State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: RIHUI ZHANG
Division Chief
Local Assistance

Date: June 16, 2014

File: P2520-0023

From: MARSUE MORRILL, Chief
External Audit - Contracts
Audits and Investigations

Subject: **AUDIT OF CITY OF ELK GROVE, DEPARTMENT OF PUBLIC WORKS**

Attached is the audit report pertaining to the audit performed on City of Elk Grove, Department of Public Works relative to funding received from Caltrans using Proposition 1B (Prop 1B) State Transportation Improvement Program Augmentation Funds. The name of the project audited is "Route 99/Sheldon Road Interchange". The Prop 1B programmed amount was $10,962,000. The audit was for the period of October 23, 2007, through June 30, 2013.

As required by the Governor's Executive Order S-02-07 and SB 88, 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. However, as this audit report did not disclose any deficiencies there is no subsequent action required on your part.

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

Attachment(s)

c: Stephen Maller, Deputy Director, California Transportation Commission
Teresa Favila, Assistant Deputy Director, California Transportation Commission
Rachel Falsetti, Division Chief, Transportation programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation programming
Matt Bailey, Prop 1B Coordinator, Division of Project Management
Stella Liao, District Local Assistance Engineer, District 3
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

CITY OF ELK GROVE, DEPARTMENT OF PUBLIC WORKS

Audit Report

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) PROPOSITION 1B BOND-FUNDED PROJECT EA No. 03-372004/P2520-0023

October 23, 2007, through June 30, 2013

JOHN CHIANG
California State Controller

June 2014

JOHN CHIANG
California State Controller

June 12, 2014

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

Dear Ms. Morrill:

The State Controller's Office (SCO) audited the City of Elk Grove's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 23, 2007, through June 30, 2013.

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 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. 03-372004, Route 99/Sheldon Road Interchange, 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.

Our audit did not disclose any findings.

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/mh

cc: Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Marty Namjou, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Cristina Perfino, 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

Audit Report

Summary

The State Controller's Office (SCO) audited the City of Elk Grove's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 23, 2007, through June 30, 2013.

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 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. 03-372004, Route 99/Sheldon Road Interchange, 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.

Our audit did not disclose any findings.

Background

In accordance with California Department of Transportation (Caltrans) and Transportation Commission (Commission) executed project agreement(s) or approved amendments, the project EA No. 03-372004, Route 99/Sheldon Road Interchange, was programmed and approved to receive $10,962,000 in Proposition 1B bond funds, for one or more phases of work, under the State Transportation Improvement program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's agreement(s). The project's completion date is December 8, 2010.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2520-0023). 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 projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of October 27, 2007, through June 30, 2013.

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(s) 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, 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 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. 03-372004, Route 99/Sheldon Road Interchange, 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.

Our audit did not disclose any findings.

Views of Responsible Officials

We discussed our audit results with the city's representatives during an exit conference conducted on December 12, 2013. Stephany Carlson, CIP Administrative Assistant; Gary Grunwald, Senior Project Manager; and Rick Demi, Resident Engineer, agreed with the audit results. Ms. Carlson declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the City of Elk Grove, 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

June 12, 2014

Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
October 27, 2007, through June 30, 2013

Project No./EA No.: P2520-0023/EA No. 03-372004

Project Information: Route 99/Sheldon Road Interchange

Project Financial Information:

Phase Reimbursed by Proposition 1B Bond Fund	Programmed and Approved	Expended	Audited	Variance
Construction	$ 10,962,000	$ 10,962,000	$ 10,962,000	$ —

Project Delivery Baseline:

Project Phase(s):	Approved	Actual	Audited	Variance
Beginning construction	01/08/08	01/21/08	01/21/08	—
End construction	12/01/09	12/08/10	12/08/10	—
Beginning closeout	12/01/09	12/13/10	12/13/10	—
End closeout	12/01/11	07/18/11	07/18/11	—

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