

ADVISORY COMMITTEE REPORT

Presented to the PA Turnpike Commissioners
June 18, 2019



Dear Commissioners:

We are pleased to provide for your consideration the following report regarding the Pennsylvania Turnpike Commission's (PTC or Commission) on-going efforts to improve policies and procedures specific to ethics, procurement, transparency/accountability and governance. Our work has been guided by Policy Letter 10.05, which the Commissioners adopted in 2015. That policy provided a broad mandate for this Committee to conduct a thorough review of the PTC's contracting and other business practices and to issue a public report with specific findings and recommendations. That review culminated with the release of a report made public and accepted by the PTC in October 2014. That report is available to the public on the PTC website. In addition, Policy 10.05 required the Commission's CEO to reconvene the Advisory Committee every three years and engage an independent consultant to conduct a review of policies related to ethics, procurement, and transparency. The goal of this provision is to ensure that the 2014 report would serve as a foundation for an organization-wide culture that stresses continued improvement in these critical areas. The following report includes our findings and those of the independent consultant.

The Advisory Committee and the independent consultant, Lancaster based RKL, found that the PTC's efforts to constantly improve operations and policies continues to deliver significant results for the agency. In RKL's final report, which can be found in the Appendix, the firm noted that "Ethics, integrity and transparency appear to be well-ingrained in the Commission's culture." The RKL review also found that, "The Commission's culture is characterized by openness, communication and accountability. The Commission successfully uses a variety of communication channels (press releases, website, public meetings, etc.) to proactively communicate with the public, business partners, key officials and staff. Information is widely available." This type of an organizational culture is vital to keeping the trust of the PTC's customers, business partners, stakeholders and all Pennsylvanians. This culture exists at the PTC because of the leadership that you and your executive team have provided to this organization.

We would like to underscore the fact that we received the support and cooperation of the entire PTC team. We were able to interview department leaders and staff throughout the organization, as well as business partners, industry stakeholders and partner agencies. The Commission staff provided in-depth updates regarding all critical facets of the agency's operations. Working with both RKL and the PTC's consulting engineer, Michael Baker International, we were provided the opportunity to glean feedback from PTC business partners and important stakeholders; and to review best practices that transportation agencies around the nation have adopted.

The RKL report does include several specific recommendations that are largely administrative in nature, including, for instance, the need to develop a formal documentation process for tracking employee compliance. The Advisory Committee supports these recommendations. We would like to thank you for the opportunity to be engaged in this process and would be pleased to address any specific questions or concerns you might have regarding this report.

Maureen Lally-Green, Retired Judge of the Pennsylvania Superior Court

M.G. Patel, P.E., Retired Chief Engineer, PennDOT

John Mitchell, CPA, ABV, CFF, CVA

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In response to Grand Jury Presentment of March 2013, the Pennsylvania Turnpike Commissioners directed Chief Executive Mark Compton to establish an Advisory Committee to seek opportunities to minimize or eliminate undesirable practices cited in the presentment.

In July 2013, the PTC established this Advisory Committee to review and evaluate current PTC policies and procedures relating to contracting and other business practices, to identify where continuous improvement can be made and to search best-practices at comparable agencies.

Immediately thereafter, the Advisory Committee immersed themselves in learning and understanding the PTC's procurement and contracting policies and procedures, national best practices and the PTC's ongoing and planned reforms through numerous meetings, interviews, presentations by PTC staff, one-on-one meetings with commissioners and executive staff and review of numerous documents.

Based upon studies, observations and professional experience of its members, the Advisory Committee made the following recommendations:

1. Strengthen the ethics training requirements at the PTC for employees, consultants, construction contractors, vendors and other business partners.
2. Enhance the process for evaluating the procurement of professional services and construction contracts to provide greater transparency and accountability.
3. Establish a procedure for periodic reviews of policies and procedures for continuous improvement purposes.
4. Improve transparency of business practices through more robust public outreach.
5. Institutionalize improvements by adopting all recommendations as part of the PTC Policy Manual.
6. Establish a policy for continual implementation of these recommendations, including a process for participation of an independent advisory person or group.
7. Prepare succession planning for key PTC positions, particularly for the chief operating officer, chief engineer and all department heads.
8. Develop a structured transition process for new commissioners and CEO.
9. Establish vision, mission, goal, objective and values for PTC to institutionalize recently implemented ethics, integrity, transparency and quality of services.
10. Continue to promote and make best use of initiatives to minimize overlap of common operational activities such as training and co-locating maintenance sites with PennDOT.

These recommendations were formally presented to the PTC Commissioners in the Advisory Committee Report of 2014 dated October 21, 2014. The Compliance Department then assigned action items to these findings and recommendations and worked with various departments in implementing them. All action items were completed by June 2016.

In accordance with Policy 10.05 Pennsylvania Turnpike Commission (PTC) Advisory Committee, the Advisory Committee was reconvened by the Chief Executive Officer in July 2018. An independent consultant was selected by the Compliance Department from the Supplemental Advisory Services Professional Services Pool to perform a review of policies related to ethics, procurement, and transparency.

Additionally, at the request of the Advisory Committee, personal interviews were conducted with employees and industry associates to gain both internal and external perspectives on reform efforts taken by the PTC since the Advisory Committee Report of 2014.

The independent consultant, Lancaster-based RKL presented their executive summary of the Ethics, Professional Services Procurement & Transparency Policy Review which included their approach, observations and recommendations in January 2019.

