

July 13, 1998

Gregory L. Scott, Director  
Bureau of Street Services  
Department of Public Works  
600 S. Spring Street, Suite 1200  
Los Angeles, CA 90014

Dear Mr. Scott:

Our Audit Division completed an analysis of the use and payment of contract truck drivers hired by the Department of Public Works to assist in the Little Tujunga Wash Project.

A draft of our report was provided to you for your review on April 28, 1998 and an exit conference was subsequently scheduled on May 28, 1998 at your request. Due to the presence of a Councilmember's Staff at that exit conference, we were unable to hold the exit conference as planned. We later informed you that we would welcome any written comments or another exit conference could be scheduled at your request. In a letter dated June 12, 1998, you provided to our Office a preliminary written response to the draft audit report.

Based on a request from the Councilmember's Chief Field Deputy, the City Controller met with representatives from the Mayor's Office, DPW, Department of Building and Safety, City Attorney's Office and the Councilmember's Chief Field Deputy on June 15, 1998. Those in attendance explained the importance and emergency nature of the Project and provided other background information. The information provided was similar to statements previously made to the auditors by representatives of the BSM, and provided in writing in response to the draft report.

Please have your staff review the report and provide a written response to the Controller's Office within 30 days on actions taken to implement the recommendations. Should you so desire, our audit staff is available to again discuss the contents of the report at your convenience.



Gregory L. Scott, Director  
Bureau of Street Services  
Department of Public Works  
July 13, 1998  
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The cooperation extended by your staff during the course of our audit is appreciated. If you have any questions on this report, please call Mike Lee , Chief Auditor, at (213) 485-4525.

Very truly yours,

RICK TUTTLE, CONTROLLER

By \_\_\_\_\_  
James P. Armstrong, CPA  
Director of Auditing

JPA:HH:vca

cc: Hon. Richard J. Riordan, Mayor  
Hon. John Ferraro, President, City Council  
Hon. Richard Alatorre, Chairperson, Budget and Finance Committee  
Hon. Joel Wachs, Chairperson, Governmental Efficiency Committee  
Hon. Rita Walters, Chairperson, Public Works Committee  
Hon. Laura Chick, Member, Public Works Committee  
Hon. Cindy Miscikowski, Member, Public Works Committee  
Hon. James K. Hahn, City Attorney  
Ellen Stein, President, Board of Public Works  
Lesa Slaughter, Chief of Staff, Office of the Mayor  
Kelly Martin, Deputy Mayor, Office of the Mayor  
William Violante, Deputy Mayor, Office of the Mayor  
Judith A. Wilson, Director, Bureau of Sanitation  
J. Paul Brownridge, City Treasurer  
Keith Comrie, City Administrative Officer  
Ronald Deaton, Chief Legislative Analyst  
Independent City Auditors

**ANALYSIS OF DEPARTMENT OF PUBLIC WORKS  
PAYMENTS TO CONTRACT TRUCK DRIVERS  
FOR THE LITTLE TUJUNGA WASH PROJECT**

**AUDIT REPORT**

**CITY OF LOS ANGELES**

**JULY 13, 1998**



**OFFICE OF THE CONTROLLER  
RICK TUTTLE, CONTROLLER**

**JAMES P. ARMSTRONG, CPA  
DIRECTOR OF AUDITING**

*SUBMITTED BY:*

**HOWARD HUANG  
SENIOR AUDITOR**

**MIKE LEE  
CHIEF AUDITOR**

# ANALYSIS OF DEPARTMENT OF PUBLIC WORKS PAYMENTS TO CONTRACT TRUCK DRIVERS FOR THE LITTLE TUJUNGA WASH PROJECT

## I. EXECUTIVE SUMMARY

The Controller's Office analyzed the Department of Public Works (DPW) costs for contract truck drivers used to assist with a major City project undertaken during October and November 1997. Our review was triggered by an alert from the Controller's preaudit function that contract truck drivers were going to be paid up to \$35,000 for work completed over a two week period. This was a significant increase over the typical contract truck driver payments of \$5,000-\$10,000 for a two week period.

The payments to contract truck drivers were for hauling dirt and debris loaded by DPW staff from the flood control channel at the Little Tujunga Wash, hereinafter referred to as the Project. The Project was part of the City's efforts to prevent flooding from expected El Niño storms.

