

THE METRA OFFICE OF INSPECTOR GENERAL

semiannual report 2011



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HILLARD



HEINTZE

INTERIM INSPECTOR GENERAL

METRA IN MOTION: EARLY PROGRESS IN EMBRACING TRANSPARENCY
AND ACCOUNTABILITY - AND SIGNIFICANT CHALLENGES AHEAD

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ABOUT THIS PUBLICATION

This report outlines Hillard Heintze's activities from January 1 through June 30, 2011. In addition to reporting on the Interim Inspector General's activities during this period, it identifies several significant challenges the Metra organization will confront through the rest of this year, for 2012 and beyond.

message from the interim metra inspector general

On June 30, 2011, Hillard Heintze completed its term of service as Interim Metra Inspector General. Since we accepted the appointment on May 26, 2010, Metra has made early progress toward identifying the organizational deficiencies that helped foster the dysfunction and mismanagement that accrued over the 20-year tenure of former Executive Director Phil Pagano. While this progress has been particularly evident over the last six months, it will require continued focus, resources and courage to reverse Pagano's legacy, sustain reforms in key areas and establish Metra as a national example of best practices in the suburban rail transport sector.

NO EVIDENCE OF WIDESPREAD OR INSTITUTIONALIZED FRAUD, WASTE OR ABUSE

During our tenure as Metra's Interim Inspector General, we learned – contrary to the belief held by some Illinois legislators and members of the general public – that corruption is not rampant at Metra. This stands in contrast to the tenor of much, though not all, local media coverage over the past 14 months, particularly in the turbulent months following Pagano's death. While a de facto disregard for the rules was clearly a hallmark of Metra's management policy for much of the past two decades, this organizational dysfunction appears to have been more of a reflection of Pagano's management style – and preferred way of “getting things done” – than endemic corruption across the organization.

The important point is that an entity of any size – particularly one with Metra's substantial operational footprint – cannot offset the risks that a single leader or management faction will act in a corrupt manner or use organizational assets, influence and privileges for personal gain unless it has “hard wired” ethics, transparency and independent oversight authority and controls into the fabric of its day-to-day operations.

In 2010, we reported to Metra's Board of Directors and the citizens of Illinois that we found no evidence of widespread or institutionalized fraud, waste or abuse in the Metra organization. This conclusion was further confirmed in the first half of this year by our investigations and the new insights we gathered from January 1 to June 30, 2011.

A DECLINE IN COMPLAINTS, AN INCREASE IN SUBSTANCE

As we anticipated and noted in our counsel to the Metra board at the outset of this assignment, we received fewer complaints in 2011 – 20 through the end of June compared to 104 in 2010. In our experience, this is consistent with the dynamics of organizational behavior: an initial surge in complaints when an entity is first in crisis, followed by a decline in volume as the situation stabilizes and the organization begins to demonstrate evidence of positive change.

Progress from this point forward will require continued focus, resources and courage to reverse a dysfunctional legacy, sustain reform in key areas and establish Metra as a national example of best practices in the suburban rail transport sector.



The majority of these complaints focused on more substantive issues, as we outline in the pages of this report. Most importantly, however, these complaints – and the 20 cases we opened as a result – did not change the strategic importance of our previous findings.

NEW LEADERSHIP AND OVERSIGHT

This year, two key developments occurred that we believe will have a major impact on Metra's immediate and long-term direction.

The first was Metra's establishment of new executive leadership. On February 11, 2011, after a nationwide search, the Metra Board of Directors unanimously selected Alexander D. Clifford, a former executive with the Los Angeles County Metropolitan Transportation Authority, to be the commuter rail agency's Executive Director and Chief Executive Officer.

At the Board's direction, we briefed and updated Mr. Clifford as he transitioned into his new position. While Mr. Clifford's tenure is still in its earliest stages, we note his visible and vocal championship of ethical behavior and early indications that he will be successful in bringing a renewed emphasis on the crucial importance of ethics, transparency and integrity to the agency.

The second major development this year was the State of Illinois' passage of legislation that authorized external inspector general oversight of Metra. On February 14, 2011, Illinois Governor Pat Quinn signed Public Act 96-1528 into law, amending Illinois Compiled Statute ILCS 5 ILCS 430/1-5 to place all of the Illinois Regional Transit Boards and the employees of their respective agencies under the auspices and authority of the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG), effective July 1, 2011. We welcome the formalization of this external oversight mechanism.