ADVISORY COMMITTEE PROCESS

In accordance with *PTC Policy 10.05 Pennsylvania Turnpike Commission (PTC) Advisory Committee*, Mark Compton, Chief Executive Officer reconvened an Advisory Committee three years following the last meeting of the Advisory Committee in 2015. The new Committee was established to review and evaluate current PTC policies and procedures relating to ethics, procurement, transparency/accountability and governance and specifically:

- Review existing contracting policies and procedures and provide guidance on ways to further enhance the quality, efficiency and accountability of Commission contracting methods.
- Review the Commission's process and key findings for any current and ongoing audits.
- Advise the Executive Staff as to potential improvements with the above-described policies, procedures and audits.
- Review the Commission's Contractor Integrity provisions, which are incorporated into contracts with PTC business partners.
- Review and monitor the steps taken by the Commission to ensure the employees of the Commission understand and adhere to the Code of Conduct.

The Advisory Committee's first meeting was held on July 10, 2018. In this meeting the PTC presented a recap of the many actions take by the Commission to address and resolve the findings and recommendations that were identified in the Advisory Committee Report of 2014 and to update the Committee on broader efforts to improve operations. This included the presentation of a review of national best practices presented by PTC consultant Michael Baker International.

The Compliance Department recommended RKL LLP to be the third-party auditor to perform an independent review of policies and procedures and this was approved by the CEO and the Advisory Committee. The auditor was charged with evaluating the steps implemented by the PTC in the wake of the 2014 Advisory Committee Report as well as assessing policies and procedures relating to ethics, professional services procurement and transparency. The auditor met with department heads and other key staff members throughout the organization to gain a full understanding of the policies and their application. The Advisory Committee met quarterly thereafter to monitor progress of the policy review and provide recommendations.

Additionally, The Advisory Committee conducted interviews with key officials at organizations that work closely with the Commission to gain an external perspective on the reform efforts taken at the PTC since 2014. Interviews were also conducted with employees within the PTC that work in the departments most impacted by reform to gain an internal perspective on the success of those changes. A summary of these interviews and some of the more notable comments are documented in the appendix (see Key Observations from External Industry Associates).

RKL LLP presented a formal summary of their observations resulting from the assessment to the Advisory Committee on January 14, 2019. The written reports are contained in the appendix. (See Ethics, Professional Services, Procurement & Transparency Policy Review and Internal/External Perspectives on PTC Change).

COMMISSION POLICIES/DOCUMENTS REVIEWED RELATIVE TO ETHICS, PROCUREMENT AND TRANSPARENCY

The following policies were reviewed to determine their adequacy:

- Policy 1.01 Administration of PTC Policies
- Policy 2.13 Compliance with the PA Whistleblower Law
- Policy 3.10 Code of Conduct
- Policy 3.11 Fraud and Abuse Tip-Box
- Policy 7.04 Procurement
- Policy 7.10 Business and Supplier Diversity and Contract Compliance
- Policy 10.01 Right-to-Know Information Request
- Policy 10.05 PTC Advisory Committee
- Business Conduct Guidelines

Click on the links above to access and view the complete documents.

OVERALL OBSERVATIONS

The independent consultant, RKL LLP performed a thorough evaluation of:

1. the adequacy of the Commission's policies, procedures, and training related to ethics and the code of conduct for Commission employees and vendors
2. the Commission's policies and procedures for the procurement of professional services for adequate management and internal controls, and
3. the Commission's efforts at transparency.

The consultant reviewed the policies and related documents, as well as conducted personal interviews with department heads and process owners to gain a full understanding of the policies and their application at the PTC.

The complete document prepared by RKL detailing their approach, areas reviewed and observations is included in the Appendix to this report.

OVERALL OBSERVATIONS:

- The Commission's leadership has effectively demonstrated its commitment towards openness, honesty, integrity and ethical behavior. Leadership has successfully created and maintained a "tone at the top" that is very evident throughout the Organization. Leadership appears to be trusted to "do the right thing".
- Ethics, integrity and transparency appear to be well-ingrained in the Commission's culture.
- Policy changes implemented throughout the Commission since 2014 are notable and recognized by staff members interviewed.
- The Office of Special Investigations has performed effectively and has contributed to the Organization's culture.
- The Commission's policies and procedures for the procurement of professional services are very strong.
- The Commission's culture is characterized by openness, communication and accountability. The Commission successfully uses a variety of communication channels (press releases, website, public meetings, etc.) to proactively communicate with the public, business partners, key officials and staff. Information is widely available.
- Overall adherence to ethics and transparency policies and implementation is excellent. There appear to be some minor opportunities to enhance them.

2019 ADVISORY COMMITTEE FINDINGS/RECOMMENDATIONS

Based upon the evaluation of policies related to ethics, procurement and transparency conducted by independent consultant RKL and the Advisory Committee's subsequent review and observations, the following improvements should be implemented by the Commission:

Recommendation #1

There are a number of inconsistencies between *Policy Letter 3.10 – Code of Conduct and Business Conduct Guidelines*. Both documents are currently undergoing revision and these inconsistencies will be incorporated into the revision process.

Recommendation #2

Based on interviews with staff members involved in the Employee Ethics & Integrity Training process, formal documentation related to the process for tracking employee compliance does not exist. Part of this process involves manually entering training completion information into SAP. The Commission should consider developing formal documentation of the process.

Recommendation #3

The Compliance Department's tracking process for the Vendor Ethics and Integrity Online Training is manual. The Commission should consider automated alternatives to reduce the risk of error or oversight. The PTC has procured software as part of an effort to address Human Resource needs that will provide an automated tracking system for online training. The new Learning Management System is currently being installed and will be up and running by the end of this calendar year.

Recommendation #4

The Compliance Survey (via Survey Monkey) for the Ethics and Integrity Online Training for Contractors/Vendors captures information related to the vendor and requests feedback on the usefulness of the training. The survey should be altered to include questions on the training content. This would provide an assessment of the vendor's understanding of the Commission's Code of Conduct.

