State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: RIHUI ZHANG
Division Chief
Local Assistance

Date: March 30, 2016

File: P2535-0050

ORIGINAL SIGNED BY:

From: LAURINE BOHAMERA, Chief
External Audit - Contracts
Audits and Investigations

Subject: **AUDIT OF AMADOR COUNTY TRANSPORTATION COMMISSION**

Attached is the audit report pertaining to the audit performed on Amador County Transportation Commission (ACTC), relative to funding received from Caltrans using Proposition 1B (Prop 1B) State-Local Partnership Program Funds. The name of the project audited is "State Route 104/Prospect Drive Relocation," Project No. SLPPCL09-5141(012). The Prop 1B programmed amount was $885,000. The audit was for the period of May 1, 2012, through March 31, 2015.

As required by the Governor's Executive Order S-02-07 and SB88, the expenditures of bond proceeds and outcomes are subject to audit. The audit was performed by the State Controller's Office on behalf of Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed.

The attached report includes one finding related to ACTC's failure to record project revenues and costs in its financial management system.

Please provide A&I a corrective action resolution on the audit finding within 90 days of this memorandum's date.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Attachment

c: Stephen Maller, Deputy Director, California Transportation Commission
Dawn Cheser, Assistant Deputy Director, California Transportation Commission
Bruce De Terra, Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Mark Samuelson, Chief, Office of Policy Development and Quality Assurance, Division of Local Assistance
Sharon Bertozzi, Prop 1B Coordinator, Division of Local Assistance
Parminder Singh, District Local Assistance Engineer, District 10
Luisa Ruvalcaba, Audit Manager, Audits and Investigations
Lai Huynh, Audits and Performance Analyst, Office of Policy Development and Quality Assurance, Division of Local Assistance

AMADOR COUNTY TRANSPORTATION COMMISION

Audit Report

STATE-LOCAL PARTNERSHIP PROGRAM PROPOSITION 1B BOND-FUNDED PROJECTS EA No. 10-0U310/P2535-0050

May 1, 2012, through March 31, 2015

BETTY T. YEE

California State Controller

February 2016

BETTY T. YEE
California State Controller

February 29, 2016

Laurine Bohamera, Chief
Audits and Investigations
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Ms. Bohamera:

The State Controller's Office (SCO) audited the Amador County Transportation Commission's (implementing agency) financial management system relative to a project funded and reimbursed by Proposition 1B bond funds during the audit period of May 1, 2012, through March 31, 2015.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls do not appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project EA No. 10-0U310, State Route 104/Prospect Drive Relocation Project SLPPCL09-5141(012), and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.

- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.

- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Schedule 1 of this report is a summary of project costs programmed, approved, expended, and audited during the audit period.

However, our audit found that the Amador County Transportation Commission (ACTC) did not record any project revenues or costs in its financial management system; instead, the Project Manager used Excel spreadsheets to capture and report revenues and costs. As the Proposition 1B grantee and the administering agency, the ACTC was required to establish and maintain an accounting system and records that properly accumulate incurred project costs. As a result, the ACTC did not comply with the Master Agreement and Title 49, *Code of Federal Regulations*, Part 18, Subpart C, section 18.20.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Marty Namjou, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Kim McCarty, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

Contents

Audit Report

Summary 1

Background 1

Objectives, Scope, and Methodology 2

Conclusion 4

Views of Responsible Officials 4

Restricted Use 4

Schedule 1—Summary of Project Costs Approved, Expended, and Audited 5

Finding and Recommendation 6

Audit Report

Summary

The State Controller's Office (SCO) audited the Amador County Transportation Commission's (implementing agency) financial management system relative to a project funded and reimbursed by Proposition 1B bond funds during the audit period of May 1, 2012, through March 31, 2015.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls do not appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines, procedures, agreements, or approved amendments.

We audited the Proposition 1B bond-funded project EA No. 10-0U310, State Route 104/Prospect Drive Relocation Project SLPPCL09-5141(012) and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

However, our audit found that the Amador County Transportation Commission (ACTC) did not record any project revenues or costs in its financial management system; instead, the Project Manager used Excel spreadsheets to capture and report revenues and costs. As the Proposition 1B grantee and the administering agency, the ACTC was required to establish and maintain an accounting system and records that properly accumulate incurred project costs. As a result, the ACTC did not comply with the Master Agreement and Title 49, *Code of Federal Regulations*, Part 18.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, project EA No. 10-0U310, State Route 104/Prospect Drive Relocation Project SLPPCL09-5141(012), was programmed and approved to receive $885,000 in Proposition 1B bond funds, for one or more phases of work, under the State-Local Partnership Program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's baseline agreement. The project's completion date was November 20, 2014.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2535-0050). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0027, dated December 1, 2007, between the SCO and Caltrans, which provides that the SCO will perform audits of project expenditures that were funded and reimbursed by the Proposition 1B Bond Fund to ensure compliance with Caltrans and Commission Proposition 1B program guidelines.

- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

Objectives, Scope, and Methodology

The SCO audited the implementing agency's financial management system relative to a project funded and reimbursed by the Proposition 1B Bond Fund during the audit period of May 1, 2012, through March 31, 2015.