KEY CHALLENGES AHEAD

Metra currently faces several significant challenges that will determine the vigor and sustainability of its commitment to real transformation. As addressed later in this report, these include:

1. **Progress delays in implementing core process and policy reform** due, in part, to unfilled positions in the Executive Director's office and limited resources to advance reforms across the organization quickly and effectively.
2. **Critical issues that remain unresolved**, such as the lack of progress in developing a strategic plan; little reform of Metra's disciplinary and internal investigative processes; and few new mechanisms to improve communications between employees and management.
3. **The need to continue internal inquiries and fact-finding examinations** following the establishment of an external Inspector General.

It has been an honor to serve as the Interim Metra Office of Inspector General. We thank Metra's Board – as well as its employees and stakeholders – for the support they have provided to our office and our investigators from the beginning.

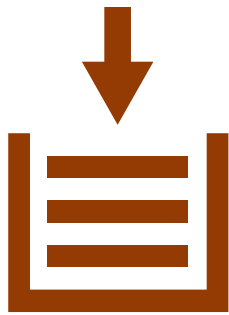
For the rest of 2011 – and in the years ahead – Metra's forward motion will be based on the progress the organization has demonstrated over the past 13 months and, even more auspiciously, on the goodwill and commitment that Metra employees bring to their jobs every day. In closing, I remain optimistic about the prognosis for Metra. Agencies in crisis, however, must continuously invest in improvement and muster the resources to embrace and sustain change.

Metra's future depends on it.

HILLARD HEINTZE LLC



Arnette F. Heintze
Chief Executive Officer



Complaints Received

20



Cases Opened

20

actions taken:

INVESTIGATION OF COMPLAINTS AND ALLEGATIONS

As expected, the first six months of 2011 reflected a marked decrease in the number of new complaints to the Metra Office of Inspector General. Many of these complaints, however, were more substantive than those received last year. While some complaints focused on hiring and promotion – in line with many of the concerns raised in 2010 – others focused on procurement and the process associated with bid solicitation and contract awards.

Of the 20 complaints received during the last six months of our operations, we found that 13 merited investigation by the OIG.

1	Case Investigated - Closed with Findings/Recommendations
11	Cases Investigated - Complaint Not Substantiated
2	Cases Reviewed - Complaint Irrelevant to OIG Mission
5	Cases Referred to Metra Management - Issue Resolved
1	Case Still Open as of June 30, 2011
20	Total Cases Opened

HIRING AND PROMOTION

In 2010, more than 30% of the complaints we received involved employee concerns that jobs and promotions at Metra are secured through relationships and influence rather than earned on the basis of skills, experience, education and work history. In 2011, there were four complaints to the OIG regarding job postings. In reviewing these complaints, OIG investigators determined that Metra's policies had been followed; confirmed that the process was transparent; and uncovered no evidence to support allegations of unfairness.

PROCUREMENT

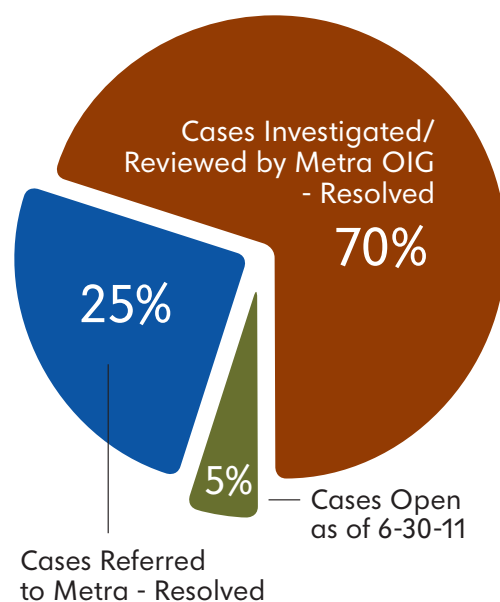
The Metra OIG received 5 complaints regarding irregularities in the procurement process. These related, in general, to the following areas:

BID SOLICITATION AND CONTRACT AWARD PROCESS

As in 2010, the OIG received allegations or complaints concerning questionable contractual agreements between Metra and several outside companies. The complaints were credible and provided sufficient substantiation to warrant a review and analysis of the contractual agreements and the processes through which these vendors were selected. In one example, it was alleged that the manner in which Metra selected vendors for a specific area was fraught with favoritism and bias. In another example, it was alleged that a member of the Metra Board of Directors improperly received a campaign contribution from a vendor who submitted a proposal for a Metra project. OIG investigators examined the process through which bids were solicited and received and conducted many interviews with Metra management staff involved in the screening and selection process. Although the initial allegations contained enough credible information to trigger an OIG investigation, investigators uncovered no evidence of undue influence and determined that the process was fair, open, impartial and in compliance with state statutes.

