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June 15, 1985

F-475

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

This letter provides the results of our audit of funds spent by the Los Angeles Olympic Organizing Committee (LAOOC) on behalf of the California Museum of Science and Industry (museum) for general repairs and capital improvements in Exposition Park. Exposition Park is located in Los Angeles and is jointly controlled or owned by the museum, the County of Los Angeles, the City of Los Angeles, and the Los Angeles Memorial Coliseum Commission. (See the attachment to this letter for a map of Exposition Park.) We conducted this audit in response to a request in the Supplemental Report of the 1984 Budget Act.

We found that the LAOOC satisfied its contractual obligation with the museum. The contract between the museum and the LAOOC specified that the LAOOC would pay \$800,000 for general park improvements in Exposition Park. It appears that the LAOOC subsequently agreed with the County of Los Angeles to increase this expenditure level to \$1,800,000. As of the end of our field work on May 31, 1985, the LAOOC spent at least \$3,061,112 in costs that could be allocated to general park improvements in Exposition Park, excluding the Sports Arena and the Coliseum. Of this amount, we estimate that \$2,433,651 was spent on general park improvements of property controlled by the museum. The LAOOC spent the remaining \$627,461 on general park improvements that do not directly benefit the museum.

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Background

The 1984 Olympic Games were promoted by the LAOOC. From June 26, 1984, through August 14, 1984, the museum leased certain areas in Exposition Park to the LAOOC for use during the 1984 Olympic Games. Under the terms of the contract dated May 9, 1983, the LAOOC agreed to pay \$800,000 in costs for certain general park improvements to Exposition Park. These costs were to be allocated as follows:

- \$200,000 for the design and construction of a pedestrian mall.* If a construction contract was not entered into by January 1, 1984, \$137,500 of the \$200,000 would be used to improve the museum's green area**.
- \$400,000 for improvements to the museum's green area, including replacing the irrigation systems, reseeding and renovating turf areas, and trimming trees.
- \$200,000 for the improvements to the parking lot surfaces. The LAOOC agreed to have a one-inch overlay placed on top of those parking lots under the control of the museum within Exposition Park. The LAOOC further agreed that after resurfacing, it would have these parking lots restriped as they were before the resurfacing.

The contract specified that the museum and the LAOOC could, by mutual agreement, modify these allocations. The contract also provided that an amount equal to 25 percent of net proceeds from the LAOOC's food and beverage concessions generated in Exposition Park, excluding the Sports Arena and the Coliseum, would be spent to improve museum buildings and exhibits. Furthermore, 75 percent of the revenues generated by

*The pedestrian mall was designed to be a wooden walkway running through Exposition Park, connecting Menlo Avenue and Figueroa Street.

**The green area includes all grass areas in Exposition Park.

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activities conducted in the Armory by an LAOOC sponsor would be placed in trust to be spent on improvements to or renovation of museum buildings and exhibits.*

In addition to its \$800,000 contract with the museum, the LAOOC contracted for law enforcement services with the County of Los Angeles during the 1984 Olympic Games. In a joint resolution dated January 24, 1984, the County of Los Angeles withdrew its request that the LAOOC establish a contingency fund to be used in case of unforeseen contingencies. That same document also noted that the LAOOC and the County of Los Angeles agreed to increase the expenditures at Exposition Park from \$800,000, as originally agreed under the museum contract, to \$1,800,000. This additional \$1 million was to be used to provide additional permanent improvements at Exposition Park. These additional improvements were to benefit the museum, the Afro American Museum, the Aerospace Museum, and the County Museum of History and Science, all of which are located in Exposition Park.

Scope and Methodology

The objectives of this audit were to (1) determine LAOOC costs for general park improvements in Exposition Park, (2) analyze the magnitude of the general repairs and capital improvements that were made to museum-controlled property in Exposition Park, and (3) ascertain whether the contractual agreement between the museum and the LAOOC was fulfilled.

To accomplish these objectives, we reviewed the contractual agreements involving the museum, the LAOOC, and the County of Los Angeles. In addition, we examined the LAOOC's Exposition Park expenditure records, confirmed costs with certain contractors, and analyzed planning maps prepared by various consultants hired by the LAOOC. Further, we observed some of the improvements, and we interviewed staff from the museum, the Office of the State Architect, the LAOOC, the County of Los Angeles, and the Peridian Group, the architects who were instrumental in the planning and construction phases of the 1984 Olympic Exposition Park site.

*The Armory is now called the Space Museum.

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It was not within the scope of this review to conduct an examination in accordance with generally accepted auditing standards that would enable us to express an opinion on any of the financial information referred to in this report.

Costs of Improvements
to Exposition Park

We determined that the LAOOC spent at least \$3,061,112 for general park improvements at Exposition Park, excluding the Sports Arena and the Coliseum. Table 1 below summarizes these costs by improvement.