The objectives of our audit were to determine whether:

- The implementing agency's accounting system and internal controls were adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines, procedures, project agreements, or approved amendments.

- The implementing agency complied with applicable federal and state procurement requirements as required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.

- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.

- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the implementing agency's prior audits and single audit reports;

- Reviewed the implementing agency's written policies and procedures relating to accounting systems, construction project management, and contract management; and

- Interviewed employees, completed the internal control questionnaire, and performed a system walk-through in order to gain an understanding of the implementing agency's internal controls, accounting systems, timekeeping and payroll systems, and billing processes related to transportation projects; specifically, projects funded by Proposition 1B.

For the project under review, we performed the following audit procedures:

- Obtained project files and reviewed preliminary information to ensure that the implementing agency complied with applicable state and federal procurement requirements;

- Obtained project expenditure reports, judgmentally selected a sample of activities that were funded by Proposition 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were reasonable, allocable, and allowable in accordance with Caltrans and Commission program guidelines, procedures, agreements, and applicable state and federal requirements;

- Reviewed significant contract change orders to ensure that they were properly approved and supported;

- Reviewed project final reports, close-out documents, finance letters, and baseline agreements to ensure that variances or changes to the project's scope, schedule, costs, and benefits were properly approved and supported; and

- Reviewed the project payment history file and/or invoices sent to the Caltrans accounting office to ensure that the implementing agency properly prepared and/or billed Caltrans for reimbursement of project expenditures as required by Caltrans' local assistance procedures.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the implementing agency's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives.

Conclusion

We determined that the implementing agency's accounting system and internal controls do not appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines and agreements.

We audited the Proposition 1B bond-funded project EA No. 10-0U310, State Route 104/Prospect Drive Relocation Project SLPPCL09-5141(012) and determined that:

- The implementing agency complied with applicable federal and state procurement requirements required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

However, our audit found that the ACTC did not record any project revenues or costs in its financial management system; instead, the Project Manager used Excel Spreadsheets to capture and report revenues and costs. As the Proposition 1B grantee and the administering agency, the ACTC was required to establish and maintain an accounting system and records that properly accumulate incurred project costs. As a result, the ACTC did not comply with the Master Agreement and Title 49, *Code of Federal Regulations*, Part 18 (C.), 18.20.

Views of Responsible Officials

We issued a draft audit report on November 12, 2015. We contacted Ryan Thompto, Transportation Planner and Project Delivery Specialist, by email on December 21, 2015. Mr. Thompto agreed with the audit results and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Amador County Transportation Commission, Caltrans, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

February 29, 2016

Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
May 1, 2012 through March 31, 2015

Project No./EA No.: 10-0U310

Project Information: State Route 104/Prospect Drive Relocation Project SLPPCL 09-5141(012)

Project Financial Information:

Phases Reimbursed by Proposition 1B Bond Fund	Programmed and Approved	Expended	Audited	Finding(s)[1]
Construction	$ 885,000	$ 885,000	$ 885,000	

Project Delivery Baseline:

Project Phase(s):	Baseline	Approved	Actual
Beginning construction	05/01/11	05/01/12	06/18/12
End construction	11/01/11	11/01/12	07/01/13
Beginning close-out	11/01/11	11/01/12	07/01/13
End close-out	01/01/12	01/01/13	11/20/14

[1] See the Finding and Recommendation section.

Finding and Recommendation

FINDING—
Project revenues and costs not recorded in the financial management system

As the Proposition 1B grantee and the administering agency, the Amador County Transportation Commission (ACTC), was required to establish and maintain an accounting system and records that properly accumulate incurred project costs. The ACTC did not record any project revenues or costs in its financial management system; instead, the Project Manager used Excel spreadsheets to capture and report revenues and costs. Therefore, the ACTC did not comply with the Master Agreement and Title 49, *Code of Federal Regulations*, Part 18.

Master Agreement Administering Agency – State Agreement for Federal-Aid Projects, Agreement No. 10-6127R Article IV – Fiscal Provisions states:

> 18. Administering Agency agrees to comply with Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments, and 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Master Agreement Administering Agency – State Agreement for Federal-Aid Projects, Agreement No. 10-6127R Article V – Audits, Third Party Contracting, Records Retention and Reports also states:

> 2. Administering Agency, its contractor and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred PROJECT costs and matching funds by line item for the PROJECT. The accounting system of Administering AGENCY, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles, enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices sent to or paid by STATE.

Title 49, *Code of Federal Regulations*, Part 18, Subpart C, Subsection 18.20, Standards for financial management systems states:

> (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub-grantees and cost-type contractors, must be sufficient to (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
>
> (b) The financial management systems of other grantees and subgrantees must meet the following standards: (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

These records must contain information pertaining to grant and subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Recommendation

As the implementing agency, the Amador County Transportation Commission should adhere to all of the applicable federal and state regulations, the Master Agreement, and Proposition 1B guidelines, and ensure that its authorized agent also is aware of and abides by the same rules and regulations. The State Controller's Office recommends that the Amador County Transportation Commission record and report all grant revenues and expenditures in its financial management system.

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