



OFFICE OF
CONTROLLER

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LOS ANGELES 90012
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May 1, 2009

Cynthia M. Ruiz, President
Board of Public Works
Room 361, City Hall
200 North Spring Street
Los Angeles, CA 90012

Dear Ms. Ruiz:

**SUBJECT: EVALUATION OF STATUS OF RECOMMENDATIONS – SPECIAL
REVENUE FUND AUDIT AT THE DEPARTMENT OF PUBLIC WORKS**

In connection with our August 27, 2008 Special Revenue Fund Audit at the Department of Public Works, we reviewed the documentation submitted by your Department to support your reported recommendation statuses. Your Department reported five recommendations as Implemented (#1, #2, #7, #8 and #9) and three as Partially Implemented (#4, #5 and #6). Based on our desk review of the documentation, we accept these statuses.

We also consider recommendation #3, which you indicate as "Disagree" to also be Implemented, and we will no longer track this recommendation. You stated that since the DPW plans to and will spend these funds for the originally intended purposes, you will keep the balances in these funds until expended. However, we encourage you to discuss the matter with the City Administrative Officer.

Our evaluation was limited to a review of the documentation submitted by your Department and was only designed to provide reasonable assurances as to the accuracy of your Department's reported status of the recommendations. The results of our evaluation may have been different if we had applied more extensive procedures, such as detailed audit tests.

Cynthia M. Ruiz, President
May 1, 2009
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My office will follow up in approximately six months regarding the status of the three outstanding recommendations related to the Griffith Observatory Trust Fund.

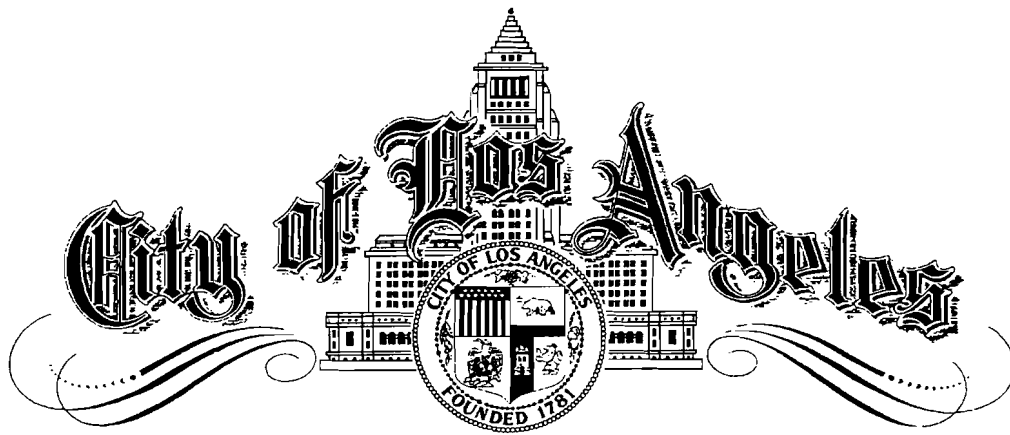
If you have any questions or comments, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink, appearing to read 'RDC', with a stylized flourish at the end.

RUSHMORE D. CERVANTES
Acting City Controller

cc: Honorable José Huizar, Chair, Audits and Governmental Efficiency Committee
Craig V. Bloomquist, Director, Board of Public Works, Office of Accounting



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LAURA N. CHICK
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November 26, 2008

Cynthia M. Ruiz, President
Board of Public Works
Room 361, City Hall
200 North Spring Street
Los Angeles, CA 90012

Dear Ms. Ruiz:

**SUBJECT: EVALUATION OF RESPONSE TO THE SPECIAL REVENUE
FUND AUDIT AT THE DEPARTMENT OF PUBLIC WORKS**

My audit Division has evaluated your September 23, 2008 response to the "Special Revenue Fund Audit at the Department of Public Works" issued on August 27, 2008. I am pleased to see that the Department concurs overall with the findings and recommendations.

I accept the Department's completed and planned actions to address the report's recommendations subject to the clarification of the following comments.

