

Memorandum

*Serious drought.
Help Save Water!*

To: TOM HALLENBECK
Division Chief
Traffic Operations

Date: October 21, 2015

File: P2530-0025
P2530-0026
P2530-0027
P2530-0028

ORIGINAL SIGNED BY:

From: LAURINE BOHAMERA, 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 of the projects audited are:

- ATSC – Echo Park / Silver Lake, Project No. TLSPL-5006(555)
- ATSAC – Reseda Phase 1, Project No. TLSPL-5006(550)
- ATSAC – Reseda Phase 2, Project No. TLSPL-5006(604)
- ATSAC – San Pedro, Project No. TLSPL-5006(573)

The Prop 1B programmed amounts were \$3,215,000, \$8,506,300, \$7,221,000, and \$8,911,000, respectively. The audit was for the period of January 1, 2008, through June 30, 2014.

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 State Controller's Office 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:

- The project costs of \$3,215,000 are disallowed for ATCS – Echo Park / Silver Lake because the City did not advertise the project and competitively award the contract to the lowest bidder.
- The City did not submit the Final Delivery Report for ATSAC – Reseda Phase 1.

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.

TOM HALLENBECK

October 21, 2015

Page 2 of 2

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

CITY OF LOS ANGELES

Audit Report

TRAFFIC LIGHT SYNCHRONIZATION PROGRAM PROPOSITION 1B BOND-FUNDED PROJECTS

EA Nos. 07-4U4204, 07-4U4194, 07-4U4344, 07-933225/
P2530-0025, P2530-0026, P2530-0027, P2530-0028

January 1, 2008, through June 30, 2014



BETTY T. YEE
California State Controller

September 2015



BETTY T. YEE
California State Controller

September 30, 2015

Laurine Bohamera, Chief
Audits and Investigations
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Ms. Bohamera:

The State Controller's Office (SCO) audited the City of Los Angeles, Department of Transportation's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of January 1, 2008, through June 30, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225, and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded projects TLSP 5006 (555), TLSP 5006 (550), TLSP 5006 (604), and TLSP 5006 (573), and determined that:

- Except for the ATSAC Reseda Phase I Project, EA No. 07-4U4194, the implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18, and/or California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

However, except for the ATSAC Reseda Phase 1 Project, EA No. 07-4U4194, the implementing agency did not comply with applicable federal and state requirements for project deliverables by completing the Final Delivery Report (FDR). The FDR should be submitted within six months of the project becoming operable. For this project, the FDR was not delivered at all. Further, our audit found that for the ATSC Echo Park/Silver Lake Project, EA No. 07-4U4204, the implementing agency did not comply with applicable federal and state procurement requirements for advertising and administering a contract bid process, resulting in the disallowance of total project costs of \$3,125,000.

Schedules 1, 2, 3 and 4 of this report is a summary of project costs programmed, approved, expended, and audited during the audit period.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

cc: Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Brandon Wong, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of Los Angeles, Department of Transportation's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of January 1, 2008, through June 30, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines, procedures, agreements, or approved amendments.

We audited the Proposition 1B bond-funded projects TLSP 5006 (555), TLSP 5006 (550), TLSP 5006 (604), and TLSP 5006 (573), and for each project determined that:

- Except for the ATSAC Reseda Phase I Project, EA No. 07-4U4194, the implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

However, our audit found that the implementing agency:

- Did not comply with applicable federal and state requirements for project deliverables by completing the Final Delivery Report (FDR). The FDR should be submitted within six months of the project becoming operable for the ATSAC Reseda Phase 1 Project, EA No. 07-4U4194. For this project the FDR was not submitted at all.
- Did not comply with applicable federal and state procurement requirements for advertising and administering a contract bid process for the ATSC Echo Park/Silver Lake Project, EA No. 07-4U4204.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, the projects listed below were programmed and approved to receive Proposition 1B bond funds, for one or more phases of work, under the Traffic Light Synchronization Program.

- Project EA No. 07-4U4204, ATSC Echo Park/Silver Lake Project. The total approved Proposition 1B amount is \$3,215,000. The project completion is pending completion of Phase 2.
- Project EA No. 07-4U4194, ATSAC Reseda Phase 1 Project. The total approved Proposition 1B amount is \$8,506,300. The project completion date was September 27, 2010.
- Project EA No. 07-4U4344, ATSAC Reseda Phase 2 Project. The total approved Proposition 1B amount is \$7,220,700. The project completion date was May 4, 2012.
- Project EA No. 07-933225, ATSAC San Pedro Project. The total approved Proposition 1B amount is \$8,911,000. The project completion date was January 3, 2012.

