State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: AMARJEET BENIPAL
District 3 Director

Date: April 20, 2015

File: P2505-0048

ORIGINAL SIGNED BY:

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

Subject: **AUDIT OF CALTRANS DISTRICT 3 PROJECT**

Attached is the audit report pertaining to the audit performed on a Caltrans District 3 project funded using Proposition 1B (Prop 1B) Corridor Mobility Improvement Account funds. The name of the project audited is "Pla-180 HOV Phase 2," EA No. 03-36782. The Prop 1B programmed amount was $8,152,551. The audit was for the period of May 1, 2008, through November 30, 2013.

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 District Directors relative to audits performed.

The attached report included one audit finding related to the lack of supporting documentation to support the benefits section of the final delivery report. However, the finding was dismissed after the SCO reviewed the District's response.

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
Matt Bailey, Prop 1B Coordinator, Division of Project Management
Stella Liao, District Local Assistance Engineer, District 3
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

CALIFORNIA DEPARTMENT OF TRANSPORTATION DISTRICT 3-PLACER COUNTY

Audit Report

CORRIDOR MOBILITY IMPROVEMENT ACCOUNT PROGRAM PROPOSITION 1B BOND-FUNDED PROJECTS EA No. 03-36782/P2505-0048

May 1, 2008, through November 30, 2013

Betty T. Yee

California State Controller

April 2015

BETTY T. YEE
California State Controller

April 20, 2015

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 California Department of Transportation District 3 financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of May 1, 2008, through November 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. 03-36782, "Pla-80 HOV phase 2," which added eastbound and westbound high occupancy vehicle lanes and auxiliary lanes with bridge widening and ramp modifications, 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, the District was unable to provide supporting documentation to support the benefits section within the Final Delivery Report. The auditor was unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished. A draft report was issued on November 21, 2014. The SCO reviewed the district's response to draft audit report and documents that were provided and has decided to dismiss the finding.

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,

Carolyn Baez for

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/gj

Attachment

cc: Marty Namjou, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Cristina Y. Perfinoa, 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

Attachment — District's Response to Draft Audit Report

Audit Report

Summary

The State Controller's Office (SCO) audited the California Department of Transportation District 3's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of May 1, 2008, through November 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, procedures, agreements, or approved amendments.

We audited the Proposition 1B bond-funded project, EA No. 03-36782, "Pla-80 HOV phase 2," 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. However, Caltrans will follow up with CTC regarding de-obligating remaining funds.

- 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, the District was unable to provide supporting documentation to support the benefits section within the Final Delivery Report. The auditor was unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished. A draft report was issued on November 21, 2014. The SCO reviewed the district's response to draft audit report and documents that were provided and has decided to dismiss the finding.

Background

In accordance with California Department of Transportation (Caltrans) and Transportation Commission (Commission)-executed project agreement(s) or approved amendments, the Corridor Mobility Improvement Account project "Pla-80 HOV phase 2," EA No. 03-36782, was programmed and approved to receive $8,483,607 in Proposition 1B bond funds, for one or more phases of work, under the CMIA 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 expected completion date was October 2012.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2505-0048). 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 May 1, 2008, through November 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. 03-36782, "Pla-80 HOV phase 2," 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, the District was unable to provide supporting documentation to support the benefits section within the Final Delivery Report. The auditor was unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished. A draft report was issued on November 21, 2014. The SCO reviewed the district's response to draft audit report and documents that were provided and has determined to dismiss the finding.

Views of Responsible Officials

We issued a draft report on November 21, 2014. Thomas L Brannon, Deputy District Director, responded by letter dated February 12, 2015 (Attachment), explaining the district's current position regarding the audit finding. The final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Caltrans District 3, 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.

Carolyn Bazz for

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

April 20, 2015

Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
May 1, 2008, through November 30, 2013

Project No./EA No.: 03-36782

Project Information: Corridor Mobility Improvement Account (CMIA); Pla-80 HOV phase 2

Project Financial Information:

Phases Reimbursed by Proposition 1B Bond Fund	Programmed and Approved	Expended	Audited	Difference [1]
Construction	$ 8,483,607	$ 8,268,000	$ 8,181,144.35	$ 86,855.65
Total	$ 8,483,607	$ 8,268,000	$ 8,181,144.35	$ 86,855.65

Project Delivery Baseline:

Project Phase(s):	Project Fact Sheet	Approved	Actual
Beginning Construction	05/2008	05/2008	05/01/08
End Construction	10/2010	10/2010	10/18/12
Beginning Closeout	10/2011	10/2011	10/18/12
End Closeout	10/2012	10/2012	On-going

NOTE:

[1] Difference between amount approved and expended. Caltrans to follow up with California Transportation Commission about deallocation and deobligation of unexpended funds.

Finding and Recommendation

FINDING—Unsupported performance outcome measure

The District was unable to provide supporting documentation to support the benefits section of the Final Delivery Report. We were unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished.

