




REPORT TO CITY COUNCIL

DATE: SEPTEMBER 14, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER 

BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER 
CHRISTY PINUELAS, DIRECTOR OF FINANCE 

SUBJECT: METRO AGREED-UPON PROCEDURES ENGAGEMENT US
101/REYES ADOBE INTERCHANGE IMPROVEMENT PROJECT

The Metropolitan Transportation Authority (Metro) performs an Agreed-Upon Procedures Engagement in order to determine the allowable incurred cost and close out a project. The total period covered was from November 3, 2008 to June 30, 2014. The report is attached.

The Agreed-Upon Procedures report covered \$7,900,453 in costs, of which 19.28 percent was reimbursed by Metro. The results of the process were determined that the City will need to make a payment to Metro in the amount of \$101,817 due to the fact that monies were expended for STV Inc., for work performed prior to the Memorandum Of Understanding (MOU) effective date, and, as a result of receiving a reimbursement from Southern California Edison (SCE) for relocating facilities, which was not credited to the project.

The City had committed the funding and staff time to the completion of the project design as well as to meet the timelines to insure that the City retained all of the various federal funds allotted to the project, which had specific expenditure timelines. The design and engineering work commenced prior to the award of the grant funding in order to meet these deadlines. Although staff was originally provided guidance that the design work expenditures could serve as a match to the grant funds, even though they occurred prior to the MOU, it did occur during the time period in which Metro was establishing grant guidelines and procedures, and it was ultimately determined that they would not be eligible as matching funds.

The relocation of several SCE utility poles was originally estimated and paid for by the City but the work was completed under the estimate and the remaining funds were returned to the City. The expenditure had already been submitted to Metro for reimbursement and was mistakenly not corrected in the information provided to Metro.

The City has the money available in the Traffic Improvement Fund (TIF) to reimburse Metro. This fund was one of the sources that the City utilized to complete the improvements to the U.S. 101 at Reyes Adobe Road.

RECOMMENDATION

That Council authorize the reimbursement of \$101,817 to Metro for the 101/Reyes Adobe Interchange Improvement Project.

Attachment: 1) Agreed-Upon Procedures Report - Metro



Metro

Interoffice Memo

Date	March 17, 2016
To	Isidro Panuco Project Manager
From	Diana Estrada Chief Auditor
Subject	Independent Auditor's Report Agreed-Upon Procedures U.S. 101/Reyes Adobe Road Interchange Improvement Project Countywide Planning MOU.P000F1171 Report No. 15-PLN-A31

Attached is our Independent Auditor's Agreed-Upon Procedures Report close out of incurred costs for the U.S. 101/Reyes Adobe Road Interchange Improvement Project for the period November 3, 2008 to June 30, 2014. An Agreed-Upon Procedures Engagement is substantially less in scope than an examination, the objective of which is the expression of an opinion. Accordingly, we do not express such an opinion.

The report key sections are as follows:

- The Results section describes the Agreed-Upon Procedures and findings.
- The Background specifies the objectives and the steps taken during the engagement.
- Appendices

I appreciate the courtesy and cooperation extended to us during this engagement.

Report Distribution:
Audit Administration

MANAGEMENT AUDIT SERVICES

AGREED-UPON PROCEDURES ENGAGEMENT

**Independent Auditor's Report
Agreed-Upon Procedures
Close-out Incurred Cost
U.S. 101/Reyes Adobe Road
Interchange Improvement Project
Countywide Planning
MOU P000F1171**

**REPORT NO.
15-PLN-A31**

MARCH 2016



Metro

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**Independent Auditor's Agreed-Upon Procedures Report on
U.S. 101/Reyes Adobe Road Interchange Improvement Project Closeout
MOU.P000F1171**

15-PLN-A31

Los Angeles County Metropolitan Transportation Authority (Metro) Management Audit Services performed an Attestation Agreed-Upon Procedures Engagement of the U.S. 101/Reyes Adobe Road Interchange Improvement Project. This project is under the Transportation Improvement Program Call for Projects, Memorandum of Understanding (“MOU”) P000F1171 with the City of Agoura Hills. The purpose of the engagement is to determine the allowable incurred cost to close out the project. The total period covered is November 3, 2008 to June 30, 2014. The project costs claimed are the responsibility of the City of Agoura Hills. Our responsibility is to evaluate the incurred cost based on the agreed-upon procedures. At the request of Robert Machuca, Metro Project Manager, we performed the engagement procedures which were agreed to by the Planning Department Management. During the engagement, the Project Manager changed to Isidro Panuco.