This audit was performed by the SCO on behalf of Caltrans (Audit Request Nos. P2530-0025, P2530-0026, P2530-0027, and P2530-0028). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0027, dated December 1, 2007, between the SCO and Caltrans, which provides that the SCO will perform audits of project expenditures that were funded and reimbursed by the Proposition 1B Bond Fund to ensure compliance with Caltrans and Commission Proposition 1B program guidelines.
- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

Objectives, Scope, and Methodology

The SCO audited the implementing agency's financial management system relative to projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of January 1, 2008, through June 30, 2014.

The objectives of our audit were to determine whether:

- The implementing agency's accounting system and internal controls were adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines, procedures, project agreements, or approved amendments.
- The implementing agency complied with applicable federal and state procurement requirements as required by 49 CFR 18, California Public Contract Code sections 10140-10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

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

- Reviewed the implementing agency's prior audits and single audit reports;
- Reviewed the implementing agency's written policies and procedures relating to accounting systems, construction project management, and contract management; and
- Interviewed employees, completed the internal control questionnaire, and performed a limited system walk-through in order to gain an understanding of the implementing agency's internal controls, accounting systems, timekeeping and payroll systems, and billing processes related to transportation projects; specifically, projects funded by Proposition 1B.

For the project(s) under review, we performed the following audit procedures:

- Obtained project files and reviewed preliminary information to ensure that the implementing agency complied with applicable state and federal procurement requirements;
- Obtained project expenditure reports, selected a sample of activities that were funded by Proposition 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were reasonable, allocable, and allowable in accordance with Caltrans and Commission program guidelines, procedures, agreements, and applicable state and federal requirements;

- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed project final reports, close-out documents, finance letters, and baseline agreements to ensure that variances or changes to the project's scope, schedule, costs, and benefits were properly approved and supported; and
- Reviewed the project payment history file and/or invoices sent to the Caltrans accounting office to ensure that the implementing agency properly prepared and/or billed Caltrans for reimbursement of project expenditures as required by Caltrans' local assistance procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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.

We did not audit the implementing agency's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives.

Conclusion

We determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines and agreements.

We audited the Proposition 1B bond-funded projects TLSP 5006 (555), TLSP 5006 (550), TLSP 5006 (604), and TLSP 5006 (573), and determined that:

- Except for the ATSAC Reseda Phase I Project, EA No. 07-4U4194, the implementing agency complied with applicable federal and state procurement requirements required by 49 CFR 18, California Public Contract Code sections 10140-10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

However, our audit found that the implementing agency:

- Did not comply with applicable federal and state requirements for project deliverables for completing the Final Delivery Report (FDR). The FDR should be submitted within six months of the project becoming operable for the ATSAC Reseda Phase 1 Project, EA No. 07-4U4194. For this project, the FDR was not submitted at all.
- Did not comply with applicable federal and state procurement requirements for advertising and administering a contract bid process for the ATSC Echo Park/Silver Lake Project, EA No. 07-4U4204.

**Views of
Responsible
Officials**

We issued a draft audit report on June 24, 2015. Verej Janoyan, Acting Principal Transportation Engineer, responded by letter dated July 17, 2015, generally agreeing with the audit findings. The final report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Los Angeles Department of Transportation, Caltrans, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

September 30, 2015

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
January 1, 2008, through June 30, 2014**

Project No./EA No.: TLSP 5006 (550)/EA No. 07-4U4194

Project Information: Reseda Phase 1 Project

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
Construction Engineering	\$ 1,318,476	\$ 1,318,476	\$1,318,476
Construction	7,187,824	7,187,824	7,187,824
Total	<u>\$ 8,506,300</u>	<u>\$ 8,506,300</u>	<u>\$8,506,300</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	01/30/2009	01/30/2009	02/25/2009
End construction	02/28/2012	02/28/2012	05/05/2010
Beginning close-out	03/30/2012	03/30/2012	02/08/2012
End close-out	08/30/2012	08/30/2012	08/08/2012

