State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: TOM HALLENBECK
Division Chief
Traffic Operations

Date: June 21, 2016

File: P2530-0031, P2530-0032, P2530-0033, P2530-0034, P2530-0035, P2530-0036, P2530-0037, P2530-0038

ORIGINAL SIGNED BY:

From: ALICE LEE, Chief
External Audit - Contracts
Audits and Investigations

Subject: **AUDIT OF CITY OF LOS ANGELES**

Attached is the audit report pertaining to the audit performed on the City of Los Angeles (City), relative to funding received from Caltrans using Proposition 1B (Prop 1B) Traffic Light Synchronization Program funds. The names, numbers, and claimed amount of the projects audited are:

Project Name and Project Number	**Claimed Amount**
ATSAC – Canoga Park - Phase 1, Project No. TLSPL-5006(615)	$ 8,663,718
ATSAC – Canoga Park - Phase 2, Project No. TLSPL-5006(688)	$ 8,613,481
ATSAC – Harbor Gateway 2, Project No. TLSPL-5006(617)	$ 7,899,000
ATSAC – Pacific Palisades/Canyons, Project No. TLSPL-5006(620)	$ 6,735,073
ATSAC – Wilmington, Project No. TLSPL-5006(614)	$10,162,392
ATSAC – Coliseum/Florence – Phase 1, Project No. TLSPL-5006(618)	$ 6,611,901
ATSAC – Coliseum/Florence – Phase 2, Project No. TLSPL-5006(619)	$ 8,702,743
ATSAC – Foothill, Project No. TLSPL-5006(621)	$ 8,263,362
Grand Total	**$65,651,670**

The Prop 1B programmed total amounts were $65,651,670, respectively. The audit was for the period of April 7, 2010, through February 18, 2015.

As required by the Governor's Executive Order S-02-07 and SB88, the expenditures of bond proceeds and outcomes are subject to audit. The audit was performed by the Department of Finance, Office of State Audits and Evaluations, on behalf of Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The attached report includes the following findings:

- Finding 1: Question equipment costs of $98,341 for equipment purchased and reimbursed, but not used, for the ATSAC – Canoga Park Phase 2 project.
- Finding 2: Project Deliverables not completed timely.

- Finding 3: Reporting of Project Outcomes needs improvement.
- Finding 4: Inconsistent and Inaccurate Project Construction Complete dates.

Please provide A&I a corrective action resolution on the audit findings within 90 days of this memorandum. If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Attachment

c: Stephen Maller, Deputy Director, California Transportation Commission
Teresa Favila, Assistant Deputy Director, California Transportation Commission
Bruce De Terra, Acting Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Nick Compin, Prop 1B Coordinator, Division of Traffic Operations
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

May 20, 2016

Mr. William E. Lewis, Assistant Director
Audits and Investigations, California Department of Transportation
1304 O Street
Sacramento, CA 95814

Dear Mr. Lewis:

Final Report—City of Los Angeles, Proposition 1B Project Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the City of Los Angeles' (City) Proposition 1B funded projects listed below:

Project Number	Project Name
TLSPL – 5006(615)	ATSAC – Canoga Park – Phase 1
TLSPL – 5006(688)	ATSAC – Canoga Park – Phase 2
TLSPL – 5006(617)	ATSAC – Harbor Gateway 2
TLSPL – 5006(620)	ATSAC – Pacific Palisades/Canyons
TLSPL – 5006(614)	ATSAC – Wilmington
TLSPL – 5006(618)	ATSAC – Coliseum/Florence – Phase 1
TLSPL – 5006(619)	ATSAC – Coliseum/Florence – Phase 2
TLSPL – 5006(621)	ATSAC – Foothill

The City's response to the report findings are incorporated into this final report. The City agreed with our findings and we appreciate its willingness to implement corrective actions. The findings in our report are intended to assist management in improving its program. This report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

ORIGINAL SIGNED BY:

