

**Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General**

**Review of LA Metro's Freeway
Service Patrol Program**

Report No. 20-AUD-06

May 4, 2020





Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
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DATE: May 4, 2020

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Karen Gorman, Inspector General,  Office of the Inspector General

SUBJECT: Final Report: Review of LA Metro's Freeway Service Patrol Program
(Report No. 20-AUD-06)

The Office of the Inspector General (OIG) retained Altmayer Consulting Inc. to conduct a Review of Metro's Freeway Service Patrol (FSP) Program. This review was conducted as part of our ongoing effort to assist Metro in improving the economy and efficiency of operations. The objective of this review was to evaluate the effectiveness of the FSP Program and Metro's oversight responsibilities.

Overall, the review found that Metro's FSP Program's performance over the last five years had improved in every key metric and its performance compared favorably with its peers, as well as statewide FSP reported averages. However, the review found that there are areas where controls and performance could be strengthened further to help ensure that the FSP Program continues to operate in an effective and efficient manner. Specifically, the review found:

- FSP Contractors did not maintain required insurance,
- Pre-Operation Inspection Forms were not properly completed and maintained,
- Three of the five contractors in our sample did not maintain proper vehicle service documentation,
- Safety meetings were not conducted on a monthly basis as required,
- A real-time performance monitoring system is not being used,
- The Program does not have formal "targets" for its Key Performance Indicators,
- The roles and responsibilities of FSP Program staff are not clearly defined,
- Lack of centralized database that holds all contract compliance and operating data; Current system is mostly manual and very paper and labor intensive, and
- Controls over program's "two-beat limitation policy" could be strengthened.

There are nine recommendations for improving controls and enhancing the program's overall performance. The recommendations are summarized in the appendix to the report.

We appreciate the assistance provided by Metro staff during this review. I am available to answer any questions the Board Directors may have regarding this report.



Metro

Interoffice Memo

Date	April 22, 2020
To	Karen Gorman, Inspector General Office of the Inspector General
From	Shahrzad Amiri, Executive Officer Congestion Reduction
Subject	Response to FSP Audit Recommendations

The following is in response to the FSP audit recently conducted by OIG. We appreciate the recommendations identified as it provide an opportunity to improve the program and are generally in agreement with the recommendations. Please see the comments vis-à-vis each of the recommendations.

RECOMMENDATION 1

LA Metro FSP should coordinate with LA Metro's Risk Management Department to review and verify annually that each FSP Contractor is maintaining required minimum insurance coverage as required by the contract.

Partially agree with the finding/recommendation

Proposed Action

FSP contractors are directed to submit insurance policy updates with FSP staff proactively reaching out to contractors prior to expiration of their existing policy to remind them of the upcoming expiration and request the new policy. Limits are set as part of the initial procurement. A verification process is already in place but we are open to working in tandem with Risk Management if they have the resources to assist.

Completion Date Estimate

Will commence discussions with Risk Management for implementation as part of the next solicitation.

RECOMMENDATION 2A

LA Metro FSP should work with LA Metro's Procurement Department to correct inconsistent contract terms in Section 4 and 16 concerning the retention period for Pre-Operation Inspection Reports/Forms and notify the Contractors of the changes.

Agree

Proposed Action

Work with procurement to address inconsistencies.

Completion Date Estimate

Next FSP contract solicitation.

RECOMMENDATION 2B

LA Metro FSP should review Pre-Operation Inspection Forms on a regular basis to ensure Contractors properly complete and sign these forms for each FSP vehicle prior to leaving the yard, and that FSP service and forms are maintained on file for the required period.

Disagree

Proposed Action

FSP staff will clarify the use of the Pre-Inspection Checklist in the next FSP contract solicitation document. The checklist is intended to be used as a tool by CHP field supervision to randomly check to see that inspections are completed prior to the start of each shift. These are on the spot checks by field personnel and were not intended to be monitored by FSP staff as contractors can modify the checklist prior to submitting to Metro in order to avoid violations.

Completion Date Estimate

Next FSP contract solicitation will clarify the intent of the checklist which will be reviewed as currently being done by CHP officers.

RECOMMENDATION 3

LA Metro FSP should review the maintenance reports/logs on a regular basis to ensure that the Contractors carry out the recommended preventative/scheduled maintenance on trucks, and information on maintenance logs is complete and in sufficient detail to document the maintenance performed.

Disagree

Proposed Action

The intent of requiring the recommended PM schedule is to provide contractors with a required minimum level of PM work. The contractors have an incentive to properly maintain their vehicles in a manner that ensures they remain reliable and in service through the duration of the contract. Inadequate maintenance of the vehicles results in loss of revenue and liquidated damages when trucks break down due to maintenance issues. Submitting maintenance records to FSP staff, who are not mechanics, would require the program to hire mechanics to review maintenance files for approximately 190 vehicles.

Completion Date Estimate

N/A

RECOMMENDATION 4

LA Metro FSP should review safety meeting documentation on a regular basis to ensure the Contractors hold monthly safety meetings and meetings are properly documented.

Agree

Proposed Action

Contractors will be required to submit their monthly safety meeting attendance sheets and topics of discussion.

Completion Date Estimate

April 30, 2020

RECOMMENDATION 5

LA Metro should focus its efforts on ensuring a successful procurement for a new performance monitoring system. LA Metro should consider developing an RFP that includes a “base system” with the required core functionality to increase the likelihood of a bid within budget expectations. Optional tasks could be included in the RFP for additional functionality that is desired but is not essential. LA Metro may also consider working with other counties who have already developed a performance monitoring system to identify if there may be any cost savings associated with using the same system.

Agree: please note that as indicated in the audit, the FSP program pursued two rounds of solicitation for an automated system, to no avail. Between the two rounds, staff worked with IT staff to modify the scope to assure a more successful procurement but the second solicitation did not result in a contract either.

Proposed Action

Staff are currently exploring a contracting opportunity through the state. The state has entered into a contract with a vendor for vehicle tracking system with the opportunity

for enhancements. It appears that this contract is also extended to other government agencies in the state including Metro. It is possible that this system can be enhanced to meet Metro's reporting and monitoring requirements.

Completion Date Estimate

July 1, 2020

RECOMMENDATION 6

LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.

Agree

Proposed Action

Staff will work to identify a minimum benefit to cost ratio for the program.

Completion Date Estimate

October 1, 2020

RECOMMENDATION 7

LA Metro should develop a more detailed statement of the roles and responsibilities of LA Metro FSP staff to ensure compliance with contractual provisions. To that end, LA Metro FSP should consider developing a contract management manual ("Manual") that details each process necessary to hold contractors accountable for each contractual provision and what staff position is responsible and how that role is performed. Based on these assignments of responsibility, additional training may be required to ensure each person has the capacity to perform their responsibilities.

Partially Agree

Proposed Action

While we have a more informal process, all FSP staff are aware of their designated roles. Since there is no problem formalizing the roles and responsibilities, staff will create a roles and responsibilities document or manual.

Completion Date Estimate

July 1, 2020

RECOMMENDATION 8

LA Metro FSP should consider developing a centralized database for file structure that holds all contract compliance and operating data related to each operator. This would make monitoring more effective, allow for better analysis and simplify reporting.

Partially agree

Proposed Action

Individual files have been created for each contractor to maintain current contract compliance documents, as well, staff maintain a database of assist information from which reports are generated. In order to fully automate the files, we will have to work with IT or hire a contractor for whom funding is not currently available.

Completion Date Estimate

Depends on the availability of the IT department to configure the database.

9. RECOMMENDATION

LA Metro FSP could strengthen its ability to enforce its two-beat limitation policy. We recommend that LA Metro consider including language within the agreements with tow companies that specifically prohibits a company from operating more than two beats or from having a controlling interest in another company that operates FSP tow trucks in LA County. This would include limitations on companies sharing drivers, offices, and other operation functions. This would give LA Metro more legal basis to pursue a fraudulent contractor.

Agree

Proposed Action

FSP staff will coordinate with County Counsel to review language to enforce the two beat cap policy and prevent FSP tow contractors from having controlling interests in another FSP tow company.

Completion Date Estimate

Language shall be included in the next FSP tow contract solicitation document.

Once again, we appreciate the time and effort that has gone into the development of this comprehensive audit report. We appreciate the recommendations and will pursue all avenues available to further improve the program.

**Los Angeles County Metropolitan
Transporation Authority (LA Metro)**

Office of the Inspector General

**Review of LA Metro's Freeway
Service Patrol Program**



**Final Report
April 2020**

Report No. 20-AUD-06

**Submitted by
Altmayer Consulting, Inc.**



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I. Executive Summary

Freeway Service Patrol (FSP) programs provide local transportation agencies a way to assist disabled vehicles and remove debris on congested freeways to increase the freeway speed and reduce congestion. LA Metro piloted the first FSP program in California in 1991 which has subsequently been expanded within LA County and throughout the State. The LA Metro FSP program is jointly managed by the California Department of Transportation (Caltrans), the California Highway Patrol (CHP) and LA Metro, and currently provides assistance to approximately 25,000 motorists each month.

LA Metro individually contracts with tow truck companies to patrol 44 beats on each of LA County's major freeway corridors. Tow trucks patrol their beats to provide on-the-spot motorist assistance, assist with roadside debris and/or removing vehicles involved in collisions.

The LA Metro Office of the Inspector General ("OIG") retained Altmayer Consulting, Inc. to conduct an evaluation of LA Metro's FSP program centering on evaluating the effectiveness of the program and an evaluation of LA Metro FSP's oversight role. Our study focused on four key areas:

- *Review Area #1: Payments to FSP Contractors*
- *Review Area #2: FSP Contractors' Compliance with Contract Requirement*
- *Review Area #3: The Effectiveness of the FSP Program*
- *Review Area #4: LA Metro's Oversight of the FSP Program*

Our review has resulted in the following observations, findings and recommendations:

Review Area #1: Payments to FSP Contractors

This area focused on reviewing a sampling of Contractor invoices to ensure LA Metro's contractual payments were in compliance with the respective tow company contract. We reviewed contract documents, invoices and supporting documents. Our overall conclusion is that the invoices we reviewed were adequately supported and complied with contract payment terms, with the exception of one redeployment administrative fee for a single tow company Contractor.



Review Area #2: FSP Contractors' Compliance with Contract Requirements

This review area included an evaluation of five tow truck companies' compliance with contractual requirements. We reviewed contract documents, personnel and training records, and supporting documents as well as conducted interviews with Contractors and LA Metro FSP staff. Our review indicated that the Contractors were in substantial compliance with their reporting of the following: Personnel and Training Requirements, Required Reporting of Key Performance Indicators (KPIs), California DMV Motor Carrier Permits, Business Licenses, and Substitution of Contractors. We did, however, identify four findings and recommendations in this review area:

- **Insurance:** Contractors did not consistently maintain required insurance coverage during the review period. Therefore, we recommend that LA Metro FSP work with LA Metro's Risk Management Department to verify that each FSP Contractor has the required insurance coverage.
- **Pre-Operation Inspection Forms:** These forms were not properly completed and maintained. We recommend that LA Metro FSP work with LA Metro's Procurement Department to correct inconsistent contract terms and conduct reviews of Pre-Operation Inspection Forms on a more regular basis to ensure compliance.
- **Vehicle Service Documentation:** Three of five Contractors did not maintain proper vehicle service documentation and, as such we were unable to determine whether the Contractor carried out the recommended preventative/scheduled maintenance. We recommend that LA Metro FSP review maintenance reports/logs on a regular basis to ensure that the Contractors carry out the recommended preventative/scheduled maintenance.
- **Safety Meetings:** Safety meetings were not conducted on a monthly basis and meeting documentation was not properly completed and maintained by the contractors. We recommend that LA Metro FSP review safety meeting documentation on a regular basis to ensure compliance.

Review Area #3: Determine the Effectiveness of the FSP Program

This area focused on evaluating the effectiveness of the FSP program's operational performance. We evaluated KPIs, operator response times, and interviewed LA Metro FSP staff, operators, CHP staff, and staff from peer agencies. We also conducted research on FSP best practices, FSP information systems, data collection methodologies, system designs, and Statewide KPIs.