**Schedule 2—
Summary of Project Costs
Approved, Expended, and Audited
January 1, 2008, through June 30, 2014**

Project No./EA No.: TLSP 5006 (604)/EA No. 07-4U4344

Project Information: Reseda Phase 2 Project

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
Construction	\$ 7,220,700	\$ 7,220,700	\$7,220,700
Total	<u>\$ 7,220,700</u>	<u>\$ 7,220,700</u>	<u>\$7,220,700</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	06/03/2009	07/01/2010	07/01/2010
End construction	07/30/2012	08/01/2013	11/01/2013
Beginning close-out	07/30/2012	08/01/2013	12/01/2013
End close-out	01/30/2013	10/01/2013	06/01/2014

**Schedule 3—
Summary of Project Costs
Approved, Expended, and Audited
January 1, 2008, through June 30, 2014**

Project No./EA No.: TLSP 5006 (573)/EA No. 07-933225

Project Information: San Pedro Project

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
Construction	\$ 8,911,000	\$ 8,911,000	\$8,911,000
Total	<u>\$ 8,911,000</u>	<u>\$ 8,911,000</u>	<u>\$8,911,000</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	01/30/2009	09/01/2009	09/24/2009
End construction	02/28/2012	10/01/2012	05/16/2011
Beginning close-out	02/28/2012	10/01/2012	10/24/2012
End close-out	08/30/2012	04/01/2013	04/24/2015

**Schedule 4—
Summary of Project Costs
Approved, Expended, and Audited
January 1, 2008, through June 30, 2014**

Project No./EA No.: TLSP 5006 (555)/EA No. 07-4U4204

Project Information: Echo Park/Silver Lake Project

Project Financial Information:

Phases Reimbursed by Proposition 1B Bond Fund	Programmed and Approved	Expended	Audited	Disallowed*
Construction	\$ 3,215,000	\$ 3,215,000	\$3,215,000	\$ 3,215,000
Total	<u>\$ 3,215,000</u>	<u>\$ 3,215,000</u>	<u>\$3,215,000</u>	<u>\$ 3,215,000</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	12/30/2010	07/01/2009	07/01/2009
End construction	01/30/2014	08/01/2012	08/01/2012
Beginning close-out	01/30/2014	01/30/2014	08/01/2014
End close-out	07/30/2014	07/30/2014	02/01/2015

*See Finding 2 – Project Procurement

Findings and Recommendations

FINDING 1— Final Delivery Report Completion

Our audit found that for the ATSAC Reseda Phase 1, Project EA No. 07-4U4194, the City of Los Angeles, Department of Transportation did not comply with applicable federal and state requirements for project deliverables by completing the Final Delivery Report (FDR). The FDR should be submitted within six months of the project the becoming operable. The FDR is an instrument used to provide the measurement of actual outcomes of the project compared to what was originally budgeted and forecasted. Because it did not submit the FDR, the program's responsible officials may have difficulty evaluating the degree of attainment of the project's original intent. Information from the FDR also is used to monitor actual project performance and as a decision-making tool for future project programming.

The Traffic Light Synchronization Program Guidelines, adopted February 14, 2008, state:

Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final cost as compared to the approved project budget, its duration as compared to the project schedule in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement. The Commission shall forward this report to the Department of Finance as required by Government Code section 8879.50.

The implementing agency will also provide a supplement to the final delivery report at the completion of the project to reflect final project expenditures at the conclusion of all project activities. For the purposes of this section, a project becomes operable at the end of the construction phase when the construction contract is accepted. Project completion occurs at the conclusion of all remaining project activities after acceptance of the construction contract.

Recommendation

The City should develop and implement procedures to ensure that the Final Delivery Report is completed and submitted in a timely manner to prevent non-compliance in the future.

City's Response

While the City does its best to close out construction projects as soon as construction is completed, there are instances where additional time is needed to compile all project costs including final invoices from contractors, equipment vendors, and significant amount of labor charges for multiple City departments involved in construction engineering, management, material testing, and inspection. Although construction was completed on September 27, 2010, we did not file the Delivery Report until November 29, 2011 to allow the City time to capture all incurred costs from the various accounting systems.

SCO's Response

The Finding remains unchanged.

