State of California
**DEPARTMENT OF TRANSPORTATION**

California State Transportation Agency

# Memorandum

***Serious drought.***
***Help Save Water!***

**To:** AMARJEET BENIPAL
District 3 Director

**Date:** April 13, 2015

**File:** P2505-0055

**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 "Lincoln Bypass Phase 1 of 2," contract no. 03-3338U4. The Prop 1B programmed amount was $48,934,000. The audit was for the period of May 21, 2008 through May 31, 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 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.

The attached report includes one audit finding related to Caltrans' failure to submit the final delivery report within six months of the project becoming operable. Please provide A&I a corrective action plan on the audit finding within 90 days of the audit report date.

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
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

# BETTY T. YEE
## California State Controller

April 13, 2015

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

Dear Ms. Bohamera:

The State Controller's Office (SCO) audited the California Department of Transportation's District 3 (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of May 21, 2008, through May 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, Lincoln Bypass (phase 1 of 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, 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 could not be analyzed and measured until both (2) corridors of the project are complete.

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

Our audit found that the department failed to submit the completed Final Delivery Report to the Commission within six months of the project becoming operable, July 3, 2013. The final delivery report should be provided to the Commission within six months of the project's completion/accepted date, July 3, 2013, in accordance with the Commission's Corridor Mobility Improvement Account Program and Follow-up Accountability Implementation Plan.

The implementing agency declined to respond to the draft report. The finding and recommendation remains unchanged.

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/gj

Attachment

cc: Jan Goto/Marty Namjou, Audit Manager
Division of Audits—Bond Unit
State Controller's Office
Betty Wong, Auditor–in-Charge
Division of Audits—Bond Unit
State Controller's Office

# CALIFORNIA DEPARTMENT OF TRANSPORTATION/DISTRICT 3

Audit Report

## CORRIDOR MOBILITY IMPROVEMENT ACCOUNT (CMIA) PROGRAM PROPOSITION 1B BOND-FUNDED PROJECT EA No. 03-3338U4/P2505-0055

*May 21, 2008, through May 31, 2014*


Betty T. Yee

California State Controller


April 2015

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the California Department of Transportation/District 3 (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of May 21, 2008, through May 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, Lincoln Bypass (phase 1 of 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.

- The project deliverables (outputs) and outcomes could not be analyzed and measured until both (2) corridors of the project are completed.

Our audit found that the department failed to submit the completed Final Delivery Report to the Commission within six months of the project becoming operable, July 3, 2013. The final delivery report should be provided to the Commission within six months of the project's completion/ accepted date, July 3, 2013, in accordance with the Commission's Corridor Mobility Improvement Account Program and Follow-up Accountability Implementation Plan.

## Background

In accordance with Caltrans and Commission executed project agreement(s) or approved amendments, the project, Lincoln Bypass (phase 1 of 2), was programmed and approved to receive $48,934,000 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 agreements. The project's completion date was July 3, 2013.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2505-0055). 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 21, 2008, through May 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 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, Lincoln Bypass (phase 1 of 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 could not be analyzed and measured until both (2) corridors of the project are completed.

Our audit found that the department failed to submit the completed Final Delivery Report to the Commission within six months of the project becoming operable, July 3, 2013. The final delivery report should be provided to the Commission within six months of the project's completion/accepted date, July 3, 2013, in accordance with the Commission's CMIA Program and Follow-up Accountability Implementation Plan.

## Views of Responsible Officials

We issued a draft audit report on October 17, 2014. We contacted Samuel Jordan by email on February 18, 2015. Mr. Jordan declined to respond to the draft report.

## Restricted Use

This report is solely for the information and use of 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.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

April 13, 2015

# Schedule 1—
# Summary of Project Costs
# Approved, Expended, and Audited
# May 21, 2008, through May 31, 2014

Project No./EA No.: Lincoln Bypass (phase 1 of 2), Contract No. 03-3338U4; EA 03-3338U4

Project Information: The project includes construction of a new 4-lane expressway/freeway on new alignment near Lincoln, from Industrial Boulevard to south of the Yuba county line.

Project Financial Information:

| Phases Reimbursed by Proposition 1B Bond Fund | Programmed and Approved | Expended | Audited | Variance |
|---|---|---|---|---|
| Construction and Construction Support | $ 48,934,000 | $ 48,934,000 | $ 48,934,000 | $ — |
| Total | $ 48,934,000 | $ 48,934,000 | $ 48,934,000 | $ — |

Project Delivery Baseline (variances in months):

| Project Phase(s): | Baseline | Approved | Actual | Audited |
|---|---|---|---|---|
| Beginning construction | 02/01/09 | 02/01/09 | 06/09/08 | 06/09/08 |
| End construction | 01/01/13 | 06/15/13 | 07/03/13 | 07/03/13 |
| Beginning closeout | 01/01/14 | 06/15/13 | 07/03/13 | 07/03/13 |
| End closeout | 01/01/15 | 06/15/15 | 06/15/15 | 06/15/15 |

# Finding and Recommendation

**FINDING—**
**Final Delivery Report to Commission not submitted within the required time frame**

The implementing agency failed to complete and submit the Final Delivery Report to the Commission within six months of the project becoming operable, July 3, 2013. The final delivery report should be provided to the Commission within six months of the project's completion/accepted date, July 3, 2013.

The Commission's Corridor Mobility Improvement Account (CMIA) Program and Follow-up Accountability Plan, Final Delivery Report states:

> Within six months of the project becoming operable, the Department shall provide a final delivery report to the Commission on the scope of the completed project, its final cost, duration, and performance outcomes as compared to those included the executed project baseline agreements. For purposes of these reports, projects are considered to be operable at the end of the construction phase when the construction contract is accepted.

Recommendation

The implementing agency should complete and submit the Final Delivery Report to the Commission within six months of the project becoming operable (i.e. after construction contract acceptance) in accordance with the Commission CMIA Program and Follow-up Accountability Implementation Plan.

Auditee's Response

The implementing agency declined to respond to the draft report.

SCO's Response

The Finding and Recommendation remain unchanged.

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

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S14-BAU-039