Our review indicated that LA Metro's FSP program showed significant improvement in KPI areas during the review period (FY14 through FY18). In particular, LA Metro's ability to reduce the number of tow vehicles on the freeways while continuing to increase Total Assists resulted in gains in the two most critical productivity measures: Average Assist Rate and Average Benefit/Cost Ratio, which showed very favorable compared to its peers and the Statewide averages.

Our review of industry best practices, however, did result in the following finding and recommendation:

- ***Upgrade of Existing Performance Monitoring System:*** A common best practice among peer agencies is the utilization of real-time performance monitoring system. LA Metro's current system is largely manual and does not allow for more sophisticated monitoring of operations and contractual requirements. Therefore, we recommend that LA Metro should focus its efforts on ensuring a successful procurement for a new performance monitoring system.

Review Area #4: LA Metro's Oversight of the FSP Program

This area involved reviewing LA Metro FSP's contractual oversight of its tow truck Contractors. As part of our evaluation, we reviewed prior audit recommendations related to oversight functions, and conducted a thorough review of existing monitoring oversight practices. Based on our study, we recommend that LA Metro FSP take steps to more clearly define its contract oversight management roles and responsibilities as well as implement new practices and systems to strengthen contractor compliance:

- ***Prior Audit:*** LA Metro FSP substantially complied with the recommendation from the prior internal audit. While the prior audit noted that LA Metro FSP does not have formal "targets" for each of its KPIs, we found that it does collect, analyze and report on performance data on a regular basis and makes short- and long-term decisions on that data. We recommend, however, that LA Metro FSP set a target for its overall Benefit-to-Cost ratio to provide a baseline for the fiscal effectiveness of the program.
- ***Contract Management Manual:*** Based on the prior compliance-oriented findings set forth above, we recommend that LA Metro develop a detailed statement of the oversight roles and responsibilities of LA Metro FSP staff. To that end, we recommend the development of a contract management manual ("Manual") that details the processes and practices necessary to hold Contractors accountable for each



contractual provision and identify the FSP staff position responsible and describe how that role is performed.

- *Document Management:* LA Metro FSP's system for managing contract compliance documentation is largely manual and is not centralized within a single database. We recommend that LA Metro FSP consider developing an electronic centralized database for file structure that maintains all contract compliance and operating data for each operator.
- *Enforcing Two Beat Limitation Policy:* LA Metro has a policy to limit any one Contractor from having more than two beats. While the procurement process does provide initial safeguards to ensure that the two beat limitation policy is followed, we would recommend that LA Metro strengthen its ability to enforce this policy by including the limitation within the contract documents.

In conclusion, LA Metro's FSP program has experienced many positive operational trends. Its performance over the last five years has improved in almost every key metric and its performance compares favorably with its peers as well as compared with Statewide averages. While its operational performance has been mostly positive, its oversight role could be strengthened. Specifically, LA Metro FSP should take steps to more clearly define its contract management roles and responsibilities as well as implement new practices and systems to strengthen Contractor compliance.



II. Background

Freeway Service Patrol (FSP) programs provide local transportation agencies a way to quickly detect and assess disabled vehicles and reduce congestion along freeways. FSP tow trucks are tasked with assisting disabled vehicles and removing debris on congested freeways to allow traffic to move more freely. The FSP program has been shown to both save commuter time on the freeways as well as reduce automobile emissions from vehicles idling in stopped traffic. This goal of reducing emissions is consistent with LA Metro's long-term mission to reduce carbon emissions from the County's transportation system.

The Statewide FSP program was initially piloted in Los Angeles in 1991 and has since been implemented in a number of other counties throughout the State. The program is jointly managed by the California Department of Transportation (Caltrans), the California Highway Patrol (CHP) and local transportation agencies such as the Los Angeles County Metropolitan Transportation Authority (LA Metro).

The LA Metro FSP program currently assists approximately 25,000 motorists each month by contracting with 21 different tow service companies that deploy over 150 vehicles throughout the County. LA Metro's FSP Unit is responsible for monitoring and oversight of the operating contracts as well as coordinating activities with both Caltrans and the CHP.

LA Metro FSP contracts with tow truck companies to patrol each of the designated 44 beats. A beat is a specific portion of a freeway corridor that is to be patrolled by a given tow company Contractor. During designated hours, tow trucks patrol their beats in an effort to spot disabled motorists, but tow trucks also can be dispatched to a particular location by the CHP.¹ This assistance may include a jump start, replacement of a flat tire, providing a gallon of gas, refilling radiators, or other quick fixes. FSP trucks may also assist with roadside debris or removing vehicles involved in collisions. If an FSP driver is unable to get a vehicle running in 10 minutes, the driver will tow the vehicle to a designated drop location where additional assistance can be requested. The average wait time for a motorist to receive assistance is approximately 2 minutes and 30 seconds.

LA Metro issues requests for proposals for a portion of the beats approximately every two years. A Contractor is awarded a four-year contract to provide tow truck services. Payment for services are based on the number of tow truck operating hours. The contract defines the

¹ Approximately 80% of the time, assistance is provided based on a FSP truck observing the disabled vehicle. Approximately 20% of the assists are provided based on CHP dispatch. Because of system limitations, LA Metro is unable to evaluate how long it takes from CHP dispatch to reach a disabled motorist.



III. Review Objectives

The LA Metro Office of the Inspector General (“OIG”) retained Altmayer Consulting, Inc. to conduct an evaluation of LA Metro’s FSP program centering on evaluating the effectiveness of the program and an evaluation of LA Metro FSP’s oversight role. Our study focused on four key areas:

- **Review Area #1: Payments to FSP Contractors** – This task focused on reviewing a sampling of invoices to ensure LA Metro’s contractual payments were in compliance with the respective tow company contract. We reviewed contract documents, invoices and supporting documents and conducted interviews with Contractors and LA Metro FSP staff.
- **Review Area #2: FSP Contractors’ Compliance with Contract Requirement** – This task included an evaluation of each of the five selected Contractors’ compliance with contractual requirements. We reviewed contract documents, personnel and training records, and supporting documents as well as conducted interviews with Contractors and LA Metro FSP staff.
- **Review Area #3: Determine the Effectiveness of the FSP Program** – This task focused on evaluating the effectiveness of the FSP Contractors’ operational performance. We evaluated KPIs, operator response times, and interviewed LA Metro FSP staff, operators, CHP staff, and staff from peer agencies. We also conducted research on FSP best practices, FSP information systems, data collection methodologies, system designs, and Statewide KPIs.
- **Review Area #4: LA Metro’s Oversight of the FSP Program** – This task involved reviewing LA Metro FSP’s contractual oversight of FSP Contractors. Our activities included interviews with LA Metro FSP staff, operators, CHP staff, and interviews with peer agencies. We also conducted research on FSP best practices, FSP information systems, and organizational structures of FSP organizations. We also reviewed motorist assist forms, complaint documents, operator invoices, CHP reports, and Caltrans reports, as well as other administrative documentation.

Section IV beginning on the next page summarizes the results of our study. For each section reviewed, we present either an “observation” with our conclusion that no action items are required or with a set of “findings” and “recommendations” where our conclusion sets forth recommended actions to be taken by LA Metro.



IV. Observations, Findings and Recommendations

Review Area #1: Payments to FSP Contractors

In coordination with the Office of the Inspector General, five contracts, covering different geographic areas, were selected for review. The objective was to determine whether Contractor invoices were supported and complied with contract payment terms. Table 1 below summarizes the tow company Contractor name, contract number, beat² number, service type and beat location for each of these five contracts.

Table 1: LA Metro Freeway Service Patrol Contracts Selected for Review					
	Contractor Name	Contract No.	Beat No.	Service Type	Beat Location
1	Freeway Towing	FSP5768900B60	60	Big Rig Freeway Service Patrol Services	From the Pacific Coast Highway ramp on the south end to the 3rd Street off-ramp on the north end, which is just north of the junction of the Golden State Freeway (I-5) and I-710
2	Kenny's Auto Service #11	FSP13-R1	14	Regional Light Duty Towing Services	FWY 605 Orange County Line to Telegraph Rd.
3	Neighborhood Towing 4U, Inc.	FSP3469600B6	6	Towing Services for General Purpose Lanes & ExpressLanes	FWY 405 Imperial Hwy. to Venice Blvd./Washington Blvd.
4	Steve's Towing	FSP14-38	38	Light Duty Towing Services	Sunflower Ave. to San Bernardino County Line. 210/71 Sep. to Mission. 210/57 Sep. to SR 57/60 Temple Ave.
5	T.G. Towing Inc.	FSP14-24	24	Light Duty Towing Services	Roxford to Rte 14/5 Sep. Rte 5/14 Sep. to Agua Dulce Rd.

² A "beat" is a specified freeway geographic area that the Contractor is responsible for patrolling.



To determine compliance with the contract requirements for each of the five Contractors, we selected invoices for two months (October and November 2018) for testing. The following testing procedures were performed:

- Determined whether payment terms and methods complied with the contract.
- Traced payments to invoices and other supporting documents.
- Validated billing rates with the pricing schedules in each contract.
- Validated that any adjustments to invoices for overtime, out of service, and fines were reviewed and approved by the CHP.

For each of the five contracts, LA Metro FSP provided payment information from LA Metro's Financial Information System (FIS) and invoices with supporting documentation for October and November 2018. Based on our review of the payments, invoices and supporting documentation for each of the five Contractors, we found that the invoices were adequately supported and complied with contract payment terms, except for a redeployment administrative fee for one Contractor. A redeployment administrative fee of \$1,000 was not deducted from the amount billed by T.G. Towing for October 2018 and November 2018 invoices (\$500 each month).

Redeployment is a coordinated use of backup/available drivers and vehicles from one contract to provide support on another contract. A Contractor may request short-term redeployment support (30 days or less) from another Contractor if they are not able to fulfill contractual obligations due to unforeseen vehicle and/or driver issues. The redeployment must be authorized by LA Metro. According to the Standard Operating Guidelines (SOG) for FSP Contractors (dated November 2015), a Contractor requesting redeployment will be assessed a monthly fee consisting of: 1) a \$500 administrative fee for processing and managing the redeployment, and 2) any additional cost to redeploy another Contractor with a higher hourly rate.

Our review of invoices found that T.G. Towing submitted two requests to LA Metro requesting redeployment of 180 hours for October 2018 and 152 hours for November 2018. LA Metro assigned the redeployment of these hours to Hollywood Car Carrier (Beat 43). The hourly rate difference between Beat 43 and Beat 24 was deducted from the amount billed. However, the redeployment administrative fee of \$500 for each month was not deducted from the amount billed for the October 2018 and November 2018 invoices.

According to LA Metro FSP, T.G. Towing's owner had medical issues and experienced difficulty maintaining employees to adequately meet FSP contractual service delivery



obligations. His problems persisted for a period of several months and rather than continue to assess the \$500 administrative fee, a decision was made to consider this Contractor's continued requests for redeployment as a single request with a one-time administrative fee charge. This consideration was given to this Contractor due to the location covered by the contracts and the fact that this Contractor would not be able to continue operations with continued administrative fee monthly assessments. The other factor LA Metro FSP staff considered is that without this particular Contractor, it would be very difficult to find other Contractors to fill the service considering the distance of the service area to the closest alternate FSP Contractor.

Table 2 below summarizes the overall compliance requirements and the results of our review.

Table 2: Billings and Payments Compliance Requirements and Compliance Review Results						
	Compliance Requirements	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
1	Payment terms and methods complied with the contract.	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance, Except for Administrative Fee
2	Payments were supported with invoices and other documents.	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance
3	Billing rates agreed with the pricing schedules in each contract.	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance
4	Adjustments to invoice were reviewed and approved by the CHP.	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance

Observation: Invoices were adequately supported and complied with contract payment terms, except for a redeployment administrative fee for one Contractor. LA Metro FSP should continue monitoring Contractor's billings to ensure Contractor invoices are adequately supported and in compliance with the respective contract.