The specific plans for the Project were reported to and approved by both the Board of Public Works and the City Council. The report to the Board and Council stated that the Project would be completed by a local reclamation company that offered to clear the channel and remove the dirt and debris at no cost in exchange for being able to keep the fill removed from the Wash. The plan, as approved by the Board and Council, would cost the City very little and reportedly required the reclamation company to complete the job within approximately 44 days.

Prior to the date the City Council approved the no cost project, a decision was made to change the project plan to ensure the Wash would be cleared in a shorter period of time. This decision was communicated to the Public Works Bureau Chiefs by the President of the DPW Board. The President directed that the Project plan be changed to instead use City forces and contract truck drivers to clear the Wash and remove the soil and debris with a target of 15 working days. The City Council was not informed of this change in plans and the resulting costs which would be borne by the City's General Fund.

The Bureaus of Street Maintenance (BSM) and Sanitation (BOS) both provided equipment and personnel and the Project started out using City dump trucks and contract trucks provided through a BSM Contract Truck Program. The final section of the Project was completed using contract trucks procured by the BOS for a much lower price. BSM paid approximately \$381,300 for independent contract truck drivers for the first 17 working days and BOS paid \$37,000 to a trucking company for truck drivers during the final four working days of the Project. The Project was completed on November 10, 1997.

The scope of our analysis was the use and payment of contract truck drivers. **We did not do an**

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**overall analysis of project development, planning or performance by the DPW.**

Information came to our attention during our analysis of a significant discrepancy between what the City Council was told about the Project and subsequently approved and what the Project ultimately cost the City. A summary of the discrepancy is discussed in this report.

**A. OPINIONS AND OBSERVATIONS**

This Project was intended to avert possible flooding that could have resulted in extensive damage and ultimately in expensive repairs or rehabilitation to public as well as private property. While we acknowledge the importance of the Project, the available evidence shows that:

The revised Project plan, while communicated by the President of the Board of Public Works to several DPW Bureau Chiefs, was not communicated to the City Council when they were considering approval of the Project several days later. The result was that the Council was led to believe the Project would be completed by a contractor for little or no cost to the City when in fact DPW was already proceeding with a very different and much more costly plan. According to the Council Resolution adopted on October 24, 1997, the Project was to be performed by a local company for free with no cost to the City.

Senior DPW officials did not do a preliminary cost estimate or consider cost alternatives while planning the revised Project, and gave no consideration to costs until the Project was well under way and BSM management became concerned about the high cost of contract truck drivers. The available evidence shows that even under the revised plan, the City could have completed the Project in a similar time period and saved as much as \$209,000 of taxpayers' monies had senior officials of the DPW exercised proper due diligence by performing fundamental cost analysis and comparisons before starting or during the early stages of the Project.

A meeting was reportedly held on October 14, 1997 with Bureau Officials and the BSM was asked by the President of the DPW Board to take the lead in this Project. The BSM and BOS both provided equipment and personnel and the Project started out using City dump trucks and contract trucks provided through a BSM Contract Truck Program.

BSM started the Project by agreeing to pay their contract truck drivers on a per load basis, which is a very costly payment method when trucks are only traveling a very short distance, in this case less than two miles. Two weeks after the Project started, the contract truck costs were so high that BSM representatives informed the truck drivers that BSM was switching to an hourly pay rate. When the truck drivers quit early that day, apparently in protest over the proposed switch to an hourly rate, BSM representatives reversed their decision and decided to keep the truck drivers on a per load rate. As a result the BSM truck drivers returned to work the next morning.

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When the BOS project representative learned, as a result of the truckers job action, that BSM was paying the truck drivers on a per load basis, he explained to his supervisor that "... paying trucks hundreds of dollars per hour compared to our contract cost of \$70.00 per hour was outrageous." Two days after the dispute between BSM and their contract drivers, BOS voluntarily took over the trucking portion of the Project.

Contract trucks hired by BOS using an hourly rate completed the Project at a much lower comparable cost, approximately \$1.69 per ton hauled, versus the \$3.84 per ton rate paid by the BSM. If BSM had continued to use their contract truck drivers to complete the Project, it would have cost the City an additional \$47,000.

Representatives of BSM argue that based on their many years of experience with contract truck drivers, they are sure that they would not have completed the Project in the same period if they had paid truck drivers on an hourly basis. They state that in their experience, hourly paid trucking is less productive than trucking paid on a per load basis, and in the case of the Wash project, they do not believe the City would have completed the Project as quickly without paying the per load fee.