Recommendation #5

Internal policies and procedures for procuring professional services are strong. However, the evaluation and approval process is labor intensive and lengthy (may require several months).

Recommendation #6

The Commission should consider reviewing the overview (Doing Business with the Turnpike) on the Commission's website to ensure consistency with current procurement policies and procedures.

Recommendation #7

The Commission does not have a formal policy related to vendor relationships with lobbyists. The Commission should consider adopting such a policy.

PTC RESPONSE TO 2019 OBSERVATIONS AND RECOMMENDATIONS

Based upon the evaluation of policies related to ethics, procurement and transparency conducted by independent consultant RKL and the Advisory Committee's subsequent review and observations, the following improvements should be implemented by the Commission. The recommendations under each category are noted in bold print and below each is the PTC's initial response.

ETHICS & CODE OF CONDUCT

RECOMMENDATION ONE – COMMISSION RESPONSE

There are a number of inconsistencies between Policy Letter 3.10 – Code of Conduct and Business Conduct Guidelines. Both documents are currently undergoing revision and these inconsistencies will be incorporated into the revision process.

The Business Conduct Guidelines were created as general, non-mandatory recommendations and are not intended to be used for disciplinary measures. The Code of Conduct is a PTC Policy and as such policies are formalized statements that apply to a specific area or task. Policies are mandatory and employees who violate a policy may be disciplined.

In addition, the Business Conduct Guidelines were never intended to supplement or enhance the Code of Conduct. They were simply intended to provide some guidance and were intentionally narrow in scope. There is no need to replicate the Code of Conduct. In fact, throughout the Business Conduct Guidelines we refer to the Code of Conduct for additional information and clarification.

In addressing the specific inconsistencies brought forth, revisions have been made to applicable statements in the Business Conduct Guidelines to resolve them.

RECOMMENDATION TWO – COMMISSION RESPONSE

Based on our interviews with staff members involved in the employee Ethics & Integrity Training process, formal documentation related to the process for tracking employee compliance does not exist. Part of this process involves manually entering training completion information into SAP. The Commission should consider developing formal documentation of the process.

Plans are already underway for procuring and implementing a new system for tracking employee compliance with the annual Ethics and Integrity Training requirement.

The Commission currently has a basic system for tracking completion of employee eLearning and training, which generates periodic reports of employees who have completed the training. However, this information must be manually entered into another system to generate a deficiency report that shows the employees who have not completed the training. Because of the inefficiencies in the

current system, the procurement and implementation of a new system is already underway.

This new system is scheduled to be unveiled in November 2019 and includes a learning management system to track training compliance. Once the new system has been integrated, there will be no need to manually enter data because the systems will share information electronically as employees take training courses.

RECOMMENDATION THREE – COMMISSION RESPONSE

The Compliance Department’s tracking process for the Vendor Ethics and Integrity Online Training is manual. The Commission should consider automated alternatives to reduce the risk of error or oversight. The PTC has procured software as part of an effort to address Human Resource needs that will provide an automated tracking system for online training. The new Learning Management System is currently being installed and will be up and running by the end of this calendar year.

As noted above and in the Commission response to Recommendation Two, the new Learning Management System will automate the process of tracking the completion of training by both vendors and employees.

RECOMMENDATION FOUR – COMMISSION RESPONSE

The Compliance Survey (via Survey Monkey) for the Ethics and Integrity Online Training for Contractors/Vendors captures information related to the vendor and requests feedback on the usefulness of the training. The survey should be altered to include questions on the training content. This would provide an assessment of the vendor’s understanding of the Commission’s Code of Conduct.

In 2016 and 2017 the Ethics & Integrity Online Training for Contractors/Vendors did include questions related to the training content. Although 2018 did not, all future Ethics & Integrity Online Training for Contractors/Vendors will contain questions related to the contents addressed in the training.

PROFESSIONAL SERVICES PROCUREMENT

RECOMMENDATION FIVE – COMMISSION RESPONSE

Internal policies and procedures for procuring professional services are strong. However, the evaluation and approval process is labor intensive and lengthy (may require several months).

The Commission is in agreement and will continue to look for ways to streamline the professional services procurement process without sacrificing quality and transparency. The Commission is looking into the development of a procurement dashboard to assist with and improve tracking and reporting.

RECOMMENDATION SIX – COMMISSION RESPONSE

The Commission should consider reviewing the overview (Doing Business with the Turnpike) on the Commission’s website to ensure consistency with current procurement policies and procedures.

The Commission is in agreement and worked on updating the website in conjunction with Public Relations & Marketing. This effort was completed in March 2019.

RECOMMENDATION SEVEN – COMMISSION RESPONSE

The Commission does not have a formal policy related to vendor relationships with lobbyists. The Commission should consider adopting such a policy.

The Commission will initiate discussion between Contract Administration, the Legal Department and Legislative Affairs to consider the relationship between vendors and lobbyists and the potential impact on the procurement process. Through this effort, the Commission will determine the need to develop a formal policy governing these relationships.

ABBREVIATED PTC RESPONSES & ACTIONS

The Advisory Committee announced 10 findings within the categories of 1) Ethics, 2) Procurement, 3) Transparency/Accountability, and 4) Governance that were formally presented to the PTC Commissioners in the Advisory Committee Report dated October 21, 2014. The following summary covers abbreviated actions taken through June 2016 and does not include subsequent actions or enhancements.

PTC responses to the Findings are indicated in Red.

FINDING 1 – ETHICS TRAINING

The PTC legal staff, with the assistance of the Pennsylvania Ethics Commission, created an ethics training program for PTC employees prior to the Advisory Committee's review. The Advisory Committee found that the PTC needed to improve access to training resources for employees and that the Code of conduct failed to address issues raised by OAG involving PTC vendors.

