and characterize the effectiveness of it.
- We are beginning to home in on a number of issue areas:
 - VRE Oversight and authority
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges*?
 - Do you believe that that existing thresholds for VRE management, Operations Board, and Commission approvals are about right, too high, or too low? What changes, if any, would you recommend?
 - Human Resources
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges* related to HR, more specifically:
 - Communication of internal policies and practices
 - Recruitment and employee on-boarding
 - Performance evaluation
 - Training and career development
 - Staff retention
 - Which tools do you and your group use today to support your major processes? In your estimation, are they sufficient? Why or why not? If not, are there other tools that should be invested in?
 - What standards guide your group's work? Are these sufficient?

- Communications
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges* related to internal communications?
 - Other than your direct reports and the group you belong to, what other groups do you regularly interact with internally?
 - Are there any communication challenges with other departments in terms of business knowledge, staff quality or staff attitude?
 - How would you assess the timeliness, quality and quantity of information you receive and/or transparency from senior leadership? Are there any changes you would recommend to improve the information flow?
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges* related to external communications (customer facing)?
- Procurement and Program Management
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges*?
 - Are the policies and internal controls that have been adopted over the past few years sufficient? What, if anything else, do you think should be done?
 - Do you believe the capacity is in place to address today's capital program? To what extent do you believe additional resources will be required to support implementation of the 2040 System Plan?
- Safety culture
 - How would you characterize the safety culture at VRE?
 - How is the important role of safety communicated internally and to VRE riders?
 - What do you believe to be the most important *strengths, weaknesses, opportunities, and challenges*?
- Are there any other issues we should consider?

Conclusion

- Are there any documents you can provide that will help describe your responses in greater depth?
- As we examine the VRE organization (structure, people, process), is there any advice that you would like to provide to the consultant team that will help us moving forward?
- Is there any other information that you would like to share with us at this time?

Next Steps

The next step is to synthesize interview findings. In the early fall, the consultant team will report to the NVTC/PRTC Joint Audit Committee regarding findings and recommendations. Thank you for taking the time to talk with us today.

Appendix D: VRE Management Audit Interviewees

VRE Management Audit Interviewees

#	Name	Title	Joint Audit Committee	VRE Operations Board	NVTC Member	PRTC Member	Staff	Other
1	Sharon Bulova	Chair, Fairfax County Board of Supervisors	M	M	M			
2	John Cook	Member, Fairfax County Board of Supervisors	M	M	M			
3	Paul Smedberg	Member, Alexandria City Council	M	M	M			
4	Maureen Caddigan	Member, Prince William County Board of Supervisors	M	M		M		
5	Paul Milde	Member, Stafford County Board of Supervisors	M	M		M		
6	Gary Skinner	Member, Spotsylvania County Board of Supervisors	M	M		M		
7	Michael May	Member, Prince William County Board of Supervisors				M		
8	Frank Jones	Mayor, City of Manassas Park				M		
9	Jennifer Mitchell	Director, Virginia Department of Rail and Public Transportation		M	A	A		
10	Kevin Page	Chief Operating Officer, Virginia Department of Rail and Public Transportation		A				
11	Commissioners	NVTC (<i>Group Interview</i>)			M			
12	Commissioners	PRTC (<i>Group Interview</i>)				M		
13	Kelley Coyner	Executive Director, NVTC					N	
14	Scott Kalkwarf	Director of Finance, NVTC					N	
15	Al Harf	Executive Director, PRTC					P	
16	Betsy Massie	Director of Grant and Project Development, PRTC					P	
17	Doug Allen	CEO, VRE					V	
18	Rich Dalton	Deputy CEO/COO, VRE					V	

#	Name	Title	Joint Audit Committee	VRE Operations Board	NVTC Member	PRTC Member	Staff	Other
19	Donna Boxer	CFO, VRE					V	
	Brett Shorter	Deputy Director of Finance and Administration					V	
20	Gerri Hill	Manager of Contract Administration, VRE					V	
21	Tom Hickey	Chief Development Officer, VRE					V	
	Christine Hoeffner	Planning Manager, VRE					V	
22	Chris Henry	Director of Rail Operations, VRE					V	
	Jeremy Flores	Manager of Operations and Customer Communications					V	
	Greg Deibler	Manager of System Safety and Security					V	
23	Steve Maclsaac	Legal Counsel, VRE						X
24	Dale Zehner	Former CEO/COO, VRE						X
25	Members	VRE Chief Administrative Officers Task Force/VRE Coordinating Committee (<i>Group Interview</i>)						X

Key: M = Member
A = Alternate
N = NVTC Staff
P = PRTC Staff
V = VRE Staff
X = Other

NVTC commissioners interviewed as a group included Tom Rust (State Delegate) and John Cook (Fairfax County; Vice-Chairman of VRE Operations Board)

PRTC commissioners interviewed as a group on July 10 included: John Jenkins (Prince William Board of County Supervisors); Matthew Kelly (Fredericksburg City Council); Robert Thomas (Stafford County Board of Supervisors); Paul Trampe (Spotsylvania County Board of Supervisors); and Jonathan Way (Manassas City Council).

PRTC commissioners interviewed as a group on July 18 included Maureen Caddigan (Prince William Board of County Supervisors) and Gary Skinner (Spotsylvania County Board of Supervisors).

The members of the VRE Chief Administrative Officers (CAO) Task Force and VRE Coordinating Committee interviewed include the following staff from VRE member jurisdictions: Nancy Collins (Stafford County); Pierre Holloman (Alexandria); Mike Lake (Fairfax County); Robert Leibbrandt (Prince William County); and Lynn Rivers (Arlington County).