EL DORADO COUNTY, DEPARTMENT OF TRANSPORTATION

Audit Report

STATE-LOCAL PARTNERSHIP PROGRAM PROPOSITION 1B BOND-FUNDED PROJECT EA No. 03-0L2244/P2535-0015

January 1, 2010, through March 31, 2014

JOHN CHIANG
California State Controller

December 2014

JOHN CHIANG
California State Controller

December 24, 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 El Dorado County Department of Transportation's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of January 1, 2010, through March 31, 2014.

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, and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project, Silva Valley Parkway Widening, South of Entrada Drive, Project No. SLPPCL10-5925(076) 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, 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 agreements or approved amendments thereof.

However, our audit found that there were no labor compliance interviews conducted for the project. Thus the implementing agency did not adhere to the Local Assistance Procedures Manual, Chapter 16.11.

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

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/sk

cc: Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Sofia Rubio, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the El Dorado County Department of Transportation's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of January 1, 2010, through March 31, 2014.

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, procedures, agreements, or approved amendments.

We audited the Proposition 1B bond-funded project, Silva Valley Parkway Widening, South of Entrada Drive, Project No. SLPPCL10-5925(076) 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 agreements or approved amendments thereof.

However, our audit found that there were no labor compliance interviews conducted for the project. Therefore, the implementing agency did not adhere to the Local Assistance Procedures Manual, Chapter 16.1.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, the project, Silva Valley Parkway Widening, south of Entrada Drive, Project No. SLPPCL10-5925(076), was programmed and approved to receive $993,000 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 agreements. The project completion date was February 14, 2012.

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 January 1, 2010, through March 31, 2014.

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 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, 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 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, Silva Valley Parkway Widening, South of Entrada Drive, Project No. SLPPCL10-5925(076) 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 agreements or approved amendments thereof.

There were no labor compliance interviews conducted for the project. Thus the implementing agency did not adhere to the Local Assistance Procedures Manual, Chapter 16.11.

Views of Responsible Officials

We issued a draft audit report on November 17, 2014. Steve Pedretti, Director, responded by letter dated November 25, 2014 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of the El Dorado County Department of Transportation, 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

December 24, 2014

Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
January 1, 2010, through March 31, 2014

Project No./EA No.: SLPPCL10-5925(076)/03-0L2244

Project Information: Silva Valley Parkway Widening, south of Entrada Drive

Project Financial Information:

Phases Reimbursed by Proposition 1B Bond Fund	Programmed and Approved	Expended	Audited	Difference [1]
Construction	$ 993,000	$ 365,369.48	$ 365,369.48	$ 627,630.52
Total	$ 993,000	$ 365,369.48	$ 365,369.48	$ 627,630.52

Project Delivery:

Project Phase(s):	Project Programing Request	Approved	Actual
Beginning construction	01/01/10	01/01/10	06/06/11
End construction	04/01/11	06/30/11	02/14/12
Beginning close-out	04/01/11	06/30/11	04/13/12
End close-out	08/01/11	08/31/11	05/23/12

[1] These funds have been de-obligated.

Finding and Recommendation

FINDING—
No labor compliance interviews conducted

Our audit found that there were no labor compliance interviews conducted for the project.

Chapter 16.11 Labor Compliance of Local Assistance Procedures Manual, states:

> The administering agency is responsible to designate a labor compliance officer to enforce the contract provisions and ensure that all labor compliance requirements are performed and documented in the project file.
>
> The administering agency must maintain sufficient records to ensure contractor/subcontractor compliance with wage and apprenticeship sections of the contract. Specific actions required, include but are not limited to... Conducting spot interviews with employees on the project... maintaining written evidence of apprentices employed on the project.

Recommendation

The county should develop and implement procedures to ensure that its resident engineer(s) conduct a minimum of three prime contractor interviews and at least one interview for each subcontractor each month to enforce the labor requirements stated in the Local Assistance Procedures Manual. The written records of the interviews should be kept with the project construction files.

SCO's Comment

The county provided a response on November 25, 2014, agreeing with the finding.

Attachment—
County's Response to
Draft Audit Report

COMMUNITY DEVELOPMENT AGENCY

2850 Fairlane Court, Placerville, CA 95667
Phone (530) 621-5900, Fax (530) 626-0387

November 25, 2014

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Andrew Finlayson
Chief, State Agency Audits Bureau
California State Controller's Office
P.O Box 942850
Sacramento, CA 94250-5874

Re: Draft Findings From Audit of Silva Valley Parkway Widening Project

Mr. Finlayson:

Reference is made to your letter to John Kahling dated November 17, 2014 presenting your draft findings from your audit of our Silva Valley Parkway Widening project performed earlier this year. Your draft report found that El Dorado County (County) non-compliant with contractor employee interview requirements in the Caltrans Local Assistance Procedures Manual related to labor compliance.

The County concurs with the finding.

Please feel free to contact me at (530) 621-5914 if you have any questions.

Sincerely,

Steve Pedretti
Director
El Dorado County Community Development Agency

c: Kate Sampson
Ruth Young
Sherrie Busby
Bard Lower
John Kahling

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

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