



Memorandum

To:
Rihui Zhang
Chief
Division of Local Assistance

Date: February 28, 2020

File: P2525-0049

John Bulinski
Director
District 7

Angel Pyle
Acting Chief
Division of Rail and Mass Transportation

From:
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Subject: Final Report - Port of Los Angeles, Proposition 1B Audit

At the request of the Independent Office of Audits and Investigations the California Department of Finance, Office of Audits and Evaluations (Finance) completed an audit of the Port of Los Angeles' (Port) Proposition 1B funded projects listed below.

Project Name	Project Number	Fund
Cargo Transportation Improvements – Emission Reduction – Phase 2 (TraPac Automation)	0013000262	TCIF
Ports Rail System – Tier 1 – West Basin Road Rail Access Improvements – Segment 2 – Track Connections	0013000130	TCIF
Alameda Corridor West Terminus Intermodal Railyard (TraPac Terminal On-Dock Railyard)	0013000261	TCIF

(Continued)

Project Name	Project Number	Fund
YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 1 (Berth/Warf Improvements)	0015000213	TCIF
YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 2	0016000323	TCIF
I-110/John S. Gibson Street Interchange and SB SR 47/ NB I-110 Connector Ramp Improvements	0700000489	TCIF
I-110 Freeway and C Street Interchange Improvements	0700000494	TCIF
South Wilmington Grade Separation	0712000072	TCIF

Based on the audit, Finance determined:

- The Port claimed and was reimbursed unallowable construction engineering expenditures totaling \$1,043,684 for project 0013000262.
- The benefits/outcomes were not adequately reported in the project agreement and/or Final Delivery Report, and not supported with documentation.
- The Final Delivery Reports were not submitted timely.

The complete audit report is attached. Please provide our office with a corrective action plan, including time lines, by April 28, 2020.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, by email at luisa.ruvalcaba@dot.ca.gov.

Attachment:

c: Dawn Cheser, Deputy Director, California Transportation Commission
Paul-Albert Marquez, Deputy District 7 Director, Transportation Planning and
Local Assistance, California Department of Transportation
Rambabu Bavirisetty, Chief, Office of Capital Improvement Programming,
California Department of Transportation
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming, California
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Department of Transportation
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and
Investigations

P2525-0049



Port of Los Angeles

Proposition 1B Bond Program

Project Numbers 0013000130, 0013000261, 0013000262, 0015000213,
0016000323, 0700000489, 0700000494, and 0712000072

Team Members

Cheryl L. McCormick, CPA, Chief
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Final reports are available on our website at <http://www.dof.ca.gov>.

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



Transmitted via e-mail

February 14, 2020

Ms. MarSue Morrill, Chief, Planning and Modal Office
Independent Office of Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Morrill:

Final Report—Port of Los Angeles, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0013000130	P2525-0062	Ports Rail System – Tier 1 – West Basin Road Rail Access Improvements – Segment 2 – Track Connections
0013000261	P2525-0060	Alameda Corridor West Terminus Intermodal Railyard (TraPac Terminal On-Dock Railyard)
0013000262	P2525-0049	Cargo Transportation Improvements – Emission Reduction – Phase 2 (TraPac Automation)
0015000213	P2525-0066	YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 1 (Berth/Wharf Improvements)
0016000323	P2525-0080	YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 2
0700000489	P2525-0059	I-110/John S. Gibson Street Interchange and SB SR 47/ NB I-110 Connector Ramp Improvements
0700000494	P2525-0067	I-110 Freeway and C Street Interchange Improvements
0712000072	P2525-0081	South Wilmington Grade Separation

The enclosed report is for your information and use. The Port's response to the report findings and our evaluation of the response are incorporated into the final report. This report will be placed on our website.

If you have any questions regarding this report, please contact Rick Cervantes, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

cc: Ms. Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

BACKGROUND, SCOPE, AND METHODOLOGY

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 these funds to the California Department of Transportation (Caltrans) to implement various programs.¹

PROGRAM DESCRIPTION¹

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

CTC awarded \$104.4 million of Proposition 1B Trade Corridors Improvement Funds (TCIF) to the Port of Los Angeles (Port). The eight bond-funded projects were:

- **Ports Rail System – Tier 1 – West Basin Road Rail Access Improvements – Segment 2 – Track Connections (0013000130).** Awarded \$9.4 million for construction and realignment of track connections.
- **Alameda Corridor West Terminus Intermodal Railyard (TraPac Terminal On-Dock Railyard) (0013000261).** Awarded \$20.7 million for construction of stub-ended railyard with 8 working tracks, a 123 foot gauge rail mounted gantry crane infrastructure, access roadway, storm drainage, electrical and lighting, utility work, and fencing.
- **Cargo Transportation Improvements – Emission Reduction – Phase 2 (TraPac automation) (0013000262).** Awarded \$26.7 million for 72 acres of backland improvements, grading, paving, storm drain and Standard Urban Stormwater Mitigation, rail, reefer racks, tele-communication system, electrical and lighting system, fire protection system, utility relocations, fencing and gates, and striping.
- **YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 1 (Berth/Wharf Improvements) (0015000213).** Awarded \$8.4 million for deepening of Berths 214-216 to a -53' depth, and Berths 217-220 to a -47' depth, which includes dredging and underwater bulkhead installation; landside crane rail extension at Berths 217-220 to accommodate existing 100' gauge cranes; construction of four Alternative Maritime Power boxes at Berths 217-220; pavement resurfacing; construction of concrete runways; and striping.

¹ Excerpts obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>.

- **YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 2 (0016000323)**. Awarded \$1.1 million for Intermodal Container Transfer Facility expansion consisting of one new loading track, utility modifications, and pavement resurfacing.
- **I-110/John S. Gibson Street Interchange and SB SR 47/NB I-110 Connector Ramp Improvements (0700000489)**. Awarded \$13.2 million to eliminate an existing weaving condition of slow uphill moving trucks and fast downhill moving vehicles with the addition of a lane on the westbound to northbound SR 47/I-110 connector. This additional lane will continue through the I-110 Off-Ramp at John S. Gibson Boulevard where the intersection will be widened.
- **I-110 Freeway and C Street Interchange Improvements (0700000494)**. Awarded \$7.8 million for consolidation of two closely spaced intersections on the National Highway System (NHS): I-110/C Street/Figueroa Street interchange intersection and the intersection of Harry Bridges Boulevard/John S. Gibson Boulevard/Figueroa Street and construction of a new, northbound I-110 off-ramp with a direct connector ramp to eastbound Harry Bridges Boulevard.
- **South Wilmington Grade Separation (0712000072)**. Awarded \$17 million to 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.