EXECUTIVE SUMMARY

The significant results of the Agreed-Upon Procedures engagement are as follows:

1. We found total allowable project costs of \$7,900,453 which is \$921,728 lower than the total incurred project costs of \$8,822,180. Our share is capped at \$1,522,813 or 19.28 percent of the budgeted amount.
2. We found a total cost difference of \$921,728 which resulted from:

No.	Description	Amount
1	Work performed prior to MOU effective date	\$799,912
2	Utility refund not credited to project	110,109
3	Unbilled costs	6,217
4	Cost incurred outside of MOU Scope of Work	5,490
Total		\$921,728

3. We paid City of Agoura Hills \$1,624,630 which is \$101,817 more than our share of the allowable cost of \$1,522,813. Therefore, the \$101,817 overpayment is due and payable to Metro. The overpayment is net of the retention of \$84,974.
4. There is an MOU remaining balance of \$611,187.

RESULTS

We determined that the data provided during this agreed-upon procedures engagement were sufficiently reliable for purposes of this report. Our determination is based on our review of the City of Agoura Hills' Single Audit Report for fiscal year ended June 30, 2011 issued by their external auditor and their responses to our internal control questionnaire .

The Agreed-Upon Procedures results are as follows :

1. Determine total project cost subject to evaluation, by cost element, for the period being evaluated and validate that the billed incurred cost reconciles to Metro's Financial Management System (FIS) payment distributions.

Results

We found total project costs of \$8,822,180 detailed as follows:

Description	Incurred Costs
Construction	\$ 7,069,939
Consultants	1,700,499
Materials/ Misc.	51,743
Rounding	(1)
Total	\$ 8,822,180

We found billed incurred costs of \$1,709,604 reconciled to our Financial Information System (FIS) payment distributions net of retention (payments of \$1,624,630 plus retention of \$84,974).

2. Gain an understanding of the Grantee's internal controls and accounting system; and determine if the accounting system can record, accumulate and report project costs.

Results

We gained an understanding of the City of Agoura Hills' internal controls and accounting system. Based on our review of their Single Audit Report for fiscal year ended June 30, 2011 and their responses to our internal control questionnaire, we found their accounting system is adequate to record, accumulate, and report project costs.

3. Perform a risk-based evaluation of incurred cost including, as applicable, labor, other direct cost, indirect cost, construction and consultant costs to determine allowability, allocability, and reasonableness of the costs incurred in accordance with FAR Subpart 31 and 2 CFR Subtitle A, Chapter II, whichever is applicable; and whether the cost is in compliance with the provisions of the MOU.

RESULTS

Results

We found a total cost difference of \$915,511 which resulted from: 1) \$799,912 in invoices submitted by STV Inc. for work performed prior to MOU effective date; 2) \$5,490 in invoices submitted by Rincon Consultants for work performed outside the scope of work for Prop C funds per MOU; and 3) \$110,109 portion of a refund received from Edison for relocating facilities, which was not credited to project. We discussed this issue with the City of Agoura Hills and they concur with our findings.

City of Agoura Hills' Response:

City of Agoura Hills concurs.

Metro's response – Project Manager:

Our Project Manager concurs.

4. Determine that project cost was incurred prior to lapsing date and invoiced within the date allowed in accordance with the MOU provision.

Results

We determined all project costs were incurred prior to the MOU lapse date of June 30, 2014. However, we found a cost difference of \$6,217 due to the City of Agoura Hills not claiming reimbursement for additional incurred non-labor project costs within the date allowed in accordance with the MOU provisions.

5. Determine total allowable project cost, our share of the allowable project cost, remaining MOU balance and any project cost savings for potential de-obligation.

Results

We found total allowable project costs of \$7,900,453 and our share is capped at \$1,522,813 or 19.28 percent of the MOU budgeted amount.

We paid City of Agoura Hills \$1,624,630 which is \$101,817 more than our share of the allowable cost of \$1,522,813. Therefore, the \$101,817 overpayment is due and payable to Metro.

There is an MOU remaining balance of \$611,187.