Since the hauling on this Project was off-street and short distance, we believe that had BSM compared the performance of per load trucks with hourly rate trucks they would have concluded that the Project could have been completed within a similar time period, with adequate supervision, using the hourly contract truck drivers. Our analysis of the output of the BOS contract trucks showed that the average turn around time of the BOS contract truckers was comparable to the BSM contract truckers.

Records show that the City expended an estimated \$540,000 for the cost of contract trucking, staff salaries and equipment rental for the Little Tujunga Project.

## **B. RECOMMENDATIONS**

As a result of our review, we recommend the following to the DPW and BSM management:

- 1) Require staff to analyze costs for all future projects during the planning and implementation stages and make appropriate comparisons of available alternatives to ensure the best use of resources on behalf of the City's taxpayers.
- 2) Educate staff to always be conscious of the best practice approach to do their jobs.
- 3) Issue a revised Bulletin for Contract Trucker (BCT) to reemphasize contract terms and the applicability of Ton-Mile rates.

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- 4) Determine and collect overpayments of stand-by time from contract truck drivers.
  - 5) Require staff to closely review time sheets of contract truck drivers to ensure correct payment.
  - 6) Review the payment system logic and develop measures to easily identify missing or erroneous data input to avoid incorrect payments to contract truck drivers.

### **C. OBJECTIVES OF THE ANALYSIS**

Our objectives were to determine if the:

- 1) DPW performed a reasonable cost analysis during the planning and implementation process.
- 2) BSM exercised due diligence in hiring and paying contract truck drivers.
- 3) BSM was overbilled by contract truck drivers.
- 4) BSM's monitoring efforts were adequate to ensure accurate payment to the contract truck drivers.

### **D. AUDIT TECHNIQUES AND METHODOLOGY**

To accomplish our audit objectives, we did the following:

- 1) Interviewed the staff of the Board of Public Works, Bureau of Engineering, City Administrative Office, BSM and BOS.
- 2) Interviewed BSM contract truckers and personnel of the trucking company hired by BOS.
- 3) Reviewed the contractual agreement between BSM and the contract truckers, the Bulletin for Contract Truckers and the Procedures for Renting Privately Owned Dump Trucks.
- 4) Requested the City Attorney's interpretation of the BSM contract provisions.
- 5) Analyzed the Citywide GSD trucking contract that the BOS used and the payment

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records.

- 6) Conducted a site visit and estimated the time and distance for the contract truckers to complete a hauling trip.
- 7) Reviewed and analyzed the contract truckers time sheets BSM used to pay contract truckers.
- 8) Verified the hauling capacity as billed by each BSM contract trucker.
- 9) Reviewed monitoring records prepared by the BSM staff and BOS staff.

We did our field work between November 1997 and April 1998, in accordance with generally accepted Government Auditing Standards.

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## II. BACKGROUND

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### A. PROJECT HISTORY

The Project required the dredging of approximately 150,000 cubic yards of dirt and debris in the Little Tujunga Wash between the Foothill Boulevard Bridge and the Los Angeles County line. A Declaration of Urgent Necessity and a contract with a local company and related documents were approved by the Board of Public Works (Board) on October 17, 1997 and the plan was adopted by the Council on October 24, 1997 (Attachment I). The Project was to be performed by a local reclamation company for free and was to be completed within approximately 44 days. In return, the company was to reclaim the sand and gravel removed from the Wash for free. The excavation site was approximately 1,000 yards long, three to 20 feet deep and 120 feet wide at the basin and became wider going up the channel, per the Project plan.

The President of the DPW Board called a special meeting on October 14, 1997, three days prior to the Board's adoption of the Declaration of Urgent Necessity, and communicated a revised work plan. The President of the DPW Board and Bureau Chiefs agreed to complete the clean-out job within 15 working days. The contract trucker hauling portion of the project ultimately took 21 working days. The local company that originally agreed to complete the Project still reclaimed the sand and gravel for free but with minimum participation under the revised plan.

According to the revised work plan, the BOS provided loaders, bulldozers and other heavy equipment to remove alluvium and load the removed deposits into trucks. BOS also supplied their own 10-wheel dump trucks for transportation. BSM supplied its own 10-wheel dump trucks for transportation and one truck counter and one equipment operator.

Starting October 17, 1997, BSM hired thirteen contract truck drivers to transport debris to the local company's lot in the adjacent Hansen dam area where the sand and gravel would be processed by the company.