Cheryl L. McCormick, CPA
Assistant Chief, Office of State Audits and Evaluations

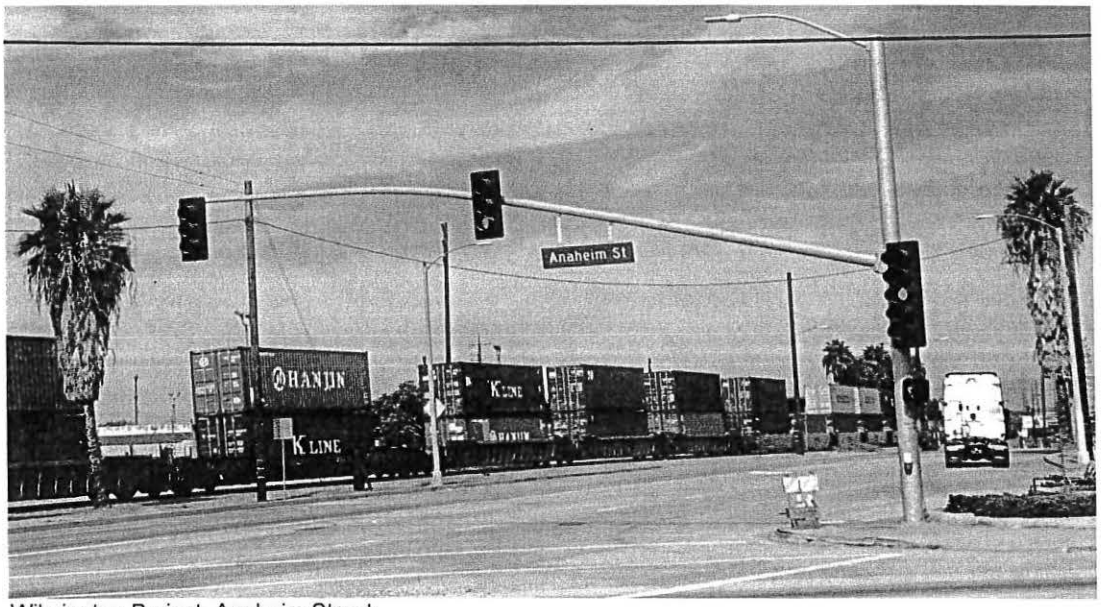
Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, Audits and Investigations, California Department of Transportation
Ms. Seleta J. Reynolds, General Manager, Department of Transportation, City of Los Angeles
Mr. Dan Mitchell, Assistant General Manager, Department of Transportation, City of Los Angeles
Mr. Verej Janoyan, Acting Principal Transportation Engineer, Department of Transportation, City of Los Angeles

Audit Report

City of Los Angeles
Proposition 1B Bond Program

Project Numbers TLSPL-5006(615), TLSPL-5006(688), TLSPL-5006(617), TLSPL-5006(620), TLSPL-5006(614), TLSPL-5006(618), TLSPL-5006(619), and TLSPL-5006(621)



Wilmington Project, Anaheim Street

Prepared By:
Office of State Audits and Evaluations
Department of Finance

162660029

April 2016

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Rick Cervantes, CPA
Supervisor

Staff
Garrett Fujitani
Minh Nguyen
Blanca Sandoval

Final reports are available on our website at http://www.dof.ca.gov

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for $19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.[1]

PROGRAM DESCRIPTION[1]

- **TLSP:** $250 million of bond proceeds were made available to the TLSP to finance traffic light synchronization projects or other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads. Project funding is limited to the costs of construction and acquisition, and installation of equipment.

CTC awarded $72.8 million of Proposition 1B Traffic Light Synchronization Program (TLSP) funds to the City of Los Angeles (City) and Caltrans administered the projects (refer to the text box for the program description). The projects signalize intersections using real-time computer based traffic signal systems to manage high traffic volumes. The City implemented these projects, which supports its mission to provide safe, accessible transportation services and infrastructure in the city and the region.[2] The projects below have been completed.

Completed TLSP Projects	
ATSAC – Canoga Park – Phase 1	ATSAC – Wilmington
ATSAC – Canoga Park – Phase 2	ATSAC – Coliseum/Florence – Phase 1
ATSAC – Harbor Gateway 2	ATSAC – Coliseum/Florence – Phase 2
ATSAC – Pacific Palisades/Canyons	ATSAC – Foothill

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The audit period for each project is identified in Appendix A.

