

OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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March 2, 2009

Mr. Gary Lee Moore, City Engineer  
Bureau of Engineering  
1149 South Broadway Street, Suite 700  
Los Angeles, CA 90015

Dear Mr. Moore:

**SUBJECT: EVALUATION OF RESPONSE TO THE AUDIT OF  
PROPOSITION F ANIMAL FACILITIES BOND PROGRAM**

My Audit Division has evaluated your February 4, 2009 response to the "Audit of Proposition F Animal Facilities Bond Program" issued on December 4, 2008. I am pleased to see that the Bureau of Engineering (BOE) overall, concurs with the findings and recommendations, and plans to implement changes within 180 days.

I accept the BOE's planned actions to address the report's recommendations; however, I have the following comments:

**Audit Recommendation Nos. 1, 2 and 3:**

Develop a process to closely track market conditions. Review project cost estimates and update project costs on a regular basis to reflect current construction market conditions.

Establish cost estimating guidelines. Review design estimate work performed by outside consultants and validate assumptions for developing estimates for contingencies and profit margins.

Establish a formalized comprehensive approach to developing and monitoring cost estimates, including accounting for contingencies and contractor profit margins.

Gary Lee Moore, City Engineer

March 2, 2009

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BOE Response for Audit Recommendation Nos. 1, 2 and 3:

To track market conditions, BOE will develop and post information on the BOE Intranet providing an analysis of recent bids, updated recommendations for calculating inflation, contingencies and profit margins, and a cost estimating guideline. BOE will make a request in the Mayor's budget for the year 2010-2011, for a position responsible for the following tasks: a) Expanding and updating information on the market conditions. b) Developing a standard format for all project construction estimates.

Controller's Comment

*I reiterate the importance of tracking market conditions and the use of established construction estimating guidelines. These processes are necessary to provide BOE assurance that bids received are reasonable.*

**Audit Recommendation No. 4:**

Develop a project risk management approach to project delivery to mitigate exposure and unnecessary costs. Specifically, the project risk assessment process should include identifying land acquisition and early design risks, cost escalation factors, and other risks to assist in better project planning and monitoring.

BOE Response

BOE has developed a Risk Assessment and Risk Management Policy and incorporated it into PDM Chapter 4 – "Project Monitoring and Control", Procedure 4.2 – "Risk Assessment and Risk Management". The Policy requires the development of a formal Risk Assessment and Risk Management Plan on all projects with an estimated construction cost exceeding \$100 million. Projects between \$100 million and \$50 million are encouraged but not required to develop a formal risk management plan.

Controller's Comment

*I recommend BOE revisit the proposed construction value greater than \$100 million before developing a formal Risk Assessment and Risk Management Plan, as this threshold appears to represent a relatively small proportion of the City's projects.*

**Audit Recommendation No. 5:**

Consider monitoring owner-initiated design changes by separately tracking design change orders initiated by stakeholders and owners during design and construction.

BOE Response

BOE will review 15 recently completed Bond projects to determine if a new change order category needs to be established for the owner initiated changes.

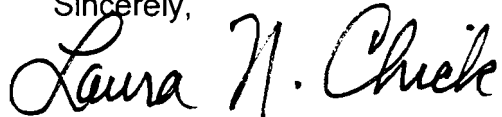
Gary Lee Moore, City Engineer  
March 2, 2009  
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Controller's Comment

*Once established, I suggest that the new tracking process for owner initiated changes be applied to current construction projects in-progress, if any.*

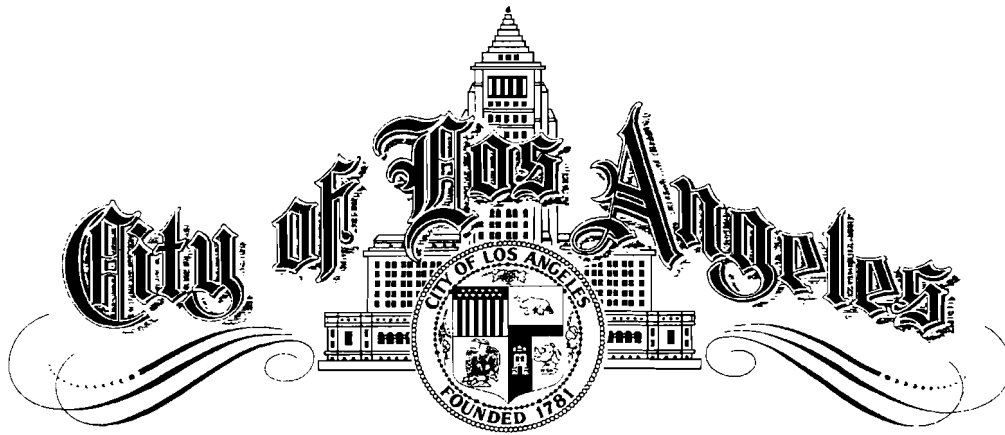
As part of my Office's follow-up program, we will be requesting a status report approximately six months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK  
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor  
Chris Espinosa, Deputy Chief of Staff, Office of the Mayor  
Romel Pascual, Acting Deputy Mayor  
Raymond P. Cirana, Interim City Administrative Officer  
Gerry F. Miller, Chief Legislative Analyst  
Cynthia M. Ruiz, President, Board of Public Works  
Valerie Lynne Shaw, Commissioner, Board of Public Works  
Karen E. Kalfayan, Interim City Clerk  
Antoinette D. Christovale, Director, Office of Finance  
Christopher Westhoff, Assistant City Attorney  
Deborah J. Weintraub, Chief Deputy City Engineer  
Kiran Vohra, Program Manager, Bureau of Engineering  
Ed Boks, General Manager, Department of Animal Services  
Linda Barth, Assistant General Manager, Department of Animal Services  
Farid Saffar, Director of Auditing, Controller



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March 2, 2009

Mr. Edward A. Boks, General Manager  
Department of Animal Services  
221 N. Figueroa St., 5<sup>th</sup> Floor  
Los Angeles, CA 90012

Dear Mr. Boks:

**SUBJECT: EVALUATION OF RESPONSE TO THE AUDIT OF  
PROPOSITION F ANIMAL FACILITIES BOND PROGRAM**

My Audit Division has evaluated your January 28, 2009 response to the "Audit of Proposition F Animal Facilities Bond Program" issued on December 4, 2008. I am pleased to see that Animal Services Department (DAS) overall, concurs with the findings and recommendations, and plans to implement changes immediately. I accept the DAS' planned actions to address the report's recommendations.

As part of my Office's follow-up program, we will be requesting a status report approximately six months. The objective of this follow-up is to ensure that the audit recommendations have been pro

Sincerely,

*Laura N. Chick*

LAURA N. CHICK  
City Controller

09-10

Edward Boks, General Manager

March 2, 2009

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