The Port was required to provide a dollar-for-dollar match of local funds for the TCIF funding.

Construction is complete and projects are operational except for projects 0015000213 and 0016000323, which are still in progress (interim projects).

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit periods and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.
2. Deliverables/outputs were consistent with the project scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports (FDR).

For project 0712000072, we did not complete Objective 1 because we previously audited the expenditures for this project in 2016.

At the time of our site visits in October and November 2018, construction was complete for projects 0013000130, 0013000261, 0013000262, 0700000489, 0700000494, and 0712000072. However, the FDR had not been submitted for project 0700000489, and the FDR was submitted for project 0013000130, but is pending Caltrans approval. Additionally, the FDRs have not been submitted for interim projects 0015000213 and 0016000323. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported for projects 0700000489, 0013000130, 0015000213, and 0016000323, as described in Objective 3.

For Objective 3, many of the benefits/outcomes related to projects 0013000261, 0013000262, 0700000494, and 0712000072, are not expected to be achieved until years 2030, 2035, or over a period of 20 years from project completion. Accordingly, we did not evaluate whether these project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether the estimated project benefits/outcomes described in the executed project agreements or approved amendments were adequately supported

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

METHODOLOGY

In planning the audit, we gained an understanding of the project and respective program, and identified relevant criteria, by reviewing the executed project agreements, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations, and interviewing Caltrans, CTC, and Port personnel.

We conducted a risk assessment, including evaluating whether the Port's key internal controls relevant to our audit objectives, such as procurement, progress payment preparation, reimbursement request preparation, and review and approval processes were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with Port personnel, observing processes, and testing transactions related to construction and construction engineering expenditures, contract procurement, project deliverable/outputs, and project benefits/outcomes. Deficiencies in internal controls that were identified during our audit and determined to be significant with the context of our audit objectives are included in this report.

Additionally, we assessed the reliability of data from the Port's timekeeping system, HD Time, and project monitoring system, PICS. To assess the reliability of data generated by these systems, we examined existing reports and performed data testing to determine if the data contained unusual values, missing data, or duplicate information. We determined the data were sufficiently reliable to address the audit objectives.

We determined a reliability assessment of the data from the Port’s financial system, Enterprise Resource Planning, was not necessary because other sufficient evidence was available to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1 (applicable to all projects except 0712000072): To determine whether the Port’s Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC’s program guidelines, and applicable state and federal regulations cited in the executed agreements.</p>	<ul style="list-style-type: none"> • Selected project 0013000262 and reviewed procurement records to verify compliance with Caltrans’ Local Assistance Procedures Manual (LAPM) requirements to determine if the project was appropriately advertised and awarded to the lowest, responsible bidder by reviewing bidding documents, contracts, and project advertisements. • Selected significant and high risk expenditure categories to verify compliance with the selected project requirements. Specifically, we selected expenditures from the construction and construction engineering (Port labor) categories. <ul style="list-style-type: none"> ○ Construction expenditures for projects 0013000130, 0013000261, 0013000262, 0015000213, 0016000323, 0700000489, and 0700000494: We selected one quantitatively significant reimbursement claim from each project. Within each claim, selected one contractor progress payment based on quantitative significance. Within each progress payment, we selected one line item based on quantitative significance. Determined if selected reimbursed and match construction expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records and progress payments, and comparing to relevant criteria. For projects 0015000213 and 0016000323, we also determined if there is a system in place to meet the match requirement by evaluating the reimbursement ratios applied to the projects. ○ Contract change orders (CCO) for projects 0013000130, 0013000261, 0013000262, 0015000213, 0016000323, 0700000489, and 0700000494: We selected 1 to 3 of the most quantitatively significant CCOs for each project. A total of 10 CCOs were selected to determine if they were within the scope of the work, not a duplication of work, and supported, by reviewing pricing analysis/record of negotiations, CCO memorandums, daily extra work reports, time and material forms, material invoices, and weight tickets. ○ Construction Engineering expenditures for project 0016000323: We selected the project with the highest Port labor expenditures and the most quantitatively significant reimbursement claim from that project. Within the claim, we selected the month with the highest labor costs, and four employees with the highest labor costs. Determined if

Audit Objective	Methods
	<p>selected reimbursed Port labor expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing timesheet project codes, verifying timesheet hours agreed to labor reports, labor reports agreed to reimbursement claims, and claimed labor expenditures were accurate, by recalculating the claimed labor costs using salary rates obtained from the City of Los Angeles Controller's employee pay system and the Port's labor reports.</p> <ul style="list-style-type: none"> ○ For project 0013000261, we haphazardly selected one consultant to confirm the vendor was not fictitious by confirming existence through review of the consultant's website. ● Selected projects 0013000262 and 0700000494 to identify possible duplicate payments by reviewing project progress payments and performing analytical procedures.
<p>Objective 2 (applicable to all projects): To determine whether deliverables/outputs were consistent with the project scopes and schedules.</p>	<ul style="list-style-type: none"> ● For projects 0013000130, 0013000261, 0013000262, 0700000489, and 0700000494: Determined whether project deliverables/outputs were consistent with the project scope by reviewing the Project Programming Request, supporting documentation, and conducting a site visit to verify project existence. Project 0712000072 was not included because this procedure was performed in our 2016 audit. ● For projects 0013000130, 0013000261, 0013000262, 0700000489, 0700000494, and 0712000072: Evaluated whether project deliverables/outputs were completed on schedule as described in the Project Programming Request by reviewing the FDRs and the Notice of Completions. ● For projects 0015000213 and 0016000323: Evaluated whether project deliverables/outputs were consistent with the project scope and schedule as described in the project agreements or amendments, by reviewing project deliverables/outputs in progress, conducting site visits to verify project existence, and reviewing Caltrans quarterly progress reports.
<p>Objective 3 (applicable to projects 0013000261, 0013000262, 0700000494, and 0712000072): To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p>	<ul style="list-style-type: none"> ● Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDR with the expected project benefits/outcomes described in the executed project agreements or approved amendments. ● Evaluated whether project benefits/outcomes were adequately reported in the FDR by reviewing emission calculation sheets and project reports. ● Evaluated whether the estimated projected benefits for emissions reduction, congestion reduction, throughput, air quality, economic/jobs growth, and interregional benefits described in the executed project agreement or approved amendments were supported with methodology reports and emission calculation sheets.

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

CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except as noted in Finding 1. We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scopes and schedules. Although project numbers 0013000130, 0013000261, 0015000213, 0016000323, 0700000489, 0700000494, and 0712000072 were behind schedule, the Port appropriately informed Caltrans and CTC of the delays.

