



DELAWARE RIVER PORT AUTHORITY
**OFFICE OF THE
INSPECTOR GENERAL**

May 31, 2023

Audit of Glassboro - Camden Line (GCL) Project

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AUDIT OF GLASSBORO – CAMDEN LINE (GCL) PROJECT

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A. Objective / Scope / Methodology

The Office of the Inspector General (OIG) conducted a preliminary audit of the Delaware River Port Authority’s (“DRPA” or “the Authority”) participation on the Glassboro-Camden Line (GCL) Project. The audit was conducted by Mark Zitzler, Auditor. The GCL is a proposed 18-mile passenger rail line that will run between Glassboro, NJ and Camden, NJ. In February 2021, the Authority’s Board issued Summary Statement and Resolution (SS&R) DRPA-21-021: Authorize Pre-Development Agreement and additional action in furtherance of GCL Project as originally authorized by Resolution DRPA-17-118. SS&R DRPA-21-021 authorized the DRPA to execute a Project Pre-Development Agreement with South Jersey Transportation Authority (SJTA), the New Jersey Department of Transportation (NJDOT), the New Jersey Transit Corporation (NJT), and/or other relevant State and local agencies. The Authority entered into the GCL Pre-Development Agreement with SJTA in September 2021, where SJTA has secured \$200 million to fund the costs of the GCL Project pre-development services. As indicated within SS&R DRPA-12-019, the Authority was designated as Project Manager for the GCL Project on behalf of NJT, with 100% funding for the GCL Project coming from NJT or other State-level agencies. Other parties involved in the project include South Jersey Transit Partners (SJTP), which is a joint venture between AECOM and STV Inc. The audit objectives included:

- evaluating processes and procedures to initiate, review, approve, and track project related costs including designated Authority employee time associated with the project;
- assuring all applicable project related costs are recovered or funded in accordance with applicable agreements and that no costs are incurred by the Authority;
- evaluating compliance with procurement policies or contractual requirements for vendor selection associated with the GCL project;
- evaluating management oversight and monitoring including contract compliance, vendor management, and budgeting and cost analysis; and,
- assuring retention of required supporting documentation.

The scope of our audit covered all costs associated with the GCL Pre-Development Agreement for the GCL Project from February 17, 2021 through March 10, 2023. The preliminary budget for the initial \$200 million in project funding is focused on costs for key agency support, contract activities (including planning, preliminary engineering design, construction, utility relocation, development, eventual financing, and procurement of professional services), and right-of-way agreements and acquisitions (including easements, permits, approvals, and / or leases).

To assist in the evaluation of the GCL project, OIG was provided access to requested information and documentation, including:

- the SS&Rs associated with the GCL project;
- “read only” access to supporting financial documentation for journal entries (within SAP);
- the Glassboro-Camden Line Pre-Development Agreement between DRPA and SJTA (Pre-Development Agreement);
- invoices and supporting documentation for costs incurred and reimbursement requested/funded from SJTA;
- DRPA methodology and calculated labor rates for Authority employee time allocated to the GCL project;
- consulting agreement between DRPA and SJTP for Program Management Office Services and Preliminary & Final Engineering Design Services and supporting procurement related documents; and,
- other project management related plans and schedules.

In addition to being provided the documentation noted, OIG communicated with the Chief Engineer, Principal Engineer, Senior Engineer, Engineering Program Manager, Director, Finance (DRPA), Manager, Contracts Administration, and various other Authority staff members during the course of the audit.

B. Background

The GCL is a proposed 18-mile passenger rail line that will run between Glassboro, NJ and Camden, NJ. The line restores passenger rail service along an existing rail line traversing Gloucester and Camden counties which will make station stops in Glassboro, Pitman, Sewell, Mantua Township, Woodbury Heights, Woodbury, Westville, Gloucester City and Camden.

The map below shows southern New Jersey with the proposed GCL (in blue) along with the other current transit lines.



The purpose of the GCL is to improve transit service along the Glassboro to Camden corridor with a focus on increasing mobility and improving links between the established communities, jobs, and activity centers.