The City should have submitted the Final Delivery Report within six months of the project becoming operable, then submitted a supplement to the Final Delivery Report at the completion of the project to reflect final project expenditures at the conclusion of all project activities to capture all incurred costs. The FDR is an instrument used to provide the measurement of actual outcomes of the project compared to what was originally budgeted and forecasted. Because the City did not submit the FDR, the program's responsible officials may have difficulties in evaluating the degree of attainment of the project's original intent. Additionally, information from the FDR is used to monitor actual project performance and as a decision-making tool for future project programming.

**FINDING 2—
Project
Procurement**

Our audit found that for the ATSC Echo Park/Silver Lake Project, EA No. 07-4U4204, the City of Los Angeles, Department of Transportation did not comply with applicable federal and state procurement requirements for advertising and administering a contract bid process.

According to the Local Assistance Procedures Manual, Chapter 15.4, Project Advertisement:

One of the most basic tenets of Federal aid contracting is that construction contracts are to be awarded competitively to the contractor which submits the lowest responsive bid. Project advertisement is the process used in soliciting such competitive bids from contractors.

This federal mandate is set forth in 23 U.S.C. 112 and reinforced by Title 23, *Code of Federal Regulations*, Part 635.114(a), which requires that:

Federal-aid contracts shall be awarded only on the basis of the lowest responsive bid submitted by a bidder meeting the criteria of responsibility as may have been established by the SHA. . . .

Public Contract Code section 10140-101141 states:

Public notice of a project shall be given by publication once a week for at least two consecutive weeks or once a week for more than two consecutive weeks if the longer period of advertising is deemed necessary by the department. . . .

Recommendation

The City should follow all proper policies and procedures as outlined in the Local Assistance Procedures Manual to prevent non-compliance in the future.

City's Response

The City was under community and political pressure to deliver the benefits of the ATSAC Echo Park/Silver Lake Project in time for the opening season at the Dodgers Stadium. In fact, it was so critical to the stadium's traffic management plan that the owners of the stadium paid for the accelerated design of the project. Consequently, Caltrans and the California Transportation Commission approved the City's request to split this project into two phases. Phase 1 is the subject of this audit and it included improvements in a limited area surrounding the Dodgers Stadium, while Phase 2 includes improvements to the remaining project area which is currently being designed and will be in construction soon....

While we don't disagree with the audit's finding relative to the bid process for Phase 1, we believe that we had extenuating circumstances, in terms of the delivery schedule, to adopting the change order route....

It is our understanding that the draft audit report for Phase 1 may recommend that this contract is declared invalid and all costs in the amount of \$3,215,000 should be disallowed. We urge the State Controller's Office and Caltrans to reconsider this recommendation as it will create a financial and project management hardship to the City for a number of reasons, but primarily due to lack of an alternative funding sources to reimburse the State.

SCO's Response

The finding remains unchanged.

Total project costs of \$3,215,000 are disallowed because the project was not advertised and not awarded competitively to the contractor that submitted the lowest bid. The City should work with Caltrans on the resolution of the \$3,215,000 in disallowed costs.

**Attachment—
City of Los Angeles's Response to
Draft Audit Report**

CITY OF LOS ANGELES

CALIFORNIA

Seleta J. Reynolds
GENERAL MANAGER



ERIC GARCETTI
MAYOR

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

July 17, 2015

Andrew Finlayson
Chief, State Agency Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

RESPONSE TO AUDIT REPORT DATED JUNE 2015 FOR THE PROPOSITION 1B BOND-FUNDED PROJECTS

Dear Mr. Finlayson,

This is in response to your letter dated June 24, 2015 relative to audit findings for four Proposition 1B bond-funded projects: TLSP 5006 (555), TLSP 5006 (550), TLSP 5006 (604), and TLSP 5006 (573). While the audit concluded that the City of Los Angeles was mostly compliant with Proposition 1B funding guidelines, it did find non-compliance with two projects: ATSAC Reseda Phase 1 and ATSAC Echo Park/Silver Lake. We would like to address and submit comments concerning the audit findings relative to these two projects.

Finding for ATSAC Reseda Phase 1 Project/TLSP 5006 (550): The audit concluded that the City of Los Angeles did not complete the Final Delivery Report within six months of the project becoming operable.