Recommendations:

1. Strengthen the ethics training requirements for PTC employees, consultants, construction contractors, vendors and other business partners.

- 1.1 Require both PTC employees and vendors to receive training on the agency's Code of Conduct and refresher training on an annual basis.

All PTC employees are now required to receive annual training on the agency's Code of Conduct. Vendors are required to complete a multi-page questionnaire and Code of Conduct and Business Conduct Guidelines training.

- 1.2 Require employees to acknowledge that they reviewed the Code and received the training. In addition, PTC employees involved in procurement review and proposal submitters or bidders will be required to affirm, in writing, that they have no conflicts of interest, potential conflicts of interest, or direct financial interests in the firms competing for PTC business. Require the Compliance Department to review such disclosure forms.

Commission policy 3.10 – Code of Conduct, explicitly states that Code of Conduct training is required annually and the policy also requires that all employees acknowledge receipt of the Code. When an employee completes the online Code of Conduct training, their employee record is updated in SAP to acknowledge the completion of the course.

- 1.3 In situations where an employee discloses a conflict, potential conflict or financial interest, the Chief Compliance Officer will decide whether the conflict should disqualify the involved employee in connection with the pending bid or proposal.

If any conflicts of interest are noted, the Chief Compliance Officer is authorized to determine if the conflict should disqualify an individual from the procurement team.

- 1.4 All actual and potential business partners affirm in writing that no conflict of interest exists or disclose any conflict of interest. Such disclosure should be reviewed by the Compliance Department.

Vendors are required to affirm in writing that no conflict of interest exists or to disclose any conflict of interest, specifically for construction procurement, all professional services, and general procurement as deemed appropriate by the Commission.

- 1.5 Create an online version of the employee training program that would inform PTC vendors of the requirements of the Code of Conduct.

Code of Conduct training is also now available online for use by our business partners.

- 1.6 Require a duly authorized representative of the company or partnership who is involved in the bidding process to affirm that he or she has reviewed the training program and the company agrees to comply with the code.

An authorized representative of the vendor is required to acknowledge receipt of the Code and their agreement to abide by and comply with the code.

- 1.7 Continue to encourage employees to use the PTC tip line and other channels to report suspected unethical behavior.

The Commission continues to promote use of the PTC Fraud and Abuse Tip line. The Business Conduct Guidelines training that all employees are required to take outlines how to use the tip line. There are also flyers posted throughout the Commission's buildings, and there are news articles pertaining to the use of the tip line posted on the Commission's intranet.

- 1.8 Require that reports of suspected behavior on the tip line should be to an independent person or authority to protect the identity of the reporting person.

Employees can make anonymous reports of suspected fraud, waste, or abuse via an anonymous email, an anonymous phone call, or by contacting the Office of Special Investigations (OSI) and requesting to remain anonymous.

FINDING 2 – EVALUATION OF PROCUREMENT & CONSTRUCTION CONTRACTING PROCESS

The Advisory Committee found that the PTC's efforts to adopt new guidelines for awarding professional services contracts, implemented prior to the OAG action, have strengthened technical review by staff, expanded public review and discussion of all contract awards.

Recommendations:

2. Enhance the review process for evaluating procurement of professional services as well as construction contracts to provide for greater transparency and accountability.

- 2.1 Add an independent, outside professional to the review team for projects undertaken by the PTC that could be defined as unique, infrequent or significant in size and/or scope. The PTC is to develop contracting policies and procedures to clearly identify what constitutes a unique, infrequent or significant project.

The Commission has modified the Technical Evaluation Team (TET) request memo to list specific criteria that will be used to determine if further consideration should be given for an independent professional to be added to the TET.

- 2.2 Define process which would include involvement of independent professionals for change orders beyond certain threshold amount.

For professional service supplement requests, excluding authorized service providers, fire and EMS services, and any public agency reimbursement where the total supplement requests are greater than 25% of the original commission approved not to exceed amount, and the total supplement requests are greater than \$250,000, an independent professional will provide written concurrence prior to the department requesting Commission approval.

For construction, as part of the project close out process, for contracts with a total change order value greater than 20% of the original contract amount, an independent professional will review the change orders and document issues or concerns and make any recommendations for modification or improvement.

- 2.3 Grant the independent team member the same authority as the other team members. In addition, independent professional should have the authority to write a separate report, recommendation or concern for consideration by the PTC.

The procedures have been modified to grant the independent professional the same authority as the other TET members as well as the authority to write a separate recommendation for the Commission's consideration.

- 2.4 Incorporate newly implemented professional services procurement process as part of PTC Policy Manual.

Policy 7.04 – Procurement was revised effective 12-15-2015 to incorporate these changes.

- 2.5 When the PTC lets a contract or works in an area in which it doesn't have expertise, the PTC should hire an outside consultant with appropriate subject-matter expertise and experience to assist in all phases of the planning and performance of the work.

Policy 7.04 states "The Commission shall add an independent, outside professional or consultant to advise or participate in the Procurement or in managing a project that is unique, infrequent, significant in size or scope, or where the Commission has insufficient expertise. These services shall include planning, procuring, performing, or managing the work of the project including change orders or amendments."

FINDING 3 - CONTINUOUS EVALUATION OF POLICIES AND PROCEDURES

The Advisory Committee identified a series of best practices that other tolling agencies currently follow. The Advisory Committee found that these practices guide those agencies' efforts toward continuous improvement. In addition, the Advisory Committee witnessed the immediate and the long-term benefit of the PTC's Strategic Planning process.

Recommendations:

3. Establish a procedure for periodic reviews of policies and procedures in order to continue adding reforms and improvements as needed.