Project benefits/outcomes were not always timely or adequately reported in the FDR, as noted in Finding 2. However, those expected project benefits/outcomes that were adequately reported were achieved. For interim projects 0015000213 and 0016000323, and projects 0013000130 and 0700000489, FDRs had not been submitted by the Port or approved by Caltrans as of November 2018.

FINDINGS AND RECOMMENDATIONS

Finding 1: Unallowable Construction Engineering Expenditures

The Port claimed and was reimbursed unallowable construction engineering expenditures totaling \$1,043,684 for project 0013000262. The project agreement did not include a budget for the construction engineering cost category and the CTC Financial Vote List specifically states "TCIF allocation is split as follows: \$0 for construction engineering and \$22,960,000 for construction capital." In addition, LAPM, Chapter 5, section 5.3, states construction engineering must be authorized to be eligible for reimbursement." Therefore, construction engineering expenditures are not reimbursable using Proposition 1B funds.

The Port stated it included construction engineering expenditures in its Proposition 1B reimbursement claim because it believed it was allowed since it was approved for other Proposition 1B funded projects. Unfamiliarity with funding provisions in the project agreements and claiming unallowable costs categories such as construction engineering expenditures has the following fiscal effect on Proposition 1B funded programs:

- Places a greater financial burden on statewide taxpayers for transportation projects that primarily benefit local taxpayers.
- Increases oversight agency monitoring and post audit resolution costs.
- Reduces the number of fundable Proposition 1B transportation projects.

Recommendations:

- A. Remit \$1,043,684 to Caltrans.
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

Finding 2: Improvements Needed in Project Reporting

The benefits/outcomes for projects 0013000261, 0013000262, 0700000494, and 0712000072 were not adequately reported in the project agreement and/or FDR, and supported with documentation. Additionally, the FDRs for projects 0700000489 and 0700000494 were not submitted timely. Specifically:

- Project 0013000261-
 - The project agreement included expected benefits/outcomes for throughput of 614,400 TEUs/year and a congestion reduction of 3,000 daily truck trips and a reduction of 53,000 daily truck miles; however, actual benefits/outcomes were not reported in the FDR.
 - The project agreement included expected benefits/outcomes for emissions reduction of 772,569 tons of CO₂ over 20 years, but the Port was only able to support an estimated 589,985 reduced tons of CO₂. Further, projected reductions of CO, NO_x, PM₁₀, and ROG were not supported.

According to the Port, the unsupported benefit/outcomes were too difficult to adequately measure and the initial expected amounts were intended only as estimates.

- Project 0013000262-
 - The project agreement included expected benefits/outcomes for emissions reduction of 68,870 tons of CO₂ over 20 years, but the Port was only able to support an estimated 62,280 reduced tons of CO₂.

According to the Port, the expected benefit/outcome listed in the executed agreement was misreported. However, that same amount was reported on the FDR. As a result, the actual benefit/outcome cannot be compared to the expected benefit/outcome.

- Project 0700000494-
 - Benefits/outcomes for bottleneck relief, multimodal strategy, interregional benefits, community impact mitigation, and one-time benefits/outcomes related to economic/jobs growth included in the project agreement were not reported in the FDR.
 - Benefits/outcomes related to velocity, throughput, reliability, and congestion reduction reported in the FDR were not supported.
 - The project agreement included expected benefits/outcomes for air quality and economic/jobs growth that were not adequately supported.

The Port considered the benefits/outcomes categories omitted from the FDR too complicated to perform post-project completion measurements. Additionally, the Port stated the unsupported benefits/outcomes were too difficult to adequately measure and the initial expected amounts were intended only as estimates.

- Project 0712000072-
 - Benefits/outcomes for 80 truck hours for velocity, throughput, and reliability; bottleneck relief; multimodal strategy; interregional benefits; community impact mitigation; and a one-time benefits/outcomes related to economic/jobs growth included in the project agreement were not reported in the FDR.
 - The project agreement included expected benefits/outcomes for congestion reduction - delay reduction of 80 truck hours, and economic/jobs growth that were not adequately supported.

The Port considered the benefits/outcomes categories omitted from the FDR too complicated to perform post-project completion measurements. Additionally, the Port stated the unsupported benefits/outcomes were too difficult to adequately measure and the initial expected amounts were intended only as estimates

- The FDRs for projects 0700000489 and 0700000494 were not submitted to CTC within six months of becoming operable. The FDR for project 0700000494 was due January 2018, and was submitted to Caltrans in September 2018. The FDR for project 0700000489 was due in May 2018, and was not submitted as of January 2019. According to the Port, the FDRs were delayed because the Port had trouble gathering the necessary information and was unaware of the requirement to submit within six months following project completion. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes.

TCIF guidelines, section 17, states that within six months of the project becoming operable, the implementing agency will provide a FDR on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project agreements. Additionally, section 7 states each project nomination should include documentation supporting the project benefits cited in the nomination. Inaccurate and incomplete information in the FDR decreases the transparency of the project outcomes and prevents CTC from determining whether project benefits/outcomes were met.

Recommendations:

- A. Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements.
- B. Ensure the information reported in the project agreements and FDR are accurate and supported. Additionally, maintain documentation to

support projected and actual benefits/outcomes included in the project agreements and reported in the FDR.

- C. Submit Supplemental FDRs for projects 0013000261, 0700000494, and 0712000072, that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.
- D. Submit FDRs for projects as required.

APPENDIX A

The following acronyms are used throughout Appendix A.

- Automatic Stacking Cranes: ASCs
- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Final Delivery Report: FDR
- Intermodal Container Transfer Facility: ICTF
- Level of Service: LOS
- Los Angeles Department of Transportation: LADOT
- Memorandum of Understanding: MOU
- National Highway System: NHS
- Natural Resources Defense Council: NRDC
- Port of Los Angeles: Port
- Rail Mounted Gantry: RMG
- Standard Urban Stormwater Mitigation: SUSMP
- Terminal Logistic System: TLS
- Terminal Operating System: TOS
- Trade Corridors Improvement Fund: TCIF
- Twenty-foot Equivalent Unit: TEU

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0013000130	\$ 9,423,000	C	Y	Y	N/A 1	N/A 1	A-1
0013000261	\$20,712,000	C	Y	Y	P	P	A-2
0013000262	\$26,664,000	C	P	Y	P	P	A-3
0015000213	\$ 8,401,000	I	Y	Y	N/A 3	N/A 3	A-4
0016000323	\$ 833,617	I	Y	Y	N/A 3	N/A 3	A-5
0700000489	\$13,205,000	C	Y	Y	N/A 3	N/A 3	A-6
0700000494	\$ 7,835,676	C	Y	Y	P	P	A-7
0712000072	N/A 2	C	N/A 2	Y	P	P	A-8

Legend

C = Construction is complete and the project is operational.

