



CENTRAL SUBWAY: ACCOUNTING ILLEGALITY

For the \$1.578 billion Central Subway Project (CSP), the Federal Transit Administration (FTA) requires cost overruns be paid by San Francisco. The CSP already includes \$595 million in state/ local matching funds. More state/ local funds will be needed---taking money from the rest of the Muni system. The City will ask voters for \$500 million in a Muni Bond Measure in November---not clearly defined. And business and development groups are pushing for CSP's extension into North Beach and the Waterfront---usurping more money. Meanwhile, Muni has fewer riders now than it did a decade ago---the only major transit agency to lose customers among the nation's top six transit districts. The priority should be to fix the citywide Muni system first.

accounting : The system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results; *also*: the principles and procedures of accounting.

cooking the books : Falsification of accounting records to give a misleading picture of a firm's financial position or the results of its operations. Unlike creative accounting, it is an illegal practice.

SF WEEKLY: "Covering Their Tracks: The Central Subway Project Buries Millions in a Deep Dark Place"

<http://www.sfweekly.com/2014-04-02/news/muni-central-subway-whistleblower-budget/full/#livefyre>

LaVonda Atkinson, the cost engineer for the Central Subway project, this year filed a complaint with the city's whistle-blower program alleging serious lapses in accounting procedures and unethical behavior on the \$1.578 billion project. Among her more disturbing charges reported to SF Weekly.

- A Muni official, in writing, acknowledges plugging a "make-up #" into a federally reported document in order to maintain the desired total budget: a "make-up #" \$30 million off from the data within that very document and \$43 million greater than the prior month's reported total.
- Atkinson claims she was instructed to override computer formulas and manually reduce cost variances to zero --- obscuring millions of dollars of month-to-month reassignments of budgets and expenditures, often on projects completed as long ago as 2010. As such, budgets are retroactively altered to match actual expenditures, and then the alterations themselves are hidden by zeroing them out.
- There is a \$40 million gap between the figure Muni reports to the city controller and what it reports to the Federal Transit Administration regarding its spending on preliminary engineering.
- A \$17.1 million computer program purchased, explicitly, for budgeting the Central Subway project is going unused --- in favor of Microsoft Excel.

PMOC REPORTS: The independent PMOC (Project Management Oversight Consultant) analyzes the project for the FTA (Federal Transit Administration).

REPORT: February 28, 2014

http://www.centra subwaysf.com/sites/default/files/pdfs/PMOC/1402_MD_183_SFMTA_MiniMR.pdf

The PMOC made the following admonishment---in multiple PMOC Reports:

"Monthly cost reports prepared by the CSP [Central Subway Project] over the past year were found to have numerous unexplained changes. The Project Management Oversight Consultant (PMOC) has notified CSP to make corrections and provide details for budget changes."

PAST REPORTS: <http://nonorthbeachdig.org/CSContingency.html>

Some comments from a retired financial economist on the PMOC November 2013 Report:

"The budget contingencies remain largely unchanged (based on my memory). But the reason for the lack of change is that SFMTA hasn't submitted any real budget data to the Feds since the end of May. Hence, the only changes the Feds appear to have made in their estimates of the contingency is based on the variance between the actual size of new contracts let and what had been the pre-contract estimate. As noted in previous PMOC reports, the Feds question the veracity of SFMTA's budget/cost reporting and accounting system for this project. SFMTA in turn is blaming the software system (purchased from outside vendor) for the problem or at least part of it. In my days [as a financial economist], if I were to see a corporation do this I would raise red flags."