The goals of the GCL are to:

- provide more transit choices and improved quality of service;
- develop a transit network that improves links between people and activity centers;
- reduce highway congestion with competitive transit investment;
- maximize existing transportation assets and minimize impacts to the environment;
- support state and local planned growth initiatives; and,
- promote economic development and improve quality of life.

The GCL project has six main phases as noted in the following graphic:



The first three phases have been completed and the project is currently in the Preliminary Engineering Design Phase. The estimated timeline for the rail service to start is 2028. A brief history of the project to date is included in the following paragraphs.

The concept of providing improved passenger rail access to Southern New Jersey dates back to the 1930's, with many studies addressing various corridors and transit technologies. The most recent impetus for improved transit began in 2003 when DRPA/PATCO initiated the "Southern New Jersey to Philadelphia Transit Study" (Feasibility Study), completed in 2005. The study concluded with a short list of recommendations, including new transit service along the Conrail railroad right-of-way from Glassboro to Camden. These recommendations formed the basis for the Southern New Jersey to Philadelphia Mass Transit Expansion Alternative Analysis (the AA Study), conducted from 2007 to 2009. The AA Study examined five potential transit alternatives for the region and evaluated these against numerous quantitative and qualitative criteria. As a result of a comprehensive analysis of these alternatives, the Light Rail alternative from Glassboro to Camden, located along and primarily within the existing Conrail railroad right-of-way, was chosen as the alternative preferred by the local communities. The Environmental Impact Study (EIS) began in 2010 as part of the Federal National Environmental Policy Act (NEPA) process. In 2017, the GCL project's environmental protection responsibility transitioned to the State of New Jersey as part of Executive Order (EO) 215 Process. (<https://www.glassborocamdenline.com/faqs.html>)

On February 15th, 2012, Resolution DRPA-12-019 was established to permit the DRPA, on behalf of New Jersey Transit, to oversee the environmental evaluation and conceptual engineering for the GCL. It was agreed that the cost of this engineering agreement would be paid directly by New Jersey Transit (NJT). The work was a continuation of previous oversight by the DRPA for the Glassboro-Camden Line during the Feasibility Study and the Alternatives Analysis phases. STV was selected to perform the Environmental Impact Study, with DRPA providing oversight, and NJT responsible for payment of the STV invoices when approved by DRPA and submitted to NJT. Based on the resolution, it was recommended that an engineering services agreement be negotiated among DRPA, New Jersey Transit and STV Incorporated for costs and associated fees not to exceed \$8,145,400 to provide engineering services in accordance with the Request for Proposal.

On December 6th, 2017, Resolution DRPA-17-018 was established to authorize the DRPA to act as the GCL project manager on behalf of NJT and authorized staff to advertise, negotiate and award, through competitive selection, multiple engineering consulting support contracts to manage, develop, procure, and oversee the construction of the GCL. All costs are to be reimbursed/funded by NJT with no cost to the DRPA.

On February 17th, 2021, Resolution DRPA-21-021 authorized the Authority to negotiate a Project Pre-Development Agreement (or other similar agreements) with the South Jersey Transportation Authority ("SJTA"), the New Jersey Department of Transportation ("NJDOT"), the New Jersey Transit Corporation ("NJT") and/or other relevant State and local agencies for the purpose of implementing pre-development, design, procurement and construction activities in connection with the Glassboro-Camden Line project ("GCL Project") for which the Authority is tasked as project manager. In addition, the Chief Executive Officer of the Authority was authorized to act on behalf of the Authority (in collaboration with the Executive Director of the SJTA) to undertake and implement necessary pre-development, design, procurement and construction activities so long as funding for such activities is being paid by or reimbursed from the SJTA, NJDOT, NJT or another New Jersey agency, all in furtherance of the authority originally provided by resolution DRPA-17-118.

In late September 2021, an agreement was established between the DRPA and SJTA to define the pre-development services for the GCL and the related funding process. Construction of the infrastructure will begin after the Preliminary Engineering Design phase is complete and then the rail service will start.