I = Construction is not complete.

N/A 1 = Not Applicable, FDR has been submitted, but not approved by Caltrans.

N/A 2 = Project costs were audited in our audit report issued in May 2016.

N/A 3 = Not Applicable, FDR has not yet been submitted.

P = Partial

Y = Yes

Project Number: 0013000130

Project Name: Ports Rail System – Tier 1 – West Basin Road Rail Access Improvements – Segment 2 – Track Connections

Program Name: TCIF

Project Description: In the West Basin district of the Port of Los Angeles (accessed via Alameda Street). Construction and realignment of track connections - Segment 2 - Berth 200 Railyard.

Audit Period: March 5, 2013 through January 31, 2016 for audit objective 1²
March 5, 2013 through May 31, 2017 for audit objectives 2 and 3³

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$8,827,626
Construction Engineering	595,374
Total Proposition 1B Expenditures	\$9,423,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in February 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. The project FDR was submitted timely in May 2017. However, the FDR has not been approved by Caltrans. Additionally, the project was behind schedule and completed 32 months after the due date. The Port appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have been reported. However, the FDR has not been approved by Caltrans. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported.

² The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

³ The audit period end date reflects the FDR submission date.

Project Number:	0013000261
Project Name:	Alameda Corridor West Terminus Intermodal Railyard (TraPac Terminal On-Dock Railyard)
Program Name:	TCIF
Project Description:	In the City of Wilmington, west of Pier A Street and south of Water Street at Berths 142-147 backland, within the TRAPAC container terminal. Construct stub-ended railyard with 8 working tracks, a 123 foot gauge rail mounted gantry crane infrastructure, access roadway, storm drainage, electrical and lighting, utility work, and fencing.
Audit Period:	June 11, 2013 through March 31, 2015 for audit objective 1 ⁴ June 11, 2013 through October 8, 2018 for audit objectives 2 and 3 ⁵
Project Status	Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$19,085,102
Construction Engineering	1,626,898
Total Proposition 1B Expenditures	\$20,712,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in January 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. The FDR was submitted timely in December 2016. However, the project was behind schedule and completed 10 months after the due date. The Port appropriately updated Caltrans and CTC of the delay.

Benefits/Outcome

Actual project benefits/outcomes related to throughput, congestion reduction, and emissions reduction were not adequately reported in the FDR. As stated in Finding 2, the quantifiable expected project benefits/outcomes for throughput and congestion

⁴ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁵ The audit period end date reflects the FDR submission date.

reduction listed in the executed project agreement were not addressed in the FDR. Additionally, the estimated project benefits/outcomes described in the executed project agreement for emissions were not adequately supported. See Finding 2 for details.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	<p>The reduction in truck trips on adjacent roadways/freeways, including the I-710, will result in improved safety. The I-710 between Ocean Boulevard in Long Beach and the I-5 has higher accident and fatal accident rates compared to the state average. The high truck volumes, combined with auto volumes, contribute to the severity of accidents occurring along the I-710. Truck-related accidents account for about 31% of accidents. In a three-year period from October 2004 - September 2007, there were 38 fatal accidents along the I-710 (including interchange ramps).</p>	<p>The semi-automated on-dock railyard, in conjunction with the Alameda Corridor West Terminus Intermodal Railyard, improves safety by reducing the number of truck trips on roadways and highways, thereby reducing truck related accidents.</p>	Yes

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Velocity	<p>Reduction in truck trips on the I-710 and other roadways/highways will help to improve speeds on these facilities.</p> <p>Direct on-dock loading increases velocity of containers via use of Alameda Corridor.</p>	<p>The semi-automated on-dock railyard, in conjunction with the Alameda Corridor West Terminus Intermodal Railyard, improves velocity by reducing the number of truck trips on roadways/highways, thereby improving speeds on these facilities. In addition, velocity of loading containers is increased by the 3 semi-automated/electric RMG Cranes, automated shuttle carriers, TLS, and TOS, which optimizes operation.</p>	Yes
Throughput	<p>On-dock railyard allows for the direct loading of 614,400 TEU/year; reducing drayage of these containers.</p>	<p>The semi-automated on-dock railyard, with 3 semi-automated/electric RMG Cranes and automated shuttle carriers, improves and optimizes throughput. Automation increases terminal capacity.</p>	No
Reliability	<p>Direct on-dock loading increases velocity of containers via use of Alameda Corridor; which improves reliability.</p> <p>Reduction in truck trips on the I-710 and other roadways/highways will help to improve reliability for all other traffic.</p>	<p>The semi-automated on-dock railyard, with 3 semi-automated/electric RMG Cranes, automated shuttle carriers, TLS, and TOS, improves reliability. The equipment is preprogrammed to move containers with optimal efficiency.</p>	Yes

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Congestion Reduction	<p>Reduction in 3,000 daily truck trips (due to mode shift).</p> <p>Reduction in 53,000 daily Truck Miles Traveled (due to mode shift).</p>	The semi-automated on-dock railyard, in conjunction with the Alameda Corridor West Terminus Intermodal Railyard, reduces the number of truck trips on roadways/highways, thereby reducing congestion.	No
Emissions Reduction	<p>(tons; over 20 years):</p> <p>CO = 1,848</p> <p>CO₂ = 772,569</p> <p>NO_x = 2,908</p> <p>PM₁₀ = 124</p> <p>ROG = 346</p>	<p>The semi-automated on-dock railyard, in conjunction with the 3 semi-automated/electric RMG Cranes, automated shuttle carriers, and Alameda Corridor West Terminus Intermodal Railyard reduces the number of truck trips on roadways and highways, as described in the air quality analyses, which resulted in the following (over 20 years):</p> <p>CO = 1,848</p> <p>CO₂ = 772,569</p> <p>NO_x = 2,908</p> <p>PM₁₀ = 124</p> <p>ROG = 346</p>	<p>Not Applicable</p> <p>Expected to be achieved over 20 years</p>

Project Number: 0013000262

Project Name: Cargo Transportation Improvements – Emission Reduction – Phase 2 (TraPac automation)

Program Name: TCIF

Project Description: In the City of Wilmington, West of Pier A Street and south of Water Street at Berths 142-143 backland, within the TRAPAC container terminal. 72 acres of backland improvements, grading, paving, storm drain and SUSMP, rail, reefer racks, tele-communication system, electrical and lighting system, fire protection system, utility relocations, fencing and gates, and striping.

