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PUBLIC WORKS

BUREAU OF
ENGINEERING

GARY LEE MOORE, P.E.
CITY ENGINEER

1149 S. BROADWAY, SUITE 700
LOS ANGELES, CA 90015-2213

<http://eng.lacity.org>

April 15, 2009

Honorable Laura Chick
City Controller
Room 300, City Hall

Dear Ms. Chick:

**EVALUATION OF RESPONSE OF PERFORMANCE AUDIT OF PROPOSITION F,
ANIMAL FACILITIES BOND PROGRAM**

Following is the response to the comments included in your letter dated March 2, 2009, providing evaluation of Bureau of Engineering's response to the subject performance audit:

1. Evaluation comment regarding Audit Recommendation Nos. 1, 2 and 3: Bureau of Engineering (BOE) plans to comply with the comment by creating a market condition summary that will be posted at the BOE website for all project managers.

The formalized, comprehensive guideline for construction cost estimates, addressing contingencies and profit margins, will be developed with the position resources to be requested in the Mayor's budget of 2010-2011.

2. Evaluation comment for Audit Recommendation No. 4: BOE will evaluate the need to develop a formal Risk Assessment and Risk Management Plan for the projects less than \$100 million and over \$50 million by reviewing cost increases for 5 recently completed projects within this range.
3. Evaluation comment for Audit Recommendation No. 5: BOE will complete an analysis on the need to separately track owner-initiated changes for the current construction projects. We plan to review 15 recently completed Bond projects and analyze the owner requested changes.

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Honorable Laura Chick
City Controller
Page 2
April 15, 2009

BOE will provide a status report regarding the implementation of the audit recommendations within the time period mentioned in your letter. If you have any questions or require additional information, please contact Kiran Vohra of my staff at (213) 580-3750.

Sincerely,



Gary Lee Moore, P. E.
City Engineer

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Attachment

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Chris Espinosa, Deputy Chief of Staff, Office of the Mayor
Raymond P. Cirana, Interim City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst
Commissioner Cynthia Ruiz
Commissioner Valerie Lynne Shaw
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
Ed Boks, General Manager, Dept. of Animal Services
Kiran Vohra, BOE, Program Manager

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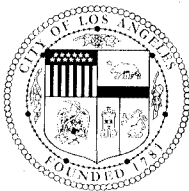
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<http://eng.lacity.org>

February 4, 2009

Honorable Laura Chick
City Controller
Room 300, City Hall

Dear Ms. Chick:

**RESPONSE TO THE PERFORMANCE AUDIT OF PROPOSITION F, ANIMAL
FACILITIES BOND PROGRAM**

This letter and the attached matrix serves as the Bureau of Engineering's (BOE's) response to the Performance Audit report of the Proposition F, Animal Facilities Bond Program (AFBP). Our response includes BOE's proposed implementation of your recommendations. Additionally, the response prepared by the Department of Animal Services (DAS) is attached with this letter.

BOE is a professional engineering organization responsible for the design, bid and award, and construction management of capital improvement projects in the City of Los Angeles. BOE is currently managing more than 520 active construction projects with an estimated value greater than \$4 billion. BOE employees are directly and indirectly responsible for the delivery and management of construction projects in 14 different programs.

BOE uses the policies and procedures outlined in its Project Delivery Manual (PDM) as the basis for managing and delivering construction projects. We consider the PDM to be a living document, and a significant amount of staff time and effort is spent to keep it updated and current. The PDM reflects the best practices learned from BOE's experience in delivering projects, as well as from the ideas learned from other agencies and groups responsible for delivering construction projects, such as the California CIP Benchmarking Group which has representatives of the engineering departments from the seven largest cities in California.

Although the PDM is designed to give BOE staff the tools required to successfully manage and deliver construction projects by utilizing consistent and uniform policies and procedures, the audit found some instances where the PDM was not strictly

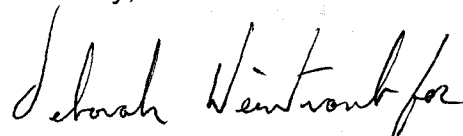


followed. In reviewing the audit recommendations, we found that many of the recommendations provide ways for BOE to further improve the PDM, and to improve the policies and procedures used to deliver construction projects.

The attached matrix provides detailed answers to each of the audit recommendations. BOE has begun implementing changes to the policies and procedures discussed in this audit response. BOE plans to complete the implementation of the recommendations in the next 180 days.

My staff and I look forward to working with you to complete the audit of Proposition F, Animal Facilities Bond Program. If you have any questions or require additional information for any of the responses to the audit recommendations, please contact Kiran Vohra at (213) 580-3750 for BOE, and Linda Barth at (213) 482-9558 for DAS.

