



RON GALPERIN
CONTROLLER

June 30, 2015

Honorable Eric Garcetti, Mayor
Honorable Michael Feuer, City Attorney
Honorable Members of the Los Angeles City Council

**Re: RELEASE OF DEPARTMENT OF TRANSPORTATION TRAFFIC CONTROL
AUDIT FOR SPECIAL EVENTS: OVERTIME & COLLECTIONS**

The City of Los Angeles pays traffic officers and other Department of Transportation (DOT) employees time-and-a-half when they work overtime and perform traffic control at gatherings such as Dodger games, during the L.A. Marathon and at other gatherings--referred to as City "Special Events." In theory, this overtime is paid for by the private sponsors of these events. But as my office's audit of DOT special event assignment and reimbursement practices demonstrates, due to underbillings, poor accounting and inadequate cost monitoring, it is the City that often absorbs these costs. In FY 2013-14 alone, in fact, the City paid out \$5.9 million in special events overtime--\$1.8 million of which should have been reimbursed by event sponsors.

Background

Per Memoranda of Understanding with DOT employees, personnel who manage traffic control at special events are paid at 150% of their straight time rate. In FY 2013-14, the DOT deployed personnel to 2,242 special events totaling 123,000 in overtime hours at a cost of \$5.9 million. That constitutes 40% of the total overtime of \$14.6 million paid by the department during the year.

While special event overtime is intended to be worked after the completion of a full shift, some employees may be using sick or vacation time to fulfill their straight-time shift obligations and showing up for special event overtime shifts instead. For example, consider the case of this employee, whose record we pulled from the payroll system:

Employee 'X' Schedule:	
03/03/2015	8 Hours of Special Event Work (1.5x Overtime) + 8 Hours of Sick Time (100%) = 20
03/05/2015	5 Hours of Special Event Work (1.5x Overtime) + 8 Hours of Sick Time (100%) = 15.5
03/06/2015	2 Hours of Special Event Work (1.5x Overtime) + 8 Hours of Sick Time (100%) = 11

In just the three days noted above, Employee 'X' was paid for 46.5 hours of work, yet he actually worked just 15 hours. Moreover, his use of sick time when one is not sick isn't the intended and most proper use of sick time. And, supervisors in this circumstance are left to find replacements to perform the individual's regular job duties--which impacts the department's abilities to perform core functions. Accordingly, as we have in the past, we urge DOT to monitor this overtime and to examine its practices.

The Four Types of Special Events

There are four basic types of special events that DOT employees staffed in the past fiscal year (with total overtime labor costs of \$5.9 million):

- 1. 1st Amendment Events: 1% / \$31,544**
Includes marches and public rallies permitted by LAPD; the City absorbs costs.
- 2. BSS Special Events: 47% / \$2.7M**
Includes the L.A. Marathon and neighborhood events like block parties. The Bureau of Street Services (BSS) permits street closures for these events and is responsible for billing and collecting associated costs from the event sponsors. BSS transfers collected monies to the DOT in two semi-annual payments.
- 3. Venue Events: 38% / \$2.2M**
Includes Dodger games and concerts at the Hollywood Bowl, occur at specific facilities. The DOT has standing contracts with these venues to provide traffic services for them. The venues pay the DOT directly for their services.
- 4. Other Special Events: 15% / \$863,618**
Includes Getty Center events, movie premieres, local college commencements, and church events. The event sponsor pays the DOT directly for the cost of traffic control. Payment is required before the event takes place.

The City Council can waive fees associated with providing traffic control at any of these types of events. Some fees may also be paid with Councilmembers' discretionary funds.

Significant Findings

→ Billing Problems

According to the DOT's FY 2014-15 First Financial Status Report, "74% of the special events in which the department provides traffic control services are reimbursed." Our analysis, however, indicates that just 60% of the \$5.9 million paid in overtime for special events was, in fact, reimbursed--with taxpayers footing the other 40%--\$2.3 million in FY 2013-14 alone. Part of the discrepancy no doubt stems from the fact that the DOT didn't properly track and monitor how much it was spending on event overtime, nor did it review records for the purposes of oversight. Based on our analysis, of the \$2.3 million total that the City paid out in unreimbursed overtime, \$1.8 million should have been reimbursed by event sponsors.

As a part thereof, the DOT frequently charged event sponsors less than the department paid out to the staff--miscalculating the hourly rates it pays its own employees. For example, an examination of Venue Events revealed that, in FY 2013-14, the DOT underbilled venues by \$147,808.

Recommendation: The DOT should create and implement systems to more accurately track special event overtime and ensure that it is billed appropriately and accurately.

→ Redefining Reimbursement

Consider the costs of sending DOT employees to staff special events. There's department overhead; uniforms; wear and tear on City vehicles that would otherwise be garaged; fuel costs; potential additional workers' compensation costs, etc.

And yet, the current system only seeks reimbursement for the single cost of paying staff at their overtime rate. It ignores not only the true cost of employing DOT employees, but the panoply of costs involved in dispatching them to disparate locations around the city.

Recommendation: Even if we don't pursue full cost recovery for traffic control services at special events, I recommend that the department and policymakers look for ways to capture more of the City's actual costs in event sponsor reimbursements. At the same time, we acknowledge the value these events bring to our community and we must be careful not to price them out. A cost-benefit analysis may be advisable.

→ **Reports of a “Cartel”**

Because special event work pays time-and-a-half, it is coveted. In order to apply some level of fairness to the parceling out of special event work, a system is used to ensure that overtime is initially assigned equally to all employees who wish to work it. The system, which staff call “spinning the wheel,” involves a pre-programmed routine, which is run in the software program Access, and which generates a listing of employees selected to work on special events.

Staff whose names come up on the overtime list, however, can choose to find a replacement for themselves--without notifying the Special Events Office or their supervisors. Interviews with traffic officers raised the specter that a select few employees with insider relationships--members of what some DOT staff call “the Cartel”--get most of the favored spots. Statistical review would appear to bear this out. In FY 2013-14, one-fifth of officers earned three-fifths of overtime. Notably, benchmarking shows that Los Angeles is an exception in paying premium overtime rates to employees who work special events.

Recommendation: The DOT should implement an electronic scheduling and assignment system that tracks overtime assignments and who is performing them, so as to bring greater accountability and fairness to the assignment system.

DOT Participation in the Audit

As with our last audit of its overtime practices, the Department of Transportation--and especially its new General Manager, Seleta Reynolds--have been extremely helpful in the preparation of this report. We thank them for their assistance and eagerness to address the issues we raise. We are very encouraged to hear that the department’s new Special Events computer system, implemented in FY 2014-15, should help track costs and ensure appropriate reimbursements for special events.

Sincerely,



RON GALPERIN
City Controller