Audit Period: June 11, 2013 through July 20, 2018 for audit objective 1⁶
June 11, 2013 through August 9, 2018 for audit objectives 2 and 3⁷

Project Status Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed	Questioned Expenditures
Construction	\$25,620,316	
Construction Engineering	1,043,684	\$1,043,684
Total Claimed	\$26,664,000	\$1,043,684
Less Cost Savings Reimbursement Returned to Caltrans	3,704,230	
Total Proposition 1B Expenditures	\$22,959,770	\$1,043,684

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC’s program guidelines, and applicable state and federal regulations cited in the executed agreements, except for \$1,043,684 of construction engineering expenditures, as noted in Finding 1. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in November 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Except for CO₂ emissions reduction, actual project benefits/outcomes were adequately reported in the FDR. As stated in Finding 2, the Port reported incorrect CO₂ emissions

⁶ The audit period end date reflects the billing period end date of the cost savings reimbursement claim submitted to Caltrans.

⁷ The audit period end date reflects the FDR submission date.

reduction in the executed project agreement and the FDR. The Port achieved the expected project benefits/outcomes relating to safety, velocity, reliability, and congestion reduction, as described in the executed project agreement and approved amendments. The project benefits/outcomes for throughput and emission reduction for CO, NOX, PM10 and ROG expected to be achieved in the future, as described in the executed project agreement or amendments, were adequately supported.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Improved in-terminal vehicular and pedestrian (worker) safety due to automation.	Safety was improved with the Implementation of 19 ASCs and 16 automated shuttle carriers. Automated equipment separate manned operations and greatly reduces vehicular and pedestrian (workers) within the terminal.	Yes
Velocity	Increased velocity of moving/delivering containers.	Velocity of moving/delivering containers was increased by the TLS & TOS, which pre-programs automated equipment for optimum routes, speed, and 24/7 operations.	Yes
Throughput	Automation increases terminal capacity that is needed to accommodate projected trade demand; projected terminal throughput in the year 2035 = 2.4 million TEU.	Terminal capacity was increased by the 10 rows of automated blocks operated by 19 ASCs and 16 automated shuttle carriers; enabling the highest possible capacity and stacking density. ASCs optimizes throughput and stacking footprint. The projected terminal throughput in the year 2035 is 2.4 million TEUs.	Yes

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Reliability	Automation improves reliability of moving containers.	Reliability of moving containers was increased by the TLS & TOS, which pre-programs the automated equipment to move containers with optimum routes and efficiency.	Yes
Congestion Reduction	Reduced congestion inside the terminal.	Congestion was reduced inside the terminal by the 10 rows of automated blocks operated by 19 ASCs and 16 automated shuttle carriers; eliminating manned equipment/vehicles within the container storage areas.	Yes
Emissions Reduction	(tons; over 20 years): CO = 154 CO ₂ = 68,870 NO _x = 107 PM ₁₀ = 1 ROG = 23	Phase 2 Implemented 19 electric-powered ASCs, replacing diesel-fueled equipment, as described in the air quality analysis, which resulted in the following (tons, over 20 years): CO = 154 CO ₂ = 68,870 NO _x = 107 PM ₁₀ = 1 ROG = 23	Not Applicable Expected to be achieved over 20 years

Project Number: 0015000213

Project Name: YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 1 (Berth/Wharf Improvements)

Program Name: TCIF

Project Description: The project is located at 701 N. Dock Street, San Pedro, CA. The project includes the deepening of Berths 214-216 to a -53' depth, and Berths 217-220 to a -47' depth, which includes dredging and underwater bulkhead installation; landside crane rail extension at Berths 217-220 to accommodate existing 100' gauge cranes; construction of four Alternative Maritime Power boxes at Berths 217-220; pavement resurfacing; construction of concrete runways; and striping.

Audit Period: March 26, 2015 through March 31, 2018 for audit objective 1⁸
March 26, 2015 through December 13, 2018 for audit objectives 2 and 3⁹

Project Status: Construction is not complete.¹⁰

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$7,970,484
Construction Engineering	430,516
Total Proposition 1B Expenditures	\$8,401,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. The implementing Agency has a system in place to ensure the match requirement will be met.

Deliverables/Outputs

Target completion for this project was May 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. Project construction was substantially complete in April 2017; however, a Notice of Completion had not been filed. The project was 19 months past the due date as of the end of our December 2018 audit fieldwork. The Port appropriately updated Caltrans and CTC of the delay.

⁸ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁹ The audit period end date reflects the end of fieldwork date.

¹⁰ The project is considered interim because the Port had not submitted a Notice of Completion as of December 2018, the end of our audit fieldwork.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR has not been submitted.

Project Number: 0016000323

Project Name: YTI Terminal Efficiency Enhancement and Truck Trip Reduction Program – Phase 2

Program Name: TCIF

Project Description: The project is located at 701 North Dock Street, San Pedro, CA. The project includes ICTF expansion consisting of one new loading track, utility modifications and pavement resurfacing.

Audit Period: March 26, 2015 through November 30, 2017 for audit objective 1¹¹
March 26, 2015 through December 13, 2018 for audit objectives 2 and 3¹²

Project Status: Construction is not complete.¹³

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$717,514
Construction Engineering	116,103
Total Proposition 1B Expenditures	\$833,617

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. The implementing Agency has a system in place to ensure the match requirement will be met.

Deliverables/Outputs

Target completion for this project was September 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. Project construction was substantially complete in February 2018; however, a Notice of Completion had not been filed. The project was 15 months past the due date as of the end of December 2018 audit fieldwork. The Port appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR has not been submitted.

¹¹ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

¹² The audit period end date reflects the end of fieldwork date.

¹³ The project is considered interim because the Port had not submitted a Notice of Completion as of December 2018, the end of our audit fieldwork.

Project Number: 0700000489

Project Name: I-110/John S. Gibson Street Interchange and SB SR 47/NB I-110 Connector Ramp Improvements

Program Name: TCIF

Project Description: The project is located at the interchange of the I-110 and SR 47 (Vincent Thomas Bridge). This project will eliminate an existing weaving condition of slow uphill moving trucks and fast downhill moving vehicles with the addition of a lane on the westbound to northbound S.R. 47/I-110 connector. This additional lane will continue through the I-110 Off-Ramp at John S. Gibson Boulevard where the intersection will be widened.