On November 5, 1997, BOS management learned that the pay rate the BSM was paying to the contract truck drivers was excessive and recognized that they could produce similar work output by hiring other truckers for a lot less than the BSM paid. BOS management communicated with BSM management their concerns and took over the trucking project starting November 6, 1997, using both their own and contracted trucks. BOS finished the Project on November 10, 1997.

According to the preliminary written response (Attachment VIII) provided by the BSM, the BSM Management asserted that they voluntarily gave the trim and cleanup phases of the Project to BOS only when the BSM Management determined there was no danger to lives or property near the Wash.

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## **B. BSM CONTRACTUAL AGREEMENT**

The BSM had an existing Contract Truck Program to handle routine transporting of asphalt and debris. Program applicants were pre-approved to form a list of eligible contract truckers. According to BSM staff, the list contained 80-100 truckers at any given time and the job assignments were given out based on truckers' seniority.

Effective July 1, 1996, BSM changed its contract truckers pay rate from hourly to Ton-Mile, a set rate per ton hauled between two designated points. These rates are published in the Ton-Mile Schedule (Attachment II), as an attachment to the contract (Attachment III). Item two of Bulletins for Contract Trucks (Attachment IV ) issued on January 17, 1997, which is part of the contract, states that "payment for trips made to locations not covered by the Schedule will be paid at the rate of \$55.20 per hour until a ton-mile rate is established by the Bureau of Street Maintenance."

The BSM has divided the City into 24 distinct Maintenance Districts (Districts). The Ton-Mile Schedule (Attachment II) lists pay rates that will be paid to contract truck drivers for each ton of material transported between any one of the 14 specific locations listed and any one of the 24 Districts, or vice versa. The 14 locations consist of two asphalt plants, five asphalt vendors, one City yard, five landfills and one out of the City recycling center. Except for the out of the City recycling center, the 13 locations are situated within six Districts. According to BSM management, the Schedule of 14 specific locations identifies a majority of the work locations (95-99%) of all hauling done by their contract truck drivers.

The trucking agreement also established the following payment provisions:

- \* **Bonus Pay:** Twelve percent above a regular work day rate for truckers working on Saturdays.  
  
Thirty-two percent above regular work day rate for truckers working on Sundays and holidays.
- \* **Stand by Pay:** Payments of \$3.226 for every six minutes of idling. In order to be eligible the trucks had to be on the job site for more than 30 minutes for truckers without trailers, and more than 45 minutes for truckers with trailers.

## **C. TIME KEEPING AND PAYMENT PROCESSING - BSM CONTRACT**

The driver of each truck was required to prepare a daily time sheet. Spaces are provided on the time sheets for truckers to indicate the beginning and ending District codes. The time sheets are signed by

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the receiving crew's supervisor to verify correctness after each trip and by an authorized supervisor at the end of the day to certify correctness and approval for payment.

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The BSM used a data entry contractor to input the properly approved time sheets. The ton-mile rate, bonus rate and stand by pay are set up in the computer in accordance with the Schedule and payment provisions contained in the agreement. The system calculates the payments based on the beginning and ending District codes entered on the time sheets, time to complete a trip and the day of the week. If contract truckers were to complete a hauling trip not covered in the Schedule, the system will flag “no match” and the hourly rate of \$55.20 would be used to compute the payment.

If a ton-mile rate were used, daily regular payments to the contract truckers would be the product of:

- 1) an applicable ton-mile rate;
- 2) a tonnage which is the weight carried by the truck; and
- 3) the number of trips.

If an hourly rate is used, daily regular payments to the contract truckers would be \$55.20 multiplied by the total number of hours on the job, irrespective of the weight carried or the number or distance of trips.

#### **D. BSM CONTRACT TRUCKER PAYMENTS**

Total payment is the regular pay plus any applicable bonus pay and stand by pay. The total payments to the contract truckers for transporting debris were as follows:

BSM hired 13 truckers (20 tons and above) for a total cost of \$352,994, with costs ranging from \$17,292 to \$41,328 per trucker for the 17 working days (Attachment V). BSM also hired nine truckers (15 tons) for a total cost of \$28,353, with costs ranging from \$1,612 to \$8,689 for five working days during the period of October 30, 1997 to November 5, 1997. The BSM truckers were paid \$3.84 per each ton hauled and based on the total regular payments and the total hours worked, this ton-mile pay rate of \$3.84 was equivalent to an hourly rate of \$216, approximately 400% of the hourly rate (\$55.20) specified in the contract. The higher regular pay rate also resulted in proportionally higher bonus payments.