Finding #1 (Recommendation #3)

This recommendation is for the Department (DPW) to attempt to locate the individuals who paid the \$521,860 remaining in six drainage district funds. If DPW is unable to locate or identify the individuals who paid the monies, the \$521,860 should be escheated to the General Fund.

During our audit, DPW estimated that it would take ten years to utilize the fund balance in Fund #618 and 38 years to utilize the fund balance in Fund #623. The Department now estimates that the balances can be used in one year and three years, respectively. Also, Council District 7 recently identified a need to construct eligible capital improvement drainage facilities in the Terra Bella Street and Fenton Avenue Drainage District, and DPW has identified desired capital

improvement drainage facilities within each drainage district. Please provide us written supporting documentation relating to the new estimates and the newly identified proposal for the capital improvement projects for our analysis.

You also indicated that since DPW plans to and will spend the \$521,860 for the originally intended purpose, it will keep the balances in these funds until expended, in accordance with the Office of the City Attorney's advice. Please provide us a copy of the written advice from the City Attorney so we can try to understand the reasons for its position.

Finding #2 (Recommendation #4)

The finding relates to the program oversight of the Griffith Observatory Project that the budgeted labor costs of \$3.1 million was never revised to reflect actual costs and additional funding to cover the additional costs was not sought even though the Department had already exceeded the budget as of March 2005.

You indicated that seeking additional project funding as suggested in the audit would have likely come from the City's General Fund Capital Improvement Expenditure Program (CIEP), which was already funding a portion of the project. You further indicated that while this might have provided additional project funds, generally the City does not reimburse the General Fund for labor from the General Fund CIEP inasmuch as this would just transfer funds from one part of the General Fund to another.

We would like to point out that there is a difference between the proper accounting of project costs and the source of funds available for the project. For example, as stated in the audit report, as of June 2007, actual labor costs incurred were \$5.4 million. However, the June 2007 monthly status report submitted to management still reflected only the funded labor costs of \$3.1 million. We believe that the Department should have reported the actual project cost to management (\$5.4 million) in the monthly status reports instead of only the funded costs. Then based on the revised project costs, the additional funding should have been sought from sources other than the General Fund.

Also, in May 2008, DPW returned \$193,000 to the State which represented the interest earned on advanced funds. Logically, if the labor costs had been charged against the Griffith Observatory Trust Fund on an ongoing basis, the amount of monies in the trust fund would have been less. You indicated that if the City had paid labor costs from the Proposition 40 grant advance funds early-on, it would have jeopardized the City's ability to pay the project's contractor. Again, we would like to stress that good project management dictates that all the

Cynthia M. Ruiz
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interrelated elements of a project such as the resources, funding, timeframe, and scope should be managed together in an effective manner, and all relevant costs be captured and reported.

Finding #4 (Recommendation #8)

This recommendation is for the Department to develop more realistic budgets of Street Damage Restoration Fee revenues which are based on historical data. The Department indicates that forecasting the amount of the fees is dependent on several non-predictable factors such as which streets are excavated and by which utilities and the newness of the pavement on the specific streets involved. We understand that certain revenues cannot be forecasted accurately. However, in the case of Street Damage Restoration Fee revenues, the Department's revenue estimates could be improved.

Again, as stated in the audit report, we noted that since FY 1998-99 (the first year of the fund) revenues have been at least \$2.8 million a year and the average has been \$4.1 million. However, from FY 2002-03 through FY 2006-07, the highest budgeted figure was \$1.5 million. More accurate estimates will result in a more timely transfer of revenues to the General Fund.

As part of my office's follow-up program, we will be requesting a status report approximately six months after the report issuance date. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

Sincerely,

A handwritten signature in black ink, appearing to read 'LNC' followed by a stylized flourish and the word 'for' written in smaller letters.

LAURA N. CHICK
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Nancy H. Sutley, Deputy Mayor, Office of the Mayor
Raymond P. Ciranna, Interim City Administrative Officer
Karen E. Kalfayan, Interim City Clerk
Gerry F. Miller, Chief Legislative Analyst
James A. Gibson, Executive Officer, Board of Public Works
Independent City Auditors