

Memorandum

*Serious drought.
Help Save Water!*

To: RIHUI ZHANG, Chief
Division of Local Assistance

Date: March 23, 2015

File: P2535-0016

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

Subject: **AUDIT OF SAN DIEGO COUNTY**

Attached is the audit report pertaining to the audit performed on San Diego County, relative to funding received from Caltrans using Proposition 1B (Prop 1B) State-Local Partnership Program Funds. The name of the project audited is "South Santa Fe Avenue," project no. SLPP-5957(086). The Prop 1B programmed amount was \$1,000,000. The audit was for the period of April 8, 2010, through March 13, 2014.

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 Department of Finance on behalf of Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. As the audit 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
Bruce De Terra, Acting Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Sharon Ropp, Prop 1B Coordinator, Division of Local Assistance
Luisa Ruvalcaba, Audit Manager, Audits and Investigations



Transmitted via e-mail

March 19, 2015

Ms. MarSue Morrill, Chief
External Audits-Contracts
Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Morrill:

Final Report—County of San Diego, Proposition 1B Project Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of San Diego's (County) project SLPP-5957 (086) issued by the California Department of Transportation. This project was funded with Proposition 1B funds.

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the County. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or John Ponce, Supervisor, at (916) 322-2985.

Sincerely,

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, Audits and Investigations, California Department of Transportation
Mr. Richard Crompton, Director, Department of Public Works, County of San Diego
Mr. Mohamad Fakhrriddine, Deputy Director, Department of Public Works, Engineering Services, County of San Diego
Ms. Amparo Suter, Unit Manager, Department of Public Works, Financial Services, County of San Diego

AUDIT REPORT

County of San Diego Proposition 1B Bond Program Project SLPP-5957 (086)



South Santa Fe Avenue

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

John Ponce
Supervisor

Staff
Garrett Fujitani

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.5 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates those funds to the California Department of Transportation (Caltrans) to implement various programs.

The \$1 billion of bond proceeds made available to the State-Local Partnership Program Account (SLPP) finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds. Transportation Impact Fee funds were used to meet the match requirement.

Caltrans awarded the County of San Diego (County) \$1 million of Proposition 1B funds to improve South Santa Fe Avenue to a four-lane configuration within the cities of Vista and San Marcos. The County Department of Public Works administered this project, which supports its mission to preserve, enhance and promote quality of life and public safety through responsible development of reliable and sustainable infrastructure and services.¹

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited project SLPP-5957 (086) for the period April 8, 2010 through March 13, 2014. The audit objectives were to determine whether:

- Project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.
- Project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments thereof.

We did not assess the efficiency or effectiveness of program operations. The County's management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. CTC and Caltrans are responsible for the state-level administration of the SLPP.

¹ Excerpts were obtained from the County website.

METHODOLOGY

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

- Examined the project files, master agreement, program supplement, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state and federal procurement requirements.
- Reviewed accounting records, project billing invoices, progress payments, and cancelled checks.
- Selected a sample of claimed expenditures and reported match to determine if costs were project-related, properly incurred, authorized, and supported.
- Verified the match requirement was met.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Evaluated whether project deliverables were met by reviewing a sample of supporting documentation and conducting a site visit to verify project existence.

In conducting our audit, we obtained an understanding of the County's internal controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering bond funds.

Based on the procedures performed, project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines. In addition, the project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments thereof. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Expenditures	Claimed
Proposition 1B Funds-Construction	\$ 1,000,000
Local Funds-Construction ²	14,177,138
Total Project Expenditures	\$15,177,138

² Includes \$2,709,231 of Transportation Impact Fee funds used as matching funds.