#### **E. BOS TRUCKING CONTRACT PAYMENTS**

BOS trucking contract payments were determined based on the number of trucking hours and the applicable hourly rate. For the last four working days, the BOS hired a trucking company, which provided six to ten, 15-ton trucks and nine to 14 trucks with 20 tons and above, paying an hourly rate of \$60 for the 15-ton truck and \$70 for the trucks with 20 tons and above. The trucking company was paid a total of \$36,989 (Attachment VI).

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### III. FINDINGS AND RECOMMENDATIONS

#### ***FINDING No. 1 THE BSM PAID \$209,000 MORE THAN WHAT WAS NECESSARY IN THE LITTLE TUJUNGA WASH CLEAN-OUT.***

The lack of the BSM management's oversight for cost estimation and the contract payment process resulted in paying \$209,000 (56% of \$372,527) more than was necessary to the BSM contract truckers. BSM hired 7-15 truckers each day for the Project to haul alluvium deposited in the 1,000 yard long channel to the adjacent Hansen dam basin, which is about 2,500 yards away from the lower end of the channel. Payments to the truckers for 17 working days ranged from approximately \$17,000 to \$41,000. (Attachment V).

#### **INCORRECT TIME SHEETS WERE APPROVED FOR PAYMENT**

The truckers' time sheets indicate job site District codes 218 & 219 as two destination points and accordingly paid \$3.84 per each ton hauled, which is preset in the Schedule. The time sheets were approved by the BSM field supervisors for payment processing. The BSM project manager asserted that the truckers were bound to be paid \$3.84 based on the Schedule because one destination point is in District 218 and another one is in District 219, regardless of the distance between the two destinations. Our field visit disclosed that both destination points are in District 218 according to the BSM Maintenance District Map. The distance of the hauling for the Project was mostly between one and a half and two miles, which is only 25% to 33% of the average distance between Districts 218 and 219.

The BSM project manager asserted that a pay rate for the hauling was not discussed with the truckers prior to the start of the job. All truckers reportedly knew they would be paid in accordance with contract provisions.

Our interview with several truckers hired by the BSM revealed that the truckers were reportedly told to record District codes 218 and 219 on their time sheets by either a BSM field supervisor or BSM asphalt plant dispatcher, and they understood they would be paid per the Schedule. Had the time sheets been prepared correctly, indicating all travel was within District 218, the truckers still would have been paid \$3.84 per each ton hauled per the Schedule. The point here is that BSM's approval of incorrect time sheets and their failure to provide correct information for payments reflects management's lack of oversight.

According to the preliminary written response provided by the BSM, the map used by the BSM staff to determine the district boundaries was an earlier hand drawn version that did not clearly delineate the district boundary line. If an official detailed map were used by the BSM staff, it would indicate that both the pickup and drop off point of the Project were located within District 218.

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## **OUTPUT DID NOT WARRANT PAYMENT**

The Director of BSM asserted that the primary objective of the Project was to immediately remove deposited alluvium and restore the full hydraulic capacity of the Wash before El Niño storms hit the area. Furthermore, he stated that the contract provisions were designed to promote efficiency by providing corresponding compensation which correlates with the truckers' output. As a result, overall BSM reports that they have saved a lot of trucking costs since they changed the pay rate from hourly to Ton-Mile. The BSM Director also stated that he knows based on many years of experience that truckers' performance on this Project was cost effective and cautioned that auditors should not make a statement that the payment was excessive without first presenting comparative performance and cost figures.

According to the preliminary written response provided by the BSM, the BSM has saved the taxpayers of Los Angeles over eight million dollars since eliminating the per hour pay structure and by implementing the ton-mile payment structure for contract trucks. We requested the BSM provide documents to support the eight million dollar figure comparing the number of tons hauled and costs incurred for each fiscal year, but as of the report issue date, we did not receive any written communication from the BSM.

According to a telephone conversation with a BSM staff, the eight million dollars consists of two years of savings when each of FY97 and FY98 contract trucking expenditures was compared with the FY96 trucking expenditure, the last year of the hourly pay structure. According to the BSM staff, there was no data available to show the total number of tons hauled by the contract trucks during FY96 because they were paid by the hour. Since the BSM could not provide information as to the extent of work that was performed, there is no way to validate the reported savings.