Criteria

California Transportation Commission Proposition 1B Project Close-out Process, Final Delivery Report Contents states, in part:

> Each bond program (TLSP, CMIA, SLPP, etc.) will have information that reflects the degree of attainment of the specific intents of the program. For example TLSP projects will report pre and post project measurements for traffic, accident rates, public perception and air quality. The actual changes will be compared to those in the original project description.

The Governor's Executive Order S-02-07 states, in part, "Department expenditures of Bond proceeds shall be subject to audit to determine whether the expenditures made from Bond proceeds achieved the intended outcomes."

Recommendation

The District should report actual project benefits derived from actual research/analysis conducted, in order to ensure that project benefits stated in the Fact Sheet are met. The District should also retain supporting documentation for a minimum of three years after final contractor payment.

District's Response

> The draft audit indicated that the district was unable to provide supporting documentation to support the benefits section within the Final Delivery Report. The auditor was unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished.
> District 3 Traffic Operations did complete a before and after study using PeMS data that was available in 2012, after the project was completed, but our Project Manager was unaware of that study at the time of the audit. Unfortunately, there was no PeMS data in the eastbound direction in 2009 because of damaged or missing loop detectors, but the average vehicles hours of delay reduction for each weekday in the westbound direction was significant.
>
> The average vehicle hours of delay per weekday for the 20 days measured in January 2009 was 100.55 hours and that dropped to 1.84 hours in 2012 for a daily reduction of 98.71 vehicle hours of delay. Assuming 250 working weekdays per year, that translates into 24,677.5 vehicle hours of delay saved in just one direction which far exceeds the long term average reduction of 2,243 projected in the planning studies

> used for programming the project. Delay savings happen primarily during peak periods, so it follows the initial "Minutes of Daily Peak Duration Minutes Saved" will also far exceed the long term average of 151,850 "Minutes of Daily Peak Duration Minutes Saved" projected when the project was programmed.
>
> The savings in the eastbound direction would be at least as high as in the westbound because of the lane drops in the eastbound direction prior to the project's construction. The 2012 stud shows higher speeds in the eastbound direction. That is because the auxiliary lane between Riverside and Douglas was completed in the eastbound direction as part of the construction of the HOV lanes, but the auxiliary lanes in the westbound direction will be constructed in a future project.

A copy of the district's response is included as an attachment to this report.

SCO's Comment

The SCO reviewed the district's response and additional documents that were provided and has decided to dismiss the finding.

Attachment—
District's Response to Draft Audit Report

DEPARTMENT OF TRANSPORTATION
DISTRICT 3
703 B STREET
MARYSVILLE, CA 95901
PHONE (530) 741-4233
FAX (530) 741-4245
TTY 711
www.dot.ca.gov

Serious drought. Help save water!

February 12, 2015

Mr. Jeffrey V. Brownfield, CPA
Chief, Division of Audits
California State Controller
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Brownfield,

Thank you for extending the opportunity to comment on the draft audit of Proposition 1B bond-funded project, EA No.0336782, "PLA 80 HOV" Phase 2, which added eastbound and westbound high occupancy vehicle lanes and auxiliary lanes with bridge widening and ramp modifications.

The draft audit indicated that the district was unable to provide supporting documentation to support the benefits section within the Final Delivery Report. The auditor was unable to verify whether the project benefits stated in the Project Fact Sheet were actually accomplished.

District 3 Traffic Operations did complete a before and after study using PeMS data that was available in 2012, after the project was completed (See Enclosure), but our Project Manager was unaware of that study at the time of the audit. Unfortunately, there was no PeMS data in the eastbound direction in 2009 because of damaged or missing loop detectors, but the average vehicles hours of delay reduction for each weekday in the westbound direction was significant.

The average vehicle hours of delay per weekday for the 20 days measured in January 2009 was 100.55 hours and that dropped to 1.84 hours in 2012 for a daily reduction of 98.71 vehicle hours of delay. Assuming 250 working weekdays per year, that translates into 24,677.5 vehicle hours of delay saved in just one direction which far exceeds the long term average reduction of 2,243 projected in the planning studies used for programming the project. Delay savings happen primarily during peak periods, so it follows the initial "Minutes of Daily Peak Duration Minutes Saved" will also far exceed the long term average of 151,850 "Minutes of Daily Peak Duration Minutes Saved" projected when the project was programmed.

The savings in the eastbound direction would be at least as high as in the westbound because of the lane drops in the eastbound direction prior to the project's construction. The 2012 study shows higher speeds in the eastbound direction. That is because the auxiliary lane between Riverside and Douglas was completed in the eastbound direction as part of the construction of the HOV lanes, but the auxiliary lanes in the westbound direction will be constructed in a future project.

Naturally, traffic volumes and related congestion can be expected to increase over time, so the savings in the later years of the 20 year forecast period would be much less than the savings observed immediately after project construction, but the 2012 data demonstrates the validity of the benefits of the project forecast at the time of programming.

Please contact me at (530) 740-4846 or via e-mail at Tom.Brannon@dot.ca.gov if you have questions about the data in the attached study, or if you need any additional information to close out the audit of EA No.0336782, "PLA 80 HOV" Phase 2.