C. Audit Summary

Based on conversations with DRPA Management and testing performed, OIG determined that costs incurred to date related to the GCL project have been initiated, reviewed, and approved in accordance with existing DRPA policies and the Pre-Development Agreement. Opportunities were identified to address outstanding project risks and to improve the timing of reimbursement for direct costs paid by the DRPA, including internal billable labor hours. In summary, based on the completion of our audit, the following was determined and communicated to Michael Venuto, Chief Engineer, Len Rustam, Engineering Program Manager, Mike Howard, Principal Engineer, Nicole Ochroch, Senior Engineer, Raymond Santarelli, General Counsel, and Darcie DeBeaumont, Director, Finance (DRPA):

- An owner / operator of the GCL has not yet been formally identified, which may delay important decisions over the project's progress, design, and schedule, affecting the project's budget and schedule significantly. A risk register (which includes areas of risk associated with the GCL project including the lack of an owner / operator) is maintained and discussed monthly with the agencies associated with the GCL. GCL project dollars are being expended without an owner / operator formally identified to ultimately operate, maintain, and fund the GCL and its assets.

- Costs of \$1,600,522 related to Project Management Office (PMO) and Preliminary Engineering Design (PED) consulting services provided by SJTP have been funded and paid; however, other direct costs of \$222,390 and internal labor costs of approximately \$48,000 have been incurred and paid by the DRPA but are still pending reimbursement. These costs are expected to be billed prior to May 31, 2023.
- The DRPA (Sponsor) Project Management Plan was in draft form and not available for review at the time of our audit. This document should include appropriate internal controls, levels of review and approval, communication protocols, and any specific document retention requirements to be followed in providing services as the Project Manager. The internal DRPA document is expected to be available on May 31, 2023.
- Labor hours have not been recorded for non-Engineering DRPA staff (i.e., Legal, Procurement, Accounting) who have worked on the GCL project. The Chief Engineer will communicate guidance/instructions regarding how and when to charge time to the GCL project in SAP by May 31, 2023.
- Additional consideration should be given to ensuring that financial and legal / insurance liability terms are appropriately addressed when procuring services related to the GCL project, assuring any liability is assigned to the project and not the sole responsibility of the Authority.
- All invoices were available with approval documented and supporting documentation maintained in SAP.
- Bidding documentation was properly maintained for the selection of the project manager.

These summarized findings, and associated recommendations and management's corrective actions, are presented in more detail within the report.

D. Management Oversight

Overall, the Authority's Chief Engineer, Principal Engineer, and Senior Engineer (collectively "Engineering management"), acting as Project Manager, are working in coordination with the SJTP to establish procedures for effective and efficient project oversight; however, certain risks with the potential to impact the project cost and schedule still need to be addressed with SJTA, NJT, and possibly others within the State of New Jersey.

High risk items that could impact the GCL project completion, cost, or timeline are identified on a risk register, which is an overall risk assessment document that was created in coordination with Consultants and is updated and maintained by SJTP (the PMO). The items on the risk register are discussed at monthly meetings. The April 2023 risk register was provided to OIG. Early in our audit OIG determined and confirmed that an owner / operator had not been formally identified to ultimately own, operate, maintain, and fund the GCL project's assets. The absence of an identified owner / operator represents a significant and ongoing item of note on the risk register which may delay important decisions regarding the project's progress,

design, and schedule, potentially affecting the project's funding, budget, and timeline. **Refer to Audit Finding #1.**

The SJTP team (responsible for both Program Management Office and Preliminary Engineering Design) has developed Project Management Plans which include internal controls and levels of review/approval related to the project. These plans include controls related to scope, schedule, cost, and documents. Internal DRPA procedures specific to the GCL project will be documented in the DRPA (Sponsor) Project Management Plan which is currently in draft form. **Refer to Audit Finding #2.**

Project files and documents related to the GCL Project will be retained per Authority retention policies until an owner/operator is determined. Project files will be turned over to the owner / operator once DRPA's involvement on the project has been completed. The DRPA Records Retention schedule includes maintaining all documents for the life of the asset. DRPA Engineering utilizes e-Builder for project deliverables. e-Builder is a cloud-based construction program management solution that manages capital program cost, schedule, and documents. Final legal documents, important emails and approvals, and final procurement Requests for Proposals ("RFPs") are maintained in e-Builder. All applicable documents will be provided to the owner / operator, once determined. Any additional record retention requirements specific to the GCL Project will be addressed in the DRPA (Sponsor) Project Management Plan.