The audit objectives were to determine whether:

- Project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

[1] Excerpts were obtained from the bond accountability website: www.bondaccountability.dot.ca.gov/bondacc/
[2] Excerpts were obtained from the City of Los Angeles Department of Transportation website. http://www.ladot.lacity.org/WhatWeDo/AboutUs/index.htm

- Project deliverables (outputs) were consistent with the project scopes and schedules, and project outcomes were consistent with benefits described in the executed project agreements or approved amendments.

We did not assess the efficiency or effectiveness of program operations.

The City's management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. CTC and Caltrans are responsible for the state-level administration of the program.

METHODOLOGY

To achieve the audit objectives, we performed the following procedures:

- Examined the project files, master agreement, program supplements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state and federal procurement requirements.
- Reviewed accounting records, project billing invoices, and progress payments.
- Selected a sample of claimed costs to determine if costs were project-related, properly incurred, authorized, and supported by accounting records.
- Reviewed significant contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Evaluated whether other revenue sources were used to reimburse costs already reimbursed with bond funds.
- Evaluated whether project deliverables (outputs) were completed on schedule as described in the project agreements or amendments.
- Evaluated whether project deliverables (outputs) were met by reviewing a sample of supporting documentation and conducting site visits to verify project existence.
- Evaluated whether project outcomes were consistent with the project scope and determined whether there was a system in place to report project benefits.

In conducting our audits, we obtained an understanding of the City's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the audits and determined to be significant within the context of our audit objectives are included in this report.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Except as noted below, project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and California Department of Transportation (Caltrans)/California Transportation Commission (CTC) program guidelines. In addition, except as noted below, the project deliverables (outputs) were consistent with the project scopes and schedules, and outcomes were consistent with the benefits described in the executed project agreements or approved amendments. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Questioned Equipment Costs of $98,341

The City of Los Angeles (City) claimed and was reimbursed $98,341 for equipment purchased, but not used, for the ATSAC - Canoga Park Phase 2 project. Contract Change Order 13 states that equipment was purchased for the intersection of Devonshire Street and Old Depot Plaza Road and was to be delivered to the City's storage yard for future use. The equipment was not used because the Los Angeles County Metropolitan Transportation (Metro) Orange Line extension construction schedule conflicted with the ATSAC - Canoga Park Phase 2 project schedule. The City stated it intends to install the equipment once the scheduling conflict with the Metro project is resolved.

Although the equipment was purchased, it is not an allowable project cost since it is not being used for its intended purpose. Master Agreement 00152S, Article IV, section 7, states that payments to the administering agency can only be released by the State as reimbursements of actual allowable project costs.

Recommendation:

A. Remit $98,341 to Caltrans or coordinate with Caltrans to ensure the equipment is used for its intended purpose.

Finding 2: Project Deliverables Not Completed Timely

The construction projects were not completed by the end construction phase project milestone date listed in the Project Baseline Agreement Programming Requests for all eight projects. The project completion dates ranged from 4 to 27 months late. According to the City, construction milestone dates were not met because of delays caused by conflicts in construction scheduling between multiple projects and ongoing administrative processing for the projects.

The required final delivery reports were also not submitted to CTC within six months of the projects becoming operable (construction contract acceptance date) for seven of the eight projects. Additionally, the one final delivery report was submitted 13 months late. The City has not submitted final delivery reports because it interprets project completion as the date the City accepts the project and all administrative processing is complete.

Delayed completion of construction projects defers the project benefits (e.g. improved travel time and reduced air emissions) that directly impact residents and commuters in the City of Los Angeles. Also, failing to submit timely final delivery reports decreases transparency of the status of projects and prevents Caltrans/CTC from timely reviewing project scope, final costs as compared to the project budget, duration as compared to project schedule, and performance outcomes.