Response: While the City does its best to close out construction projects as soon as construction is completed, there are instances where additional time is needed to compile all project costs including final invoices from contractors, equipment vendors, and significant amount of labor charges for multiple City departments involved in construction engineering, management, material testing, and inspection. Although construction was completed on September 27, 2010, we did not file the Delivery Report until November 29, 2011 to allow the City time to capture all incurred costs from the various accounting systems.

Finding for ATSAC Echo Park/Silver Lake Project/TLSP 5006 (555): The audit concluded that the City of Los Angeles did not comply with applicable federal and state procurement requirements for advertising and administering a contract bid process.

Response: The City was under community and political pressure to deliver the benefits of the ATSAC Echo Park/Silver Lake Project in time for the opening season at the Dodgers Stadium. In fact, it was so

AN EQUAL EMPLOYMENT OPPORTUNITY – AFFIRMATIVE ACTION EMPLOYER

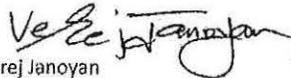
critical to the stadium's traffic management plan that the owners of the stadium paid for the accelerated design of the project. Consequently, Caltrans and the California Transportation Commission (CTC) approved the City's request to split this project into two phases. Phase 1 is the subject of this audit and it included improvements in a limited area surrounding the Dodgers Stadium, while Phase 2 includes improvements to the remaining project area which is currently being designed and will be in construction soon. The attached five documents, in chronological order, describes our best faith effort to disclose and seek approval for our plan of action relative to this approach and for using a series of construction change orders to other ATSAC projects (that were previously competitively bid and awarded) to expedite the delivery of the ATSAC Echo Park/Silver Lake Phase 1 Project.

While we don't disagree with the audit's finding relative to the bid process for Phase 1, we believe that we had extenuating circumstances, in terms of the delivery schedule, to adopting the change order route. The Baseline Agreement for the City of Los Angeles TLSP program includes 21 separate projects. We may have come short in meeting the bid/award requirements for a portion of one of the 21 projects, but the community at large greatly benefited from the accelerated delivery of the project, and thereby meeting the objectives and the spirit of the Proposition 1B Program to deliver public works projects as early as possible. Further, the construction change orders were issued after a competitive bid process among the available contractors who were selected through the City's Board of Public Works open and competitive bid process.

It is our understanding that the draft audit report for Phase 1 may recommend that this contract is declared invalid and all costs in the amount of \$3,215,000 should be disallowed. We urge the State Controller's Office and Caltrans to reconsider this recommendation as it will create a financial and project management hardship to the City for a number of reasons, but primarily due to lack of an alternative funding sources to reimburse the State. We believe the City acted in good faith and to the best interest of the community and the general travelling public by expediting the construction of the Echo Park/Silver Lake Phase 1 Project.

Please call me at (213)972-5050 if you need further information or discussion of this issue. Thank you for the opportunity to comment on the draft report and we look forward for a favorable outcome of the audit.

Sincerely,



Verej Jancyan
Acting Principal Transportation Engineer
Design Division

Attachments

C: May Ly, LADOT
Brandon Wong, SCO

Attachment 1

CITY OF LOS ANGELES

CALIFORNIA

RITA L. ROBINSON
GENERAL MANAGER



ANTONIO VILLARAIGOSA
MAYOR

DEPARTMENT OF
TRANSPORTATION
100 S. Main St., 10th Floor
Los Angeles, CA 90012
(213) 972-8480
FAX (213) 972-8410

June 11, 2009

Mr. Douglas R. Falling
Director, District 7
State of California
Department of Transportation
100 South Main Street
Los Angeles, CA 90012

Attention: Mr. Kirk Cessna, Chief
Office of Local Assistance and Alameda Corridors

Dear Mr. Falling:

CONTRACT AWARD INFORMATION

Project Description:

The Automated Traffic Surveillance and Control (ATSAC) / Adaptive Traffic Control System (ATCS) System is a Transportation Systems Management (TSM) type improvement program that is being implemented throughout the City of Los Angeles, which provides the flexibility to remotely install adaptive signal timing plans in response to planned and unplanned events that disrupt traffic flow and cause excessive congestion. The real-time computer-based ATSAC / ATCS System will improve the overall Level of Service (LOS) and reduce traffic congestion of arterial streets through regionally sanctioned signal synchronization.