TABLE 1

**LOS ANGELES OLYMPIC ORGANIZING COMMITTEE
COSTS OF IMPROVEMENTS TO EXPOSITION PARK
FOR THE 1984 OLYMPIC GAMES**

Irrigation System/Sodding Turf Restoration	\$1,208,082
Lighting System	747,240
Asphalt Paving	349,147
Tree and Shrub Pruning	198,858
Restrooms and Equipment	175,000
Construction Costs of Exposition Park Development Plan	162,939
Sidewalk, Curb, and Road Repairs	160,699
Miscellaneous Improvements	<u>59,147</u>
Total	<u>\$3,061,112</u>

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The restrooms and equipment, and the construction costs associated with the Exposition Park Development Plan, were not stipulated in the contract dated May 9, 1983, between the museum and the LAOOC. However, an agreement between the museum and the LAOOC, dated December 5, 1984, established the following conditions:

- The LAOOC agreed to pay the California Museum Foundation of Los Angeles \$162,939 as reimbursement for the construction costs associated with the museum's Exposition Park Development Plan. Of this amount, \$12,939 represents 25 percent of net proceeds from the LAOOC's food and beverage concessions.
- The LAOOC agreed to relinquish to the museum its rights, title, and interest in existing trust fund monies as long as these monies were spent for the construction of restrooms (\$140,000) and equipment (\$35,000). The museum's executive director told us that these improvements will be completed by December 1985.
- Each party agreed to relinquish all rights and claims against each other arising from the LAOOC's use or occupancy of museum property.

Extent of Improvements
to Exposition Park

We were unable to determine the exact cost of the general improvements made to museum-controlled property and other property in Exposition Park because neither the museum nor the LAOOC could provide cost allocation data and "as built" plans, which identify the extent and the location of the improvements. Based on Exposition Park planning maps, bid documents, and consultations with the Peridian Group and museum staff, we were able to estimate the magnitude of the general improvements made to museum-controlled property and other property in Exposition Park. Table 2 below summarizes this estimate.

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TABLE 2
**EXPOSITION PARK DISTRIBUTION OF IMPROVEMENTS
 AS A PERCENTAGE OF PROPERTY
1984 OLYMPIC GAMES**

<u>Improvement</u>	<u>Distribution</u>	
	<u>Museum Controlled Property</u>	<u>Other Property</u>
Irrigation System/Sodding Turf Restoration	76%	24%
Lighting System*	70%	30%
Asphalt Paving	100%	
Tree and Shrub Pruning	43%	57%
Restrooms and Equipment**	100%	
Construction Costs of Exposition Park Development Plan	100%	
Sidewalk, Curb, and Road Repairs	100%	
Miscellaneous Improvements	100%	

*Certain lighting standards benefit both properties. These lighting standards were allocated on a 50/50 basis.

**This project is in the preliminary planning stage. However, the museum's executive director told us that the restrooms and equipment will be located on museum-controlled property.

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Based on the distribution of improvements shown on Table 2, we computed the cost of the LAOOC's general park improvements (from Table 1) that could be allocated to museum-controlled property and other property in Exposition Park. Table 3 below summarizes the allocation of these costs.

TABLE 3
EXPOSITION PARK
ALLOCATION OF IMPROVEMENT COSTS
1984 OLYMPIC GAMES

<u>Improvement</u>	<u>Allocated Cost</u>	
	<u>Museum Controlled Property</u>	<u>Other Property</u>
Irrigation System/Sodding Turf Restoration	\$ 918,142	\$289,940
Lighting System	523,068	224,172
Asphalt Paving	349,147	
Tree and Shrub Pruning	85,509	113,349
Restrooms and Equipment	175,000	
Construction Costs of Exposition Park Development Plan	162,939	
Sidewalk, Curb, and Road Repairs	160,699	
Miscellaneous Improvements	<u>59,147</u>	<u> </u>
Total	<u>\$2,433,651</u>	<u>\$627,461</u>

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Fulfillment of the Contract

We noted that a one-inch overlay was not placed on top of all parking lots under the control of the museum within Exposition Park as required in the contract between the museum and the LAOOC. This modification to the contract was not formalized in a written amendment to the contract. The museum's executive director indicated that certain parking lots did not require a one-inch overlay. Therefore, he does not believe that the contract was modified. The executive director also stated that, as a result of his verbal negotiations with the LAOOC, the LAOOC spent the unused funds that were originally allocated for the one-inch overlay on other Exposition Park improvements.

In addition, the contract between the museum and the LAOOC provided that the LAOOC was to pay \$200,000 for the design and construction of a pedestrian mall to be located in Exposition Park. The contract further specified that up to \$62,500 may be spent for design purposes. However, if the museum did not enter into a construction contract by January 1, 1984, the contract permitted the LAOOC to use \$137,500 of the \$200,000 for improvements to the green areas in Exposition Park. The museum did not enter into a construction contract to build a pedestrian mall, and the LAOOC used the funds for other Exposition Park improvements.

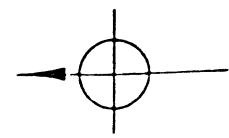
Finally, the LAOOC did not exercise its exclusive right to obtain a sponsor for a revenue-producing activity that was to be held in the Armory during the 1984 Olympic Games. The museum was to receive 75 percent of the revenues from this activity.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code.