See Appendix A for Summary of Project Funding and Expenditures

BACKGROUND

Background

On November 3, 2008, Metro entered into MOU P000F1171, entitled U.S. 101/Reyes Adobe Road Interchange Improvement Project, with the City of Agoura Hills. The purpose of the MOU was to widen the existing Reyes Adobe Road Overcrossing bridge by increasing the number of lanes from three (3) to six (6). This project would improve traffic flow and enhance safety for existing and future motorists, bicyclists, and pedestrians.

The existing Reyes Adobe Road Overcrossing was a simply supported four-span bridge. The improvements increased the number of lanes from three to six. It also provided dual left-turn lanes to the on-ramps and westbound Canwood Street that replaced the existing single back-to-back left turn lanes. This project improved flow and enhanced safety for existing and future motorists, bicyclists, and pedestrians.

The existing Reyes Adobe Overcrossing was widened on the west side to match the span of the existing bridge. In addition, to the bridge widening, work was performed on the existing structure. The existing sidewalk and pipe railing was removed and replaced with new barriers on both sides. The new barriers also accommodated new chain link railing, lighting pedestals, and lighting fixtures installed to enhance the aesthetic appearance of the bridge structure. The slope paving around the existing abutments utilized a "rock blanket" finish. Another key component of maintaining the aesthetic look of the structure was to match this slope paving detail under the bridge widening. Since the bridge was widened on the west side, the current bridge mounted sign on the existing structure was relocated once the widening was completed.

Widening the bridge and providing one additional lane in each direction during peak hours improved the bridge's level of service, safety and functionality, resulting in fewer peak rush hour delays, and enhanced roadway traffic flow.

The project was located on the overcrossing of Reyes Adobe Road over route US-101 (Ventura Freeway). The entire project lies within the City of Agoura Hills located in Los Angeles County.

No interim Agreed-Upon Procedures engagement was performed for this MOU.

Objective

The objective is to perform an Agreed-Upon Procedures attestation engagement, as agreed to by the Planning Department Management, and to report the results. These procedures are to assist in evaluating the incurred project costs for the MOU and to determine compliance with the MOU terms and conditions.

BACKGROUND

Scope

The scope of this close-out Agreed-Upon Procedures engagement is MOU P000F1171 between Metro and the City of Agoura Hills and covers the period from November 3, 2008 to June 30, 2014.

The scope is limited to the following Agreed-Upon Procedures :

1. Determine total project cost subject to evaluation, by cost element, for the period being evaluated and validate that the billed incurred cost reconciles to Metro's Financial Information System (FIS) payment distributions.
2. Gain an understanding of the Grantee's internal controls and accounting system; and determine if the accounting system can record, accumulate and report project costs.
3. Perform a risk based evaluation of incurred cost including, as applicable, labor, other direct cost, indirect cost, construction and consultant costs to determine allowability, allocability, and reasonableness of the costs incurred in accordance with FAR Subpart 31 and 2 CFR Subtitle A, Chapter II, whichever is applicable; and whether the cost is in compliance with the provisions of the MOU.
4. Determine that project cost was incurred prior to lapsing date and invoiced within the date allowed in accordance with the MOU provision.
5. Determine total allowable project cost, MTA's share of the allowable project cost, remaining MOU balance and any project cost savings for potential de-obligation.

We conducted this Attestation Agreed-Upon Procedures Engagement in accordance with attestation standards as established by the American Institute of Certified Public Accountants, applicable Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and results based on our objectives. An Agreed-Upon Procedures engagement is substantially less in scope than an examination, the objective of which is to express an opinion on the claimed project costs for MOU P000F1171. We were not engaged to and did not conduct an examination of the City of Agoura Hills' claimed project costs for MOU P000F1171. Accordingly, we do not express an opinion on the City of Agoura Hills' claimed project costs. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

BACKGROUND

The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Methodology

The methodology is based upon the Agreed-Upon Procedures described above in the scope of this report which includes the following:

We selected costs incurred by the City of Agoura Hills and agreed various costs to supporting documentation such as vendor invoices, canceled checks, contracts, purchase orders, and other documents to validate billed costs. We reviewed the costs for allowability in accordance with applicable cost standards and compliance with the terms and conditions of the MOU.

We reviewed the process for selecting contractors used in the project by examining procurement documentation to validate contracts were awarded in compliance with City of Agoura Hills' procurement policy.

We reviewed our internal accounting and grant records to determine if the amounts claimed for reimbursement, as represented by the invoices submitted by the City of Agoura Hills were actually paid. We also reconciled total claimed cost to our Financial Information System's payment records, MOU, and other supporting documents.