Audit Finding #1: An owner / operator of the GCL has not yet been formally identified, which may delay important decisions over the project's progress, design, and schedule, potentially affecting the project's budget and timeline significantly.

Audit Recommendation #1: An owner/operator of the GCL should be identified as soon as possible to allow for effective and efficient decision making as the project progresses. The Chief Engineer should continue to monitor this issue and coordinate with the Authority's CEO to determine the best means of escalation to the appropriate parties. GCL project dollars are being expended without an owner / operator formally identified to ultimately operate, maintain, and fund the GCL and its assets.

Management Response #1: The Chief Engineer concurs with the finding and recommendation. The Chief Engineer addressed this issue during a recent meeting with New Jersey Transit and SJTA. This continues to be an on-going issue that is addressed monthly. The Chief Engineer will coordinate with the Authority's CEO to determine the best method for escalating this issue to the appropriate individuals at the respective agencies and within the State of New Jersey, if applicable.

Audit Finding #2: The DRPA (Sponsor) Project Management Plan was in draft form and not available for review at the time of our audit.

Audit Recommendation #2: Management should prioritize completion of the DRPA (Sponsor) Project Management Plan to ensure that appropriate internal controls, levels of review and approval, communication protocols, and any specific document retention requirements are documented and followed in providing services as the Project Manager.

Management Response #2: The Chief Engineer concurs with the finding and recommendation. The DRPA (Sponsor) Project Management Plan is in draft form and a workable document will be available on May 31, 2023. This will include Document Management & e-Builder procedures. The document will follow FTA standards.

E. Recording, Approval, and Reimbursement of Direct Project Costs and Internal Labor Hours

Overall, costs associated with the GCL project were initiated, reviewed, and approved in accordance with DRPA policies and contract terms. Costs related to the services provided by SJTP have been funded and paid in accordance with the Pre-Development Agreement; however, other third-party costs and billable internal DRPA labor costs dating back to October 2021 are still pending reimbursement.

The Pre-Development Agreement between SJTA and the DRPA authorizes \$200 million in funding for project pre-development services. This includes all tasks necessary to further the planning, preliminary engineering design, development, eventual financing, and procurement of professional services and permitting reasonably necessary to ready the GCL project for the commencement of construction. Examples of these services include, but are not limited to:

- research and identification of land use approvals, environmental, approvals, approvals of historical renovations, entitlements, permits, and licenses;
- formulating, establishing, and implementing quality assurance, environmental assurance, and safety and security protocols during planning and designing of the GCL project that are to be implemented during construction, testing and commissioning;
- preparing all plans, drawings, specifications, contract documents and requests for proposal or bid documentation required to procure qualified professional services; and
- administering, managing, monitoring, and providing oversight and direction to all professionals who are engaged to perform planning, preliminary engineering design, development, financing, and permitting services.

Pre-Development Services

Services are initiated by Engineering Management in coordination with the PMO. In some cases (e.g. legal services), Engineering Management will work with the applicable DRPA department to engage a vendor for services. Invoices related to services are received and reviewed by the applicable department requesting the services (e.g. consulting and support services invoices from SJTP are reviewed by Engineering Management, while legal support services are reviewed by the assigned Deputy General Counsel). Invoices are entered into SAP for payment and approvals are routed in accordance with the DRPA approval policy regarding the nature and dollar value of expenditures.