In order to expedite the implementation of ATCS facilities around the highly congested Los Angeles Dodger Stadium area, the 170 intersection ATCS - Echo Park / Silver Lake Project has been split into Phases 1 and 2. The Phase 1 Project will provide ATCS facilities to 53 intersections around Dodger Stadium. An allocation request will be submitted in approximately July 2011, relative to the implementation of the remaining ATCS facilities.

To further expedite the implementation of the Phase 1 Project, a series of change orders will be issued to ongoing ATSAC projects rather than the normal advertisement / awarding of a new construction contract. Change orders will be written to implement the entire Phase 1 Project through the installation of new wireless roadway sensors, conduit installation and changeable message signs.

Change orders were negotiated with Moore Electrical Contracting, Inc. for \$542,108.00 and with KDC Inc., DBA Dynalectric for \$1,154,368.43 to install wireless sensors within the Echo Park / Silver Lake area. On June 8, 2009, the City's Board of Public Works approved the amending of two ongoing ATSAC construction projects: ATSAC - North Hollywood Phases 1 (Moore Electrical Contracting, Inc.) and ATSAC - North Hollywood Phase 2 (KDC Inc., DBA Dynalectric) to include change order work for the implementation of the wireless sensors. Dynalectric started their construction on June 9, 2009 and Moore Electrical Contracting is scheduled to start on June 15, 2009. Additional change orders will be negotiated and City approvals requested for the remainder of the Echo Park / Silver Lake scope of work.

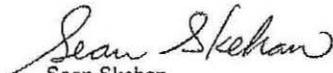
The following information is provided relative to our Adaptive Traffic Control System (ATCS) Echo Park / Silver Lake Phase 1 Project that recently received State Proposition 1B Traffic Light Synchronization Program (TLSP) funding.

Project Title:	ATCS - Echo Park / Silver Lake Phase 1
Project No.:	TLSP-5006(555)
TLSP ID:	TLSP17
CTC Fund Allocation Date:	December 11, 2008

Date Project Advertised:	} The entire ATCS - Echo Park / Silver Lake scope of work will be implemented through a series of changes orders to ongoing City ATSAC projects.
Date of Bid Opening:	
Date Project Awarded:	
Contract Awarded To:	
Contract Award Amount:	

Date Construction Started:	June 9, 2009
Estimated Date of Completion: (total project completion)	January 13, 2010

Sincerely,


Sean Skehan
Principal Transportation Engineer

Attachment 2

From: Ko-Chin Chu <ko-chin_chu@dot.ca.gov>
To: <Jim.Williams@lacity.org>
CC: David W Wang <david_w_wang@dot.ca.gov>
Date: 6/17/2009 10:28 AM
Subject: TLSPL5006(555) City of Los Angeles ATCS-Echo Park/Silver Lake Project Contract Award Information

A letter from Mr. Sean Skehan dated June 11, 2009 regarding the Contract Award Information for the above subject project was received on June 12, 2009.

It is stated in the letter that in order to further expedite the implementation of the Project, no normal advertisement/awarding of a new construction contract will occur for this project. Two CCOs' (Contract Change Order) have been issued with negotiated amount of \$542,108.00 and \$1,154,368.43 with Moore Electrical Contracting INC and DBA Dynalectric respectively, to install wireless sensors within the Echo Park/Silver Lake area. These two contractors have on-going ATSAC contracts with the City of Los Angeles which are not part of the TLSP program. The CCO work already started on June 9, 2009 and June 15, 2009 respectively. Additional CCOs' will be issued for the remainder of the Echo Park/Silver Lake scope of work.

The letter regarding the Contract Award Information will be forwarded to Caltrans' HQ at Sacramento for their review and approval.

Regards,
Ko-Chin (KC) Chu, P.E.
Transportation Engineer
Local Assistance/Planning
District 7 - Los Angeles
Department of Transportation
State of California
(213)897-4041 Tel

Caltrans improves mobility across California

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ATCS – Echo Park / Silver Lake Phase 1 Project

Scope of Work

The 53 intersection Echo Park / Silver Lake Phase 1 Adaptive Traffic Control System (ATCS) Project will provide fully traffic responsive signal control based on real-time traffic conditions. ATCS will be implemented using new software, replacing obsolete traffic signal controllers, and install additional pavement traffic detectors at intersections currently on-line as part of the City of Los Angeles' Automated Traffic Surveillance and Control (ATSAC) System. The project will also install two changeable message signs as a motorist information element for the Dodgers Stadium which is within the project limits. As traffic patterns change, ATCS has the advantage to automatically change traffic signal timing in real-time to match the current conditions.

