

Memorandum

*Flex your power!
Be energy efficient!*

To: Rihui Zhang, Acting Chief
Division of Local Assistance

Date: January 9, 2014

File: P2540-0018

From: MARSUE MORRILL, Chief
External Audit- Contracts
Audits and Investigations

Subject: **AUDIT OF LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS**

Attached is the audit report pertaining to the audit performed on the Los Angeles County Department of Public Works (implementing agency) relative to project EA No. 07-931450, BRLSXD 5953(296), funded by the California Department of Transportation (Caltrans) using Proposition 1B (Prop 1B) Local Bridge Seismic Retrofit Account (LBSRA) Program funds. The name of the project audited is "Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash-Bridge Seismic Retrofit". The Prop 1B programmed amount was \$253,025. The audit was for the period of October 22, 2007, through April 30, 2012.

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. You are receiving the audit report since LBSRA projects are under the responsibility of the Division of Local Assistance. Deputy Directive 100, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed.

The audit concluded that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, Code of Federal Regulations, Part 18, and California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and California Transportation Commission guidelines.
- 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.

Rihui Zhang
January 9, 2014
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The audit report disclosed that the implementing agency was unable to provide or locate the labor compliance files for the project under review. Therefore, the auditor could not verify whether the implementing agency had satisfied all of the labor compliance requirements.

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
Rachel Falsetti, Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Reza Fereshtehnejad, Local Bridge Seismic Retrofit Program Coordinator
David Sosa, District Local Assistance Engineer, District 7
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

**LOS ANGELES COUNTY
DEPARTMENT OF PUBLIC WORKS**

Audit Report

**LOCAL BRIDGE SEISMIC RETROFIT ACCOUNT
(LBSRA) PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECT
EA No. 07-931450/P2540-0018**

October 22, 2007, through April 30, 2012



JOHN CHIANG
California State Controller

December 2013



JOHN CHIANG
California State Controller

December 26, 2013

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

Dear Ms. Morrill:

The State Controller's Office (SCO) audited Los Angeles County's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 22, 2007, through April 30, 2012.

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 and agreements.

We audited the Proposition 1B bond-funded project "BRLSZD-59-53(296), Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash-Bridge Seismic Retrofit, City of Pasadena, EA No. 07-931450" 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- 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.
- 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 implementing agency was unable to provide or locate the labor compliance files for the project under review. Therefore, the auditor could not verify whether the implementing agency had satisfied all of the labor compliance requirements.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Attachment

cc: Luisa Ruvalcaba, Audit Manager
Audits and Investigations
California Department of Transportation
Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller’s Office
Kim Anh Phung, 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 Los Angeles County's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 22, 2007, through April 30, 2012.

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 "BRLSZD-5953(296), Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash-Bridge Seismic retrofit, City of Pasadena, EA No. 07-931450" 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- 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 was unable to provide or locate the labor compliance files for the project under review. Therefore, the auditor could not verify whether the implementing agency had satisfied all of the labor compliance requirements.

Background

In accordance with Caltrans and Commission executed project agreement(s) or approved amendments, the project BRLSZD-5953(296), Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash-Bridge Seismic retrofit, City of Pasadena, EA No. 07-931450, was programmed and approved to receive \$243,263 in Proposition 1B bond funds, for one or more phases of work, under the Local Bridge Seismic Retrofit Account (LBSRA) 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 December 20, 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 October 22, 2007, through April 30, 2012.

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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- 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 BRLSZD-5953(296), Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash-Bridge Seismic retrofit, City of Pasadena, EA No. 07-931450 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- 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 was unable to provide or locate the labor compliance files for the project under review. Therefore, the auditor could not verify whether the implementing agency had satisfied all of the labor compliance requirements.

**Views of
Responsible
Official**

We issued a draft audit report on November 15, 2013. James T. Sparks, Assistant Deputy Director, responded by letter dated November 25, 2013 (Attachment), and did not disagree with the audit results. This final audit report includes the county's response.