Audit Period: July 1, 2008 through November 30, 2017 for audit objective 1¹⁴
July 1, 2008 through December 13, 2018 for audit objectives 2 and 3¹⁵

Project Status Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$13,205,000
Total Proposition 1B Expenditures	\$13,205,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in November 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. However, the project FDR was due in May 2018 and has not been submitted as of January 2019, as noted in Finding 2. Additionally, the project was behind schedule and completed 28 months past the due date. The Port appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR has not been submitted.

¹⁴ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

¹⁵ The audit period end date reflects the end of fieldwork date.

Project Number:	0700000494
Project Name:	I-110 Freeway and C Street Interchange Improvements
Program Name:	TCIF
Project Description:	The project is located at the I-110/C Street interchange and adjacent congressionally designated NHS Intermodal Connector Routes, all within the Port of Los Angeles, on the border with the Wilmington Community of the City of Los Angeles. The project entails: (1) Consolidation of two closely spaced intersections on the NHS: I-110/C Street/Figueroa Street interchange intersection and the intersection of Harry Bridges Boulevard/John S. Gibson Boulevard/Figueroa Street (2) Construction of a new, northbound I-110 off-ramp with a direct connector ramp to eastbound Harry Bridges Boulevard.
Audit Period:	July 1, 2008 through June 30, 2017 for audit objective 1 ¹⁶ July 1, 2008 through October 29, 2018 for audit objectives 2 and 3 ¹⁷
Project Status	Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$7,835,676
Total Proposition 1B Expenditures	\$7,835,676

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in July 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope. However, the project FDR was due in January 2018 and was submitted September 2018, as noted in Finding 2. Additionally, the project was behind schedule and completed 8 months past the due date. The Port appropriately updated Caltrans and CTC of the delay.

¹⁶ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

¹⁷ The audit period end date reflects the FDR submission date.

Benefits/Outcomes

Actual project benefits/outcomes related to safety were adequately reported. Additionally, for this category, the Port achieved the expected project benefits/outcomes as described in the executed project agreement or amendments. Actual project benefits/outcomes for bottleneck relief, multimodal strategy, interregional benefits, community impact mitigation, and the one-time benefits/outcomes related to economic/jobs growth were not reported in the FDR. Additionally, the Port could not adequately support the benefits/outcomes for velocity, throughput, reliability, and congestion reduction. Lastly, the estimated project benefits/outcomes described in the executed project agreements for air quality and economic/jobs growth were not adequately supported. See Finding 2 for details.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Will reduce accidents at intersections and on the I-110.	Occurrences of accidents has been reduced. Zero accidents were reported during a 12 month sample period from 5/1/17 thru 4/30/18.	Yes
Velocity	See "Throughput"	See "Throughput"	No
Throughput	35%-40% of all U.S. containers thru POLB/POLA; I-110, SR 47, and I-710 (via the Gerald Desmond Bridge) carry approximately 30% of all U.S. containers; trucks comprise 50% of all traffic; POLB/POLA handled 15.8 m TEUs in 2006, 36 m TEUs by 2020; truck delay reduced by 1,420 hrs/day which improves velocity and reliability.	Year 2018 post project condition is a Level of Service A with a volume to capacity ratio of 0.509. Current projected Year 2030 conditions is a Level of Service B with a volume to capacity ratio of 0.646. The current "approved benefits" were based on obtaining a 2030 Level of Service of C with a volume to capacity ratio of 0.93 with the project. The post project conditions in 2030 are now better than the "Current Approved" benefits which were calculated prior to the project. Therefore, the project meets and exceeds the project benefit of reduced truck delay of 1,420 hrs/day and improves velocity and reliability.	No
Reliability	See "Throughput"	See "Throughput"	No

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Congestion Reduction	Will significantly improve traffic operating conditions throughout the day. Total daily Vehicle and Truck delay savings will be 5,174 hrs and 1,423 hrs respectively.	Year 2018 post project condition is a Level of Service A with a volume to capacity ratio of 0.509. Current projected Year 2030 conditions is a Level of Service B with a volume to capacity ratio of 0.646. The current "approved benefits" were based on obtaining a 2030 Level of Service of C with a volume to capacity ratio of 0.93 with the project. The post project conditions in 2030 are now better than the "Current Approved" benefits which were calculated prior to the project. Therefore, the project meets and exceeds the project benefit of vehicle and truck delay savings of 5,175 hrs and 1,423 hrs respectively.	No

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Air Quality	The emissions benefit of the project in 2030 is calculated to be 132 tons per year of a combined PM10, ROG, and NOx, and 124,200 tons per year of CO2.	Year 2018 post project condition is a Level of Service A with a volume to capacity ratio of 0.509. Current projected Year 2030 conditions is a Level of Service B with a volume to capacity ratio of 0.646. The current "approved benefits" were based on obtaining a 2030 Level of Service of C with a volume to capacity ratio of 0.93 with the project. The post project conditions in 2030 are now better than the "Current Approved" benefits which were calculated prior to the project. Therefore, the project meets and exceeds the project emissions benefits of 132 tons/yr of combined PM10, ROG, Nox, and 124,200 tons/yr of CO2 In 2030.	Not Applicable Expected to be achieved in 2030
Bottleneck Relief	See "Throughput/Velocity/Reliability" and "Congestion Reduction/Mitigation."	Not Reported	No
Multi-Modal Strategy	I-110 connectors used to access near-dock/off-dock railyards, where containers are loaded/unloaded onto trains.	Not Reported	No
Interregional Benefits	Improves connections to the I-110 and SR 47 which together with I-710 carry approx. 30% of all U.S. waterborne container volume (the I-110 alone carries 10%).	Not Reported	No

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Community Impact Mitigation	<p>This improvement is consistent with the Ports Clean Air Action Plan and has full support of the Mayor's Office, Council Office, Caltrans (District 7), LADOT, and the community at large. Additionally, the Port recently entered into an MOU with numerous environmental and community groups (including the NRDC) to establish a "Port Community Mitigation Trust Fund" to be operated by a non-profit entity. The non-profit will be established to address off-port impacts created by existing and future port operations in the community of Wilmington and San Pedro, including but not limited to off-Port impacts from the TraPac project in Wilmington and San Pedro.</p>	Not Reported	No
Economic/Jobs Growth	<p>One-time benefit of \$193M in economic output; 1,540 FTE one-year jobs; \$63M wages; \$5.31 M state taxes; \$0.88M local taxes.</p> <p>Regional improvements will sustain 318,000 new trade-related jobs and \$1B (2007 dollars) in annual state revenues by 2030.</p>	Not Reported	<p>No</p> <p>Not Applicable. Expected to be achieved in 2030</p>

Project Number:	0712000072
Project Name:	South Wilmington Grade Separation
Program Name:	TCIF
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 October 14, 2016 for audit objectives 2 and 3 ¹⁸
Project Status	Construction is complete and the project is operational.