IMPROPER SOLICITATION

An OIG investigation was initiated pursuant to an allegation that a Metra employee improperly solicited cash payments from film production staff – over and above contracted amounts – for performing his assigned Metra duties. In 2010, Metra's initial investigation of this allegation resulted in the early retirement of one of the accused Metra employees. In 2011, the OIG furthered Metra's efforts by launching a supplementary investigation in which they conducted a thorough review and additional interviews with Metra staff as well as those involved in the film production industry. OIG investigators uncovered sufficient evidence to support the original allegations and upon completion of the investigation submitted the OIG case file report to the Special Prosecutions Unit of the Cook County State's Attorney and the Northern District of Illinois - United States Attorney's Office for their review and evaluation to determine whether criminal charges are warranted. The Inspector General presented the finding of this case to the Executive Director, who implemented corrective policies and procedures for payment on any ad hoc services performed by Metra.



Number of Complainants Interviewed



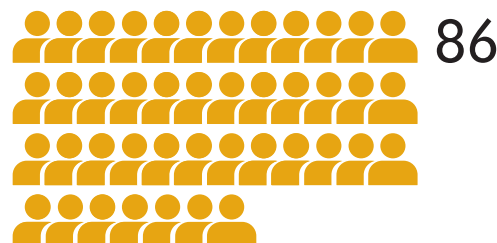
Number of In-Person Interviews with Complainants



Number of Individuals Interviewed



Number of Interviews



Origin of OIG Complaints

Email



OIG Hotline



Letter



From Metra



IG Initiated



DISADVANTAGED BUSINESS ENTERPRISES (DBEs)

An OIG investigation was initiated pursuant to an allegation that the certification process for Disadvantaged Business Enterprises had not been conducted fairly by the former Director of the Metra DBE Department. The complaint alleged that favoritism and ethnicity played a significant role in circumventing proper procedures and the granting of certification. This investigation remained open on June 30th and, as such, was transferred to the Office of the Executive Inspector General for further investigation.

REAL ESTATE TRANSACTIONS

An OIG investigation was initiated pursuant to an allegation of collusion between the former Metra Executive Director and a McHenry County official that would have allowed the County official to profit from real estate transactions for land in which Metra may have had either a current or future interest. Metra had planned for a new station to be built in McHenry County and was in the process of finalizing a transaction for the purchase of land from the County official. In question were two other parcels of land – purported to be better alternatives – that were also under consideration for acquisition. OIG investigators conducted interviews and examined the deeds, titles, plat of surveys and other documents related to the land acquisition. Despite the fact that no evidence of corruption or malfeasance was uncovered, pursuant to being advised of the facts in the OIG investigation, the Executive Director halted the land acquisition and purchase negotiations. Based on the preliminary results of our investigation, Metra executives indicate that they will reevaluate the suitability of the alternative properties and reexamine the integrity of the decision-making process supporting the acquisition to ensure fairness, impartiality and transparency.