Ton-Mile pay rates may be cost effective overall for the BSM in transporting asphalt and debris over many different routes, but it was not cost effective for this short distance debris hauling Project. The contract truckers drove on the restricted channel and dirt roads with no street traffic. The traveling distance was estimated to be between 1.4 miles and 2 miles, for which it took approximately 15-30 minutes' turn around time depending on the loading place and waiting time for loading and unloading. These conditions offer little room for an output increase, and certainly not a 400% output increase to correlate with the 400% pay rate increase from the equivalent hourly rate of \$55.20 to \$216.

For the last four working days, the BOS hired a trucking company, which provided six to ten, 15-ton and nine to 14, over 20-ton trucks paying an hourly rate of \$60 for the 15-ton and \$70 for the over 20-ton trucks. The trucking company was paid a total of \$36,989 (Attachment VI). The trucking company was paid an equivalent pay rate of \$1.69 per each ton hauled based on the total payments and the total tonnage transported. The pay rate of \$1.69 was 44% of the BSM's pay rate(\$3.84)for each ton hauled. The BOS did not incur any bonus pay or stand by pay.

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Our analysis of the output of the BOS contract trucks showed that the average turn around time was 28.44 minutes (2.11 loads per hour), 25% more than the BSM truckers' 22.73 minutes (2.64 loads per hour). The BOS truckers' turn around time was comparable to the BSM truckers', considering the traveling distance got longer day by day. The average traveling distance of 1.6 miles for BSM's truckers compared to an average traveling distance of 1.9 miles for BOS's truckers, and this added distance explains the reason for the 25% added average turn around time.

The BSM made the following statements in its preliminary written response dated June 12, 1998:

- Clearing the Wash using contract trucks paid by the hour in approximately 29 days with a completion date of November 17 for a cost of approximately \$312,000 was not acceptable.
- The BSM contract trucks were completing round trips in 11 minutes and delivering 30 trips per truck per day. The contract trucks hired by the BSM hauled 3.95 loads per hour.

Since the figures provided by the BSM were different from our analysis, we requested the BSM to provide supporting documents which supported their numbers. As of the report issue date, the BSM did not provide the additional information.

According to an internal memo from a BOS Solid Resource Engineering and Construction Division Manager to the Assistant Director of BOS, BSM was supposedly in charge of the trucking, but never had a supervisor or superintendent at the site until several weeks into the Project. The BOS manager believed that BSM could have spent far less money if the trucking was paid on an hourly rate and if BSM had a supervisor on site to ensure that the contract truck drivers were efficient.

## **BSM WAS NOT BOUND PER CONTRACT TO APPLY THE TON-MILE SCHEDULE**

The contract terms of the Schedule and BSM trucking contract strongly indicate that the Schedule was designed to cover the transportation from/to 14 locations, rather than from/to any place in the six Districts. According to BSM, an hourly rate of \$55.20 is applicable when transportation is made from/to the 18 Districts, not in the six Districts or one outside of the City location. The transportation from/to the 14 locations indicated on the Schedule reportedly covers more than 95-99 % of the total transporting needs of the BSM. The BCT-23 Revised, item two issued on January 17, 1997 states that "... payment for trips made to locations not covered by the Ton-Mile Schedule will be paid at the rate of \$55.20 per hour until a ton-mile rate is established by the Bureau of Street Maintenance."

The BSM manager stated that applying an applicable ton-mile rate in the Schedule when transporting from/to any place in the six Districts was BSM's intention at the time they put the Schedule

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together. They showed several payment records which showed a ton mile rate in the Schedule was applied even though a destination point was not one of the 14 locations specified in the Schedule but was in the six Districts specified in the Schedule. Such occasions were very rare and insignificant in dollar amounts, per the manager. BSM management acknowledged that they have not had a project with such major debris hauling work to locations other than the 14 locations specified in the Schedule since they adopted the Ton-Mile rate.

We are not convinced that the few incidents of payment examples demonstrate that the BSM was bound by the contract to apply the Schedule in the situation of this Project. We are of the opinion that BSM, for convenience purposes, decided to apply the Schedule in those few situations because payment amounts were insignificant. Regardless of BSM's intention, the existing contract, in our opinion, did not prohibit the BSM from exercising the option to apply a negotiated pay rate different from the ones in the Schedule when transportation was made from/to any places other than the 14 locations specified in the Schedule, and specifically in the circumstances of this Project because of the very short travel distances.

A good illustration of our point is that if an identical dredging project were done by the same contract truckers in the Los Angeles river near Griffith Park, the BSM would have paid the hourly rate of \$55.20, not being able to apply the Schedule simply because the L.A. river area was not in any of the six Districts covered in the Schedule.