Results:

Deliverables/Outputs

The construction phase of the project was completed in December 2016. Our prior audit report issued in May 2016 indicated that construction was complete in June 2015. However, subsequent information was provided during this audit and it was determined that the previously reported construction end date was based on a substantial Notice of Completion, not the Notice of Completion. At the time of our site visit during our previous audit in March 2016, project deliverables/outputs were consistent with the project scope. The project FDR was due in June 2017 and was submitted timely. However, the project was behind schedule and completed 25 months past the due date. The Port appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

The actual project benefits/outcomes relating to safety was adequately reported in the FDR and the Port achieved the expected project benefits/outcomes as described in the executed project agreements or amendments. The project benefits/outcomes for air quality expected to be achieved in 2030, as described in the executed project agreement or amendments, were adequately supported. Actual project benefits/outcomes for velocity, throughput, reliability, bottleneck relief, multi-modal strategy, interregional benefits, community impact mitigation, and the one-time benefits/outcomes related to economic/jobs growth were not adequately reported in the FDR. Additionally, the estimated project benefits/outcomes described in the executed project agreements for congestion reduction and economic/jobs growth were not adequately supported. See Finding 2 for details.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	The potential conflict between trucks / vehicles and trains will be eliminated.	Conflict has been eliminated.	Yes

¹⁸ The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Velocity	See "Throughput"	Conflict has been eliminated resulting in improved velocity within the system due to improved LOS and reduced delays.	No, see Throughput
Throughput	<p>Provides for better access for trucks to I-110, and trains to Alameda Corridor; 35%-40% of all U.S. containers thru POLB/POLA; I-110, SR 47, and I-710 (via the Gerald Desmond Bridge) carry approximately 30% of all U.S. containers; POLB/POLA handled 15.8 m TEUs in 2006, 36 m TEUs by 2020; truck delay reduced by 80 hrs/day which improves velocity and reliability.</p> <p>Existing and future peak period hour levels of service will improve from an unacceptable F to A (free flow conditions; i.e., no conflict).</p>	Conflict has been eliminated resulting in improved throughput within the system due to improved LOS and reduced delays.	<p>No, Daily reduction of 80 truck-hrs/day was not reported</p> <p>LOS was supported and achieved</p>
Reliability	See "Throughput"	Conflict has been eliminated resulting in improved reliability within the system due to improved LOS and reduced delays.	No, see Throughput

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Congestion Reduction	<p>Existing and future peak period hour levels of service will improve from an unacceptable F to A (free flow conditions; i.e., no conflict).</p> <p>Under Year 2030 condition, total daily vehicular and truck delay will be removed completely by approx. 104 vehicle-hours and 80 truck-hours, respectively.</p>	LOS is currently estimated at A.	<p>LOS was supported and achieved</p> <p>Not Applicable. Expected to be achieved in 2030</p>
Air Quality	The emissions benefit of the project in 2030 is calculated to be 25 tons per year of a combined PM10, ROG, and NOx.	TBD by 2030	<p>Not Applicable</p> <p>Expected to be achieved in 2030</p>
Bottleneck Relief	See "Throughput / Velocity / Reliability" and "Congestion Reduction / Mitigation".	Not Reported	No
Multi-Modal Strategy	The amount of cargo that is moved by train and loaded directly from three major container terminals can be dramatically increased; another on-dock rail yard can be constructed; and trucks entering and exiting a major container terminal will have unimpeded access.	Not Reported	No

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Interregional Benefits	Provides for better access for trucks to I-110, and trains to Alameda Corridor; 35%-40% of all U.S. containers thru POLB/POLA; I-110, SR 47, and I-710 (via the Gerald Desmond Bridge) carry approximately 30% of all U.S. containers; POLB/POLA handled 15.8 m TEUs in 2006, 36 m TEUs by 2020.	Not Reported	No
Community Impact Mitigation	This improvement is consistent with the CAAP and has full support of the Mayor's Office, Council Office, Caltrans (District 7), LADOT, and the community at large. Additionally, the Port recently entered into an MOU with numerous community and environmental organizations (including the NRDC) to establish a "Port Community Mitigation Trust Fund" to be operated by a non-profit entity. The non-profit will be established to address off-port impacts created by existing and future port operations in the community of Wilmington and San Pedro, including but not limited to off-Port impacts from the TraPac project in Wilmington and San Pedro.	Not Reported	No

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Economic/Jobs Growth	<p>One-time benefit of \$128M in economic output; 1,000 FTE one year jobs; \$42M wages; \$3.5M state taxes; \$0.65M local taxes.</p> <p>Regional improvements will sustain 318,000 new trade-related jobs, and \$1B (2007 dollars) in annual state revenues by 2030.</p>	Not Reported	<p>No</p> <p>Not Applicable. Expected to be achieved in 2030</p>



Eric Garcetti *Mayor, City of Los Angeles*

Board of Harbor
Commissioners

Jaime L. Lee
President

Edward R. Renwick
Vice President

Diane L. Middleton
Commissioner

Lucia Moreno-Linares
Commissioner

Anthony Pirozzi, Jr.
Commissioner

Eugene D. Seroka

Executive Director

December 19, 2019

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

**SUBJECT: OFFICE OF STATE AUDITS AND EVALUATIONS CONFIDENTIAL
DRAFT REPORT PROPOSITION 1B BOND PROGRAM
PORT OF LOS ANGELES RESPONSE**

The Port of Los Angeles received the Office of State Audits and Evaluation Confidential Draft Report for the Proposition 1B Bond Program on December 11, 2019. Please find the Port of Los Angeles official response to the Draft Report findings below in **RED**

LADOF Finding 1: Unallowable Construction Engineering Expenditures (Page 6)

Finding 1: Unallowable Construction Engineering Expenditures

The Port claimed and was reimbursed unallowable construction engineering expenditures totaling \$1,043,684 for project 0013000262. The project agreement did not include a budget for the construction engineering cost category and the CTC Financial Vote List specifically states "TCIF allocation is split as follows: \$0 for construction engineering and \$22,960,000 for construction capital." In addition, LAPM, Chapter 5, section 5.3, states construction engineering must be authorized to be eligible for reimbursement." Therefore, construction engineering expenditures are not reimbursable using Proposition 1B funds.

The Port stated it included construction engineering expenditures in its Proposition 1B reimbursement claim because it believed it was allowed since it was approved for other Proposition 1B funded projects. Unfamiliarity with funding provisions in the project agreements and claiming unallowable costs categories such as construction engineering expenditures has the following fiscal effect on Proposition 1B funded programs:

- Places a greater financial burden on statewide taxpayers for transportation projects that primarily benefit local taxpayers.
- Increases oversight agency monitoring and post audit resolution costs.
- Reduces the number of fundable Proposition 1B transportation projects.