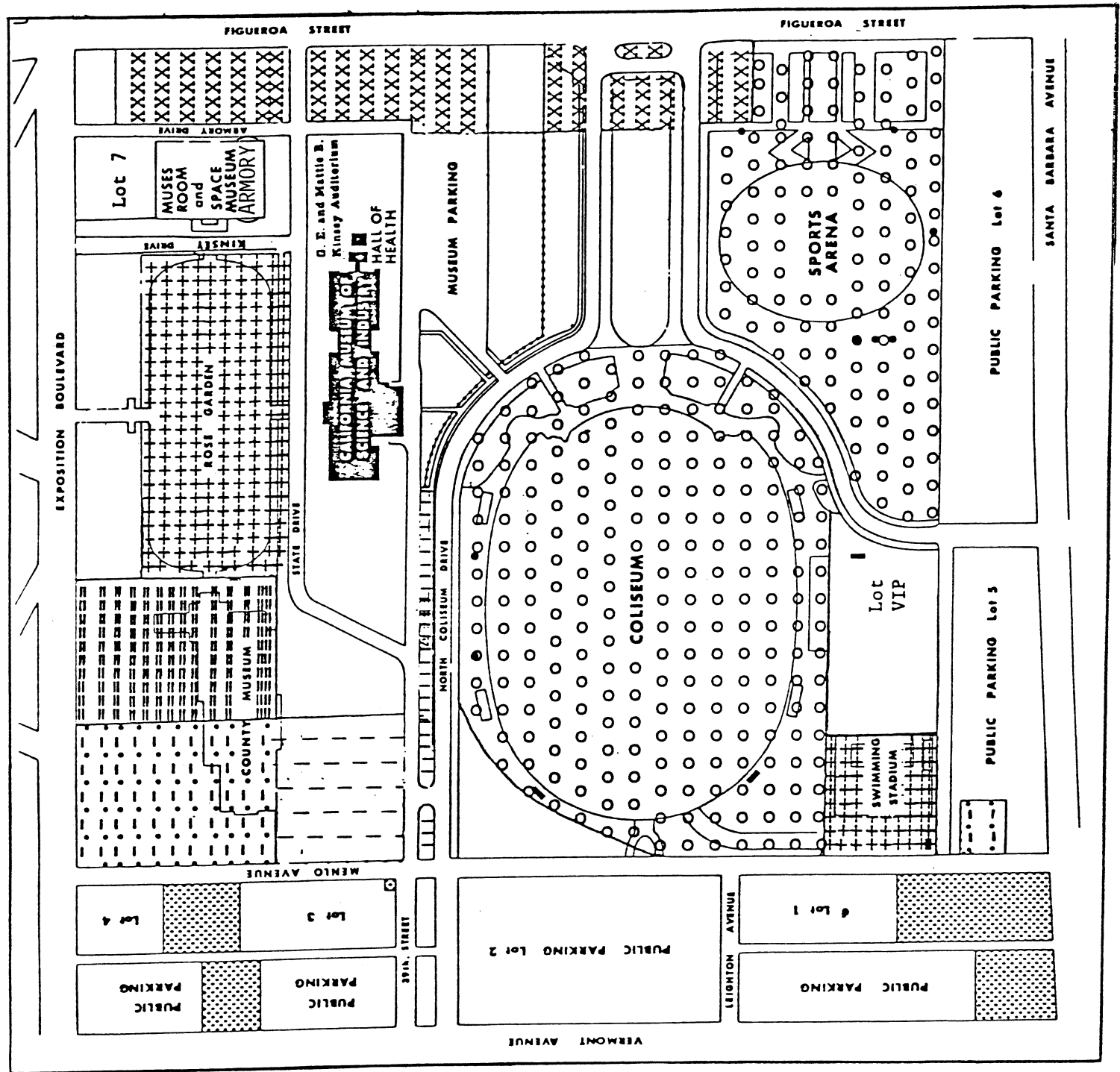
Respectfully submitted,


THOMAS W. HAYES
Auditor General

Attachments



EXPOSITION PARK



STATE LEASED
CITY OWNED
XXXXXXXX

CITY LEASED

STATE OWNED

CITY OWNED
- - - - -

COLISEUM LEASED
0000000000000000
0000000000000000
STATE OWNED

COUNTY LEASED
=====

STATE

PRIVATE
PROPERTY
[Stippled pattern]

CITY PROPERTY
MAINTAINED BY
STATE | | | |



State and Consumer Services Agency

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June 14, 1985

Mr. Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

The State and Consumer Services Agency has reviewed the Auditor General Report F-475 concerning the funds spent by the Los Angeles Olympic Organizing Committee on behalf of the California Museum of Science and Industry.

Both the California Museum of Science and Industry and this Agency have reviewed this report and feel the report is accurate as submitted.

Sincerely,

A handwritten signature in cursive script, appearing to read "S. R. Chilton".

SHIRLEY R. CHILTON
Secretary of the Agency

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