Review Area #2: FSP Contractors' Compliance with Contract Requirements

Personnel and Training Requirements

Each of the five contracts and the Contractor Standard Operating Guidelines (dated November 2015) provide specific requirements for drivers assigned to provide FSP services to LA Metro, including driver qualifications, certification, and training. Only FSP certified drivers with a valid identification card are authorized to operate a FSP vehicle during FSP service. The CHP issues a FSP identification card to the driver upon completion of the certification process. To be certified as a FSP driver, the following requirements must be met:

- FSP Driver Qualification
 - Age requirement
 - Light Duty Vehicle – 18 years of age
 - Flatbed Truck – 18 years of age
 - Big Rig – 21 years of age
 - Language requirement – must be able to speak, read and write English and be able to communicate clearly on the radio.
- Certification requirements
 - Pass a background-screening test conducted by the CHP, which includes fingerprinting and verification of the California driver license and medical card/medical examination report.
 - Pass a towing proficiency test conducted by the CHP.
 - Attend the FSP Initial Driver Training course (IDT), a sixteen-hour classroom training program conducted by the CHP. During this initial training phase, the CHP issues a temporary Tow Truck Driver Certificate (DL64). The Department of Motor Vehicle issues the permanent DL64 when all requirements are met.
 - ExpressLanes drivers must pass another eight-hour training class conducted by the CHP, in addition to the IDT class to reinforce ExpressLanes protocols.
- Training requirements
 - On-the-Job training for new drivers offered by the Contractor (optional).
 - To maintain the FSP certification, the driver must attend 8 hours of Refresher Training Classes conducted by the CHP within a calendar year.

To determine compliance with these requirements, we obtained a list of driver's names for each of the selected five Contractors and selected a sample of tow truck drivers (the lesser



of five or 50%). We requested the CHP to provide documentation evidencing that the drivers met the following requirements:

- Properly trained and certified by the CHP, and
- Other license, qualification, or clearance required by the contracts (e.g. language requirement, background screening, proficiency testing, on-the-job training, etc.).

Based on the information provided by the CHP and interviews with CHP staff, we found that the drivers we tested met the qualification, certification, and training requirements. The table below shows the compliance requirements and the results of our review.

Table 3: Personnel and Training Compliance Requirements and Compliance Review Results						
	Compliance Requirements	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
1	Qualification	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance
2	Certification	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance
3	Training	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance

Observation: FSP drivers tested met the qualification, certification, and training requirements required by the contracts. However, we noted that LA Metro FSP staff did not periodically verify compliance requirements of the drivers. We recommend that LA Metro FSP periodically monitor select Contractors to verify that drivers meet the qualifications, certification, and training requirements.

Required Reporting

Contractor Standard Operating Guidelines (dated November 2015) requires a Contractor to submit FSP Motorist Assist Forms (Scantron forms) to LA Metro FSP on a weekly basis. These forms must be completed by the driver for each assist completed during FSP hours of operation. If errors are found, LA Metro FSP returns the erroneous cards to the Contractor to be filled out correctly. The Contractor must correct the erroneous cards and deliver the corrected cards to LA Metro FSP within one week. LA Metro FSP provides self-addressed postage paid envelopes to the Contractor for their submission of the completed Scantron forms.



For each of the five contracts tested, we reviewed a three-month period (October, November and December 2018) to determine whether the Contractor reported timely and provided complete information in a format that allows LA Metro FSP to determine the calculation of the following reported figures:

- a. Number of services responded to,
- b. Response time for each incident, and
- c. Time, date, category and disposition of calls for service.

According to LA Metro FSP, the only report that the Contractor is required to submit is the FSP Motorist Assist Forms (Scantron forms). On a weekly basis, each Contractor uses LA Metro FSP provided self-addressed postage paid envelopes to submit the completed Scantron forms. LA Metro FSP reviews the Scantron forms to ensure they were properly completed. LA Metro FSP uses Excel spreadsheets to track all the Scantrons received from each Contractor. Based on our review of the sample Motorist Assist Forms and the tracking Excel spreadsheets provided by LA Metro FSP for each of the five selected Contractors, we found that the Contractors reported timely and information provided was complete and in a format that allows LA Metro FSP to determine the calculation of the reported figures.

Table 4 below shows the compliance requirement tested and the results of our review.

Table 4: Required Reports Compliance Requirements and Compliance Review Results					
Compliance Requirement	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
FSP Motorist Assist Forms	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance

Observation: The five Contractors selected for testing reported timely and provided complete information to allow LA Metro to determine the calculation of the reported figures. LA Metro FSP should continue monitoring Contractor submissions of the FSP Motorist Assist forms to ensure these forms are submitted in a timely manner and with complete documentation and information to allow LA Metro to determine the calculation of the reported figures.



Other Requirements

Each contract for FSP services includes additional specific requirements. To determine compliance with these requirements by each of the five selected Contractors, we determined whether the Contractors:

- Maintained current valid California Department of Motor Vehicle Motor Carrier Permits throughout the entire contract term.
- Have a valid business license and insurance coverage throughout the entire contract term.
- Substituted a subcontractor with LA Metro's approval.
- Completed and signed Pre-Operation Inspection Forms for each FSP vehicle prior to leaving the yard to report for contracted FSP service.
- Delayed the roll out of a vehicle for any deficiencies found and corrected.
- Performed recommended preventative/scheduled maintenance on trucks and maintained proper service documentation.
- Held safety meetings and meetings were documented with date, time and attendees.

California DMV Motor Carrier Permit

Each of the five selected contracts required that the Contractor must maintain a current and valid California Department of Motor Vehicle Motor Carrier Permit (MCP) for the duration of the contract. To determine compliance with this requirement, we obtained a copy of the MCP for each of the five Contractors for the period from inception of the contract to June 30, 2019.

Since this performance review was for fiscal year 2019, we used June 30, 2019 as a cut-off date for this task. Based on our review of the MCPs provided by LA Metro, we found that each of the five selected Contractors maintained a current and valid MCP from inception of the contract to June 30, 2019. Table 5 below shows the compliance requirement and the results of our review.

Table 5: California Department of Motor Vehicle Motor Carrier Permit (MCP) Compliance Requirement and Compliance Review Results					
Compliance Requirement	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
Motor Carrier Permit (MCP)	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance



Observation: The Contractors maintained a current and valid MCP from inception of the contract to June 30, 2019. LA Metro FSP should continue monitoring Contractor submissions of the MCP to ensure the Contractors maintain a current and valid MCP for the duration of the contract.

Business License

Each contract required that the Contractor must maintain all necessary and appropriate business licenses for conducting towing and vehicle storage activities in accordance with the city ordinances in which the towing facility is located. To determine compliance with this requirement, we obtained copies of the business licenses for each of the selected five Contractors for the period from inception of the contract to June 30, 2019.

Since this performance review was for fiscal year 2019, we used June 30, 2019 as a cut-off date for this task. Based on our review of the business license provided by LA Metro FSP, we found that each of the five selected Contractors maintained a current and valid business license from inception of the contract to June 30, 2019. Table 6 below shows the compliance requirement and the results of our review.

Table 6: Business License Compliance Requirement and Compliance Review Results					
Compliance Requirement	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
Business License	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance

Observation: The Contractors reviewed maintained a current and valid business license from inception of the contract to June 30, 2019. LA Metro FSP should continue monitoring Contractor submissions of the business license to ensure the Contractors maintain a current and valid business license for the duration of the contract.



Insurance

The contracts required that each of the five selected Contractors must provide LA Metro with original endorsements and certificates of insurance evidencing the required coverage. The minimum scope of insurance and minimum limits of insurance are as follows:

- Commercial General Liability (CGL)
 - \$1 Million per occurrence for bodily injury, personal injury and property damage.
 - \$2 Million if CGL or other form with a general aggregate limit is used.
- Commercial Automobile Liability
 - \$1 Million applicable to bodily injury, sickness or death, and loss of or damage to property in any one occurrence.
 - Insurance Acord certificates are required to include a listing of all scheduled vehicles with corresponding vehicle identification number.
- Excess Liability
 - \$10 Million per occurrence and in the aggregate.
 - \$20 Million per occurrence and in the aggregate (Kenny Auto Beat 14 only)
- Workers Compensation Insurance
 - As required by the State of California and Employer's Liability Insurance.
- On Hook Liability
 - Limits of not less than \$100,000.
 - Limits of not less than \$300,000 (Freeway Towing Beat 60 only).
- Other Insurance Provisions – The insurance policies required pursuant to the terms of the contract are to contain, or be endorsed to contain the following provisions:
 - The Los Angeles County Metropolitan Transportation Authority, its subsidiaries, officials and employees are to be covered as additional insureds as respects liability arising out of the activities performed by or on behalf of the Contractor, products and completed operations of the Contractor, premises owned, occupied or used by the Contractor; or automobiles owned leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the LA Metro, its subsidiaries, officials and employees.
 - For any claims related to this project, the Contractor's insurance coverage shall be primary insurance as respects LA Metro, its subsidiaries, officials and employees. Any insurance or self-insurance maintained by the LA Metro shall be excess of the Contractor's insurance and shall not contribute with it.



- Any failure to comply with reporting or other provisions of the policies including breaches or warranties shall not affect coverage provided to LA Metro, its subsidiaries, officials and employees.
- The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- Each Accord Certificate of insurance required by this contract shall be worded to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the LA Metro. Cancellation provision should also delete the words "endeavor to."
- Workers' Compensation and Employer's Liability policies shall provide a waiver of subrogation in favor of the LA Metro.
- Freeway Service Patrol Contractors can satisfy the Commercial General Liability requirement with a Garage Liability Policy that provides the required On-hook, Auto and Commercial General Liability. Excess liability must afford full coverage over and above primary layers regardless of underlying coverage.

To determine whether the Contractors have valid insurance throughout the contract term, we obtained copies of the insurance documents for each of the selected five Contractors for the period from inception of the contract to June 30, 2019 for review.

Since this performance review was for fiscal year 2019, we used June 30, 2019 as a cut-off date for this task. Our review of the insurance documents provided by LA Metro FSP found that all five selected Contractors did not have adequate insurance from inception of the contract to June 30, 2019. The following are the deficiencies found:

- **Freeway Towing (Beat 60)**
 - The firm did not have Excess Liability Insurance coverage for the period from October 4, 2016 to July 23, 2019.
 - The coverage amount of \$250,000 for On Hook Liability Insurance was below the required minimum amount of \$300,000.
 - Insurance Accord certificates did not include the required listing of all scheduled vehicles with corresponding vehicle identification numbers.
 - Other Insurance Provisions required by the contract were not found on the documents provided for our review.



- **Kenny Auto (Beat 14)**
 - Insurance Accord certificates did not include the required listing of all scheduled vehicles with corresponding vehicle identification numbers.
 - Other Insurance Provisions required by the contract were not found on the documents provided for our review.
- **Neighborhood Towing (Beat 6)**
 - The company did not have insurance coverage for Commercial General Liability, Automobile Liability, Excess Liability, and On Hook Liability for the period from January 1, 2017 to January 9, 2017 (lapse in liability insurance).
 - Insurance Accord certificates did not include the required listing of all scheduled vehicles with corresponding vehicle identification numbers.
 - Other Insurance Provisions required by the contract were not found on the documents provided for our review.
- **Steve Towing (Beat 38)**
 - The company did not have Excess Liability Insurance for period from October 5, 2017 to October 5, 2018.
 - The coverage amount of \$5 Million for Excess Liability Insurance for the period from October 5, 2018 to October 5, 2019 was below the required coverage amount of \$10 Million.
 - Insurance Accord certificates did not include the required listing of all scheduled vehicles with corresponding vehicle identification numbers.
 - Other Insurance Provisions required by the contract were not found on the documents provided for our review.
- **TG Towing (Beat 24)**
 - The coverage amount of \$5 Million for Excess Liability Insurance for the period from July 1, 2015 to July 1, 2017 was below the required coverage amount of \$10 Million.
 - Insurance Accord certificates did not include the required listing of all scheduled vehicles with corresponding vehicle identification numbers.
 - Other Insurance Provisions required by the contract were not found on the documents provided for our review.

Finding #1: All five Contractors tested did not maintain required insurance coverage from inception of the contract to June 30, 2019, as required by the respective contract.



Recommendation #1: LA Metro FSP should coordinate with LA Metro’s Risk Management Department to review and verify annually that each FSP Contractor is maintaining required minimum insurance coverage as required by the contract.

