

Memorandum

*Serious drought.
Help Save Water!*

To: TOM HALLENBECK
Division Chief
Traffic Operations

Date: May 6, 2015

File: P2530-0022

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 relative to funding received from the Caltrans using Proposition 1B (Prop 1B) Traffic Light Synchronization Program Funds (TLSP). The name of the project audited is "Platt Ranch ATSAC System," Project No. TLSPL-5006(564). The Prop 1B programmed amount was \$4,358,600. The audit was for the period of January 17, 2008, through March 31, 2014.

As required by the Governor's Executive Order S-02-07 and SB 88, 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 one audit finding related to the City's failure to complete and submit the supplemental and final delivery reports. Please provide A&I a corrective action plan on the audit finding within 90 days of the audit report date.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Attachment(s)

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
Steve Novotny, District Local Assistance Engineer, District 7
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

CITY OF LOS ANGELES
DEPARTMENT OF TRANSPORTATION
Audit Report

TRAFFIC LIGHT SYNCHRONIZATION PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECT
EA No. 07-4U4264/P2530-0022

January 17, 2008, through March 31, 2014



BETTY T. YEE
California State Controller

May 2015



BETTY T. YEE
California State Controller

May 6, 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 17, 2008, through March 31, 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 project TLSPL-5006(564) Platt Ranch ATSAC System and determined that:

- 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 not consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

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

Our audit found that the City of Los Angeles Department of Transportation failed to complete and submit a Final Delivery Report within six months of the project becoming operable. The City of Los Angeles Department of Transportation also failed to complete and submit a supplement to the Final Delivery Report at the conclusion of all project activities.

The implementing agency concurred with the finding.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/bm

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 17, 2008, through March 31, 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 project TLSPL-5006(564) Platt Ranch ATSAC System and determined that:

- 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 not consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit found that:

- The Final Delivery Report was not completed and submitted as required by Traffic Light Synchronization Program (TLSP) Guidelines under General Program Policy #16, Final Delivery Report.
- The supplement to the Final Delivery Report was not completed and submitted at the completion of the project as required by TLSP Guidelines under General Program Policy #16, Final Delivery Report.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, the project TLSPL-5006(564) Platt Ranch ATSAC System was programmed and approved to receive \$4,358,000 in Proposition 1B bond funds, for one or more phases of work, under the Traffic Light Synchronization Program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's baseline agreement. The project's completion date was August 26, 2011.

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 17, 2008, through March 31, 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 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 project TLSPL-5006(564) Platt Ranch ATSAC System and determined that:

- 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 not consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit found that:

- The Final Delivery Report was not completed and submitted as required by TLSP Guidelines under General Program Policy #16, Final Delivery Report.
- The supplement to the Final Delivery Report was not completed and submitted at the completion of the project as required by TLSP Guidelines under General Program Policy #16, Final Delivery Report.

**Views of
Responsible
Officials**

We issued a draft audit report on November 21, 2014. Verej Janoyan, Acting Principal Transportation Engineer, responded by email on February 5, 2015, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of City of Los Angeles, 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.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

May 6, 2015

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
January 17, 2008, through March 31, 2014**

Project No./EA No.: 07-4U4264

Project Information: TLSPL-5006(564) Platt Ranch ATSAC System

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
Construction	\$ 4,358,000	\$ 4,358,000	\$ 4,358,000
Total	<u>\$ 4,358,000</u>	<u>\$ 4,358,000</u>	<u>\$ 4,358,000</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Actual</u>
Beginning Construction	07/09	11/19/09
End Construction	03/10	08/26/11
Beginning Closeout		
End Closeout		

Finding and Recommendation

FINDING—1
Final and
supplement to
Final Delivery
Report not
submitted

The Final Delivery Report was not completed and submitted as required by Traffic Light Synchronization Program (TLSP) Guideline under General Program Policy #16, Final Delivery Report.

TLSP Guidelines adopted February 14, 2008, state that 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.

In addition, the supplement to the Final Delivery Report was not completed and submitted at the completion of the project as required by TLSP Guidelines under General Program Policy #16, Final Delivery Report which states:

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 of Los Angeles Department of Transportation should adhere to the guidelines set forth by the California Transportation Commission to avoid non-compliance issues in the future.

City's Response

The audit findings are accurate and the City of LA concurs.

Following many delays by the contractor in completing the project on schedule, the contractor filed hundreds of claims against the City for additional work. The City and the contractor entered into a prolonged period of litigation, arbitration, and finally a legal settlement of the claims. For this reason, the City could not close out the project in a timely manner following completion work, as we normally do. Further, since the City decided to pay the settlement amount not using non-TLSP funds, we had to identify other sources of funds which further delayed the process.

SCO's Comment

The finding and recommendation remain unchanged.

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

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