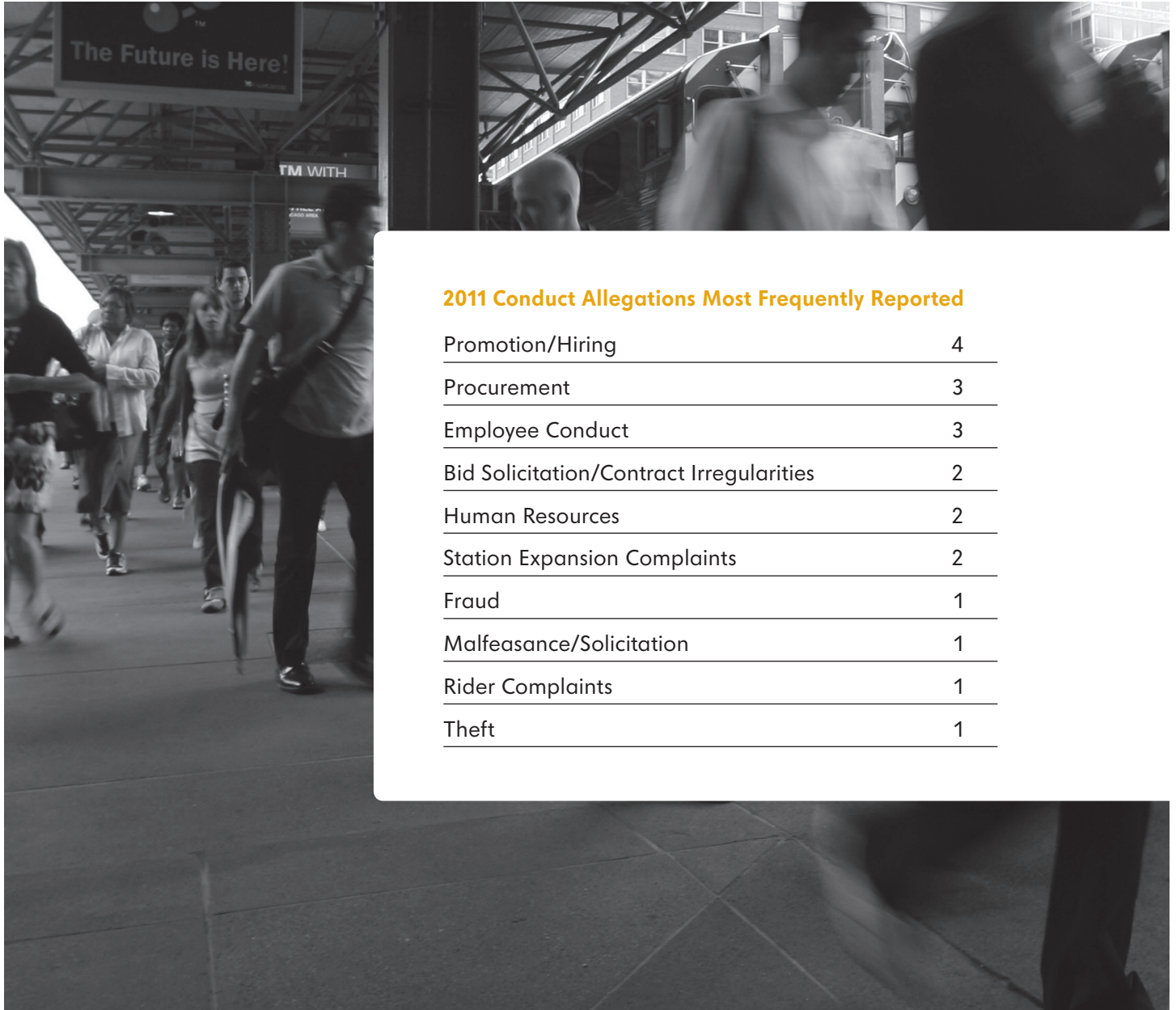


Cases Referred to Metra Management - Resolved

Customer Service	1
Station Facility Management	1
Human Resources	1
Employee Conduct	2

Total Cases Referred to Metra Management **5**

Note: Referred cases were management issues that did not fall within the scope of the OIG mandate



2011 Conduct Allegations Most Frequently Reported

Promotion/Hiring	4
Procurement	3
Employee Conduct	3
Bid Solicitation/Contract Irregularities	2
Human Resources	2
Station Expansion Complaints	2
Fraud	1
Malfeasance/Solicitation	1
Rider Complaints	1
Theft	1

TRANSITION OF METRA OIG TO THE OFFICE OF EXECUTIVE INSPECTOR GENERAL

In May 2011, we began the process of preparing for the July 1, 2011 transfer of Inspector General responsibility and functional authority to the Office of Executive Inspector General for the Agencies of the Illinois Governor. Over the course of several meetings between our respective offices, we shared summaries and briefed the IG and the OEIG staff on case status and activity – for both closed cases and those still under investigation. We discussed our observations and findings on trends, issues and recommendations for Metra and transferred our completed media campaign poster designs and collateral. As stated earlier, only one open case file was referred to the OEIG.

the key challenges ahead

GROUNDING ETHICS DEEPLY WITHIN METRA'S CULTURE

The legislation placing Metra under the authority of the Office of Executive Inspector General for the Agencies of the Illinois Governor provides a training mechanism and a mandate that each employee complete ethics training. Teaching employees what they can and cannot legally do provides direction and makes them more accountable for their actions, but it does little to instill ethical values.

Beyond ethics education, Metra must project a culture centered on ethical values. The Executive Director is making headway in launching a program focused on this priority. He has (1) formally appointed an Ethics Officer; (2) instituted a number of policies within his office and across the agency; and (3) launched a series of all-employee meetings where ethics and the expectation of ethical behavior are openly discussed. Most importantly, he has set a strong example by actively demonstrating ethical behavior. This is a strong first step in the right direction.

The greatest challenge for the Board and the new Executive Director will be to instill the value of ethics and integrity so deeply within the fabric of the organization that employees refuse to tolerate unethical behavior in any form. In keeping with Metra OIG Advisory Memorandum No. 2010-3¹, we reiterate our recommendation that Metra: (1) form a Metra Ethics and Integrity Committee, (2) charge it with developing a Statement of Values and Ethics and a Code of Conduct, and (3) have the Committee develop a concrete and practical plan to communicate and embed awareness of these ethics and policies across the organization.