Substitution of Subcontractors

Our review of the five selected contracts found that only two contracts required the use of subcontractors. The subcontractors listed in these two contracts are certified Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) firms. According to these two contracts, the Contractors must notify LA Metro in writing of any proposal to substitute a subcontractor in place of a subcontractor listed in the contract and obtain LA Metro’s approval prior to substitution. The contracts also stated that LA Metro will monitor and verify that the work committed to SBE/DVBEs at contract award is actually performed by the SBE/DVBE. The Contractor is required to submit the following information to LA Metro:

- Executed SBE/DVBE subcontract agreements.
- Monthly payment details using the web-based Small Business Programs Compliance Reporting System.

Table 7 below shows Contractors with and without required subcontractors.

Table 7: Contracts with/without Subcontractors					
Compliance Requirement	Freeway Towing	Kenny's Auto Service #11	Neighborhood Towing 4U	Steve's Towing	T.G. Towing
Subcontractors	Six	None	One	None	None

Subcontractors were not required under the contracts with Kenny’s Auto Service #11 and T.G. Towing because these companies are certified SBE firms with LA Metro. For Steve’s Towing, the SBE participation goal for this contract is zero percent (0.00%). Steve’s Towing is not a certified small business entity with LA Metro.

To determine compliance with this requirement, we contacted LA Metro’s Diversity and Economic Opportunity Department (DEOD) and requested information to determine whether Freeway Towing and Neighborhood Towing 4U substituted any of the subcontractors without LA Metro’s approval. We received confirmation from LA Metro DEOD that:



- Freeway Towing Inc. (Beat 60) – There were no (non-compliant) substitutions of any of the six existing subcontractors.
- Neighborhood Towing 4U (Beat 6) – There was no (non-compliant) substitution of the one existing subcontractor.

Observation: The Contractors reviewed did not substitute a subcontractor without LA Metro's approval. LA Metro FSP should work with LA Metro DEOD to continue monitoring the subcontractors to ensure that the Contractors do not substitute any subcontractor without LA Metro's approval.

Pre-Operation Inspection Reports/Forms

A Pre-Operation Inspection Report must be completed by the driver and signed by the Contractor project manager or authorized and approved designee prior to the start of each shift. The requirements for pre-operation vehicle inspection include:

- An operator shall inspect their truck each day prior to the beginning of each shift.
- Each truck must be inspected using a FSP Tow Truck and Equipment Daily/Weekly Pre-Operation Inspection Report. No other inspection forms may be used.
- The Operator shall use an ink pen (not pencil) when completing the form. The symbol "X" shall be used for items in compliance and the symbol "O" shall be used for items not within compliance on the form.
- The Contractor shall designate a manager to be on site during all pre-operation inspections and shall review and sign the pre-operation inspection sheet prior to the operator leaving the Contractor's facility.
- Deficiencies identified on the pre-operation inspection report shall be resolved and verified prior to the start of the operation of the vehicle in FSP service.
- Falsifying any pre-operation inspection form is a violation of the contract and is considered a flagrant violation and is also considered lying to FSP management and will be subject to \$1,000 fine for each vehicle. Additional fines will be assessed for each deficiency and LA Metro may take other action against the Contractor up to and including contract termination.
- A copy of the current signed form shall be kept in the vehicle and presented to FSP management upon request.
- The Contractor shall maintain the most recent 30 days of pre-operation inspection forms for each FSP vehicle at their FSP authorized facility. Contractors will be



subject to a monetary assessment of \$500 if pre-operation inspection forms are not properly maintained.

To determine compliance whether the Contractor completed and signed Pre-Operation Inspection Forms for each vehicle prior to leaving the yard to report for contracted FSP service, we requested copies of the Pre-Operation Inspection Forms for each of the five Contractors for the month of October 2018.

Our review found that all five Contractors did not properly complete and maintain Pre-Operation Inspection Forms. The following are the deficiencies found:

- **Freeway Towing (Beat 60)**
 - We found that the Pre-Operational Inspection Forms provided for October 2018 were not properly completed. The beginning date and ending date on the forms only have a number for the day, missing the month and year. Also, the truck license numbers were missing from the forms.

- **Kenny Auto (Beat 14)**
 - The Contractor did not provide the Pre-Operational Inspection Forms for the month of October 2018. According to the Contractor, they remodeled their office earlier that year and inadvertently threw away the box containing the inspection forms for all beats for this contract. The Contractor provided the month of April 2019 for our review.
 - We found that some of the Pre-Operational Inspection Forms provided for April 2019 were not properly completed. Some forms were not completed using "X" for compliance and "O" for non-compliance items. Also, some information were missing from the forms including truck license numbers, mileage, date of last tune-up, and contractor/agent name and signature.
 - We also found that some Pre-Operational Inspection Forms for April 2019 were missing. Contractor staff stated that they are not required to keep the pre-operation inspection forms beyond 30 days, and therefore do not have the missing forms. Missing Pre-Operational Inspection Forms are summarized in table 8 below.



Table 8: Missing Pre-Operation Inspection Forms	
Truck No.	Dates with No Pre-Operational Inspection Forms
14A	4/1/19 to 4/30/19
14B	4/1/19 to 4/6/19; 4/8/19 to 4/12/19; 4/21/19; 4/28/19 to 4/30/19
14C	4/1/19 to 4/6/19; 4/21/19; 4/28/19 to 4/30/19
14P	4/1/19 to 4/30/19

▪ **Neighborhood Towing (Beat 6)**

- We found that some of the Pre-Operational Inspection Forms provided for October 2018 were not properly completed. Some forms were missing truck numbers, operator initial, contractor initial, mileage, date of last tune-up, and contractor/agent name and signature. Also, some forms were not completed using "X" for compliance and "O" for non-compliance items.
- We also found that some Pre-Operational Inspection Forms for October 2018 were missing, as summarized in the table 9 below.

Table 9: Missing Pre-Operation Inspection Forms	
Truck No.	Dates with No Pre-Operational Inspection Forms
6A	10/8/18 to 10/12/18; 10/26/18
6B	10/1/18 to 10/31/18
6C	10/29/18 to 10/31/18
6P	10/29/18 to 10/31/18
Any Truck Weekend	10/6/18, 10/7/18, 10/13/18, 10/14/18, 10/20/18, 10/21/18, 10/27/18, 10/28/18



Steve Towing (Beat 38)

- We found that some of the Pre-Operational Inspection Forms provided for October 2018 were not properly completed. Some forms were missing mileage, date of last tune-up, and contractor/agent name and signature.
- We also found that some Pre-Operational Inspection Forms for October 2018 were missing as summarized in the table 10 below.

Table 10: Missing Pre-Operation Inspection Forms	
Truck No.	Dates with No Pre-Operational Inspection Forms
38A	10/8/18 to 10/12/18
38B	10/8/18 to 10/31/18
38P	10/1/18 to 10/3/18
Any Truck Weekend	10/13/18

TG Towing (Beat 24)

- We reviewed and found that the Pre-Operation Inspection Forms were not properly completed. All the forms were missing truck license number, truck ID number, date beginning, date ending, mileage, date of last tune-up, and contractor/agent name and signature.

We also noted that the retention period for the Pre-Operation Inspection Forms is inconsistent between Section 4 and Section 16 of the FSP Contractor Standard Operating Guidelines (dated November 2015). Section 4 requires the Contractor to retain Pre-Operational Inspection Forms for each FSP vehicle until the end of the contract at the FSP authorized facility. However, Section 16 requires the Contractor to maintain the most recent 30 days pre-operation inspections forms for each FSP vehicle at their FSP authorized facility.

Finding #2: Pre-Operation Inspection Forms were not properly completed and maintained. Also, the retention period for Pre-Operation Inspection Forms is inconsistent per the FSP Contractor Standard Operating Guidelines (dated November 2015).



Recommendation #2a: LA Metro FSP should work with LA Metro's Procurement Department to correct inconsistent contract terms in Section 4 and 16 concerning the retention period for Pre-Operation Inspection Reports/Forms and notify the Contractors of the changes.

Recommendation #2b: LA Metro FSP should review Pre-Operation Inspection Forms on a regular basis to ensure Contractors properly complete and sign these forms for each FSP vehicle prior to leaving the yard, and that FSP service and forms are maintained on file for the required period.

Deficiencies and Vehicle Roll Out Delays

According to the Contractor Standard Guidelines (dated November 2015), FSP Field supervisors (CHP David Units) conduct cursory inspections on a regular basis to determine if the driver and vehicle can provide the required service. Any deficiencies discovered during the Pre-Operational Inspection are to be assessed in the form of fines and penalties on the monthly invoice and any other administrative action that needs to be taken. According to the CHP, the Contractor is required to correct any mechanical or safety deficiency immediately before placing the vehicle into service.

To determine whether roll out of the vehicle was delayed due to deficiencies found during the inspection, we obtained from the CHP copies of cursory inspection reports and the Contractor's monthly invoice adjustments for the months of October, November and December 2018.

Our review of the CHP cursory inspection reports and Contractor monthly invoice adjustments for October to December 2018 found that 3 out of 5 Contractors experienced a delay in rolling out vehicles due to deficiencies found during inspections.

The following summarizes the results of our review.

- **Freeway Towing (Beat 60)**
 - For the months of October to December 2018, the CHP completed 2 cursory inspections for Beat 60.
 - No deficiencies were found that required immediate correction.
 - Roll out of vehicles were not delayed.
- **Kenny Auto (Beat 14)**
 - For the months of October to December 2018, the CHP completed 10 cursory inspections for Beat 14.



- For 9 of the 10 inspections, no deficiencies were found that required immediate correction.
- For 1 inspection, roll out of vehicle was delayed. The Contractor was docked 15 minutes for delay.
- **Neighborhood Towing (Beat 6)**
 - For the months of October to December 2018, the CHP completed 7 cursory inspections for Beat 6.
 - For 2 of the 7 inspections, no deficiencies were found that required immediate correction.
 - For 5 inspections, roll out of vehicles were delayed. The Contractor was docked 7.5 hours for delay.
- **Steve Towing (Beat 38)**
 - For the months of October to December 2018, the CHP completed 18 cursory inspections for Beat 38.
 - For 14 of the 18 inspections, no deficiencies were found that required immediate correction.
 - For 4 inspections, roll out of vehicles were delayed. The Contractor was docked 4.5 hours for delay.
- **TG Towing (Beat 24)**
 - For the months of October to December 2018, the CHP completed 4 cursory inspection for Beat 24.
 - No deficiencies were found that required immediate correction.
 - Roll out of vehicles were not delayed.

Observation: Three out of five Contractors were found to have a delay in rolling out vehicles due to deficiencies found during CHP inspections.

Preventative/Scheduled Maintenance Report/Log

According to the Contractor Standard Operating Guidelines (dated November 2015), the Contractor agrees to perform preventative/scheduled maintenance at the intervals specified by the manufacturer for all the contracted vehicles. The work performed must be documented and detailed in reports and/or logs. To determine compliance with this requirement, we obtained copies of the maintenance reports or logs for each FSP contracted vehicle maintained by each of the five Contractors to determine whether the Contractors



carried out recommended preventative/scheduled maintenance on trucks and maintained proper service documentation.

Our review of the maintenance reports or logs found that two of five Contractors (Kenny Auto and Freeway Towing) carried out recommended preventative/scheduled maintenance on trucks and maintain proper service documentation. The maintenance reports/logs for three of five Contractors were incomplete and/or inadequate. Therefore, we were unable to determine whether the Contractor carried out the recommended preventative/scheduled maintenance on trucks. The following are the deficiencies found for these three Contractors:

- **Neighborhood Towing (Beat 6)**
 - The maintenance logs were maintained by year and not by vehicle.
 - No odometer reading/mileage were recorded on the maintenance logs for the preventative maintenance intervals.
- **Steve Towing (Beat 38)**
 - The work performed was not documented in detail to identify the type of maintenance services completed.
- **TG Towing (Beat 24)**
 - The maintenance logs provided were incomplete. There were no maintenance records for year 2017 for truck no. 24A and year 2018 for truck no. 24B and 24C. No information was provided for truck no. 24P.
 - The odometer reading/mileage for some of the work performed were missing.

Finding #3: Three of five Contractors did not maintain proper vehicle service documentation. Therefore, we were unable to determine whether the Contractor carried out the recommended preventative/scheduled maintenance on trucks.

Recommendation #3: LA Metro FSP should review the maintenance reports/logs on a regular basis to ensure that the Contractors carry out the recommended preventative/scheduled maintenance on trucks, and information on maintenance logs is complete and in sufficient detail to document the maintenance performed.