Sincerely,

THOMAS L. BRANNON
Deputy District Director

Enclosure

cc: Andrew Finlayson, Chief
State Agency Audits Bureau
California State Controller
MarSue Morrill, Chief
Audits and Investigations
California Department of Transportation
Luisa Ruvalcaba, Audit Manager
Audits and Investigations
California Department of Transportation

Before and after study of I-80 HOV lanes project in Placer County.

This study was confined, due to limited data availability in PeMS. Post-project 2012 data was obtained for both directions of I-80 near Douglas Boulevard. Speeds and delay are shown in Tables 2 and 3. However, pre-project data was not available in PeMS. The HOV lane phase of this project started in the fall of 2008. The earliest available data was from January 2009 for the westbound direction only. The earliest data for the eastbound direction is 2012, after the project was complete. VDS loops did not exist in the eastbound direction prior to this time. The data for 2009 was still considered useful because project construction had just started and because of winter suspension of work.

Table 1 shows 2009 data in the westbound direction and can be compared to the corresponding 2012 data (Table 2). Average speeds increased slightly and total delay was reduced to almost zero. Average speeds are similar in both tables because the data was collected for the 24 hour time period. Speed reductions only occur during commute periods, but when speeds are averaged for the 24 hour day, the average remains high. Conversely, total delay was calculated using speeds of 35 mph and below (V=35). Delay can be used as a comparison between 2009 and 2012 and can validate the benefits of this project.

The Placer County HOV lanes project was constructed in 3 phases and included eastbound auxiliary lanes, HOV lanes in both directions and various traffic operations system elements. The large reduction in delay shown in Tables 1 and 2 are a result of this project. The reduction in delay corresponds to a reduction in fuel costs, time savings and other user delay costs.

Table 1
Westbound I-80 in 2009

Day	Speed	Delay (V_t=35)	# Lane Points	% Observed
1/2/2009	56.7	117.9	1152	75
1/5/2009	63.7	33.2	1152	75
1/6/2009	66.7	16.5	1152	75
1/7/2009	67.5	7.3	1152	75
1/8/2009	67.9	6.1	1152	75
1/9/2009	61.2	151.5	1152	75
1/12/2009	64.9	22.7	1152	75
1/13/2009	59.4	147	1152	75
1/14/2009	63.9	51	1152	75
1/15/2009	62.3	121.4	1152	75
1/16/2009	58.9	213.3	1152	62
1/20/2009	66.6	17.3	1152	47
1/21/2009	62.8	84.6	1152	75
1/22/2009	60.1	102.7	1152	75
1/23/2009	56.4	200.2	1152	75
1/26/2009	59.2	153.5	1152	75
1/27/2009	59	126.8	1152	75
1/28/2009	64.4	57.4	1152	75
1/29/2009	57.9	152.1	1152	75
1/30/2009	57.9	228.5	1152	75

Table 2
Westbound I-80 in 2012

Day	Speed	Delay (V_t=35)	# Lane Points	% Observed
1/3/2012	66.4	0	1152	100
1/4/2012	63	35	1152	100
1/5/2012	65.9	0	1152	99
1/6/2012	65.8	0.3	1152	100
1/9/2012	64.7	0	1152	100
1/10/2012	64.8	0	1152	100
1/11/2012	65.7	0.2	1152	99
1/12/2012	65.8	0	1152	94
1/13/2012	67.3	0	1152	100
1/17/2012	65	0	1152	100
1/18/2012	65.8	0	1152	100
1/19/2012	64.7	0.1	1152	99
1/20/2012	64.2	0	1152	100
1/23/2012	63.7	0	1152	99
1/24/2012	64.7	0	1152	100
1/25/2012	64.5	0.4	1152	100
1/26/2012	65.4	0.4	1152	100
1/27/2012	66.6	0	1152	100
1/30/2012	64.9	0	1152	98
1/31/2012	63.8	0.4	1152	100

Table 3
Eastbound I-80 in 2012

Day	Speed	Delay (V_t=35)	# Lane Points	% Observed
1/3/2012	74.9	0	1152	100
1/4/2012	71.6	133.7	1152	99
1/5/2012	71.9	0	1152	59
1/6/2012	72.7	0	1152	78
1/9/2012	71.5	0	1152	85
1/10/2012	74.1	0	1152	100
1/11/2012	74.4	0	1152	99
1/12/2012	73.6	0	1152	94
1/13/2012	75	0	1152	100
1/17/2012	73	1.1	1152	100
1/18/2012	74.7	0	1152	100
1/19/2012	73.8	0	1152	99
1/20/2012	73.3	0	1152	100
1/23/2012	74	0	1152	99
1/24/2012	74.1	0	1152	100
1/25/2012	74.3	0	1152	100
1/26/2012	74.5	0	1152	100
1/27/2012	74.6	0	1152	100
1/30/2012	74.3	0	1152	98
1/31/2012	72.6	15.4	1152	100

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

http://www.sco.ca.gov

S14-BAU-015