Recommendations:

- A. Remit \$1,043,684 to Caltrans.
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

PORT OF LOS ANGELES RESPONSE (POLA):

The Port of Los Angeles was directed to reimburse for construction engineering on May 15, 2018 in documentation shown in Figure 1 stating that the CTC Vote Box was not revised by Caltrans correctly. The same written documentation states from the California Department of Transportation staff on May 21, 2018 shown in Figure 2 stated that Project 001300262 shall be reimbursed for Construction and Construction Support (Construction Engineering). Please find the written documentation to support this reimbursement in Figure 1 and Figure 2 below.

The Port of Los Angeles will continue to develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

Figure 1. Written Documentation stating that the CTC Vote Box was not revised correctly by CTC staff

From: Estensen, Mary C@DOT [<mailto:mary.estensen@dot.ca.gov>]
Sent: Tuesday, May 15, 2018 4:36 PM
To: Sar, Christina
Subject: RE: TCIF #87.1 & 87.2

Hi Christina,

The yellow highlight area of the vote box was not revised correctly. Use the \$134,530,000 from the Book Item dated June 11, 2013. Second question, TCIF cannot cover overruns.

Adopted: original baseline
Current Approved: Use Book Item numbers
Change:

To reprogram the savings to another project, we will need the following items: consensus letter, baseline agreement and TCIF Application. We can de-allocate and reprogram at the August 2018 CTC meeting.

Let me know if you have any other questions. Thanks.

Figure 2. Written Documentation directing the Port of Los Angeles to reimburse for Construction and Construction Engineering

From: Estensen, Mary C@DOT
To: [Sar, Christina](#)
Subject: RE: TCIF #87.1 & 87.2
Date: Monday, May 21, 2018 10:09:51 AM
Attachments: [image016.png](#)

Use construction + construction support. The first box.

From: Sar, Christina [mailto:CSar@portla.org]
Sent: Friday, May 18, 2018 3:12 PM
To: Estensen, Mary C@DOT <mary.estensen@dot.ca.gov>
Subject: RE: TCIF #87.1 & 87.2

Hi Mary,
 If I'm calculating the reimbursement ratio using \$134,530,000 (construction + construction support).
 What can I use for the actuals? "Construction only" or "construction + construction support", it does make a difference.

	TCIF Approved	Actuals	Savings
	6/11/2013		
Total Const + Const Support	\$ 134,530,000	\$ 115,840,754	
TCIF	\$ 26,664,000	\$ 22,959,770	\$ 3,704,230
reimb %=TCIF/(Const+CM)	20%		
Total Construction	\$ 129,000,000	\$ 105,486,119	
TCIF	\$ 26,664,000.00	\$ 20,907,470	\$ 5,756,530

Hopefully we can talk next week.
 Have a great weekend!

CHRISTINA U. SAR, P.E.
 PORT OF LOS ANGELES
 Sr. Civil Engineer | Engineering Division
 425 S. Palos Verdes St. | San Pedro, CA 90731
 310-732-3627 DIRECT | 310-519-0178 FAX
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CADOF Finding 2: Improvements Needed in Project Reporting (Page 7)

- A. Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements.

POLA Response:

Project Agreement will be reviewed by staff as recommended.

- B. Ensure the information reported in the project agreements and FDR are accurate and supported. Additionally, maintain documentation to support projected and actual benefits/outcomes included in the project agreements and reported in the FDR.

POLA Response:

Information reported will be accurate and supported where feasible by staff.

- C. Submit Supplemental FDRs for projects 0013000261, 0700000494, and 0712000072, that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.
- D. Submit FDRs for projects as required.

POLA Response:

FDRs and Supplemental FDRs will be submitted as requested.

Project Number	FDR/Supplemental Submittal Date	Approval Date
001300130	FDR & Supplemental FDR Submitted 6/1/17 Resubmitted 10/15/18 Resubmitted 12/12/18	Caltrans currently reviewing
0013000261	FDR Submitted 12/13/2016 FDR & Supplemental FDR Submitted 10/8/2018	FDR & Supplemental FDR Approved 10/18/18.
0013000262	FDR & Supplemental FDR Submitted 7/20/17	FDR & Supplemental FDR Approved 8/24/18.
0015000213	FDR & Supplemental FDR Submitted 8/29/19	Caltrans currently reviewing
0016000323	FDR & Supplemental FDR Submitted 12/4/19	Caltrans currently reviewing
0700000489	FDR submitted on 11/26/18 and resubmitted on 4/24/19	Caltrans currently reviewing
0700000494	FDR submitted on 9/6/18 and resubmitted on 10/29/2018	Approved 10/30/18
0712000072	FDR submitted on 10/10/16 Supplemental submitted on 10/15/18	Caltrans Approved FDR 10/16 Caltrans has provided comments on Supplemental FDR. POLA plans to resubmit shortly

If you have any questions, please contact our office at (310) 732-3590.

Sincerely,

Original signed by

EUGENE D. SEROKA
Executive Director

AN:dw
ID 7996

EVALUATION OF RESPONSE

The Port's response to the draft report has been reviewed and incorporated into the final report. We acknowledge the Port's willingness to implement Recommendation B specific to Finding 1 and all recommendations for Finding 2. In evaluating the Port's response, we provide the following comments:

Finding 1: Unallowable Construction Engineering Expenditures

The Port disagrees that construction engineering expenditures are unallowable for project 0013000262. The emails included in the response were provided to us in December 2018 and were dated May 2018. The emails do not clearly state construction engineering is an allowable expenditure. Additionally, the CTC Financial Vote dated October 2018 was approved subsequent to those emails and clearly states "\$0 for construction engineering and \$22,960,000 for construction capital". Because the Port did not provide additional documentation other than what was provided during our fieldwork, the finding and recommendation will remain unchanged.

Finding 2: Improvements Needed in Project Reporting

The Port agrees with the finding and provided a schedule of submitted FDRs and Supplemental FDRs. The dates of the reports submitted for project 0013000261 and 0700000494 are the same dates of the reports used in our testing and were the basis of our finding. The Port should resubmit Supplemental FDRs for projects 0013000261 and 0700000494, and ensure the reports address all project benefits/outcomes.

The Supplemental FDR for project 0712000072 referenced in the Port's response has not been approved by Caltrans and was not included in our review. However, the Port should ensure the report addresses all project benefits/outcomes.