



Transmitted via e-mail

July 1, 2016

Mr. William E. Lewis, Assistant Director
Audits and Investigations, California Department of Transportation
1304 O Street
Sacramento, CA 95814

Dear Mr. Lewis:

Final Report—Port of Los Angeles, Proposition 1B Project Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Port of Los Angeles' (Port) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>Project Name</u>
TCIF-87.1	Cargo Transportation Improvement Emissions Reduction (Phase 1)
TCIF-032	Ports Rail System Tier 1 (West Basin Rail Access Improvements)
TCIF-5006(712)	South Wilmington Grade Separation

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the Port. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Assistant Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Alice M. Lee, Chief, External Audits - Contracts, Audits and Investigations, California Department of Transportation
Ms. Luisa Ruvalcaba, Audit Manager, External Audits - Contracts, Audits and Investigations, California Department of Transportation
Mr. Bill Huang, District Local Assistance Coordinator, Division of Rail and Mass Transportation, California Department of Transportation
Ms. Shannon Montano, Rail Transportation Associate, Division of Rail and Mass Transportation, California Department of Transportation
Mr. Gene Seroka, Executive Director, Port of Los Angeles
Mr. David Walsh, Chief Harbor Engineer, Port of Los Angeles
Mr. Guillermo Martinez, Jr., Senior Transportation Engineer, Port of Los Angeles

Port of Los Angeles
Proposition 1B Bond Program
Project Numbers TCIF-87.1, TCIF-032,
and TCIF-5006(712)



Cargo Transportation Improvement Emissions Reduction
Source: Port of Los Angeles

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates those funds to the California Department of Transportation (Caltrans) to implement various programs.¹

CTC awarded \$70.4 million of Proposition 1B Trade Corridors Improvement Funds (TCIF) to the Port of Los Angeles (Port) and Caltrans administered the projects (refer to the text box for the program description). The projects include grade separation, automatic stacking crane implementation, grading, paving, fencing, and track repairs to improve rail capacity, port access, safety, and reduction of greenhouse gasses. The Port implemented these projects, which supports its mission to deliver value to their customers by providing superior infrastructure and promoting efficient operations that grow the port as North America's preferred gateway.² The projects below have been completed.

PROGRAM DESCRIPTION¹

- **TCIF:** \$2 billion of bond proceeds were made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

Completed TCIF Projects

Cargo Transportation Improvement Emissions Reduction (Phase 1)
Ports Rail System Tier 1 (West Basin Rail Access Improvement)
South Wilmington Grade Separation

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The audit period for each project is identified in Appendix A.

The audit objectives were to determine whether:

- Project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.

¹ Excerpts were obtained from the bond accountability website. www.bondaccountability.dot.ca.gov/bondacc/

² Excerpts were obtained from the Port's website. <https://www.portoflosangeles.org/>

- Project deliverables (outputs) were consistent with the project scopes and schedules, and project outcomes were consistent with benefits described in the executed project agreements or approved amendments.

Although construction was complete for projects TCIF–87.1 and TCIF–032, we did not evaluate whether the outcomes were consistent with the project benefits since other phases for these projects were in progress. In addition, construction was complete for project TCIF–5006(712); however, at the time of our audit the Final Delivery Report had not been submitted to Caltrans so we were unable to evaluate whether the outcomes were consistent with project benefits. For the three projects, we evaluated whether there was a system in place to report project outcomes.

We did not assess the efficiency or effectiveness of program operations.

The Port’s management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. CTC and Caltrans are responsible for the state-level administration of the program.

METHODOLOGY

To achieve the audit objectives, we performed the following procedures:

- Examined the project files, master agreement, program supplements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state and federal procurement requirements.
- Reviewed accounting records, project billing invoices, and progress payments.
- Selected a sample of claimed costs to determine if costs were project-related, properly incurred, authorized, and supported by accounting records.
- Reviewed significant contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Verified the match requirement was met.
- Evaluated whether project deliverables (outputs) were completed on schedule as described in the project agreements or amendments.
- Evaluated whether other revenue sources were used to reimburse costs already reimbursed with bond funds.
- Evaluated whether project deliverables (outputs) were met by reviewing a sample of supporting documentation and conducting site visits to verify project existence.
- Evaluated whether there was a system in place to report project outcomes.