- 3.1 Continue to review and adopt, where appropriate, best practices from other toll agencies and departments of transportation by monitoring their efforts to constantly improve.

In an effort to adopt best practices from other toll-road agencies, the Commission requested Michael Baker, Jr., Inc. to facilitate a National Best Practices (NBP) outreach. The outreach included twelve original focus areas which were grouped into six Areas of Expertise (AOE):

1. Delivering the Capital Plan
2. Cost & Quality Control
3. ITS Program
4. All Electronic Tolling (AET)
5. Performance Metrics
6. Customer Service

- 3.2 Employ the latest technology available to improve operations relevant to procurement practices.

Among recent technology improvements in support of procurement operations is the Commission's use of PennDOT's Engineering and Construction Management System (ECMS) for the advertisement of RFP's and the receipt of Statements of Interest (SOI) for engineering services. The Commission also updated its Supplier Relationship Management System (SRM). This purchasing system manages internal and external vendor interaction involving the Commission's requisition and receipt process.

- 3.3 Ensure the PTC's Strategic Plan aligns with its mission and vision.

This is an integral part of the strategic planning process that that was implemented agency wide.

- 3.4 Establish measurable performance objectives that are designed for in-house professionals, contractors, consultants and other service providers.

In support of our efforts to measure the performance of our consultants, Michael Baker Jr., Inc. assisted the Commission's Engineering and FEMO (Facilities & Energy Management Operations) Departments in the redesign of consultant evaluation forms. Representatives from each department met to determine the appropriate content and corresponding rating system to be used for the evaluation process.

FINDING 4 - TRANSPARENCY OF BUSINESS PRACTICES

The Advisory Committee supports the PTC's efforts to improve transparency through public outreach and communications. The communications staff has created several channels for communicating with the public, business partners and key officials.

Recommendations:

4. Improve Transparency of business practices through public outreach.

- 4.1 Follow a strategic communications plan that enhances transparency through a variety of communications tools, including issuing frequent press releases, posting FAQ's on the PTC website and holding public meetings.

The Commission will continue its efforts to efficiently and effectively communicate with its customers, stakeholders, the media, and legislators by continuing to evaluate further opportunities for improvement.

The redesign of the PTC website has provided a more user-friendly experience with better organized content and improvements for ease of navigation. By accessing the PTC website, customers can view road conditions, major construction project information, All Electronic Tolling (AET) efforts, employment opportunities, and business opportunities.

- 4.2 Pursue a proactive strategy for communications with PTC customers, its stakeholders and the media.

The Commission recently introduced several media campaigns to promote safety using radio, online, and print advertising. The Commission also recently formed the Turnpike Traveler Advisory Panel (TAP), which is an online research community that allows the Commission to gain feedback from customers regarding PTC infrastructure, services, and key initiatives moving forward.

The Commission has enhanced transparency with our business partners through various initiatives. The Commission is providing Business Conduct Guidelines (BCG) and related training to our business partners.

- 4.3 Establish a protocol for routine communications with the Governor's Office, state lawmakers and policymakers.

Several tactical initiatives were developed as part of the Strategic Plan to establish consistent communications and feedback with the General Assembly and Executive Offices. These tactical initiatives are:

- Establish a protocol for handling legislative inquiries by PTC Departments.
- Email Blasts to Legislators on PTC related initiatives and components of Strategic Plan.
- Maintain accurate email distribution lists and build legislative contact list.
- Conduct legislative training to familiarize key members and staff with PTC operations.

The Commission will continue to utilize the following databases for legislative related correspondence and tracking purposes. When correspondence is received, a ticket is created in the CACTUS System and assigned to the department for response.

The Commission participates in the Governor's Correspondence File. This is a database established by the Governor's Office and used throughout all agencies for the purpose of transmitting inquiries between the Governor's Office and agencies/departments.

FINDING 5 - INSTITUTIONALIZE IMPROVEMENTS

The PTC in the past several years has instituted numerous reforms relating to procurement practices. The Advisory Committee found that it is critical that the reforms are institutionalized so they are not subject to change without discussion and transparency.

Recommendations:

5. Institutionalize the improvements at the PTC by adopting all recommendations as part of the PTC Policy Manual.

- 5.1 The PTC requires (and continues to require) that changes related to ethics and procurement be formally adopted as PTC Policy.

As part of the effort to institutionalize policies and procedures related to ethics and procurement, the Commission revised Contract Management Policy 7.4 to better define the various procurement types in use at the Commission. In conjunction with the policy revision, procedures were revised and enhanced for each procurement type. The procurement types that were documented are: professional services, construction contracts, general procurement, and other miscellaneous procurement types.

- 5.2 The PTC institutionalize (and continue to institutionalize) the PTC policies and procedures related to ethics and procurement by formally incorporating them into educational materials and presentations, handbooks and in practice so that they become a part of performance metrics.

The Commission has also developed the Business Conduct Guidelines to provide general guidance for acceptable business conduct. Commission employees and vendors are expected to comply with all applicable policies, procedures, and guidelines, and are required to complete annual training on the Business Conduct Guidelines. The Commission will also require annual Code of Conduct training for our construction and professional services vendors, and general procurement vendors as deemed appropriate by the Commission. The Commission will incorporate the annual vendor Code of Conduct training requirements in the proposed procurement policy and procedures enhancements.

Additionally, the "Project Management Training for Professional Services" presentation is required training for all project managers and Technical Evaluation Team (TET) members. Also, Contractor Integrity provisions are included in all professional service contracts.

- 5.3 Both the PTC and administration assure that the changes (as well as future substantive changes in policies and procedures related to ethics and procurement) are published for public review on the PTC website.