Safety Meetings

According to Contractor Standard Operating Guidelines (dated November 2015), the Contractor is required to have monthly scheduled safety meetings with FSP drivers in accordance with California State Safety Law SB-198. These meetings disseminate information regarding the FSP Program and provide a forum where drivers may express their concerns. The meeting should be documented to include the date, time and location of



the safety meetings including names of attendees and subjects covered, and maintain the documentation for FSP management's inspection upon request.

To determine compliance with this requirement, we obtained copies of safety meeting sign-in sheets for each of the five Contractors for the period from July 1, 2018 to June 30, 2019.

Our review of the safety meeting sign-in sheets found that 3 of 5 Contractors did not conduct safety meetings on a monthly basis as required by the Contractor Standard Operating Guidelines (dated November 2015). Also, meeting documentation was not properly completed for all 5 Contractors. The following are the deficiencies found:

- **Freeway Towing (Beat 60)**
 - Five safety meetings were conducted in FY19. Contractor staff stated that they were following OSHA requirements.
 - Meeting documentation did not indicate the specific date that the meeting was held, only month and year were written on the sign-in sheet.
- **Kenny Auto (Beat 14)**
 - Monthly safety meetings were conducted.
 - Some sign-in sheets were not properly completed, missing subject, time and location.
- **Neighborhood Towing (Beat 6)**
 - Two safety meetings were conducted in FY19. Contractor staff stated that they were doing quarterly safety meetings because they have an old beat.
- **Steve Towing (Beat 38)**
 - Contractor staff stated that FSP drivers and manager have mandatory monthly safety meetings since the commencement of the contract agreement. However, they did not utilize safety meeting sign in sheets to document when the training was conducted and who attended.
- **TG Towing (Beat 24)**
 - Sign-in sheets for 6 meetings (Jan 2019 to June 2019) were provided. Documentation was not provided for the other 6 meetings (Jul 2018 to Dec 2018) because it was in storage.
 - Some sign in sheets provided were missing safety meeting topic, time and location.

Finding #4: Safety meetings were not conducted on a monthly basis and meeting documentation was not properly completed and maintained.



Recommendation #4: LA Metro FSP should review safety meeting documentation on a regular basis to ensure the Contractors hold monthly safety meetings and *that* meetings are properly documented.

Review Area #3: Determine the Effectiveness of the FSP Program

In this review area, we evaluated the overall effectiveness of LA Metro's FSP program. The goals of the FSP program are to (1) decrease commute times for freeway travelers, (2) reduce automobile emissions from vehicles stuck in traffic, and (3) provide direct assistance to stranded motorists for their safety and security. The program achieves these goals by having roving tow trucks patrol freeways during peak travel times, find congestion-causing incidents, and clear them quickly. These incidents may include clearing debris from traffic lanes, towing a disabled vehicle off the freeway, or providing a gallon of gas to a vehicle that is out of fuel. By removing disabled vehicles and debris from traffic lanes during peak commute times, overall traffic flow is improved reducing congestion and emissions.

The review included (1) an evaluation of whether LA Metro FSP is using the appropriate Key Performance Indicators (KPIs), (2) an analysis of operational performance based on their KPIs, as well as a high-level comparison to industry peers, and (3) a high-level evaluation of LA Metro FSP's monitoring and oversight role compared to other peer agencies.

Development of Key Performance Indicators (KPI) to Measure the Effectiveness and Benefits of the FSP Program

The FSP program is a Statewide initiative, managed by Caltrans, the California Highway Patrol (CHP) and participating local agencies. To evaluate the effectiveness of the overall program as well as the performance of each region, Caltrans contracts with the University of California, Berkeley Institute of Transportation Studies (ITS) to conduct an annual evaluation report. This annual report summarizes the Statewide FSP performance data across all of the counties that participate in the FSP program. The KPIs summarized have been developed by ITS for Caltrans and local agencies as tools for improving the efficiency and effectiveness of the FSP program.

LA Metro collects and reports data on each of the relevant KPIs developed by ITS for Caltrans. LA Metro collects operational data by having its tow truck Contractors complete Motorist Assist Forms (Scantron documents) for each assist. This Motorist Assist Form includes the following information:



- **Time and Location:** date and time the FSP tow truck arrived, time the FSP vehicle departed, the name of the driver, the location of the assist and how long the stranded vehicle was waiting prior to the assist.
- **Vehicle information:** vehicle type, license number, and location towed to, if applicable.
- **Response Information:** was the vehicle towed, was additional assistance provided, the speed of traffic at the time of the assist, and the nature of the problem.

These Motorist Assist Forms are sent weekly to LA Metro FSP staff who compile them and process them through the Scantron system. Once the Scantrons are processed, an analysis is made to determine if there are any reporting anomalies. For example, if there is little to no data on a particular beat, LA Metro FSP staff contacts the applicable operator to identify if the complete set of Scantrons were submitted.

Our interviews with both Contractor and LA Metro FSP staff indicate that while the process captures the necessary data, the process by which the information is captured is antiquated resulting in a time-consuming process for the operator and LA Metro FSP staff. Also, because the data is recorded manually, there is the potential that the data is less reliable than if captured by an automated system. As discussed more fully below in Review Area #4, LA Metro FSP is attempting to procure a more automated system where data is partially captured automatically with the additional information being entered into a mobile data terminal or notebook. This would allow for a more accurate recording and faster reporting of data.

Observation: LA Metro collects and reports on data sufficient to determine the efficiency and effectiveness of the FSP Program. However, as addressed below in Review Area #4, the current system of manually collecting data is antiquated and this process should become more automated.

Analysis of KPIs to Determine if Contractors Met LA Metro's FSP Performance Goals

In order to evaluate the Contractors' performance in the implementation of LA Metro's FSP program, we conducted two types of analysis. First, we evaluated the program's KPIs over a five-year period. The goal of this analysis was to determine whether LA Metro has made improvements to their service compared to past performance. Second, we compared LA Metro's program performance with three other regions as well as the Statewide average performance. In summary, LA Metro's FSP program has both significantly improved its



performance over time and, in most instances, matched or outperformed other regions within the State as well as the Statewide average.

The following KPIs represent the most critical measures to evaluate FSP program performance. Set forth below are the definitions for the categories of KPIs included in Tables 11 through 16:

- **Total Assists** – the total number of times FSP tow trucks provided assistance to a vehicle.
- **Total Truck Hours** – the total number of hours FSP tow trucks are in the field providing services.
- **Average Assist Rate** – the average number of assists per tow truck hour.
- **Average Assist Duration** – the average number of minutes that are required to complete the assist from arrival of the tow truck at the incident area until it departs.
- **Average Benefit-to-Cost Ratio** – the ratio of dollars spent on FSP by the local agency in comparison to the dollars saved by the public as a result of expediting removal of vehicles and debris from freeways.

Table 11 below shows data for these KPI areas for LA Metro as well as the Bay Area Counties, Orange County, San Diego County and the Statewide average:



Table 11: LA Metro, Peer and Statewide KPIs

	FY14	FY15	FY16	FY17	FY18	% Change	FY19*
Total Assists							
Metro	276,344	282,277	308,600	315,875	345,147	24.9%	307,745
Bay Area Counties	106,064	101,663	88,289	79,195	79,876	-24.7%	N/A
Orange	52,196	69,045	64,144	61,004	53,417	2.3%	N/A
San Diego	83,184	78,450	79,494	86,464	59,478	-28.5%	N/A
Total or State Average	660,935	666,686	682,424	673,350	686,211	3.8%	N/A
Total Truck Hours							
Metro	381,472	380,136	357,291	337,253	337,253	-11.6%	337,253
Bay Area Counties	151,621	151,419	131,790	130,775	115,710	-23.7%	N/A
Orange	78,628	83,455	78,583	79,722	78,268	-0.5%	N/A
San Diego	94,540	92,568	99,932	81,536	55,188	-41.6%	N/A
Total or State Average	893,564	836,411	794,333	744,790	727,048	-18.6%	N/A
Average Assist Rate							
Metro	0.72	0.74	0.86	0.94	1.02	41.7%	0.91
Bay Area Counties	0.70	0.67	0.67	0.61	0.69	-1.4%	N/A
Orange	0.66	0.83	0.82	0.77	0.94	42.4%	N/A
San Diego	0.88	0.87	0.80	1.06	1.08	22.7%	N/A
Total or State Average	0.78	0.80	0.86	0.90	0.94	20.5%	N/A
Average Assist Duration (min.)							
Metro	17.3	16.4	16.2	16.0	15.9	-8.1%	15.7
Bay Area Counties	12.1	N/A	18.4	20.5	9.4	-22.3%	N/A
Orange	15.2	14.5	23.3	37.6	17.0	11.8%	N/A
San Diego	9.9	10.0	10.1	9.7	9.3	-6.1%	N/A
Total or State Average	13.7	11.7	15.1	16.4	13.2	-3.6%	N/A
Average Benefit/Cost Ratio							
Metro	9.5	12.0	9.0	10.0	12.0	26.3%	11.0
Bay Area Counties	7.0	7.0	7.0	7.0	6.0	-14.3%	N/A
Orange	15.2	18.0	12.0	9.0	8.0	-47.4%	N/A
San Diego	9.9	5.0	4.0	5.0	8.0	-19.2%	N/A
Total or State Average	13.7	10.0	8.0	8.0	10.0	-27.0%	N/A

*FY19 data is preliminary for Metro and not yet available for the other counties. In particular, Metro is working to resolve issues around the calculation of Total Assists.

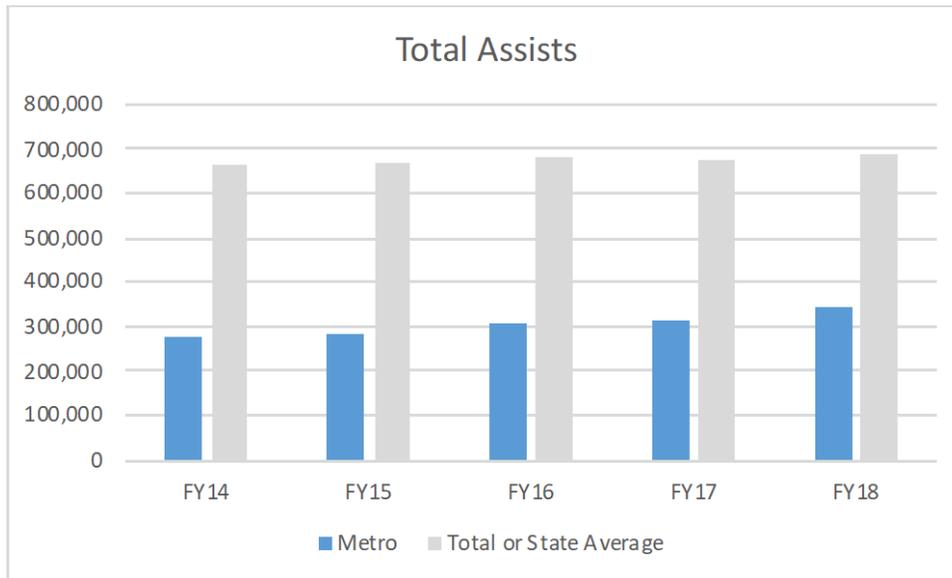


Analysis of Total Assists

From FY14 through FY18, LA Metro's FSP program increased Total Assists by 24.9% (from 276,344 in FY14 to 345,147 in FY18). While LA Metro FSP does not control the number of assist opportunities that occur, LA Metro FSP does control the number of tow trucks roaming different segments of the freeway. By conducting periodic analyses of its route structure and the number of trucks assigned to each beat, LA Metro FSP does have some impact on the total number of assists by maximizing the ability of trucks to respond to incidents prior to other assistance being provided. It is interesting to note that in FY19, 83% of assists were based on tow trucks identifying debris or vehicles in distress. Approximately 17% of the assists were based on a dispatch call from the CHP.

LA Metro's Total Assists grew at a faster pace than its peer agencies and the Statewide average. During the five-year period, both the Bay Area Counties and Orange County experienced significant drops in Total Assists and the Statewide average rose by only 3.8%. In FY18, LA Metro's Total Assist represented more than half of the Statewide total.