DEFINING A STRATEGIC PLAN

Metra has never had a strategic plan that clearly identified the agency's mission, vision, values and strategic objectives. Establishing such a plan remains crucial to reforming behavior, providing direction, measuring progress and refining Metra's strategy and execution over time.

The Executive Director has appointed a planning officer to serve as the executive champion for the strategy initiative and announced a process framework for moving forward. The process has not begun, however, due to a lack of executive staff and competing priorities. At the earliest opportunity, we suggest Metra (1) establish a Strategic Planning Steering Committee and (2) direct the Committee to develop Vision, Mission and Values statements as well as agency-wide objectives to define a strategic framework for the planning process.² The Board and the Executive Director must then align the organization in support of this plan.

1 Metra OIG Advisory Memorandum No 2010-3, "Reinforcing the Importance of Ethics and Integrity - Key Strategies Metra Leadership Can Take to Begin Rebuilding Trust Among Employees, the General Public and Other Stakeholders", (October 29, 2010).

2 Metra OIG Advisory Memorandum No 2010-1, "Defining a Clear, Actionable and Long-Term Strategic Plan: The Critical Need to Clarify Metra's Mission, Vision and Values, Set Strategic Objectives, and Define the Path the Organization Must Follow to Achieve Them", (September 29, 2010).



IMPROVING HIRING AND PROMOTION PRACTICES

Hiring and promotion are areas where we have seen significant improvement. In June 2011, the new Executive Director provided the Board and the public with a formal organizational chart that reflects Metra's functional structure and key management positions – a clear departure from Pagano's tactics of changing the structure at whim.

Metra management has also (1) terminated the past practice of exploratory interviews, (2) established a requirement that all job applicants apply through Metra's HR web page, (3) instituted a policy of posting all employment opportunities internally, and externally when appropriate, and (4) established a Metra Policies and Procedures Review Committee of employees to review policies and procedures across the organization and propose additions and improvements.

Another challenge that must be addressed – one that we identified last year ³ – is the need to create career paths, mentoring programs and educational programs that help entry-level employees clearly understand not just how to exercise appropriate behavior but also how to improve their value to Metra and advance their career within the organization.

³ Metra OIG Advisory Memorandum No 2010-4, "Making Hiring and Promotion More Transparent: The Need to Develop Employment and Advancement Processes That Are Open, Clear and Consistently Applied", (October 29, 2010).



CONDUCTING INTERNAL INQUIRIES AND ENFORCING DISCIPLINE

Discipline is another area addressed in our 2010 advisory memorandums⁴ that remains a key challenge for Metra. When fairly, quickly and consistently applied, discipline is vital to correcting undesirable behavior.

Based on our recommendations, the Executive Director has actively addressed a few critical areas such as directing the Office of Labor Relations to develop an agency-wide policy on disciplinary procedures, as well as developing discipline training for supervisors. Additionally, he has severely restricted the practice of “leniency reinstatement,” requiring any such agreement to be approved by him, and, as of the date of this report, rejected each of the four reinstatement arrangements proposed to him since assuming his position.

These are signs of progress. But following the establishment of an external Inspector General, Metra must now address the need for a plan and trained resources to continue internal inquiries and fact-finding examinations. We recommend that Metra (1) identify resources to educate employees on proper conduct and behavior in the line of duty, (2) develop professional staff to examine serious infractions, and (3) train supervisors to conduct inquiries for lesser infractions.

ENSURING SUFFICIENT RESOURCES TO EFFECT CHANGE

It is clear that Metra intends to continue on the path of reform. What is not clear is whether the agency can sustain this difficult mission. While the Board and Executive Director are, on the whole, championing the right priorities, Metra lacks the senior staff and resources to fully implement the changes needed. The most significant challenge facing Metra today is identifying the physical and monetary resources required to transform the agency.

⁴ Metra OIG Advisory Memorandum No 2010-2, “Improving the Discipline and Enforcement Process: The Importance of Bringing a More Consistent Approach to How Policies and Regulations Are Defined, Applied and Enforced Across the Metra Organization”, (September 29, 2010).

interim metra office of inspector general financial information

INTERIM METRA OFFICE OF INSPECTOR GENERAL	
Summary of 2011 Funding	
	2011
Carry-Forward Funding from 2010	\$ 11,589
Change Order No. 3 (December 20, 2010)	\$ 200,000
Change Order No. 4 (April 25, 2011)	\$ 160,000
Total Metra OIG 2011 Funding	\$ 371,589
Total Metra OIG 2011 Actual Costs	\$ 370,612



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