State of California
**DEPARTMENT OF TRANSPORTATION**

California State Transportation Agency

# Memorandum

*Serious drought.*
*Help Save Water!*

**To:** RIHUI ZHANG, Chief
Division of Local Assistance

**Date:** April 14, 2015

**File:** P2535-0036

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

**Subject:** **PROPOSITION 1B AUDIT REPORT – CITY OF HUNTINGTON BEACH**

Caltrans Audits and Investigations (A&I) audited costs claimed and reimbursed to the City of Huntington Beach (City) totaling $1,133,000. The project audited was funded with Proposition 1B (Prop 1B) State-Local Partnership Program Account (SLPP) funds. The Goldenwest Street and Garfield Avenue project, SLPPL-5181(176), totaled $1,133,000. The audit period was January 3, 2013 through April 2, 2014.

Based on our audit, we determined that reimbursed project costs totaling $1,133,000 were in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission (CTC) program guidelines; and the project deliverables and outcomes were consistent with the project scope, schedule and benefits described in the executed project agreement or approved amendments.

This report is intended for the information of Caltrans management, the Federal Highway Administration, the CTC, and the City. This report is a matter of public record, however, and its distribution is not limited. In addition, this report will be placed on Caltrans website.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Enclosure

cc: Sunny Han, CPA, CFE, Senior Adminstrative Analyst, City of Huntington Beach
Jim Wagner, Senior Civil Engineer, City of Huntington Beach
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Luisa Ruvalcaba, Audit Manager, Audits and Investigations, Caltrans
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# Proposition 1B Audit Report

# City of Huntington Beach

## P2535-0036

## April 2015

Prepared By:

Audits and Investigations

California Department of Transportation

*"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability"*

# Background, Scope, Methodology, and Conclusion

## BACKGROUND

As approved by the voters in the November 2006 general elections, Proposition 1B (Prop 1B) enacted the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize $19.925 billion of state general obligation bonds for specified purposes, including high-priority transportation corridor improvements, State Route 99 corridor enhancements, trade infrastructure and port security projects, school bus retrofit and replacement purposes, state transportation improvement program augmentation, transit and passenger rail improvements, state-local partnership transportation projects, transit security projects, local bridge seismic retrofit projects, highway-railroad grade separation and crossing improvement projects, state highway safety and rehabilitation projects, local street and road improvement, congestion relief, and traffic safety.

Some of the Prop 1B funds were for the State-Local Partnership Program Account (SLPP) and used for the completion of pedestrian and bicycle connectivity. The City of Huntington Beach (City) performed the Goldenwest Street and Garfield Avenue Rehabilitation project, SLPPL-5181 (176), funded with $1,133,000 in SLPP funds. This project provides a smoother rideability, thereby increasing the flow of traffic and extends the life of the street a minimum of 15 years.

## SCOPE

The scope of the audit was limited to financial and compliance activities related to the above referenced project. We performed our limited scope audit to specifically determine whether:

- The project costs incurred and reimbursed were in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission (CTC) program guidelines.

- The project deliverables and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments.

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

- Reviewed the City's prior audits and single audit reports;

- Reviewed the City's policies and procedures relating to the job cost system and procurement;

- Interviewed employees, completed a review of the internal control system, and gained an understanding of the City's internal controls, job cost system, timekeeping, accounts payable, and billing processes related to projects funded by Prop 1B.

For the project under review, we performed the following audit procedures:

- Reviewed project billing invoices sent to the Caltrans accounting office to ensure that the City properly prepared and/or billed Caltrans for reimbursement of project expenditures;

- Reviewed supporting documentation from the project billing invoices to ensure that project expenditures were supported and in compliance with the project agreement, state and federal laws and regulations, contract provisions and Caltrans/CTC Guidelines;

- Obtained procurement records to ensure that the City procured billed agreements in accordance with applicable state and federal procurement requirements;

- Reviewed significant contract change orders to the agreements to ensure that they were properly approved and supported;

- Reviewed and compared project agreements and project final delivery report to ensure that project deliverables and outcomes were met and that variances to the project's scope, schedule, costs and benefits were properly approved and supported.

The City is responsible for the fair presentation of incurred costs; ensuring compliance with contract provisions, state and federal regulations, CTC program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. Our responsibility, based on our audit, is to issue a conclusion on the allowability of the reimbursed costs in accordance with the applicable agreements, contract provisions, state and federal regulations, and Caltrans/CTC guidelines.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The results of our audit take into consideration the City's response dated April 7, 2015, to our April 6, 2015, draft report. The City agreed with the audit result.

## METHODOLOGY

We conducted our 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. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the City. Therefore, we did not audit, and are not expressing an opinion, on the City's financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and the records selected. An audit also includes assessing the accounting principles used and significant estimates made by the City, as well as evaluating the overall presentation.

## CONCLUSION

Based on our audit, we determined that reimbursed project costs totaling $1,133,000 were in compliance with the executed project agreement, state and federal regulations, contract provisions, and CTC program guidelines; and the project deliverables and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments.

# Audit Team

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