

June 16, 2011

Jaime de la Vega, Interim General Manager Los Angeles Department of Transportation 100 S. Main St., 10th Floor Los Angeles, CA 90012

Dear Mr. De La Vega:

SUBJECT: EVALUATION OF LADOT'S UPDATED STATUS - AUTOMATED VEHICLE LOCATOR SYSTEM

My Audit Division evaluated your June 9, 2011 updated status response to the report titled "Review of LADOT's Contract with Integrated Systems Research Company (ISRC) to provide an Automated Vehicle Locator System", which was issued on August 10, 2010.

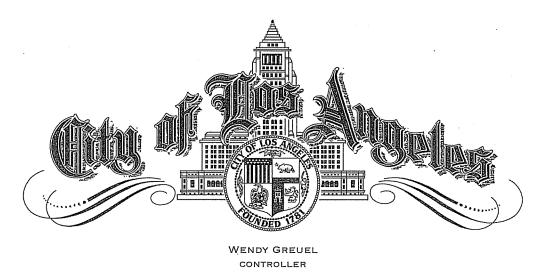
Your letter indicates that LADOT cancelled the contract with ISRC effective March 15, 2011 and that you are working with the City Attorney and Chief Administrative Office to close out any remaining contractual issues. You also indicate that LADOT has found alternate methods similar to services provided by ISRC relating to GPS and AVL technology utilizing other City contracts and an upcoming RFP.

Since the recommendations in the Review report were based on the continuation of the ISRC contract, which has subsequently been terminated, I accept your updated status report detailing an alternative approach in a cost effective manner.

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

Sincerely,

WENDY GREUEL City Controller



February 28, 2011

Amir Sedadi, Interim General Manager Los Angeles Department of Transportation 100 S. Main St., 10th Floor Los Angeles, CA 90012

Dear Mr. Sedadi:

SUBJECT: EVALUATION OF LADOT'S RESPONSE TO REVIEW OF

LADOT'S CONTRACT WITH INTEGRATED SYSTEMS RESEARCH CORPORATION TO PROVIDE AN AUTOMATED

VEHICILE LOCATOR SYSTEM

My Audit Division evaluated your February 9, 2011 response to the report titled "Review of LADOT's Contract with Integrated Systems Research Company to provide an Automated Vehicle Locator System", which was issued on August 10, 2010.

Your letter indicates that LADOT has determined there is a continued need for an Automated Vehicle Locator system or other alternative; however, it did not state whether LADOT has exercised the \$1 purchase option under the contract, or is continuing to lease equipment that the City already theoretically owns. Also, the response did not include a specific action plan describing how LADOT resources are being effectively used to ensure the equipment is utilized in a responsible manner, including discontinuing payment for any unused equipment.

The following provides my comments to your responses for each of the recommendations:

Recommendations No. 1 & 5:

LADOT management should make a determination of the need for an AVL system and assess whether the Department is willing and able to provide adequate resources to support it.



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LADOT management should definitively determine if the Department intends to utilize the AVL system (or replacement technology) as a tool to support compliance with the JLMC 10-Point Plan, and if so, provide the resources necessary to maintain a functional system.

Your response indicates that you considered the continuation of the AVL system and believe that it is a key component of a well-managed parking enforcement operation. You also cite a number of objectives and future uses of the system relating to the AVL system.

Although you indicate a continuing need for the AVL system, your response does not adequately provide an action plan or timetable of how LADOT resources will be utilized to accomplish these stated objectives. During our review, the use of the AVL system was limited to its GPS capabilities, due to the state of significant disrepair of the alternative messaging and panic response components. If the future intended use of AVL or alternative system is limited to specific components, the action plan should address each specific component separately.

Recommendation No. 2:

If the necessity exists for the existing system, immediately exercise the \$1 purchase option, eliminating the monthly payment for the equipment lease while continuing to pay for airtime, while seeking a longer term solution for new AVL system.

Your response indicates that ISR has stated that if the City had purchased the system for the \$1, the maintenance costs charged by ISR would have been at approximately the same level as the lease costs, i.e., \$11,000 per month or \$132,000 annually.

The original lease-purchase option contract contained a warranty provision which included ongoing maintenance of the AVL equipment. Upon the contract's expiration, LADOT continued to lease the equipment on a month- to-month basis, adopting the same terms as the original contract. Though a maintenance provision was in place throughout the lease term, LADOT's own internal audit reports reflected that only 11% of Parking Enforcement Division (PED) vehicles had fully functional AVLS units.

The assertion that maintenance costs would be equivalent to the full lease costs is troubling, given the fact there was a maintenance provision in the contract and the equipment was never maintained by the contractor and LADOT failed to hold the contractor responsible. It should be noted that the contract does not cite a continued maintenance agreement or related provisions or pricing terms had the purchase option been executed.

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If the purchase option had been exercised, LADOT would have been free to explore continued maintenance service on an as-needed basis with ISR or other capable provider, rather than limiting its option to a continued annual cost of \$132,000. Furthermore, without any supporting documentation or written disclosure of options at the time the contract expired, it is difficult to evaluate this assertion.

Your response also indicates that the purchase option of the system was not pursued because of the pending RFP release.

This assertion is questionable, given the facts relating to this particular contract. Because the purchase option for the AVL equipment was only \$1; it is difficult to understand why the City would forego this particular opportunity, given a future pending RFP which remains outstanding to this date.

Recommendation No. 3:

LADOT management should discontinue paying monthly air carrier service fees for AVLS equipment that is not being used

Your response indicates that LADOT will discontinue paying for air carrier service for units not being utilized.

This is acceptable; I recommend that it be done immediately.

Recommendation No. 4:

LADOT management should enforce the warranty provisions as expressed in the contract and seek reimbursement from ISR.

Your response indicates that you have consulted with the City Attorney's Office and obtained an opinion indicating an absence of legal authority to pursue a successful claim regarding warranty coverage. You also indicate that ISR has offered software development credits ranging from \$215,000 to \$303,700 that could be applied towards a contract extension, and LADOT continues to pursue a monetary credit.

Please provide a written copy of the opinion provided by the City Attorney's Office for evaluation. According to the contract, the value of the original software was \$30,000. The pursuit of monetary credits not specifically limited to software development would be more preferable.

Recommendations No. 6:

LADOT management should establish an inventory of AVLS equipment installed in vehicles and storage facilities, pending LADOT management decision for recommendation No. 1.

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I accept your response that LADOT has reassigned staff to update a pre-existing database with current information.

My Auditing staff may also follow up with your Department to ensure that actions detailed in your response are fully implemented. If you have any questions, you or your staff may contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

WENDY GREUEL

City Controller

cc: Reverend Jeff Carr, Chief of Staff, Office of the Mayor
Austin Beutner, Deputy Mayor, Office of the Mayor
Jaime de la Vega, Deputy Mayor, Office of the Mayor
George E. Moss, President, Board of Transportation Commissioners
Miguel A. Santana, City Administrative Officer
June Lagmay, City Clerk
Gerry F. Miller, Chief Legislative Analyst
Independent City Auditors