Sincerely,



Gary Lee Moore, P.E.
City Engineer

Attachments: - BOE matrix response to the published report for the audit of Proposition F, Animal Facilities Bond Program, dated February 4, 2009
- DAS cover letter to the Controller dated January 28, 2009
- DAS matrix response to the published report for the audit of Proposition F, Animal Facilities Bond Program, dated January 28, 2009

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

BUREAU OF ENGINEERING RESPONSE TO THE RECOMMENDATIONS OF PROPOSITION F, ANIMAL SHELTERS AUDIT REPORT.

RANKING CODE: N = Necessary, D= Desired.

Recommendation						
Section No.	Description of Finding	Ranking Code	No.	Page Ref.	Audit Recommendation	Response
I.	Better Cost Planning and budget process are needed to track market conditions and to meet construction program goals and objectives - cost and schedules on budget and on time.	N	1	28	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.	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. Bureau of Engineering (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.
			2	28	Establish cost estimating guidelines. Review design estimate work performed by outside consultants and validate assumptions for developing estimates for contingencies and profit margins	
I.	Cost estimate contained varying assumptions with regard to elements such as project contingencies and profit margins.	N	3	28	Establish a formalized comprehensive approach to developing and monitoring cost estimates, including accounting for contingencies and contractor profit margins.	

Section No.	Description of Finding	Ranking Code	No.	Page Ref.	Audit Recommendation	Response
I.	Changes in the location and design of the South LA facility resulted in unneeded project designs and delays in the construction of the project.	N	4	28	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 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.
	Although change orders resulting from design errors were well controlled and tracked, modifications to facility designs by the project's owner were not monitored as closely.	D	5	35	Consider monitoring owner-initiated design changes by separately tracking design change orders initiated by stakeholders and owners during design and construction.	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.

Section No.	Description of Finding	Ranking Code	No.	Page Ref.	Audit Recommendation	Response
II.		D	6	35	Consider developing animal facility design and construction standards to ensure lessons learned are incorporated into ongoing work on future animal facilities.	A programming document to reflect best practices and lessons learned from the design, construction, and operation of the facilities will be prepared.
	After eight years of project delivery, the Program is now in a good position to consider design lessons learned for application on future projects, especially the on-going South Animal Shelter project.	N	7	35	Develop a "lessons-learned" document to memorialize design and project delivery issues and resolutions learned on Prop F projects.	PDM Procedure 25.5 titled "Project Performance Report" requires a "lessons learned" to be documented at the close out of a project. Reports for North Central and East Valley Care Centers have been available on the web-based Uniform Project Reporting System (UPRS). This PDM requirement will be followed for the remaining projects. In addition, at the conclusion of the Program, a report for the "lessons learned" for the Program will be prepared and uploaded to the UPRS.
	Numerous DAS staff voiced concerns about operating the newly built facilities.	D	8	35	Increase training assistance provided to DAS operational staff on facility operations.	Completed. No additional training has been requested by DAS.

Section No.	Description of Finding	Ranking Code	No.	Page Ref.	Audit Recommendation	Response
III.	Limited supporting documentation was available to support a detailed review of consulting and other contract proposals. Specifically, we found limited records of the criteria used to invite firms for interview, evaluating records such as scoring sheets or interview notes to validate that BOE followed a fair and unbiased contract award process	N	9	40	Ensure proper documentation of contract award process including short-listing of firms for interviews, interview evaluations and ranking criteria.	BOE will develop a policy for retention of consultants' selection records, and revise PDM Chapter 6 - "Using Consultants", Procedure 6.4 - "Procurement Process" to include this policy.
		N	10	40	Consider establishing an internal audit staff to monitor on-going Program activities, identify areas for improvement, and report to the Administrative Oversight Committee and Board of Public Works.	BOE will revise PDM Procedures 1.5, titled "Program Oversight Committee", to request that all future Bond Programs budget for and establish internal audit staff. BOE will consider requesting audit funds for the last remaining Animal Bond project.
	Not all consultant invoices were formally authorized and included appropriate signatures.	D	11	40	Assure payments are properly approved by the program and project managers.	PDM Procedure 6.9, titled "Paying for the Work - WBS and MBE/WBE/OBE Utilization" will be revised to require that both the certification stamp as well as the signature block in the invoices be signed off by the PM and/or the Program Manager before submitting to the Controller's Office.

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MAYOR

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EDWARD A. BOKS
GENERAL MANAGER

LINDA J. BARTH
ASST. GENERAL MANAGER

KATHLEEN J. DAVIS
ASST. GENERAL MANAGER

January 28, 2009

Honorable Laura Chick
Controller, City of Los Angeles
City Hall East Room 300
200 North Los Angeles Street
Los Angeles, CA 90012

Dear Controller Chick:

Along with the City Engineer, and on behalf of Los Angeles Animal Services, I also acknowledge the assistance offered by the Performance Audit of the Animal Facilities Bond Program (Prop F) in fortifying certain aspects of the bond program process from the client Department perspective.