The Echo Park / Silver Lake Phase 1 scope of work will be fully implemented through a series of four change orders. The total cost, including any related inspection and construction engineering costs, is estimated not to exceed the allocation amount of \$3,215,000.

Vehicle Detection

The ATCS in-ground traffic sensors (1) detect the presence of vehicles, (2) gather other related traffic data and (3) transmit this information to the ATSAC Center so that traffic signal timing adjustments can be made that alleviate traffic congestion. Advances in traffic sensor technology reduce the installation costs. The ATCS – Echo Park / Silver Lake Phase 1 Project has been chosen to evaluate this new wireless technology.

In order to ensure that the Echo Park / Silver Lake Project is completed on-time, the installation of the new wireless sensors, and the other signal hardware upgrades, will be implemented through a change order to the ongoing ATSAC – North Hollywood Phase 1 project and a change order to the ATSAC – North Hollywood Phase 2 project.

Change Order No. 1

Supplemental Change Order No.: NP 54-1 was issued relative to the ongoing ATSAC – North Hollywood Phase 1 Project, with Moore Electrical Contracting, Inc. for \$542,108.00. This change order will provide for the installation of new wireless sensors and other traffic signal hardware upgrades within the ATCS – Echo Park / Silver Lake Phase 1 Project.

Change Order No. 2

Supplemental Change Order No.: 71-1 was issued relative to the ongoing ATSAC – North Hollywood Phase 2 Project, with Dynalectric for \$1,154,368.43. This change order will provide for the installation of new wireless sensors and other traffic signal hardware upgrades within the ATCS – Echo Park / Silver Lake Phase 1 Project.

*8-15-09

Meeting with Sean, Vorej, Manoochehr, David Wang (Caltrans) KC Ahn (Caltrans). They noted they need to be notified before we issue any changes, such as completing the work by change order rather than by contract. The feeling was that the Echo Park Ph.1 change order work will not be a problem.

Fiber Optic Cable Implementation

Change Order No. 3

We are currently processing a supplemental change order for approximately \$374,000 for the installation of the required fiber optic communication cable within the ATCS - Echo Park / Silver Lake Phase 1 Project.

Changeable Message Signs

Change Order No. 4

We are currently processing a supplemental change order for approximately \$500,000 for the installation of the required changeable message signs within the ATCS - Echo Park / Silver Lake Phase 1 Project.

Construction Engineering

The construction engineering costs (inspection and project administration) is estimated to cost \$300,000.

All of these change orders are issued to contractors currently working on ATCS projects that have been awarded on a low-bid basis. Further, these change orders are offered to each of the current ATCS contractors, and the lowest change order bid is selected, while giving consideration to the progress of the contractor's work on the original contract.

It is estimated that the time required in completing the four change orders will not exceed six months and be completed by January 1, 2010.

ATSAC – North Hollywood Phase 1

1/30/2008 Project Advertised
3/5/2008 Bids Opened
 \$ 6,102,600 DOT's Estimate
 \$ 5,597,321 Moore Electrical Contracting, Inc
 \$ 6,257,163 KDC Inc., DBA; Dynalectric
 \$ 6,700,000 Comet Electric, Inc
 \$ 6,997,172 Terno, Inc
 \$ 7,144,000 J. Fletcher Creamer & Son, Inc
4/28/2008 Contract Awarded to: Moore Electrical Contracting, Inc
6/16/2008 Construction Starts
6/8/2009 Change Order #54-1 issued for \$ 542,108.00 (Echo Park sensors)

ATSAC – North Hollywood Phase 2

7/2/2008 Project Advertised
8/6/2008 Bids Opened
 \$ 9,197,500 DOT's Estimate
 \$ 8,703,779 KDC Inc., DBA; Dynalectric
 \$ 9,918,818 Comet Electric, Inc
 \$ 9,988,777 Terno, Inc
 \$ 10,215,000 W.A. Rasic Construction Co., Inc
 \$ 10,338,000 Manuel Bros
 \$ 10,830,100 J. Fletcher Creamer & Son, Inc
9/15/2008 Contract Awarded to: KDC Inc., DBA; Dynalectric
10/30/2008 Construction Starts
6/8/2009 Change Order #71-1 issued for \$ 1,154,368.43 (Echo Park sensors)

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Attachment 4

MEMO

March 30, 2010

Ko-Chin (KC) Chu
Caltrans, Local Assistance

Relative to contract award information for the City of Los Angeles' TLSP projects, please find attached copies of the executed contracts for three of the four projects that have started construction.