The Project Baseline Agreement Programming Requests establish project milestones. In addition, the Traffic Light Synchronization Program (TLSP) Guidelines section 16 and TLSP Accountability Plan, section 3A require a final delivery report be submitted to CTC within six months of the project becoming operable. These sections state that a project becomes operable at the end of the construction phase when the construction contract is accepted.

Recommendations:

A. Complete project deliverables timely or request approval from Caltrans/CTC for extension of milestone dates.

B. Submit the final delivery reports to CTC and ensure all other Proposition 1B projects' final delivery reports are submitted within six months of the projects becoming operable (construction contract acceptance date).

Finding 3: Reporting of Project Outcomes Needs Improvement

The City does not have a system in place to support the programmed project benefits (outcomes) for all of the projects. In addition, the outcomes on the baseline agreement were not addressed for the one project that submitted a final delivery report. Specifically:

- The Project Baseline Agreement Programming Requests (PBAPRs) for the eight projects estimated reducing air emissions by 34.8 percent after project implementation. The City does not have a system in place to support this identified benefit. Specifically, the City was unable to explain how this metric was derived, and was unable to provide documentation supporting the figure. The documentation provided by the City supported a reduction of carbon monoxide, reactive organic gases, nitrogen oxides, and carbon dioxide; however, the documentation does not specifically support the 34.8 percent reduction in air emission that was reported in the PBAPRs.

- The outcomes listed on the ATSAC – Harbor Gateway 2 Baseline Agreement Programming Request were not adequately addressed in the final delivery report. Specifically, the outcomes to improve travel speed by 12.3 percent and reduce intersection delays by 30 percent were not included in the final delivery report. Additionally, the City used different metrics when reporting improvements to air quality. The baseline agreement listed a reduction of air emissions by 34.8 percent, as discussed above. The final report submitted by the City lists reductions of 84 tons for carbon monoxide, 14 tons for reactive organic gases, 20 tons for nitrogen oxides, and 9,790 tons in carbon dioxide. The City did not identify if these reductions (in tons) met the 34.8 percent reduction in air emissions.

Accurate and supported information in the submitted baseline agreements is critical for CTC to determine if the project meets eligibility requirements. In addition, incomplete information on the final delivery report decreases transparency of the project outcomes and prevents CTC from reviewing the success of the projects based on the performance outcomes described in the Project Baseline Agreement Programming Requests.

In accordance with TLSP Guidelines, sections 5-9, CTC uses the submitted baseline agreements (which included the project outcomes) to determine if the projects meet eligibility requirements and to score and rank applications. Also, TLSP Guidelines, section 16, states that within six months of the project becoming operable, the implementing agency will provide a final delivery report to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project baseline agreement.

Recommendations:

A. Document and retain the methodology used to support the outcomes reported on the Project Baseline Agreement Programming Requests. Additionally, ensure the identified benefits are adequately supported with documentation.

B. Ensure that final delivery reports address the performance outcomes listed in the Project Baseline Agreement Programming Request.

Finding 4: Inconsistent and Inaccurate Project Construction Completion Dates

The project construction completion dates reported on the Fiscal Year 2014-15 Fourth Quarter Report to CTC are inconsistent and inaccurate. The dates reported to CTC were either earlier or later than the official construction completion dates listed in the Statements of Completion (construction contract acceptance date). The table below summarizes the discrepancies.

Project Name	FY 2014-15 Fourth Quarter Report, Project Status Section- Construction Completion Date	FY 2014-15 Fourth Quarter Report, Page 7 - Construction Completion Date	Construction Completion - per Statement of Completion
ATSAC – Canoga Park – Phase 1	4/2014	2/2015	8/2013
ATSAC – Canoga Park – Phase 2	7/2014	2/2015	10/2013
ATSAC – Harbor Gateway 2	4/2014	Not Applicable	7/2013
ATSAC – Pacific Palisades / Canyons	7/2014	2/2015	2/2015
ATSAC – Wilmington	4/2014	3/2015	7/2014
ATSAC – Coliseum / Florence – Phase 1	7/2014	3/2015	10/2013
ATSAC – Coliseum / Florence – Phase 2	7/2014	3/2015	6/2014
ATSAC – Foothill	7/2014	2/2015	5/2014

The discrepancies were due to the City's interpretation of the construction completion date that includes the time required to conclude administrative processing. However, the City could not explain the inconsistent construction completion dates listed within the quarterly reports. In accordance with TLSP Guidelines section 16, the City should use the construction contract acceptance date as the construction completion date.