The above guidelines and Policy 3.10 - Code of Conduct are located on the Commission's website for public view. The Commission will also publish the Business Conduct Guidelines on its website for public view. The external website where all policies are located is currently being upgraded to include a "Transparency" tab, which will provide a more organized presentation of all PTC procurement policies and procedures.

FINDING 6 - POLICY FOR CONTINUED IMPLEMENTATION OF RECOMMENDATIONS THROUGH INDEPENDENT ADVISORS

The Advisory Committee found that the Commission did not have an effective tool in place to ensure a process for periodic reviews of the PTC's procurement policies to ensure greater accountability and constant monitoring.

Recommendations:

6. Establish a policy for continual implementation of these recommendations, including a process for participation of independent advisory persons or groups.
- 6.1 Authorize the Advisory Committee to continue meeting quarterly for one year following the issuance of its initial report. The Advisory Committee would receive a status report from the CEO and staff on reforms at each quarterly meeting.

The Commission will meet with the Advisory Committee on a quarterly basis in 2015, with the next meeting scheduled to be held on January 27th. A status report will be presented to

the Advisory Committee outlining the progress and reforms being made by the PTC with regard to the Advisory Committee Report.

- 6.2 Reconvene the Advisory Committee every three years following the first year of review. The CEO would have the discretion of appointing new members to the three-member Advisory Committee.

The Commission will develop a policy by which the Chief Executive Officer (CEO) will reconvene the Advisory Committee every three years, or more frequently as deemed necessary, commencing from the date of the initial report.

- 6.3 Establish a policy of periodic review by outside professionals of the PTC policies and procedures related to ethics, procurement and transparency. These professionals will not have any personal interest or that of an organization they normally represent.

The Commission has established a policy review committee that is tasked with managing our policy update efforts which includes updating current policies as well as identifying missing policies.

- 6.4 Establish a policy for PTC staff to review and update procedures related to ethics, procurement and transparency on a routine basis.

The Commission will develop procedures that require policy owners to evaluate and update their policies on an annual basis.

FINDING 7 - SUCCESSION PLANNING

The Advisory Committee has reviewed the policies related to appointment of key PTC personnel and determined that there was a lack of clear succession planning.

Recommendations:

7. The Advisory Committee recommends that the PTC prepare succession planning for key positions, particularly the Chief Operating Officer and all department heads.

In an effort to prepare succession planning specifically for the position of Chief Operating Officer (COO) and key department heads, the Commission will develop Position Profile Preparation Manuals that outline the duties and responsibilities for department heads as well as the COO.

In addition to the succession planning program, the Commission offers a four-tier Leadership Training Academy Course to identify and develop potential future leaders within the organization. This training enables participants to increase their leadership skills through several phases of leadership development.

FINDING 8 - TRANSITION PROCESS FOR NEW COMMISSIONERS AND CEO

The Advisory Committee determined that there should be a clear process for educating new Commissioners and a new CEO.

Recommendations:

8. Develop a structured transition and orientation process for new Commissioners and CEO that includes:
 - 8.1 Roles and responsibilities;
 - 8.2 Operational processes;
 - 8.3 PTC general business operations;
 - 8.4 History of major legislative as well as PTC prior actions and impacts;
 - 8.5 Interactions between PennDOT and the Federal Highway Administration;
 - 8.6 Lessons learned from major undertakings and major events (including the Attorney General Presentment so that new commissioners and staff understand the damaging consequences inappropriate and potential illegal conduct can have on the public trust; and
 - 8.7 Ethics and integrity requirements and implementation for all staff and commissioners.

The Commission will develop a comprehensive onboarding check list to assist in the transition of new Commissioners and a new CEO.

FINDING 9 - INSTITUTIONALIZE REFORMS AT THE PTC

Foster a culture that institutionalizes the recently implemented reforms related to ethics, integrity, transparency and other reforms that are reflected in the PTC's Strategic Plan vision, mission and goals.

The Commission has developed and implemented the Business Conduct Guidelines with respect to business conduct, not only for PTC employees, but for vendors, suppliers, contractors, and business partners as well. Mandatory BCG training for employees and vendors will ensure that the Commission continues to promote honest and ethical behaviors.

All employees are required to complete the Code of Conduct and Ethics training on an annual basis.

The Compliance Department plans to conduct a one-time ethics and integrity training session for all vendors at their place of business. Following the onsite training each vendor will be required to complete the online ethics training course annually.

With regard to the Strategic Plan's mission, vision and goals, the Compliance Department will provide to the Chief Executives a quarterly status report on the progress of the Strategic Plan implementation for each department.

The Commission recently launched a two-day “New Employee Orientation” program (NEO). The first two days of employment for any new hire must coincide with one of the scheduled NEO dates. As part of the orientation, the Legal Department conducts a presentation on ethics and the Compliance Department presents the Business Conduct Guidelines.

FINDING 10 - COOPERATION WITH PENNDOT

Continue to take advantage of and promote the current initiatives including “Mapping the Future” to minimize overlap of common operational activities such as training and co-locating maintenance sites with PennDOT.

Through our mapping the future effort, the Commission is working more closely with PennDOT than ever before, and our efforts are producing cost savings for both agencies.

Facilities and Engineering Management Operations (FEMO) shared facilities opportunities with PennDOT under the Mapping the Future initiative have resulted in savings of over 20 million dollars for the Commission and PennDOT. A one-time savings of 8.2 million dollars has been achieved through the Plymouth Meeting Maintenance Facility project which used PennDOT’s model facility design to result in construction savings. There are additional savings resulting from the implementation of a single set of ITS standards, and savings from the sharing of steel fabrication plant inspector and the Commission is currently working with PennDOT on pilot sites for lighting. Through the National Best Practices Initiative, the Commission is learning about innovative techniques through other tolling agencies.