Table 12: LA Metro and Statewide FSP Total Assists



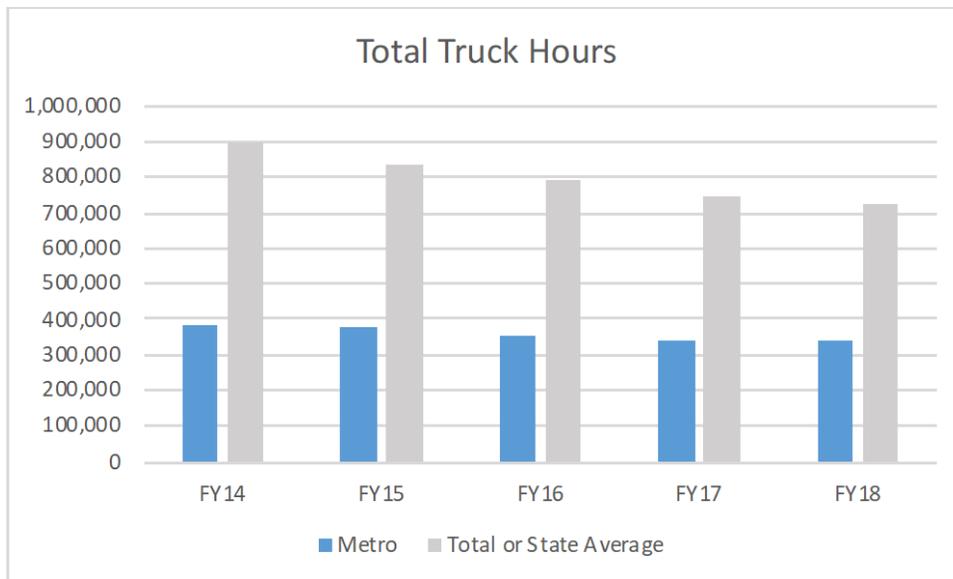


Analysis of Total Truck Hours

From FY14 through FY18, the Total Truck Hours for LA Metro's FSP program decreased by 11.6% (from 381,472 in FY14 to 337,253 in FY18). In FY16, after a study to evaluate the system, LA Metro FSP made the decision to reduce overall truck hours in the field. This decision was made in an effort to reduce program costs and reduce tow truck emissions. This strategy was successful in that it not only reduced costs, but also increased overall efficiency of the system with Total Assists increasing by more than 10%.

During the same time period, most peer agencies were attempting similar strategies with varying degrees of success. From FY14 to FY18, the Bay Area Counties reduced truck hours by 23.7%, but Total Assists fell by 24.7% and San Diego County reduced truck hours 41.6%, but Total Assists fell by 28.5%.

Table 13: LA Metro and Statewide FSP Total Truck Hours



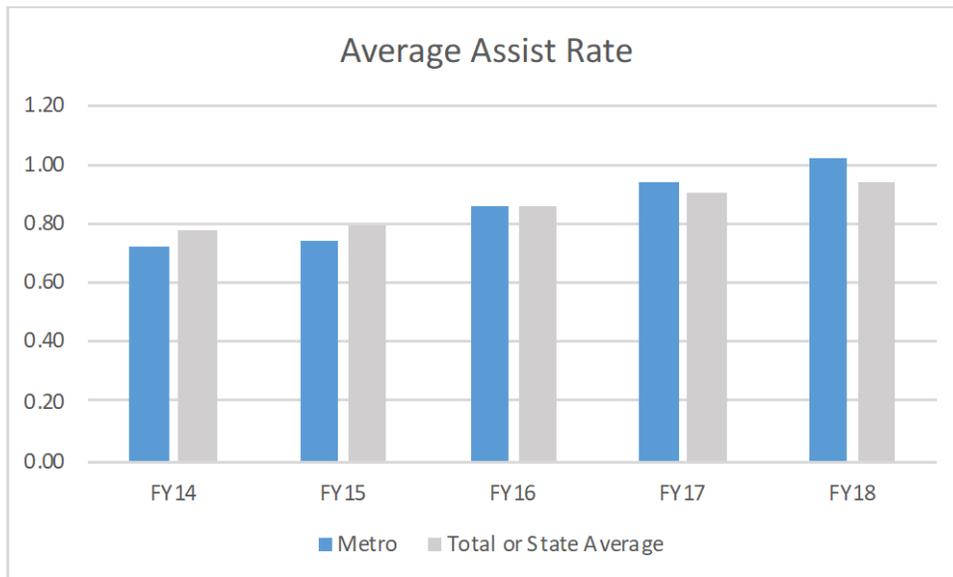


Analysis of Average Assist Rate

The Average Assist Rate is a key productivity measure for FSP programs. The Average Assist Rate measures how many assists per tow truck vehicle hour. LA Metro's Average Assist Rate grew by 41.7% during the five-year period of analysis increasing from 0.72 assists per hour to 1.02 assists. This represents a significant accomplishment, especially in light of the reduction in Total Truck Hours.

During the same period, the Average Assist Rate also grew for Orange County (42.4%) and San Diego County (22.7%) but fell for the Bay Area Counties (-1.4%). The statewide average rose by 20.5%. Throughout the review period, LA Metro's Average Assist Rate ranked favorably with Statewide averages, exceeding the Statewide metrics in FY16, FY17 and FY18.

Table 14: LA Metro and Statewide FSP Average Assist Rate



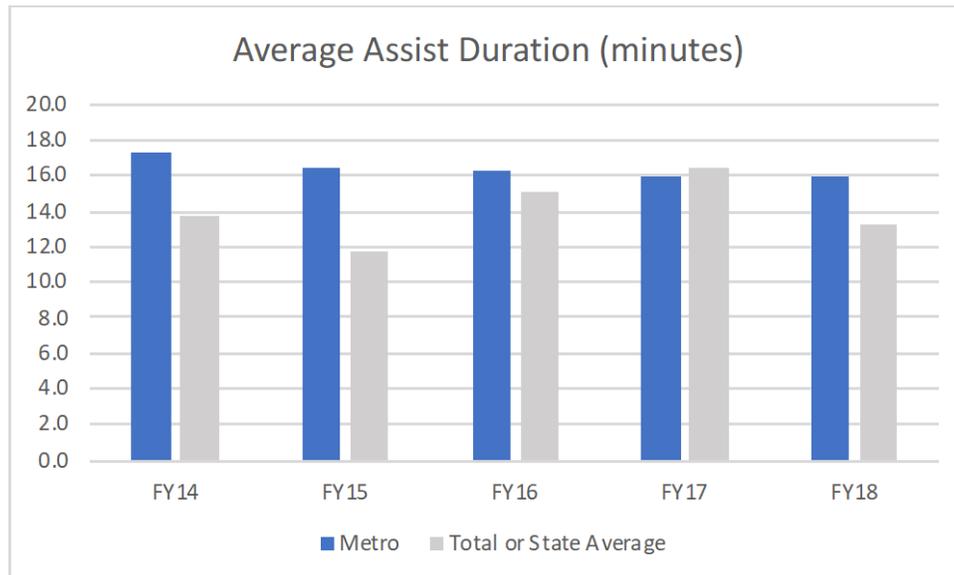


Analysis of Average Assist Duration

When a tow truck operator spots a disabled vehicle, the operator is instructed to work to get the stranded vehicle moving or provide a tow to a safe location. The amount of time to assist the vehicle is impacted by the nature of the assist and the amount of traffic occurring during the assist. Los Angeles County experiences some of the heaviest traffic within the State and as a result, assist duration can be negatively impacted.

During the review period, LA Metro's Average Assist duration fell by 8.1%, from 17.3 minutes in FY14 to 15.9 minutes in FY18. Still the duration time was slightly higher than the Statewide average. There are two potential explanations for this higher average. First, the FSP program in Los Angeles responds to more accidents than the Statewide average, and these assists require more time to clear. And second, FSP operators in Los Angeles must manually enter all of the details of the assist onto a Scantron form which takes longer than for those counties that have more automated systems.³

Table 15: LA Metro and Statewide FSP Average Assist Duration



³ As will be more fully addressed below in Focus Area #4, we recommend that LA Metro continue its efforts to move towards a new performance monitoring system that will automate and/or simplify data entry for the FSP tow truck operators. It will also make the collection and reporting of certain performance indicators more reliable.

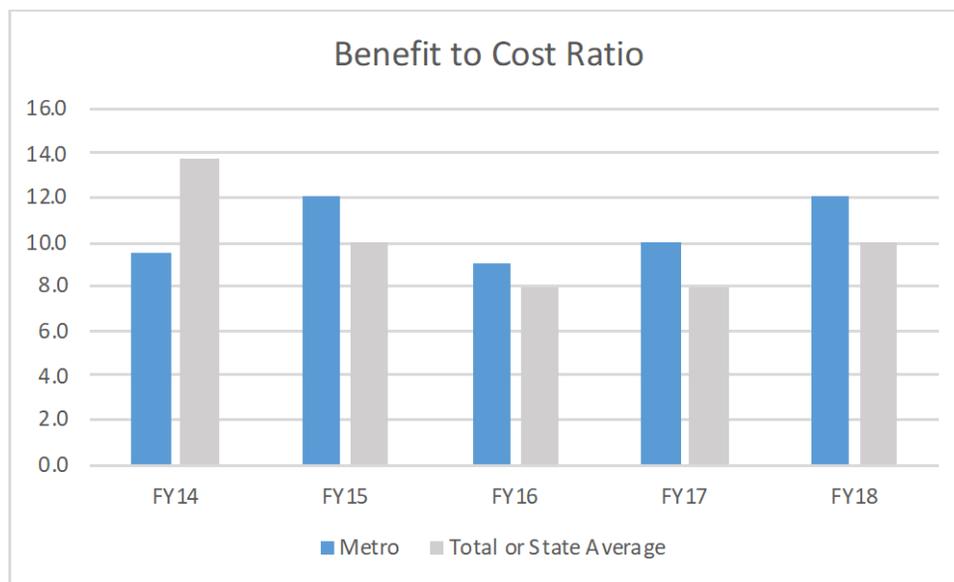


Analysis of Benefit/Cost Ratio

In order to evaluate the effectiveness of the FSP program, ITS and Caltrans developed the benefit-to-cost ratio indicator. The benefit-to-cost ratio is calculated by first identifying the annual savings associated with an assist and comparing it with the costs associated with the program. Calculating savings includes an analysis of the cost of delay, fuel consumption and emissions. The savings are then translated into benefits using monetary valuates for delay (\$21.79/vehicle hour for FY18) and fuel consumption (\$3.27/gallon for FY18). This figure is then compared with the annual FSP program costs for the county including annual capital, operating and administrative costs. The result is a figure that reflects the overall benefit-to-cost ratio.⁴

For the review period, the LA Metro FSP program exceeded the Statewide benefit-to-cost ratio in four out of the five years. And in both FY17 and FY18, LA Metro's FSP program had the highest benefit-to-cost ratio for all of the regions. This performance is largely based on reducing Total Truck Hours while at the same time increasing Total Assists. LA Metro was able to improve its benefit-to-cost ratio from 9.5 in FY14 to 12.0 in FY18, a 26.3% increase in productivity. At the same time, the Statewide productivity measure dropped by 27.0%.

Table 16: LA Metro and Statewide FSP Total Assists



⁴ Institute for Transportation Studies, University of California at Berkeley, *California's Freeway Service Patrol Program, Management Information System Annual Report, Fiscal Year 2017-2017*, June 2019.



Observation: LA Metro's FSP program showed significant improvement in KPI areas during the period from FY14 through FY18. In particular, LA Metro's ability to reduce the number of tow vehicles on the freeways while continuing to increase Total Assists resulted in gains in the two most critical productivity measures, Average Assist Rate and Average Benefit/Cost Ratio.

Industry Best Practices Compared to LA Metro's FSP Operations and Performance

As part of this study, we reviewed peer data from all of the regional providers as well as conducted interviews with staff from both the Orange County Transportation Authority (OCTA) and the Metropolitan Transportation Commission (MTC). Our review focused on reviewing key peer processes and procedures to identify potential areas for improvement of LA Metro FSP's program management function.