Inaccurate information on the quarterly reports decreases transparency of the project outcomes and prevents CTC from accurately monitoring the implementing agencies' performance.

Recommendations:

A. Report the construction contract acceptance date as the construction completion date in the quarterly reports.

B. Ensure consistent reporting of construction completion dates in project related reports.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Los Angeles: City
- Traffic Light Synchronization Program: TLSP

Summary of Projects Reviewed

Project Name	Claimed	Project Status	Project Costs in Compliance?	Deliverables (Output) and Outcomes Met?	Page
1. ATSAC – Canoga Park – Phase 1	$8,663,718	C	Y	P	A-1
2. ATSAC – Canoga Park – Phase 2	$8,613,481	C	P	P	A-2
3. ATSAC – Harbor Gateway 2	$7,899,000	C	Y	P	A-3
4. ATSAC – Pacific Palisades/Canyons	$6,735,073	C	Y	P	A-4
5. ATSAC – Wilmington	$10,162,392	C	Y	P	A-5
6. ATSAC – Coliseum/Florence – Phase 1	$6,611,901	C	Y	P	A-6
7. ATSAC – Coliseum/Florence – Phase 2	$8,702,743	C	Y	P	A-7
8. ATSAC – Foothill	$8,263,362	C	Y	P	A-8

Legend
C = Complete
Y = Yes
P = Partial

Project Number: TLSPL – 5006(615)

Project Name: ATSAC – Canoga Park – Phase 1

Program Name: TLSP

Project Description: This 52 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: January 19, 2011 through February 22, 2014[1]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$8,663,718
Total Construction Expenditures	**$8,663,718**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes
The project's construction was completed in August 2013. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[1] The audit period end date reflects the date of the last reimbursement claim submitted to Caltrans.

Project Number: TLSPL – 5006(688)

Project Name: ATSAC – Canoga Park – Phase 2

Program Name: TLSP

Project Description: This 52 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: January 19, 2011 through January 10, 2015[2]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed	Questioned Costs
Construction Direct Cost	$8,613,481	$98,341
Total Construction Expenditures	**$8,613,481**	**$98,341**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines, except $98,341 of questioned equipment costs (Finding 3).

Deliverables (Outputs) and Outcomes
The project's construction was completed in October 2013. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[2] Ibid.

Project Number: TLSPL – 5006(617)

Project Name: ATSAC – Harbor Gateway 2

Program Name: TLSP

Project Description: This 64 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: April 7, 2010 through February, 18 2015[3]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$7,899,000
Total Construction Expenditures	**$7,899,000**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes
The project's construction was completed in July 2013. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project outcomes were not adequately addressed in the final delivery report. Specifically, the outcomes to improve travel speed by 12.3 percent and reduce intersection delays by 30 percent were not included in the final delivery report. Additionally, different metrics were used when reporting on improvements to air quality (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[3] Ibid.

Project Number: TLSPL – 5006(620)

Project Name: ATSAC – Pacific Palisades / Canyons

Program Name: TLSP

Project Description: This 37 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: January 19, 2011 through February 22, 2014[4]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$6,735,073
Total Construction Expenditures	**$6,735,073**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes
The project's construction was completed in February 2015. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[4] Ibid.

Project Number: TLSPL – 5006(614)

Project Name: ATSAC – Wilmington

Program Name: TLSP

Project Description: This 69 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: January 19, 2011 through January 10, 2015[5]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$10,162,392
Total Construction Expenditures	**$10,162,392**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes
The project's construction was completed in July 2014. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[5] Ibid.

Project Number: TLSPL – 5006(618)

Project Name: ATSAC – Coliseum / Florence – Phase 1

Program Name: TLSP

Project Description: This 67 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: August 10, 2011 through October 4, 2014[6]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$6,611,901
Total Construction Expenditures	**$6,611,901**

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes

The project's construction was completed in October 2013. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[6] Ibid.