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Pennsylvania Turnpike Commission
RKL Executive Summary



EXECUTIVE SUMMARY

Project Scope

Our project scope included the following:

- We evaluated the adequacy of the Commission's policies, procedures, and training related to ethics and the code of conduct for Commission employees and external vendors.
- We evaluated the Commission's policies and procedures for the procurement of professional services for adequate management and internal controls.
- We evaluated the Commission's efforts at transparency.

Approach

Our process and procedure to perform the tasks detailed above will be approached as follows:

- We participated in a kick-off meeting with the Pennsylvania Turnpike Commission's Advisory Committee and appropriate management level staff. We discussed project scope and approach and answered questions.
- We reviewed the Commission's policies related to ethics, code of conduct, professional services procurement, and transparency.
- We conducted a series of interviews with various staff members (policy owners) who have a role in the above areas to obtain a more thorough understanding of how the Commission's policies are implemented into daily operations.

Overall Observations

Overall, we have the following observations:

- The Commission's leadership has effectively demonstrated its commitment towards openness, honesty, integrity, and ethical behavior. Leadership has successfully created and maintained a "tone at the top" that is very evident throughout the Organization. Leadership appears to be trusted to "do the right thing".
- Ethics, integrity, and transparency appear to be well-ingrained in the Commission's culture.
- Policy changes implemented throughout the Commission since 2014 are notable and recognized by staff members interviewed.
- The Office of Special Investigations has performed effectively and has contributed to the Organization's culture.
- The Commission's policies and procedures for the procurement of professional services are very strong.

Pennsylvania Turnpike Commission

Executive Summary



- The Commission's culture is characterized by openness, communication, and accountability. The Commission successfully uses a variety of communication channels (press releases, website, public meetings, etc.) to proactively communicate with the public, business partners, key officials, and staff. Information is widely available.

Pennsylvania Turnpike Commission
Ethics & Code of Conduct



ETHICS & CODE OF CONDUCT

Areas of Review

- Code of Conduct & Employee Acknowledgement
- Employee/Vendor Ethics & Integrity Training and Tracking
- PTC Fraud and Abuse Tip Line

Policies & Documents Reviewed

- Policy Letter 3.10 – Code of Conduct, revised January 28, 2015
- Policy Letter 3.11 – Fraud & Abuse Tip Box, dated October 2011
- Business Conduct Guidelines, dated August 2015
- Client Alert, Gift Ban Considerations for Attending Meetings, Conferences and Speaking Events
- 2017 Employee Ethics & Integrity Online Training
- 2018 Ethics and Integrity Vendor Online Training (paturnpike.com)

Interviews Conducted

- Albert Peters, II – Attorney
- John Dwyer – Attorney
- Judy Treaster – Manager of Compensation & Development
- Tony Ricks – Manager of Training & Development
- Ray Morrow – Chief Compliance Officer

Observations and Recommendations

1. We noted a number of inconsistencies between *Policy Letter 3.10 – Code of Conduct* and *Business Conduct Guidelines*. We reviewed these inconsistencies with Robert Nisley and understand that both documents are currently undergoing revision. Our comments will be considered as part of this revision process.
2. The 2018 Employee Ethics and Integrity Online Training includes questions related to hypothetical scenarios that employees may encounter. We found these questions to be highly effective in that they allow an employee to apply their understanding of the policy to real-life situations.
3. Based on our interviews with staff members involved in the employee Ethics & Integrity Training process, we noted that formal documentation related to the process for tracking employee compliance does not exist. Part of this process involves manually entering training completion information into SAP. We recommend that the Commission consider developing formal documentation for the process.
4. The Compliance Department's tracking process for the Vendor Ethics and Integrity Online Training is manual. We recommend that the Commission consider automated alternatives to reduce the risk of error or oversight. The PTC has procured software as part of an effort to address HR needs that will provide an automated tracking system for online training. The new Learning Management System is currently being installed and will be up and running by the end of this calendar year.

Pennsylvania Turnpike Commission
Ethics & Code of Conduct



5. The Compliance Survey (via Survey Monkey) for the Ethics and Integrity Online Training for Contractors/Vendors captures information related to the vendor and requests feedback on the usefulness of the training. We recommend that the survey be altered to include questions on the training content. This would provide an assessment of the vendor's understanding of the Commission's Code of Conduct.
6. The Chief Compliance Officer and his team have made significant improvements in several areas including Vendor Ethics & Integrity Training, Special Investigations and Compliance.

Pennsylvania Turnpike Commission
Professional Services Procurement



Professional Services Procurement

Areas of Review

- Engineering Contracts/Contracts Administration
- Technical Evaluation Team
- Change Orders/Conflicts of Interest/Independent Team Members
- Supplier Diversity

Policies & Documents Reviewed

- Policy Letter 7.04, Procurement, dated December 2015
- PTC Policy 7.10 Business and Supplier Diversity and Contract Compliance, dated December 2014
- Professional Services Procurement Procedures, dated May 2016
- Professional Services Procurement Procedures, Addendum #1, dated July 2018

Interviews Conducted

Donald S. Klingensmith, P.E.

Observations and Recommendations

1. Internal policies and procedures for procuring professional services are strong. However, the evaluation and approval process is labor intensive and lengthy (may require several months).
2. We recommend that the Commission consider reviewing the overview (Doing Business with the Turnpike) on the Commission's website to ensure consistency with current procurement policies and procedures.
3. The Commission does not have a formal policy related to vendor relationships with lobbyists. We recommend that the Commission consider adopting such a policy.