Our interview with several truckers hired by the BSM showed that on the 16th working day, November 4, 1997, they were told by BSM field supervisors that they would be paid by the hour. The truckers thought it was unfair to change the pay rate in the middle of the job and left around 3:00 P.M. that day in protest. BSM management reportedly conceded or changed their mind and decided to continue to pay the per ton mile rate and the truckers thus returned to work for one more day.

When the BOS project representative learned, as a result of the truckers job action, that BSM was paying the truck drivers on a per load basis, he explained to his supervisor that "... paying trucks hundreds of dollars per hour compared to our contract cost of \$70.00 per hour was outrageous." The BOS project representative prepared a summary report (Attachment VII) which described the BOS' involvement in the Project.

The attempt to switch to an hourly rate was clear evidence that BSM management knew that they had an option to determine a pay rate under the terms of the contract. Later on, the truckers heard that other truckers were hired on an hourly basis and completed the job. The truckers stated that if they were told initially that they would have been paid an hourly rate, not per the Schedule, when they were offered the job, they would have agreed to work on the Project as long as the pay rate was reasonable. Because of the short hauling distance and large amount of hauling involved, we believe that BSM management should have negotiated a market rate which was much lower than the \$3.84 per the Schedule ton hauled, if BSM did not want to pay the truckers strictly by the \$55.20 hourly rate.

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If BSM paid contract truckers by the hourly rate of \$55.20, the BSM would have incurred a cost of \$95,224, 26% of \$372,527, thereby saving approximately \$277,300.

## **BSM ALSO HAD AN OPTION TO HIRE THE SAME TRUCKING COMPANY THAT BOS HIRED**

According to the GSD buyer who procured the citywide GSD trucking contract(#56309) which BOS used to hire truckers, the contract amount was \$700,000 with actual expenditures of less than \$60,000 by October 1997. BSM could have easily used the GSD contract by submitting a Purchase Order Change and most likely could have gotten the necessary paper work processed within one day. A BSM manager stated that the BSM was not aware of the existence of a citywide GSD trucking contract.

The trucking company was able to provide as many trucks as the City wanted on the following day as evidenced by what BOS did. Also, the BSM staff confirmed that there were plenty of truckers looking for jobs.

The trucking company used by BOS was even able to offer a 10% discount to the City if they were paid within 25 days as specified in the contract. BOS, instead of BSM, could have done all the trucking work from the start day of the Project.

If DPW and BSM management had done a proper project cost analysis before or during the early phase of the hauling and had compared the two types of contract truckers, hiring the trucking company under the citywide hourly contract would have been a viable option. Assuming the GSD trucking company had been hired and did all trucking regardless of who hired them, the City would have paid only \$164,000, 44% of \$372,527, thus saving approximately \$209,000.

## **RECOMMENDATIONS:**

The DPW and BSM management should:

- 1) Require staff to analyze costs for all future projects during the planning and implementation stages and make appropriate comparisons of available alternatives to ensure the best use of resources on behalf of the City's taxpayers.
- 2) Educate staff to always be conscious of the best practice approach to do their jobs.

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- 3) Issue a revised Bulletin for Contract Trucker (BCT) to reemphasize contract terms and the applicability of Ton-Mile rates.

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***Finding No. 2 The BSM's Monitoring Efforts Over the Little Tujunga Wash Project Were Inadequate.***

The BSM staff did not properly monitor the Stand by Pay and did not recognize the data entry discrepancies for time sheets, and the System used to generate payments did not have time entry logic control to ensure that contract truckers were paid correctly.

The BSM contractual agreement stipulated Standby Pay to truckers for idling more than 30 minutes for truckers without trailers; and more than 45 minutes for truckers with trailers. In order to be eligible, the truckers had to be on the job site whether they were waiting to be unloaded or loaded.

We reviewed the contract truckers' payment records for the period of October 17, 1997 to November 1, 1997. During this period, a total of \$991 (95% of the total stand by time of \$1,047) was paid for 81 incidents of stand by time. In 71 (87%) out of the 81 incidents, stand by payments were for idling time around lunch time, e.g., between 11 A.M. and 2:00 P.M., with no reported break time for lunch during the three-hour period.

We reviewed time sheets for the ten incidents when idling time occurred other than around lunch time and found the following:

- ( In one incident, the trucker reported on the time sheet that a tire check was done during the time.
- ( In the other nine incidents, neither the trucker nor the BSM supervisor indicated whether the idling time was job related, personal leave or for lunch breaks.
- ( Our further analysis showed that in four of the nine incidents, data entry errors by the data entry operator caused the Stand by payment. Even though the time entries were not in sequence, the payment system used by the BSM lacked adequate logic controls to prevent the system from computing Stand by Pay.