SF WEEKLY: "Shock and Awe: The Little Hybrid Engine That Couldn't"

<http://www.sfweekly.com/2014-01-08/news/muni-bae-allison-hybrid-buses-new-flyer/full/>

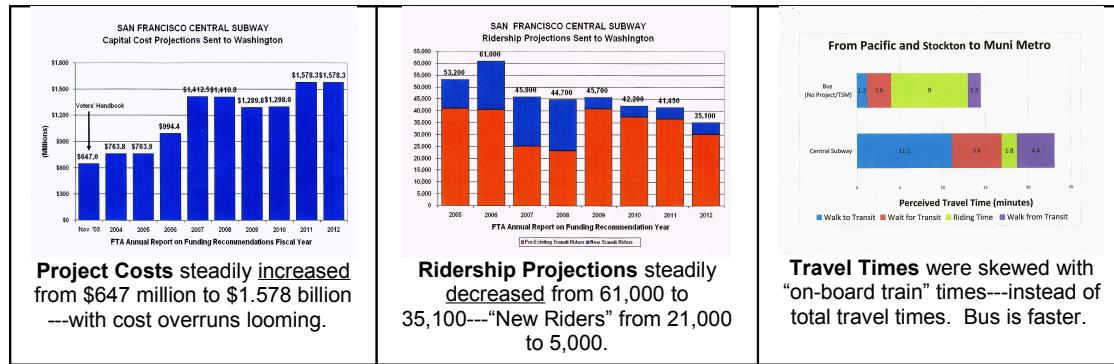
"By the time the board [Supervisors] unanimously greenlit their mere existence [50 new hybrid buses] on Oct. 29, scores of these buses were already squirreled away at a warehouse in Alameda."

"The city's initial batch of BAE-powered hybrid buses compounded a steep cost with a predilection to break down at rates far exceeding Muni's much older --- and cheaper --- non-hybrid vehicles. San Franciscans have for years been left soaking in the rain and/or crammed into substitute diesel buses while crippled hybrids are continually towed to the shop. (And kept there)."

NOTE: A fascinating article about questionable, if not illegal, Muni contracts and poor transit planning--- systemic inefficiency and waste. Transit professionals should competently analyze technical criteria, performance data and options. Little wonder that Muni service levels and ridership are declining.

CENTRAL SUBWAY: A History of Data Falsification

From 2003 to 2012, as shown in the charts below, the Central Subway Project “punched in” numbers to suit desirable results---in contradiction of transportation standards and federal guidelines. FTA queries led to less favorable numbers---still disputable today.

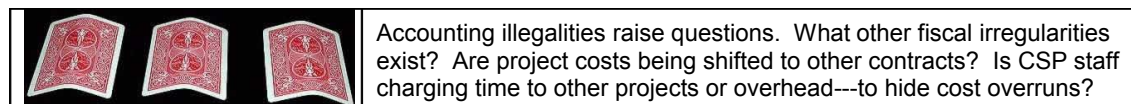


The Central Subway’s impacts have been concealed with extensive public relations. The distance from Market Street to Fisherman’s Wharf is only 1-1/2 miles. But Muni has been cutting bus service to offset deficits and operating costs for the T-Line (Central Subway Phase 1); and will cut 34,000-76,000 bus hours/ year when Phase 2 opens in 2019. The subway will eliminate the T-Line’s loop into Market Street’s BART/ Metro Stations and to the Transbay Terminal ---the city’s busiest transit spine. Instead of decreased service, more surface buses/ cable cars/ streetcars and new circulator routes would have increased transit reliability and service years ago.

MORE WORRISOME ACCOUNTING

PMOC Reports are independent analysis---written in New York. From Public Records Requests, beginning in November 2013, PMOC reports were delivered as a mix of MS Word and PDF docs. Previously all reports and attachments were delivered as a single PDF file. Save Muni phoned and informed the PMOC that Word Docs were being distributed---easily falsified. Additional construction costs have yet to be negotiated and reported. In the February 28, 2014, PMOC Report: “*PMOC Concern: Numerous CORs [Change Order Requests] have yet to be resolved, some dating back to 2012, between the contractor and the SFMTA.*” The credibility of Reports and “Earned Value (EV) Analysis” to justify budgets and schedules are suspect---at best.

Not only is SFMTA not using its \$17.1 million EcoSys Enterprise Planning and Controls database, SFMTA is not even using Excel spreadsheets---punching numbers into documents to fit predetermined results.



The fiduciary responsibility of elected officials, accountants, controllers, city departments and city staff has been entrusted to them by taxpayers. Whether irregularities by corporations, banks, brokerages, Madoff-type managers or government, the public must be protected.

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