In conducting our audits, we obtained an understanding of the Port's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audits and determined to be significant within the context of our audit objectives are included in this report.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines. In addition, the project deliverables (outputs) were consistent with the project scopes and schedules and there was a system in place to measure project outcomes. The *Summary of Projects Reviewed* is presented in Appendix A.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Port of Los Angeles: Port
- Trade Corridors Improvement Fund: TCIF

Summary of Projects Reviewed

Project Name	Project Number	Proposition 1B Claimed	Project Status	Project Costs in Compliance	Deliverables (Output) Met	Page
1. Cargo Transportation Improvement Emissions Reduction (Phase 1)	TCIF-87.1	\$12,705,000	C	Y	Y	A-1
2. Ports Rail System Tier 1 (West Basin Rail Access Improvement)	TCIF-032	\$40,718,000	C	Y	Y	A-2
3. South Wilmington Grade Separation	TCIF-5006(712)	\$11,813,310	C	Y	Y	A-3

Legend

C = Complete

Y = Yes

Project Number: TCIF-87.1

Project Name: Cargo Transportation Improvement Emissions Reduction (Phase 1)

Program Name: Trade Corridors Improvement Fund

Project Description: The project is located at Berth 144-145 backland within the TRAPAC container terminal, west of Pier A Street and south of Water Street in the City of Wilmington. The project consists of 21 acres of backland improvements, grading, paving, storm drain and sumps, rail, reefer racks, tele-communication system, electrical and lighting system, fire protection system, utility relations, fencing and gates, and striping.

Audit Period: December 6, 2012 through November 16, 2013¹

Project Status: Complete

Schedule of Project Costs

Project Costs	Claimed
Proposition 1B Funds	
Construction/Project Management	\$ 12,705,000
Total Prop 1B Funds	\$ 12,705,000
Match Funds - Construction	28,736,504
Total Project Costs	\$ 41,441,504

Audit Results:

Compliance – Project Costs

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.

Deliverables (Outputs) and Outcomes

This project was completed in April 2014. At the time of our site visit in March 2016, project deliverables (outputs) were consistent with the project scope and schedule and there was a system in place to measure project outcomes.

¹ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

Project Number: TCIF-032

Project Name: Ports Rail System Tier 1 (West Basin Rail Access Improvements)

Program Name: Trade Corridors Improvement Fund

Project Description: The project is located in the West Basin district of the Port and accessed via Alameda Street which is the eastern boundary of the City of Wilmington. The project includes the following elements: receiving/departures, storage, repair tracks, removal of two at grade rail highway crossings, and relocation of the Pier A Rail yard.

Audit Period: March 29, 2012 through August 31, 2014²

Project Status: Complete

Schedule of Project Costs

Project Costs	Claimed
Proposition 1B Funds	
Construction/Project Management	\$ 40,718,000
Total Prop 1B Funds	\$ 40,718,000
Match Funds - Construction	49,667,466
Total Project Costs	\$ 90,385,466

Audit Results:

Compliance – Project Costs

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.

Deliverables (Outputs) and Outcomes

This project was completed in August 2014. At the time of our site visit in March 2016, project deliverables (outputs) were consistent with the project scope and there was a system in place to measure project outcomes.

² Ibid.

Project Number: TCIF-5006(712)

Project Name: South Wilmington Grade Separation

Program Name: Trade Corridors Improvement Fund

Project Description: Construct a new grade separated roadway consisting of two lanes in each direction connecting Harry Bridges Boulevard in the north to Pier A Street and Fries Avenue in the south.

Audit Period: July 1, 2008 through June 30, 2015³

Project Status: Complete

Schedule of Project Costs

Project Costs	Claimed
Proposition 1B Funds	
Direct Costs Construction	\$ 11,813,310
Total Prop 1B Funds	\$ 11,813,310
Match Funds - Construction	36,601,896
Total Project Costs	\$ 48,415,206

Audit Results:

Compliance – Project Costs

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.

Deliverables (Outputs) and Outcomes

This project was completed in June 2015. At the time of our site visit in March 2016, project deliverables (outputs) were consistent with the project scope and schedule and there was a system in place to measure project outcomes.

³ Ibid.