We also assessed the reliability of the City of Agoura Hills' incurred project cost by reviewing their Single Audit Report for fiscal year ended June 30, 2011 issued by their independent external auditor, Vavrinek, Trine, Day & Co., LLP (VTD), and by reviewing their responses to our internal control questionnaire.

To assess the reliability of the work performed by Vavrinek, Trine, Day & Co., LLP, we:

1. Reviewed their latest peer review report.
2. Confirmed that their CPA license status is clear.

OTHER MATTERS

This report is intended solely for the information and use of our Planning Department and is not intended to be and should not be used by anyone other than the specified party.

Should you have any questions, please contact Yvette Suarez, Audit Manager, at extension 21096.



Diana Estrada
Thu Mar 17 2016 17:15:13

Diana Estrada
Chief Auditor
January 2016
Los Angeles County Metropolitan Transportation Authority

Audit Team:
Marco Fabbrini
Marsha Solorio
Monique Stevenson
Yvette Suarez

APPENDICES

APPENDIX A

SUMMARY OF PROJECT FUNDING AND EXPENDITURES
 From Inception November 3, 2008 to June 30, 2014

Funding Source	A Funding Budget Amount	B Allocation %	C Incurred Project Cost	D Cost Difference	E = C - D Allowable Project Cost	F = Lessor of A or E Metro Share	G Payments	H = G - F Over/(Under) Payment	I = A - F MOU Remaining Balance
Metro Program Funding:	\$ 2,134,000	19.3%	\$ 1,700,476	Note 1 \$ 177,663	\$ 1,522,813	\$ 1,522,813	\$ 1,624,630	Note 2 \$ 101,817	\$ 611,187
Grantee Funding:									
2006-07 General Fund Reserves	370,223	3.3%	295,012	30,822	264,190	N/A	N/A	N/A	N/A
Bond Proceeds Refinancing General Fund	2,500,000	22.6%	1,992,123	208,134	1,783,989	N/A	N/A	N/A	N/A
Federal	2,477,105	22.4%	1,973,879	206,228	1,767,652	N/A	N/A	N/A	N/A
Traffic Improvement Funds	2,000,000	18.1%	1,593,699	166,507	1,427,191	N/A	N/A	N/A	N/A
Redevelopment Agency	1,590,000	14.4%	1,266,990	132,373	1,134,617	N/A	N/A	N/A	N/A
Rounding		-0.1%	1	1	1	1			
Programmed Budget	\$ 11,071,328	100.00%	\$ 8,822,180	\$ 921,728	\$ 7,900,453	N/A	N/A	N/A	NA

Note 1: Cost difference of \$921,728 consists of the following:

- a. \$799,912 in invoices submitted by STV Inc. for work performed prior to MOU effective date;
- b. \$5,490 in invoices submitted by Rincon Consultants for work performed outside the scope of work for Prop C funds per MOU; and
- c. \$110,109 portion of refund received from Edison for relocating facilities, which was not credited to project.
- d. \$6,217 due to the City of Agoura Hills not claiming reimbursement for additional incurred non-labor project costs within the date allowed in accordance with the MOU provisions. Since the costs can no longer be considered for reimbursement, the amount is excluded from allowable project costs but with no questioned cost component.

Note 2: The overpayment of \$101,817 is net of the retention of \$84,974.

APPENDIX B

City of Agoura Hills Response:

From: Melinda Brodsly [<mailto:mbrodsly@ci.agoura-hills.ca.us>]
Sent: Thursday, March 17, 2016 2:13 PM
To: Stevenson, Monique
Subject: RE: MOU.P000F1171 Draft Report (15-PLN-A31)

The City of Agoura Hills is in concurrence with the findings of the audit for MOU.P000F1171 – Reyes Adobe Bridge Project.

Melinda Brodsly
Finance Manager
City of Agoura Hills

APPENDIX C

Metro Management Response (Metro Planning):

From: Panuco, Isidro
Sent: Wednesday, March 09, 2016 4:02 PM
To: Stevenson, Monique
Subject: RE: MOU.P000F1171 Draft Report (15-PLN-A31)

I concur with the finding of the report draft audit report for MOUP000F1171.

Isidro Panuco
LA Metro
Transportation Planning Manager
Highway Program
213.922.7984 W