Project Number: TLSPL – 5006(619)

Project Name: ATSAC – Coliseum / Florence – Phase 2

Program Name: TLSP

Project Description: This 67 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: August 10, 2011 through October 18, 2014[7]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$8,702,743
Total Construction Expenditures	**$8,702,743**

Audit Results:

Compliance
Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes
The project's construction was completed in June 2014. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[7] Ibid.

Project Number: TLSPL – 5006(621)

Project Name: ATSAC – Foothill

Program Name: TLSP

Project Description: This 35 signalized intersection project is a real-time computer-based traffic signal system that manages high traffic volumes by replacing obsolete traffic signal controllers and upgrading signal equipment to improve operation; and installing intersection loop detectors, interconnect conduit, fiber optic cables, new communication equipment, changeable message signs, traffic surveillance cameras, and central computer equipment.

Audit Period: August 10, 2011 through October 18, 2014[8]

Project Status: Complete

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Direct Cost	$8,263,362
Total Construction Expenditures	**$8,263,362**

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

Deliverables (Outputs) and Outcomes

The project's construction was completed in May 2014. At the time of our site visit in November 2015, the City had a system in place to report intended outcomes and project deliverables (outputs), and outcomes were consistent with the project scope and schedule except:

- Project deliverables for construction and final delivery report were not completed timely (Finding 1).
- Project outcome reducing air emission by 34.8 percent was not supported (Finding 2).
- Project completion date reported on the FY 2014-15 Fourth Quarter Report to CTC was inconsistent and inaccurate (Finding 4).

[8] Ibid.

CITY OF LOS ANGELES

CALIFORNIA

Seleta J. Reynolds
GENERAL MANAGER

DEPARTMENT OF TRANSPORTATION
100 South Main Street, 10th Floor
Los Angeles, California 90012
(213) 972-8470
FAX (213) 972-8410

ERIC GARCETTI
MAYOR

May 12, 2016

Cheryl L. McCormick
Assistant Chief, Office of State Audits and Evaluations
California State Department of Finance
915 L Street
Sacramento, CA 95814-3706

RESPONSE TO DRAFT AUDIT REPORT – CITY OF LOS ANGELES, PROPOSITION 1B PROJECT AUDITS

Dear Ms. McCormick

This is in response to your letter dated April 21, 2016 relative to audit findings for eight Proposition 1B bond-funded projects for the City of Los Angeles: TLSPL-5006 (615), TLSPL-5006 (688), TLSPL-5006 (617), TLSPL-5006 (620), TLSPL-5006 (614), TLSPL-5006 (618), TLSPL-5006 (619), and TLSPL-5006 (621).

The audit report has a total of four findings. We'll attempt to address each of these findings in the following paragraphs.

Finding 1: Questioned Equipment Costs of $98,341

As stated in the audit report, the ATSAC - Canoga Park Phase 2 project included traffic signal improvements at the intersection of Devonshire Street and Old Depot Road in the San Fernando Valley. After the construction contract was awarded, it was discovered that significant amount of redesign and additional equipment needed to tie the new signal with an adjacent railroad crossing operated by Metrolink. This tie-in is necessary to comply with federal rules to integrate the operation of a traffic signal with railroad signals if the two crossings are within 200 feet of each other. From our experience, such coordination would have delayed the entire construction contract. After extensive discussions, it was decided to delete this improvement from the contract and take possession of the signal equipment from the contractor since the equipment had already been purchased. We deducted the remaining cost of the installation from the contract and the auditors were provided with copies of change orders that documented the deletion.

Our intention was to revise the design to include the railroad crossing and to identify a new funding source for the modified traffic signal. We have now come to the conclusion that the cost to tie the railroad crossing to the proposed traffic signal could be in excess of a million dollars, given the complexity involved with advanced train detection technology and equipment. Although the traffic

signal poles is an allowable project cost, we concur with the audit finding to remit the $98,341 to Caltrans since we don't have a clear path forward yet for the final design or a new funding source.