* The fourth project (ATCS – Echo Park / Silver Lake Ph 1) was implemented through a series of change orders. In order let you know that we have utilized contractors that have gone through a competitively bid process, I have included a sheet that describes each of the 27 change orders issued to date. In addition, any change order in excess of \$100,000 must be approved by the City's Board of Public Works (BPW), which is the contract awarding agency for the City of Los Angeles. Four of the 27 change orders issued have exceeded the \$100,000 limit and have required approval by the BPW. Attached is a copy of the Board's action, relative to these four change orders, which fully describes the ongoing competitively bid project was being utilized.

In the future, a copy of the executed contract will be submitted along with all bid information.

If you require additional documentation, please let me know.

Jim Williams
LADOT
213.972.5039

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Attachment 5



Jim Williams <jim.williams@lacity.org>

Fwd: Prop 1B TLSPProject: ATCS - Echo Park / Siver Lake

2 messages

Verej Janoyan <verej.janoyan@lacity.org>
To: Jim Williams <jim.williams@lacity.org>

Mon, Nov 29, 2010 at 1:56 PM

Jim,

Pls respond to the attached info. request from Ramzi.

Thx.

----- Forwarded message -----

From: Ramzi Mazhar <mazhar_ramzi@dot.ca.gov>
Date: Fri, Nov 19, 2010 at 5:23 PM
Subject: Prop 1B TLSPProject: ATCS - Echo Park / Siver Lake
To: Verej Janoyan <verej.janoyan@lacity.org>
Cc: Douglas Gibson@dot.ca.gov

Hello Verej,

We need an update and some information about ATCS - Echo Park / Siver Lake.

Please answer the following questions:

- 1-According to Prop 1B Accountability website, ATCS - Echo Park / Siver Lake construction cost is \$6,059,000. However according to Caltrans Quarterly Report, there are two project for ATCS - Echo Park / Siver Lake
- ATCS - Echo Park / Siver Lake with a total construction cost of 3,215,000
 - ATCS - Echo Park / Siver Lake Phase 2 with a total construction cost of 4,504,000.
- Please Explain. (Was the original project broken down into two project and why, or a totally new project added to ATCS projects ?)
- 2- Has the construction started on ATCS - Echo Park / Siver Lake ?If the answer is no , please provide the expected start date for construction; and if the answer is yes , please provide the following:
- Start date of contraction
 - Expected end date of construction
 - Construction progress percentage
 - Breakdown of the contraction cost (Contraction Contract , City furnished material , estimated contingences , estimated construction support and so on)
- 3- Has the construction started on ATCS - Echo Park / Siver Lake Phase 2 ?If the answer is no , please provided the expected start date for construction; and if answer is yes , please provide the following:
- Start date of contraction
 - Expected end date of construction
 - Construction progress percentage
 - Breakdown of the contraction cost (Contraction Contract , City furnished material, estimated contingences , estimated construction support and so on)

Please respond by **Wednesday December 1, 2010**

Please contact me if you have a question

Thank you

Ramzi Mazhar
Audits & Investigations
Department of Transportation
Tel: (916)323-7912

Jim Williams <jim.williams@lacity.org>
To: Ramzi Mazhar <mazhar_ramzi@dot.ca.gov>
Cc: Verej Janoyan <verej.janoyan@lacity.org>

"RESPONSE"

Tue, Nov 30, 2010 at 8:02 AM

The original Echo Park / Silver Lake Project was divided into Phases 1 and 2 in order to implement ATCS facilities around Dodger Stadium ASAP to mitigate traffic impacts at this critical venue. The Dodger organization paid for the design of this project.



Construction of the Phase 1 Project started on June 8, 2009 and became fully functional on March 3, 2010 (100% completed). Reported construction costs to date total \$2,371,040.54. The work was done through a series of change orders to other on-going ATSAC/ATCS construction contracts. A final accounting will be prepared shortly.

Construction of the Phase 2 Project is scheduled to start in October 2012.

[Quoted text hidden]

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>