System Design

In terms of overall system-design, both OCTA and MTC operate their programs similar to LA Metro. While the length of beats varies between the regions as well as the peak operation times, these differences do not appear to be substantial and reflect the tailored approach each agency uses based on the nature of its traffic patterns and its freeway system. LA Metro routinely evaluates its beat design, number of trucks assigned to each beat and operational times to improve performance including consideration for what has been successful in other regions. For example, in FY15 LA Metro undertook an analysis to determine the impact of reducing the number of Total Truck Hours during peak hours. LA Metro surmised that reducing the number of tow trucks would increase the productivity of the in-service vehicles while at the same time reducing the congestion and emissions associated with these vehicles. This is exactly what occurred.

Our review indicates that these types of analyses allow LA Metro to adjust its program design to maximize productivity to continue performing at levels that meet or exceed its peers and the Statewide average performance.

Procurement Process

The process for procuring tow truck companies to operate the FSP system is similar between OCTA, MTC and LA Metro. The primary difference in procurement strategies between the agencies appears to be in the length of the operating contracts. OCTA issues 5-year contracts, as opposed to 4-year contracts for LA Metro and MTC. In our interviews with OCTA staff, they stated that the longer contract period is an effort to extend the life of the purchased



trucks as well as reduce the administrative burden of the program. In our interviews with MTC, LA Metro, and operators' staff the primary benefit to a 4-year contract is to maximize vehicle reliability and provide more cost predictability for operators. As vehicles age, both maintenance costs increase and conversely reliability decreases. The result is less cost-effective service overall due to increased costs and the use of overtime to cover for inactive vehicles. Our review does not suggest that LA Metro should consider adopting a different length of time for its contracts.

In its last set of procurements, LA Metro instituted a pilot program for issuing one contract to a region of beats. Many agencies, including OCTA, MTC and LA Metro, divide service areas into "beats" representing a specific portion of freeway to be patrolled by each operator. LA Metro FSP has traditionally divided its freeway system into 44 beats, each of which has been separately contracted. The sheer number of beats results in a significant administrative burden both to organize the procurement process and to manage 44 different contracts. In its most recent procurement, LA Metro FSP has piloted the concept of a regional contract where one operator is responsible for operating a number of beats (in this case 5 beats were combined into one region). The objectives of this strategy are to (1) increase efficiencies of scale for operators and potentially reducing operating costs, (2) reduce the administrative burden on LA Metro, and (3) simplify the process for larger operators who have been required to submit multiple proposals to operate a number of beats within one region. As the procurement has just recently concluded, it is difficult to determine the long-term benefit of this approach. However, in our interviews with both OCTA and MTC, they expressed interest in this approach and are awaiting feedback from LA Metro on its benefits to evaluate whether a similar approach may be beneficial for their regions.

Real-Time Performance Monitoring System

In our peer review, the most noteworthy differences between LA Metro and other large regional providers are the tools by which operators are tracked and data is collected. San Diego, Orange and Alameda all have real-time performance monitoring systems for purposes of tracking and monitoring tow truck fleets as well as assisting in the reporting of key performance data. The systems developed by these agencies feature the following types of features:

- *Computer aided dispatching (CAD) and Live Driver Messaging* – CHP is able to more quickly and effectively identify the closest tow truck to an incident and send an automated alert to the appropriate driver for response. This feature allows CHP to



bypass the more time-consuming method of manually communicating with a driver the nature and location of the incident;

- *Live Interactive Mapping of Tow Trucks and Vehicle Alerts* – CHP, the transportation agency, and the operator all benefit from the improved ability to live track the location of each tow truck within the system. These systems generally provide monitoring agencies and operators notification when vehicles do not start their routes timely, travel outside the required service area, or have stopped for extended periods of time. Both CHP and the transportation agencies expressed the importance of this feature. Moreover, in our interviews with operators, they also desired to have improved tracking so that they could preemptively correct potential issues with their drivers.
- *Data entry to track the time and nature of assists* – Through the use of mobile data terminals or tablets, drivers are able to more efficiently and accurately report on assists. In our interviews with operators, they viewed this as a key benefit of an updated performance monitoring system.

In addition to these features currently in use by some peer agencies, other features are also available including vehicle cameras and more comprehensive and customizable tracking and reporting features. Both OCTA and MTC indicated that they have customized their original system over time.

It is important to note that LA Metro FSP has on two occasions in the last several years issued a Request for Proposal for the development and implementation of a new performance monitoring system. In both instances, all bids were rejected, and no award was made. In one instance, no qualified bidder was identified and in the other instance, the bid was outside of the budget defined for the project.

LA Metro expects to issue a new Request for Proposal in 2020. As experienced by LA Metro, this type of procurement is complicated. There are a limited number of vendors who specialize in development and implementation of this type of system. Moreover, the addition of SBE and DVBE mandatory participation provides additional complications and potential costs. Moving forward, it will be critical for LA Metro FSP to develop a more realistic and pragmatic approach to its next procurement. LA Metro FSP will need to develop an RFP that is budget conscious and focuses on ensuring the procurement of a performance management system that includes, at a minimum, the core elements that provide the biggest benefits to the agency. Additional features such as vehicle cameras and customized reporting features could be added to the procurement as optional tasks so that there remains the possibility of including those other features within the system if they are cost effective. Another critical



strategy is to tailor the vendor qualifications to ensure maximum participation by applicable vendors.

Finding #5: A common best practice among peer agencies is the utilization of real-time performance monitoring systems. While LA Metro has made attempts to procure a more robust performance monitoring system, those procurements have not resulted in a new system based, in part, on the bids being outside of budget expectations and a lack of qualified bidders.⁵

Recommendation #5: LA Metro should focus its efforts on ensuring a successful procurement for a new performance monitoring system. LA Metro should consider developing an RFP that includes a “base system” with the required core functionality to increase the likelihood of a bid within budget expectations. Optional tasks could be included in the RFP for additional functionality that is desired but is not essential. LA Metro may also consider working with other counties who have already developed performance monitoring systems to identify if there may be any cost savings associated with using the same system.

⁵ Based on our interviews, Caltrans has not considered the development of a statewide performance management system. These systems have been developed independently by the local agencies.



Review Area #4: Evaluate LA Metro's Oversight of the FSP Program

The LA Metro FSP program is managed within LA Metro's Congestion Reduction Department and is responsible for effectively managing program funds. This role includes providing oversight of the approximately 21 tow truck companies that provide FSP operations. Effective project and contract management is critical to ensure that LA Metro obtains maximum value for its investment.

LA Metro FSP provides primary oversight and implementation of the administrative oversight of tow truck operators. This includes contract compliance, risk management, invoicing, and marketing. Caltrans and LA Metro FSP have delegated the CHP to be primarily responsible for operational oversight of tow truck operations.⁶ This includes tracking vehicles inspections, approval of tow truck drivers, dispatch, approval of overtime/redeployment, code of conduct issues, and ensuring tow truck vehicles are patrolling the beats. With respect to making sure vehicles are patrolling beats as required, the CHP has eight officers that go to different staging areas to do inspections and review timely departures to beats. CHP also uses the GPS devices to monitor that tow trucks are operating within their beats at the required times.⁷

The following sections discuss the results of our review of LA Metro's oversight of the FSP program.

Review of Prior Audit Recommendations Related to LA Metro's Oversight of the FSP Program

In September of 2014, the Chief Auditor of LA Metro conducted a Performance Audit of LA Metro Freeway Service Patrol ("Audit"). Its general assessment was that the LA Metro FSP was effectively managing program funds, but found that "oversight could be improved." Specifically, the Audit found:

- "No evidence of review and monitoring of program activities and policy implementations to ensure LA Metro Freeway Service Patrol operations and processes are working effectively and efficiently"; and,

⁶ Caltrans provides direct funding to CHP to perform these functions.

⁷ While LA Metro FSP also has access to the same GPS system to monitor tow trucks, they do not have any staff assigned to perform that function because that role has been delegated to the CHP.



- “No documentation of defining and communicating reliable, repeatable program practices, or framework for making program decisions or defining accountability for the success of the project.”

The Audit recommended that LA Metro FSP “develop goals and objectives and institute performance measurements for the oversight of the LA Metro Freeway Service Patrol Program.” LA Metro FSP has taken steps to address the Audit findings and recommendations which are discussed below.

Since the Audit, LA Metro produces quarterly reports by beat to evaluate Contractor and program performance. It also participates in the ITS annual report which provides a summary of KPIs by county as well as the Statewide average. For both its quarterly reports and the annual ITS report, there are clearly defined performance measures to evaluate program performance. These measures include Assists, Total Truck Hours, Assist Rate and Benefit-to-Cost ratio. Assists are generated by factors outside the control of LA Metro and, therefore, merely serve as a workload statistic and do not lend themselves to actual “goals” or performance targets. Instead, LA Metro has focused its attention on ensuring that program performance meets or exceeds Statewide performance, especially as it relates to Assist Rates and Benefit-to-Cost ratios.

Since the Audit, LA Metro's use of performance metrics has led to at least one significant program design change. In FY16 and FY17, LA Metro reduced the total number of Truck Hours by over 10% in order to improve its Average Assist Rate and overall productivity. Prior to the change, LA Metro's Average Assist Rate and Benefit-to-Cost Ratio was near or below the State average. Since full implementation, the Assist Rate has climbed from 0.72 in FY14 to 1.02 in FY18, a 41.7% increase and has exceeded the Statewide average in each of the last two fiscal years. Similarly, LA Metro's Benefit-to-Cost Ratio has grown by 26.3% and in FY18 was the highest of any county in the State.

Finding #6: LA Metro FSP has substantially complied with the recommendations from the prior Audit. While LA Metro FSP does not have formal “targets” for each of its KPIs, it does collect, analyze and report on performance data on a regular basis and makes short- and long-term decisions on that data.

Recommendation #6: LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the Statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If established annual targets are not met, it would trigger LA



Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.

Determine if LA Metro FSP has an Effective Monitoring, Oversight and Reporting System for Contract Management

Our review included an assessment of LA Metro FSP's project and contract management function as it relates to the oversight of its Contractors. Project and contract management is the practice of ensuring the successful completion of a contract through the coordinated planning and execution of the activities necessary to achieve the project goals and ensure contract compliance. The key elements for successful project and contract management include:

- *Contract Management Roles and Responsibilities* – ensuring a clear understanding of the role of the project manager in ensuring both contract compliance and successful Contractor performance;
- *Project Documentation* – developing a process for collecting, evaluating and retaining key project documentation related to administrative and operational functions;
- *Performance Tracking* – designing and collecting data sufficient to evaluate Contractor performance; and,
- *Invoice Review and Processing* – reviewing and processing invoices to verify their accuracy.

Our analysis focused on the overall approach to contract management as well as the review of key functions related to the collection of Motorist Assist Forms, reviewing invoices, reviewing reports from the CHP, reviewing reports from Caltrans, GPS monitoring of tow trucks, and holding contract meetings.

Overall Contract Management Roles and Responsibilities

During our review, it became apparent that LA Metro FSP does not have a comprehensive and written approach setting forth the roles and responsibilities of its contract management function that ensures and documents contract compliance. The result has been that during the review period, some key contractual provisions were found to be not sufficiently monitored (See Findings 1 through 4 above).

A critical example relates to the monitoring of insurance coverage for each operator. In our interviews with both LA Metro FSP and Procurement staff, when a contract is first executed,



Procurement staff ensures that the insurance documentation is complete and meets the standards set forth in the contract. After this initial contracting process, LA Metro FSP staff thought that LA Metro's Risk Management function was reviewing subsequent insurance renewals to ensure compliance. However, based on our findings above (see Finding #1), this function is not being conducted successfully. LA Metro FSP staff has presently assigned a staff member to work on insurance issues, however, it is still unclear whether Risk Management is also performing that function.

Finding #7: Findings 1 through 4 as set forth above point to the need for a more detailed delineation of the roles and responsibilities of LA Metro FSP staff to ensure compliance with contractual provisions.

Recommendation #7: LA Metro should develop a more detailed statement of the roles and responsibilities of LA Metro FSP staff to ensure compliance with contractual provisions. To that end, LA Metro FSP should consider developing a contract management manual ("Manual") that details each process necessary to hold contractors accountable for each contractual provision and what staff position is responsible and how that role is performed. Based on these assignments of responsibility, additional training may be required to ensure each person has the capacity to perform their responsibilities.