Finding 2: Project Deliverables Not Completed Timely

There are two parts to this finding: construction projects were not completed as stated in the Baseline Agreement Programming Requests, and the required final delivery reports were not submitted to the California Transportation Commission (CTC) within six months of projects becoming operable.

Relative to completion dates, we now recognize an oversight on our part when reporting a project's completion percentages on Caltrans' LA-ODIS on-line reporting system. While we had Statements of Completion that would have indicated that six of the eight projects were completed by 1-9 months earlier than the Baseline Agreement, we did not report 100% completion in the LA-ODIS system. Instead, we reported completion percentages of around 95-99%, pending the completion of the City's Final Delivery Report that includes final cost accounting and acceptance of the contract by the City's Board of Public Works. With the City's hiring freeze for the past several years, collecting all this information for the Final Delivery Report took a lot longer than we anticipated. The other two projects were delayed by 10 months (Palisades) and 3 months (Wilmington). We believe that our oversight caused the discrepancy cited by the audit report relative to completion dates.

Project Name	Construction Completion-per Statement of Completion	End Construction Date-per Baseline Agreement
ATSAC-Canoga Park Phase 1	8/2013	4/2014
ATSAC-Canoga Park Phase 2	10/2013	7/2014
ATSAC-Harbor Gateway 2	7/2013	4/2014
ATSAC-Pacific Palisades/Canyons	2/2015	4/2014
ATSAC-Wilmington	7/2014	4/2014
ATSAC-Coliseum/Florence Phase 1	10/2013	7/2014
ATSAC-Coliseum/Florence Phase 2	6/2014	7/2014
ATSAC-Foothill	5/2014	7/2014

The lesson learned relative to this finding is that we should have used the Statement of Completion date to indicate a 100% construction completion when reporting onto the LA-ODIS system and not wait for the Final Delivery Report to be compiled and produced.

As the audit report indicates, the Final Delivery Report must be submitted to the CTC within six months of the projects becoming operable (in this case, from the date of the Statement of Completion). Again, due to severe staffing shortages within the project management and other administrative and accounting staffs, the City did not meet this requirement. However, since the completion of this audit, the City has hired a significant number of engineering, accounting, and administrative staff that enabled us to catch up to a backlog of billing totaling over $15 million and submittal of Project Delivery Reports for all eight projects involved in this audit. We recognize that we did not meet the six months requirement, but we have made it a priority to complete and submit all reports once we had the resources.

Finding 3: Reporting of Project Outcomes Needs Improvement

We support the audit finding for documentation and retention of records relative to project outcomes reported in the final delivery reports. Further, we will work with Caltrans to rectify any issue relative to reporting of performance outcomes contained in the Project Delivery Reports that were recently submitted.

Finding 4: Inconsistent and Inaccurate Project Construction Completion Dates

We accept the audit's recommendation to use the Statement of Completion date as the construction completion date for the purpose of the quarterly reports and all project related reports.

As stated earlier for Finding 2, we misinterpreted terminologies used in the Prop 1B guidelines with others used for the City's public work projects. The confusion was compounded by the fact that we had significant staff turnover in the administration of the program that lead to misinterpretation of dates and guidelines. We have learned a lot by going through the audit process and we will comply with all findings moving forward.

We want to take this opportunity to thank the efforts and cooperation of the audit team that included Jon Chapple, Rick Servantes, Garrett Fujitani, Minh Nguyen, and Blanca Sandoval. The team demonstrated great deal of professionalism, ethics, and hard work throughout the audit process that included volumes of documents, dates, and processes for eight projects totaling over $72 million. We were impressed with their knowledge, diligence, and thoroughness. We look forward to work with the team in the future.

If you have any questions or request clarifications to this letter, please do not hesitate to call me at 213-972-5050, or email at Verej.Janoyan@lacity.org.

Sincerely,

ORIGINAL SIGNED BY:

Vérej Janoyan
Acting Principal Transportation Engineer
Los Angeles Department of Transportation

cc: Seleta J. Reynolds, General Manager, LADOT
Dan Mitchell, Assistant General Manager, LADOT