Pennsylvania Turnpike Commission Transparency



Areas of Review

- Pennsylvania Turnpike Commission website (paturndpike.com)
- 2018 News Releases
- Marketing efforts
- Policy Administration

Policies & Documents Reviewed

- Policy Letter 1.01 – Administration of PTC Policies, dated March 2015
- Policy Letter 2.13 – Compliance with the PA Whistleblower Law, dated October 2011
- Policy Letter 10.01 – Right-to-Know Law Information Request, dated August 2011
- Policy Letter, 10.05 – PTC Advisory Committee, dated May 2015
- Process for Creating, Updating and Maintaining Pennsylvania Turnpike Commission Policies
- *The Road Ahead* (paturndpike.com)

Interviews Conducted

- Doreen McCall, Chief Counsel
- Stacia Ritter, Director of Policy & Fare Collection
- Carl Defebo, Jr., Director of Public Relations & Marketing
- Myneca Ojo, Director of Diversity & Inclusion

Observations and Recommendations

1. The Commission has established an effective process for creating, updating, and maintaining Commission policies.
2. Commission policies are available to the general public at paturndpike.com and to the staff on the Commission's intranet. Policies are catalogued and are easily accessible.
3. The Commission's Right to Know Information Request policy and procedures are comprehensive.
4. The Commission's leadership team is committed to transparency. The team is focused on continuous improvement and innovation in all forms of communication.

Pennsylvania Turnpike Commission

Perspectives on Change



Interview Process

Gretchen Naso, RKL and MG Patel, PTC Advisory Committee Chair, conducted one-on-one interviews with pre-selected employees and representatives from PennDOT, PA Constructors and FHWA (collectively, External Stakeholders) on 12.12.18 and 12.13.18. All interviews with employees were held at the Commission's Harrisburg office. Interviews with external stakeholders were conducted via conference calls. Employees from major functional areas were selected for interviews by Robert Nisley.

Summary - Employee Interviews

All employees interviewed indicated that they understand the Commission's Code of Conduct Policy. Overall, most of the employees feel that the annual Ethics and Code of Conduct Training is beneficial and that the Code of Conduct has become an essential part of the Commission's culture. Some employees indicated that the annual Code of Conduct Training has become repetitive and is considered something to "get out of the way".

Overall, most employees believe that transparency has improved over the past 5 years and trust the Commission leadership to "do the right thing". A couple of employees indicated that some organizational and staffing decisions are made without transparency. One employee suggested that external transparency has improved much more than internal transparency.

Employees believe that Commission leadership demonstrates high moral and ethical behavior. Employees understand how to report Code of Conduct violations and most believe that they would be free to do so without the threat of recrimination or retaliation. None of the employees interviewed had ever observed unethical behavior or policy violations. When asked, the employees interviewed offered limited suggestions for change that would further promote ethical behavior. These suggestions included handling organizational changes and personnel matters (promotions and hiring) with more transparency and promoting more interaction between the field and the office employees.

Employees noted that "Emerging Leader" courses and Mark Compton's random sessions/lunches with employees are especially helpful in promoting transparency and the Code of Conduct.

Pennsylvania Turnpike Commission

Perspectives on Change



Summary – External Stakeholders

External stakeholders interviewed cited strong communication, transparency, collaboration, effective partnership, proactivity and ethical behavior when asked about their perceptions of change and transparency at the Commission. The Commission was applauded for strides in safety, innovation, customer service and operations.

The stakeholders all discussed the importance of improving the coordination/connection between the Commission and PennDOT. The operational differences and stressed relationship (in some areas) were noted as barriers to improvement and synergies between the two organizations,

KEY OBSERVATIONS FROM EXTERNAL INDUSTRY ASSOCIATES

The consultant in conjunction with the Advisory Committee conducted personal interviews with key officials at organizations that work closely with the Commission to gain an external perspective on reform efforts at the PTC. Indicated below are some of the findings.

...In general, PennDOT agrees there has been much improvement following the previous Advisory Committee's recommendations.

...Many opportunities continue to exist that were recognized in the Mapping the Future effort. A couple of larger examples are:

- PennDOT is assembling a group to re-do the Mutual Gains initiative and incorporate a 3D design platform. PTC will be included in these efforts.
- PennDOT is continuing to evolve our electronic construction documentation systems and specifically will improve our electronic Construction and Materials Management System (eCAMMS) and will ensure PTC is also engaged in this initiative.

...As always, PennDOT is more than willing to talk through working jointly to evolve the ways we do business.

...PTC communication and coordination with PennDOT on large contracting efforts are reasonable considering the size of the projects, but there are opportunities to improve relationships and coordination efforts to avoid issues late in the project development process.

-PennDOT

...The PTC leadership works well with the divisional office (FHWA) to have conversation to assess opportunities and develop and improve working relationships. In fact, the FHWA and PTC are hoping to set up regular, routine meetings between the offices to address initiatives, innovation and opportunities.

...When federal funds are being used, the PTC always reaches out to the FHWA because they want to make sure the PTC is following federal guidelines. Two examples are broad-banding and PennStart; there were discussions on satisfying the federal guidelines.

...I have nothing but positives to say. The strong working relationship between the FHWA and PTC that has always existed at the working level is now evident at the leadership level.

...During my time here, the PTC has made strides in safety, innovation, enhancing customer service and improving operations. The PTC is transparent and is wanting to partner.

-Federal Highway Administration

...The Associated PA Constructors and PTC collaborated at the highest levels on work zone speed enforcement. There was a lot of cooperation and good open communication.

...The Associated PA Constructors recommend having one bidding system rather than the current two systems (ECMS - PennDOT and Electronic Bidding System – PTC) to relieve the burden of contractors having to deal with two different systems.

-Associated PA Constructors

Note: All three organizations referenced above are willing to fully participate in developing Performance Based Contracting in place of the current Specifications Based Contracting process if PTC initiates this effort.