

# Memorandum

*Serious drought.  
Help Save Water!*

**To:** BRUCE ROBERTS  
Acting Division Chief  
Division of Rail & Maintenance

**Date:** September 18, 2014

**File:** P2545-0012

## **ORIGINAL SIGNED BY:**

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

**Subject:** **AUDIT OF COUNTY OF TULARE**

Attached is the audit report pertaining to the audit of the County of Tulare relative to funding received from Caltrans using Proposition 1B (Prop 1B) Highway-Railroad Crossing Safety Account Funds. The name of the project audited is "Betty Drive Grade Separation." The Prop 1B programmed amount was \$4,884,814. The audit was for the period of June 9, 2008, through February 12, 2014.

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 audit 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  
Carlos Ruiz, Prop 1B Coordinator, Division of Rail  
Jim Perrault, District Local Assistance Engineer, District 6  
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

# COUNTY OF TULARE

Audit Report

**HIGHWAY-RAILROAD CROSSING SAFETY  
ACCOUNT PROGRAM  
PROPOSITION 1B BOND-FUNDED PROJECT  
EA No. H016BA/P2545-0012**

*June 9, 2008, through February 12, 2014*



**JOHN CHIANG**  
California State Controller

September 2014



**JOHN CHIANG**  
*California State Controller*

September 16, 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 County of Tulare's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of June 9, 2008, through February 12, 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 – Betty Drive Grade Separation – 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 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, by telephone at (916) 324-6310.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: Sophia Almanza, Fiscal Manager  
Administration  
County of Tulare  
Jan Goto, Audit Manager  
Division of Audits – Bond Unit  
State Controller's Office  
Nick McCarty, Auditor-in-Charge  
Division of Audits – Bond Unit  
State Controller's Office

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## Audit Report

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the County of Tulare's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of June 9, 2008, through February 12, 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 and agreements.

We audited the Proposition 1B bond-funded project – Betty Drive Grade Separation – 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 – Betty Drive Grade Separation – was programmed and approved to receive \$4,884,814 in Proposition 1B bond funds, for one or more phases of work, under the Highway-Railroad Crossing Safety-Account program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's agreements. The project's completion date was September 1, 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 June 9, 2008, through February 12, 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 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 – Betty Drive Grade Separation – 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 county's representative during an exit conference conducted on June 26, 2014. Sophia Almanza, Fiscal Manager, Administration, agreed with the audit results. Ms. Almanza 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 County of Tulare, 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

September 16, 2014

**Schedule 1—  
 Summary of Project Costs  
 Approved, Expended, and Audited  
 June 9, 2008, through February 12, 2014**

Project No./EA No.: EA: H016BA, Project No. HRCSA (6367)001  
 State Agreement No. 75G016

Project Information: County of Tulare  
 Betty Drive Grade Separation

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>	<u>Variance</u>
Construction/Construction Engineering	\$ 4,884,814	\$ 4,884,814	\$ 4,884,814	\$ —
Total	<u>\$ 4,884,814</u>	<u>\$ 4,884,814</u>	<u>\$ 4,884,814</u>	<u>\$ —</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning Construction	06/01/10	12/07/10	12/07/10
End Construction	07/11/12	09/01/12	02/05/13
Beginning Closeout	07/11/12	11/01/12	02/05/13
End Closeout	01/11/13	05/31/13	05/31/13

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