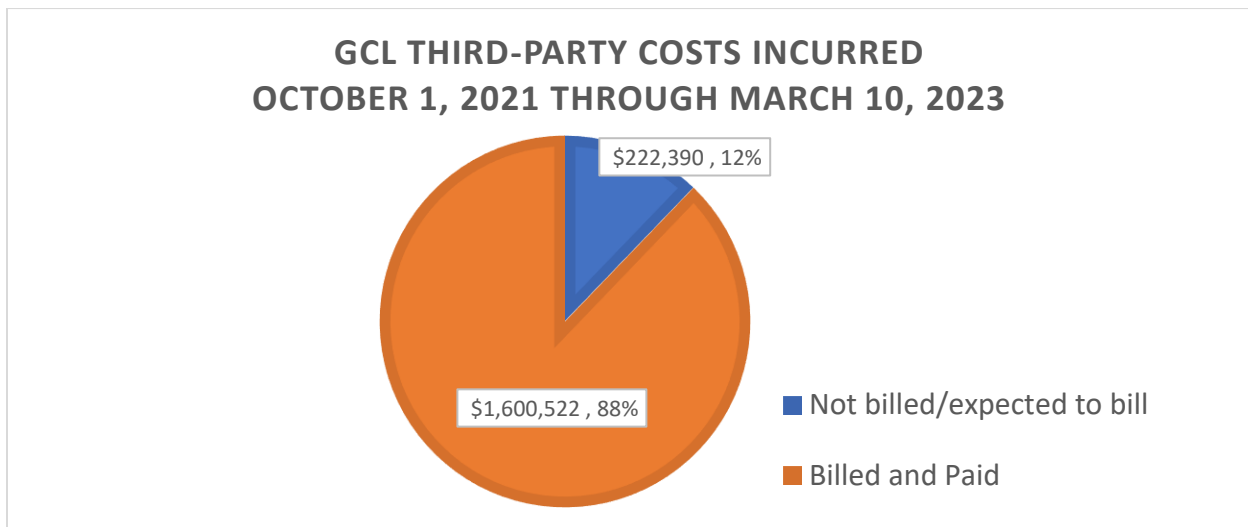
OIG obtained the costs associated with the GCL project that have been recorded in SAP. All of the invoices were approved in accordance with DRPA policy and supporting documentation was available. No exceptions were noted.

During the period October 1, 2021 through March 10, 2023, a total of \$1,822,912 in third party costs were incurred associated with the GCL project. These costs included:

- SJTP consulting services of \$1,600,522;
- staff support of \$177,639;
- media related expenses of \$11,922; and,
- legal support of \$32,828.

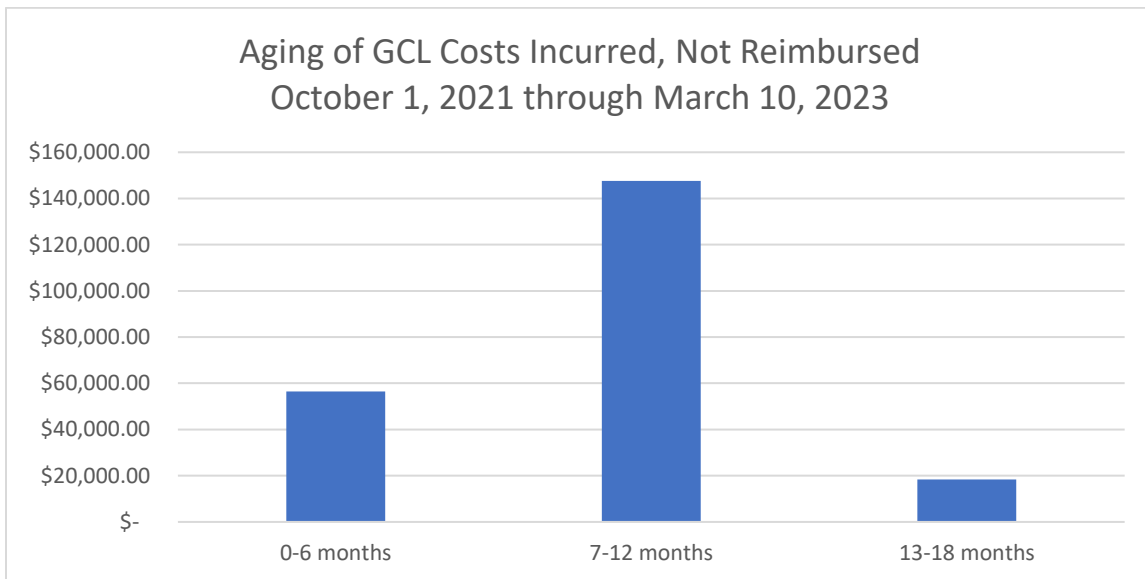
The \$1,600,522 in costs for SJTP, which includes PMO and PED consulting services, have been funded by SJTA through the Pre-Development Agreement and the invoices have been paid. OIG reviewed the reimbursement payments that were received from SJTA in the amount of \$957,700 (received March 7, 2023) and \$642,822 (received March 23, 2023) via wire transfers. For all other costs incurred to date (\$222,390), the DRPA has paid the vendors and will request reimbursement from SJTA through the Pre-Development Agreement. **Refer to Audit Finding #3.**

The chart below indicates the total costs incurred related to the GCL project between October 1, 2021 and March 10, 2023 categorized according to whether the cost has been reimbursed through the Pre-Development Agreement.