Notable within the portions of the Audit report detailing recommendations for Animal Services is the underlying need to strengthen communications within the Animal Services Department. The Audit reveals the importance of:

1. Ensuring staff and external stakeholders are involved throughout the program and decisions are properly reviewed and approved through all necessary levels of the Department, and
2. All City participants involved in the program, such as Bureau of Engineering (BOE) and the General Services Department, receive timely information as needed, and
3. Communications from BOE, the architects, and others are timely and effectively disseminated within the Department and among stakeholders so decisions are well-founded and decision-making is not isolated.

The lessons learned from our experience can serve as a framework for other Departments to ensure a vigorous, diverse, and effective working model for a client Department, and also help establish an effective relationship with the Bureau of Engineering, and others. We are seeing the results of more and better input by the Department in the final major project of the program, the new South Los Angeles Animal Care Center, for which design changes have been discussed and implemented based on experiences from the completed projects as well as from staff and stakeholders.

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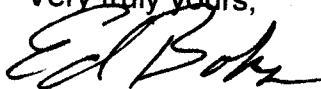
January 28, 2009
Controller Laura Chick
Performance Audit of the Animal Facilities Bond Program
Page 2

The Prop F program has provided the people of Los Angeles with an animal care system second to none in the United States. This is due to the expertise and dedication of the City Engineer and his staff, for which we are grateful.

We will begin work on your recommendations immediately. If you have any additional questions or concerns, or to follow up on any of the responses to your recommendations that have been provided by LA Animal Services, please do not hesitate to contact myself or Linda Barth, Assistant Manager for Administration, at 213-482-9558, or via e-mail at Linda.barth@lacity.org.

Thank you for your dedicated and professional staff, and your support and insight.

Very truly yours,



EDWARD A. BOKS
General Manager

cc: Board of Animal Services Commissioners
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Chris Espinosa, Associate Director – Public Works, Office of the Mayor
Deborah J. Weintraub, Chief Deputy City Engineer
Kiran Vohra, Program Manager, Program Manager
Jim Bickhart, Office of the Mayor
Farid Saffir, Director of Auditing
Edward Roes

DEPARTMENT OF ANIMAL SERVICES RESPONSE TO THE RECOMMENDATIONS OF PROPOSITION F, ANIMAL SHELTERS AUDIT REPORT							
RANKING CODE: N = Necessary, D = Desired.							
Section No.	Description of Finding	Recommendation		Page Ref.	Audit Recommendation	Planned Response	Responsible Party
		Ranking Code	No.				
IV.	Process to Address Stakeholders' concerns Warrants Greater coordination .	N	12	40	Establish protocols outlining DAS internal roles and responsibilities relative to the Prop F animal facilities bond program	DAS will outline the principal duties of the MOU-designated liaison with definition of the specific distinction between BOE and owner in various stages of decision-making and approvals. DAS will establish a process for briefing new managers (GM and AGM level) within 30 days of appointment.	DAS
		N	13	40	Streamline stakeholders' and DAS-initiated design change request process by logging requests and monitoring progress made towards resolving issues throughout the project lifecycle	DAS will develop a responsibility matrix for the review of building modifications with stakeholders at each phase of design and in construction.	DAS
	N	14	43	Develop a strategic plan, department policy and standards to address facility-related issues such as animal care processes at animal shelter facilities, as well as financial forecasts for operating and maintaining DAS facilities.	DAS is working on a 5-year Strategic Plan, as well as updated Policies and Procedures, with the bulk of the work expected to be completed by mid-2009. When fiscal realities allow, DAS will request funding from the Mayor and City Council for the full operation of the Northeast Animal Care Center. Study of operations at the new animal care centers now fully opened will allow informed projections of resource requirements for future budgeting for DAS and GSD (maintenance, custodial).	DAS	
	N	15	44	Consider City and departmental policies and philosophies related to animal care when updating DAS facility design requirements, including making decisions about building indoor or outdoor rabbit facilities and other space considerations.	DAS has met with special interest groups to obtain input to incorporate into the design of the new SLA facility. As mentioned in connection with Recommendation No. 16, below, lessons-learned have also been integrated into the new South Central design.	DAS	
	N	16	44	Perform internal capacity and needs assessment studies to compare the existing facility use with the projected animal population and demand for animal services. Report study results to the Administrative Oversight Committee for consideration of changes needed to facility design plans.	DAS will continue to monitor its kennel population and intake and adoption trends, and compare and contrast that data along with new program ideas with the models established in the Master Facility Study. Efforts to discuss consideration of modifying kennel numbers and design at the new South Central animal care center were not accepted, but through collaboration between DAS, BOE, and Oversight Committee, some lessons-learned from completed projects were integrated into South Central design concepts.	DAS	
		N	17	44	Establish sufficient policies and procedures for standard operation of animal shelter facilities that could aid in training staff in new facilities and equipment operations.	DAS in partnership with GSD and BOE as needed, will formalize a facility maintenance manual and provide facility maintenance training to designated facility staff.	DAS