We scanned more than a dozen hand written time sheets for idling time occurring around lunch time. We found in two incidents the truckers wrote down that the idling time was for lunch breaks and yet Stand by time was still paid. The time sheet entry contractor entered the beginning and ending time of the trip, ignoring the lunch break remarks by the truckers and the Stand by Pay was computed automatically by the System. For the majority of the incidents we scanned, contract truckers did not indicate the reasons for the idling time.

According to BSM staff, the supervisor who initialed after each load was the only person who could have known if contract truckers were entitled to the Stand by Pay. If contract truckers took a lunch break, the starting and ending time of the lunch break should not be included in the time sheets according

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to the BSM staff. In other words, every entry on the time sheet should have been work related. We are not sure how this could be achieved unless the time sheet entry contractor restarted the entry process such as the beginning of the day.

We were told by the BSM staff, the system currently has certain control features to flag any:

- ( Stand by pay for more than two hours
- ( District code errors, work order error
- ( No-match of District codes per ton-mile Schedule/ an hourly rate is applied
- ( Daily payment to a contract trucker over \$1,000

The system produces an error report which lists all the flagged items to enable follow-up by BSM staff.

BSM staff agreed with the auditor's assessment that the payment system used by the BSM lacks adequate time entry logic control to ensure correct payments to contract truckers. BSM staff agreed to initiate program changes that will add such controls to the payment system.

### **RECOMMENDATION:**

The BSM Management should:

- 1) Determine and collect overpayments of stand-by time from contract truck drivers.
- 2) Require staff to closely review time sheets of contract truck drivers to ensure correct payment.
- 3) Review the payment system logic and develop measures to easily identify missing or erroneous data input to avoid incorrect payments to contract truck drivers.

A draft of this report was given to the Director of BSM on April 28, 1998 and an exit conference to discuss the draft report was scheduled for May 28, 1998 by the BSM Director. Representing the auditee were the President of the Board of DPW, and the Director and staff from the BSM and a representative from the City Attorney's Office. Also in attendance was a Council member's Chief Field Deputy.

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It is our practice not to discuss the contents of a draft audit report with anyone other than representatives of the auditee which in this case was the BSM and their legal advisors. In addition, it is also our practice to not hold exit conferences or discuss audit results with representatives of elected officials until final reports are issued. The purpose of such a policy is to avoid any influence or the appearance of influence by an elected official on the outcome of an audit. Government Auditing Standards states that "... auditors should also be sufficiently removed from political pressures to ensure that they can conduct their audits objectively and can report their findings, opinions, and conclusions objectively without fear of political repercussion...". Our auditors explained to the attendees that they were unwilling to proceed with the exit conference with a representative of a Council members Office in attendance and withdrew from the exit conference.

We later informed the Director of BSM that we would welcome any written comments on the draft report prior to its release date, or if requested, we would schedule another meeting to discuss the contents of the draft report with appropriate auditee representatives. The Bureau Director declined an exit conference because our Office would not agree to meet with the full group that was in attendance at the exit conference on May 28, 1998.

In a letter dated June 12, 1998, the Director of BSM provided his preliminary written response (Attachment VIII) to our draft audit report. We reviewed the preliminary written response prior to finalizing this report. As a result of the review, appropriate changes were made to reflect our agreement with the BSM's assertions in a few areas. In the analysis of BOS over 20-ton trucks, we have revised the legal capacity of BOS contract trucks by using the average of 13 BSM over 20-ton contract trucks.

A few questions remained after our review of the BSM preliminary written response and we made a written request (Attachment IX) to the BSM for documents supporting their assertions. As of the issue date of this report, we did not receive any written communication from the BSM. The BSM will have 30 days from the issue date of this report to submit a formal written response to the report.

Based on a request from the Councilmember's Chief Field Deputy, the City Controller met with representatives from the Mayor's Office, DPW, Department of Building and Safety, City Attorney's Office and the Councilmember's Chief Field Deputy on June 15, 1998. Those in attendance explained the importance and emergency nature of the Project and provided other background information. The information provided was similar to statements previously made to the auditors by representatives of the BSM, and provided in writing in response to the draft report.

Respectfully submitted,

Howard Huang  
Senior Auditor

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April 27, 1998

Mike Lee  
Chief Auditor

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