There were approximately \$37,000 in costs incurred by the Authority during the period between February 17, 2021 and October 1, 2021 (the date of the Pre-Development Agreement with SJTA). As these amounts were incurred prior to the execution of the Pre-Development Agreement, OIG was informed that the Authority will not seek reimbursement for these expenses.

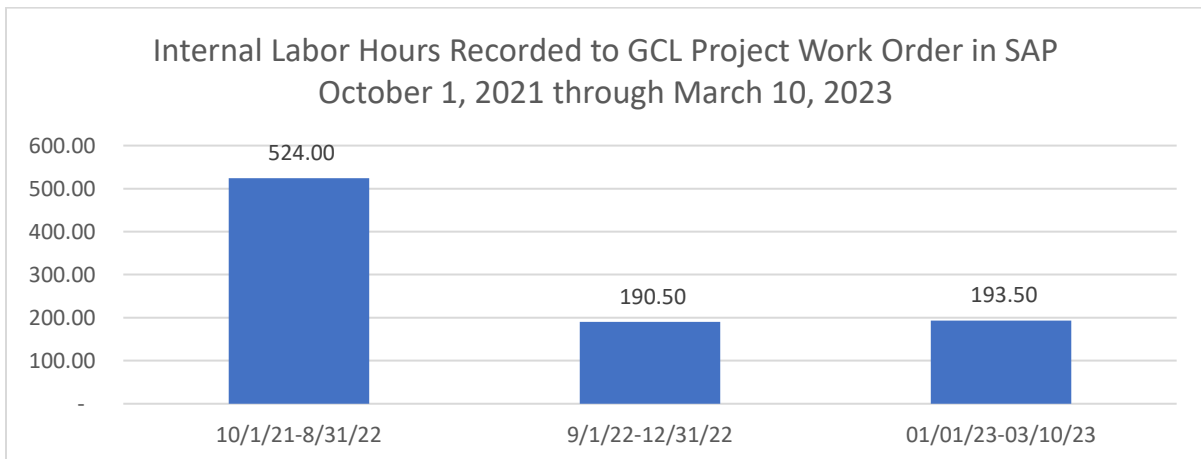
The following chart shows the aging of the \$222,390 costs incurred by the DRPA from October 1, 2021 to March 10, 2023, but not yet reimbursed under the Pre-Development Agreement. \$165,944 of these costs are aged greater than 6 months.



Internal Labor Costs

In addition to third-party costs, a total of 908 hours of Authority employee time was spent working on the GCL project from October 1, 2021 through March 10, 2023. Internal Labor hours are tracked in SAP using a work order specific to the GCL project. Employees assign time to work order codes each week as part of the timekeeping process. Timesheets are then approved by the responsible Manager/Director. To date, only the Engineering Department (Senior Engineer and the Principal Engineer) have charged time to the GCL project work order. Labor hours have not been recorded for other staff departments (i.e., Legal, Procurement, Accounting) that have worked on the GCL project. **Refer to Audit Finding #4.**

The following chart shows the number of unbilled hours charged to the GCL Project work order for the period October 1, 2021 through March 10, 2023.



Billable labor rates from 2021 and 2022 have been established for the Principal Engineer and Senior Engineer. The estimated total amount of reimbursement due from October 1, 2021 through March 10, 2023 based on the rates is \$48,000.

There were approximately 260 hours incurred during the period between February 17, 2021 and October 1, 2021 (the date of the Pre-Development Agreement with SJTA). As these amounts were incurred prior to the execution of the Pre-Development Agreement, OIG was informed that the Authority will not seek reimbursement for these expenses.

On a monthly basis, both direct costs and internal labor hours recorded to the GCL work order in SAP are provided to the Senior Engineer. The Senior Engineer maintains a spreadsheet to track and compile the monthly costs, track reimbursements, and monitor costs incurred compared to budget.