Restricted Use

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

December 26, 2013

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
October 22, 2007, through April 30, 2012**

Project No./EA No.: 07-931450

Project Information: Bridge No. 53C1851-Oak Grove Drive and Flint Canyon Wash, BRLZD-5953(296)

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>	<u>Variance</u>	<u>Finding(s)¹</u>
Construction	\$ 222,662	204,310	204,310	—	—
Construction Engineering	30,363	38,953	38,953	—	—
Total	\$ 253,025	\$ 243,263	\$ 243,263	\$ —	—

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>	<u>Audited</u>	<u>Finding(s)¹</u>
Beginning Construction	10/22/07	10/22/07	10/22/07	—	—
End Construction	4/30/10	4/30/10	11/3/09	—	—
Beginning Closeout	8/30/10	8/30/10	11/4/09	—	—
End Closeout			12/20/11	—	—

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Unable to provide
labor compliance
files**

Our audit found that the implementing agency was unable to provide or locate the labor compliance files for the project under review. Therefore, the auditor could not verify whether the implementing agency had satisfied all of the labor compliance requirements.

Chapter 16.11, Labor Compliance of Local Assistance Procedures Manual, states:

The administering agency is responsible to designate a labor compliance officer to enforce the contract provisions and ensure that all labor compliance requirements are performed and documented in the project file.

The administering agency must maintain sufficient records to ensure contractor/subcontractor compliance with wage and apprenticeship sections of the contract. Specific actions required, include but are not limited to maintaining written evidence of apprentices employed on the project.

Los Angeles County Department of Public Works Construction Division Procedures Manual, section 10.5, 10.11, and 10.14 states:

The certified payrolls and work records are collected weekly and interviews are conducted regularly (at a rate of three interviews per contract, per month, including the prime contractor and each subcontractor) for all FHWA and CDBG-funded projects and occasionally for non-federal projects. It is the Inspector's responsibility to conduct employee interviews, maintain work records and report any suspicions of labor law violations to the Labor Compliance Officer.

Recommendation

The implementing agency should ensure that its resident engineer(s) conduct a minimum of three prime contractor interviews and at least one interview for each subcontractor each month to enforce the labor requirements stated in the Local Assistant Procedures Manual, and the Los Angeles County Department of Public Works Construction Division Procedures Manual. The written records of the interviews also should be kept as physical evidence with the project construction files.

Los Angeles County's Response

We do not disagree with your finding and recommendation. To ensure employee interviews are conducted regularly and in accordance with State requirements, we will provide additional instructions to our staff and will ensure that copies of the interviews are kept in the project files.

SCO's Comment

The finding and recommendation remain unchanged.

**Attachment—
Auditee's Response to
Draft Audit Report**



COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5109
<http://dpw.lacounty.gov>

GAIL FARBER, Director

November 25, 2013

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1400
ALHAMBRA, CALIFORNIA 91802-1400

IN REPLY PLEASE
REFER TO FILE **C-1**

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

Dear Mr. Finlayson:

PROJECT ID NO. RDC0011993
OAK GROVE DRIVE AT FLINT CANYON WASH
PROPOSITION 1B PROJECT
BRLSZD-5953(296), EA 07-931450
AUDIT REPORT

We are in receipt of your draft audit report dated November 15, 2013, for the Oak Grove Drive at Flint Canyon Wash project.

We do not disagree with your finding and recommendation. To ensure employee interviews are conducted regularly and in accordance with State requirements, we will provide additional instructions to our staff and will ensure that copies of the interviews are kept in the project files.

If you have any questions, please contact Mr. Sam Assoum at sassoum@dpw.lacounty.gov or (626) 458-4942.

Very truly yours,

GAIL FARBER
Director of Public Works


JAMES T. SPARKS
Assistant Deputy Director
Construction Division

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

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