Finding #8: LA Metro FSP's system for managing contract compliance documentation is largely manual and is not centralized within a single database. During our review, requests for documents often involved LA Metro FSP staff having to manually locate documentation or contact operators to send the required information instead of simply retrieving this documentation from a centralized database. Having a Manual for submittal, collection and maintenance of this information would standardize the process.

Recommendation #8: LA Metro FSP should consider developing a centralized database for file structure that holds all contract compliance and operating data related to each operator. This would make monitoring more effective, allow for better analysis and simplify reporting.

Process for Reviewing Motorist Assist Forms

LA Metro FSP has one dedicated staff who is responsible for the collection and processing of the approximately 25,000 Motorist Assist Forms that are submitted by Contractors each month. This staff person spends over 90% of her time on processing Scantrons. Each week, this staff member gathers and processes the submitted Scantron forms. She organizes the Scantrons by beat and by vehicle. If a particular beat or vehicle is missing for a particular



monitoring system. Such a system would allow LA Metro to reallocate the current staff being used to process Scantron forms to a more productive oversight position.

Invoice Review Process

Contractors submit invoices monthly to LA Metro FSP. Invoices are based on total truck hours with potential increases for the CHP or LA Metro approved overtime or decreases for fines imposed by the CHP for contract violations. Tracking of overtime as well as fines is done by the CHP which submits a Monthly Adjustments Sheet to the Contractors and LA Metro FSP detailing all required adjustments for each Contractor invoice.

When the Contractor submits an invoice to LA Metro FSP, one staff person compiles the invoices and compares them to the Monthly Adjustments Sheet to ensure all necessary adjustments to a particular invoice have been included. The invoice is then submitted to another staff person who reviews the invoices, compares it to the contractual terms and then sends it to the FSP Program Manager for review and approval.

Observation: As set forth in Finding #1, our study found that during the review period, invoices were adequately supported and complied with contract payment terms, with one minor exception. While the process is thorough, it is also time consuming, utilizing three different LA Metro FSP individuals to review each Contractor invoice. Assuming a new performance monitoring system is procured and implemented, this process will become more automated and less reliant on LA Metro FSP staff.

Review of the Monitoring of Contractor Vehicles

The oversight of Contractor operations is divided amongst the CHP and LA Metro FSP staff with the vast majority of oversight being provided by the CHP. Funded by Caltrans, the CHP is responsible for monitoring the daily operations of the tow operators. They review both safety issues (e.g. truck inspections, driver certifications, etc.) and operational compliance (e.g. on-time performance, complaint investigations, etc.).

The CHP uses random checks to ensure that Contractor vehicles are operating on-time and within authorized services areas. For example, each morning CHP officers show up at different staging areas where operators' vehicles are dispatched for service. During these checks, the CHP conducts random safety checks on vehicles as well as checks to determine whether the vehicles are dispatched in a timely manner. If, during a random check, a vehicle is not dispatched on-time, the CHP issues a fine for that operator which is deducted from that month's operator invoice.



While this current approach to monitoring Contractor performance does provide some level of oversight, it falls short of the monitoring conducted by other large regional FSP providers such as MTC and OCTA because it lacks a more sophisticated performance monitoring system. As discussed above, the larger FSP programs in the State have developed performance monitoring systems that provide greater capacity for detailed monitoring of Contractor vehicles. For example, if a vehicle is not within the required service area during the prescribed times, an alert is sent to prompt an investigation. Similarly, if a vehicle is stopped for a longer than usual duration, a prompt is sent allowing the parties to contact the vehicle to determine the nature of the delay. These features allow for far more sophisticated monitoring of Contractor performance and, just as importantly, provide a significant deterrent to poor performance.

Observation: LA Metro FSP staff conducts minimal day-to-day monitoring of operator activities, leaving those responsibilities primarily with the CHP who have staff dedicated to monitoring tow trucks. While automatic vehicle location data is available, LA Metro FSP staff does not have a defined practice for reviewing a Contractors' day-to-day performance instead relying on the CHP for that function. The inability of LA Metro FSP staff to monitor day-to-day vehicle operations is largely the result of the lack of an effective performance monitoring system (see Finding #5 and Recommendation #5).

Review FSP Related Complaints Sent to LA Metro Customer Service Department

Motorists file FSP related complaints through 511, LA Metro's Customer Service center or through LA Metro FSP staff. For FY19, a total of 58 complaints were received. The complaints were broken down into the following categories:

- *Driving (9)* – complaints concerning the way the tow truck driver was operating their vehicle ranging from speeding to running a red light;
- *Failure to Provide Service (8)* – complaints alleging that the driver failed to provide adequate services to the stranded motorist. These complaints range from not giving enough gas to not stopping to provide assistance;
- *Driver Behavior (27)* – complaints concerning a driver's behavior. These types of complaints include rudeness and leaving prior to completing the assist; and,
- *Damage to Vehicle (14)* – complaints that the driver damaged the motorist's vehicle during the assist.

When a complaint is received, it is forwarded to LA Metro FSP staff who then sends it to the CHP for investigation. At the completion of each investigation, the CHP provides LA Metro



with a detailed report of the investigation and whether any fines should be issued to the operator. In addition to LA Metro FSP retaining these files for each operator, the CHP also keeps detailed records for each driver and where multiple complaints have been validated for one driver, the CHP will disqualify that driver. Based on our review, the current process is sufficient for the CHP to identify and remove poor drivers, but it also encourages the operators through the issuance of fines to proactively screen their drivers.

Review the Procedures to Ensure No Contractor Maintains More than Two Beats

In 2001, LA Metro developed a policy limiting FSP tow truck companies to operating a maximum of two beats.⁸ The purpose of this policy is to minimize operational disruption if a Contractor becomes insolvent or the Contractor is removed from service for cause, an issue which arose prior to the development of the policy.

Based on our review, the implementation of this policy primarily occurs at the time of the procurement for tow truck services. The procurement documents contain a "Supplemental Instructions to Bidders" which states that "[LA Metro] limits to two (2) the total number of FSP light duty tow service beats . . . that a bidder with previous [LA Metro] FSP contracting experience may operate concurrently. . ." Additionally, at the time of the award, the tow truck Contractor is required to sign an attestation specifically stating that they do not own or operate any other tow companies with LA Metro FSP contracts. According to the LA Metro Prequalification and Procurement units, no further investigation is done to determine whether a proposing company has any relationship to existing Contractors which may result in a violation of the contract.

While the FSP agreements between LA Metro and the tow truck companies do not appear to have provisions which specifically prohibit a company from having more than two beats, a company is required to report any material change in ownership which then must be approved by LA Metro. At that time, LA Metro evaluates the change to ensure the two-beat limitation is observed.

Finding #9: LA Metro's procurement process provides initial safeguards to ensure that the two-beat limitation policy is followed by Contractors. Additionally, the contract requires a

⁸ An exception was created in the past year to pilot a regional model in which one Contractor maintains control over six beats.



company to report any material changes in ownership which must then be approved by LA Metro.

Recommendation #9: LA Metro FSP could strengthen its ability to enforce its two-beat limitation policy. We recommend that LA Metro consider including language within the agreements with tow companies that specifically prohibits a company from operating more than two beats or from having a controlling interest in another company that operates FSP tow trucks in LA County. This would include limitations on companies sharing drivers, offices, and other operation functions. This would give LA Metro more legal basis to pursue a fraudulent Contractor.

Review the Processes to Ensure Contractors are not Billing Private Dispatch Agencies for FSP Related Services

LA Metro FSP contracts with tow companies to provide its operational services. Many of these same companies also work with private dispatch agencies (e.g. AAA, etc.) to also provide tow services for disabled vehicles. As part of our study, we assessed the likelihood that an FSP Contractor would be able to bill both LA Metro and a private dispatch company for the same service.⁹

Our assessment concluded that while it is possible that an FSP tow Contractor could bill a private dispatch company for an FSP assist, the following factors make it unlikely:

- Private agencies use different dispatch radios than those used by the CHP. Thus, a tow truck would have to have a second radio installed in the vehicle to receive those calls. According to our interview with the CHP, their routine inspections would likely reveal this second radio system, which would prompt an investigation. This has not occurred to date.
- Private dispatch agencies would not have access to the current GPS system used by FSP tow trucks, so the likelihood of being able to contact a tow truck in close proximity to the incident would be low. Because most FSP assists occur within less than 5 minutes of the motorist becoming stranded, the private dispatch response would not be able to assist the motorist prior to the FSP truck arriving.

⁹ LA Metro FSP compensates their Contractors on a per hour basis, tow companies charge private dispatch agencies on a per assist basis. While the primary risk of fraud is to the private dispatch agencies being charged for services already being paid for by LA Metro, such activities would impact LA Metro's services due to the potential for time lost associated with tow Contractors documenting their assist for the private dispatch agencies.



- The CHP also stated that they would discover this type of scheme through either a disgruntled tow truck driver, an informed motorist, or another tow company.

Given the low likelihood of a tow company being successful with a “double-dipping” scheme and the minimal financial risk to LA Metro, we do not recommend any additional processes be put in place at this time.

IV. Conclusion

Based on our review, LA Metro's FSP program has experienced many positive operational trends. Its performance over the last five years has improved in almost every key metric and its performance compares favorably with its peers, as well as with Statewide FSP reported averages.

While its operational performance has been positive, LA Metro FSP's oversight role needs improvement. Based on our review of contract compliance, LA Metro FSP should take steps to more clearly define its contract management roles and responsibilities as well as implement new practices and systems to improve Contractor oversight and ensure greater levels of Contractor compliance.

This report contains nine recommendations to improve FSP operations and oversight of the program. These recommendations are summarized in the Appendix to this report.



Appendix: Schedule of Recommendations and Proposed Actions

LA Metro Transit Security Function Performance Review				
Recommendation Summary and Proposed Actions				
No.	Recommendations	Agree or Disagree	Proposed Action	Completion Date Estimate
1	LA Metro FSP should coordinate with LA Metro's Risk Management Department to review and verify annually that each FSP Contractor is maintaining required minimum insurance coverage as required by the contract.			
2a	LA Metro FSP should work with LA Metro's Procurement Department to correct inconsistent contract terms in Section 4 and 16 concerning the retention period for Pre-Operation Inspection Reports/Forms and notify the Contractors of the changes.			
2b	LA Metro FSP should review Pre-Operation Inspection Forms on a regular basis to ensure Contractors properly complete and sign these forms for each FSP vehicle prior to leaving the yard, and that FSP service and forms are maintained on file for the required period.			
3	LA Metro FSP should review the maintenance reports/logs on a regular basis to ensure that the Contractors carry out the recommended preventative/scheduled maintenance on trucks, and information on maintenance logs is complete and in sufficient detail to document the maintenance performed.			
4	LA Metro FSP should review safety meeting documentation on a regular basis to ensure the			



No.	Recommendations	Agree or Disagree	Proposed Action	Completion Date Estimate
	Contractors hold monthly safety meetings and meetings are properly documented.			
5	LA Metro should focus its efforts on ensuring a successful procurement for a new performance monitoring system. LA Metro should consider developing an RFP that includes a “base system” with the required core functionality to increase the likelihood of a bid within budget expectations. Optional tasks could be included in the RFP for additional functionality that is desired but is not essential. LA Metro may also consider working with other counties who have already developed a performance monitoring system to identify if there may be any cost savings associated with using the same system.			
6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year’s performance.			
7	LA Metro should develop a more detailed statement of the roles and responsibilities of LA Metro FSP staff to ensure compliance with contractual provisions. To that end, LA Metro FSP should consider developing a contract management manual (“Manual”) that details each process necessary to hold contractors accountable for each contractual provision and what staff position is responsible and how that role is performed. Based on these assignments of responsibility, additional training may be required to ensure each person has the capacity to perform their responsibilities.			



No.	Recommendations	Agree or Disagree	Proposed Action	Completion Date Estimate
8	LA Metro FSP should consider developing a centralized database for file structure that holds all contract compliance and operating data related to each operator. This would make monitoring more effective, allow for better analysis and simplify reporting.			
9	LA Metro FSP could strengthen its ability to enforce its two-beat limitation policy. We recommend that LA Metro consider including language within the agreements with tow companies that specifically prohibits a company from operating more than two beats or from having a controlling interest in another company that operates FSP tow trucks in LA County. This would include limitations on companies sharing drivers, offices, and other operation functions. This would give LA Metro more legal basis to pursue a fraudulent contractor.			