Audit Finding #3: The Authority has incurred direct costs of \$222,390 and internal labor costs of approximately \$48,000 for services and time spent on the GCL Project since October 2021 that have not yet been reimbursed under the Pre-Development Agreement.

Audit Recommendation #3: A monthly or quarterly process should be established with SJTA to allow for the timely review and reimbursement of GCL Project related costs.

Management Response #3: The Chief Engineer concurs with the finding and recommendation. The DRPA Project Engineer and Program Management are working with Finance to capture all costs associated with the project outside of SJTP invoices. We anticipate submission of reimbursable costs to SJTA for all costs incurred from October 1, 2021 through December 31, 2022 prior to May 31, 2023. The submission will include a monthly summary of activities related to DRPA labor hours. Going forward, direct costs will be sent to SJTA on a quarterly basis for reimbursement.

Audit Finding #4: Except for DRPA Engineering, internal DRPA labor hours have not been recorded for DRPA staff that have worked on the GCL project.

Audit Recommendation #4: The Chief Engineer, or designee, should provide guidance/instructions to other DRPA departments that provide support to or assistance with the GCL project to track and report their time associated with those tasks.

Management Response #4: The Chief Engineer concurs with the finding and recommendation. The Chief Engineer will communicate guidance/instructions to the other departments regarding how and when to charge time to the GCL project in SAP. Notification will be made by May 31, 2023. The same statistical work order that Engineering uses can be used by the other departments. The charging will not be retroactive. Billable labor rates for any employees charging time would be developed utilizing the agreed upon methodology.

F. Procurement Policies

Under the existing Agreement with the Program Management Office (PMO), South Jersey Transit Partners (SJTP) is required to draft/issue RFPs, evaluate proposals, and recommend vendors. This process is performed under the oversight of DRPA (the Project Manager) and utilizes the DRPA procurement process and staff. The procurement selection committee consists of the DRPA Chief Executive Officer, SJTA Executive Director, and NJT Executive Director or assigned designees (per SS&R DRPA-21-021). Any advanced work or contracts required, not under the purview of SJTP, will be initiated by DRPA personnel and adhere to the DRPA procurement process. **Refer to Audit Finding #5.**

OIG reviewed the consultant selection process for the Project Manager selection of SJTP. Evaluation sheets were obtained. Three firms submitted statements of qualifications. Two of the three firms were recommended by the review committee consisting of four DRPA representatives, along with one representative from NJ Transit. Of the two recommended firms, one declined to submit a proposal. After considerable negotiation of scope and fee, the contract was awarded to SJTP.

OIG obtained and reviewed the contract with SJTP dated October 6, 2022. The scope of associated services is to supply and furnish all professional, technical, and other services, and all labor, materials, equipment and supplies necessary to accomplish, perform, and carry to conclusion all the services, deliverables, standards of performance, and acceptance criteria under the agreement. The agreement is for 2.5 years with terms to extend the agreement (if desired). The terms to extend the agreement apply to the PMO portion of the agreement to provide oversight of GCL construction or if required, final design. The required insurance documentation was obtained and is in place for this agreement.

Audit Finding #5: The DRPA holds the role of Project Manager for the GCL Project. In this role, the DRPA should not be financially responsible for agreements to vendors engaged specifically to perform services on the GCL Project. Insurance and legal liability related to vendor contracts should also be considered.

Audit Recommendation #5: RFPs and resulting contracts should delineate clear lines for both financial and legal/insurance liability to ensure that the DRPA does not assume responsibility (other than in its role as Project Manager) for services provided to the GCL Project. Liability should be the responsibility of the project and shared by all participating parties as applicable.

Management Response #5: The Chief Engineer concurs with the finding and recommendation. The Chief Engineer will work with the Manager, Contract Administration and General Counsel, as appropriate, to review terms and conditions in RFPs and contracts related to the GCL Project and incorporate changes where necessary. This review will be completed prior to the next GCL project related procurement, which is anticipated in April / May, 2024. Once an owner/operator is designated, the owner / operator's standard terms and conditions will be used for prospective procurements.