State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: DENNIS T. AGAR
Division Chief
Traffic Operations

Date: October 9, 2013

File: P2530-004 and
P2530-005

From: MARSUE MORRILL
Chief, External Audits- A&E, SAR, External Contract Management
Audits and Investigations

Subject: SAN DIEGO COUNTY

Attached is the audit report pertaining to the audits performed on San Diego County (implementing agency) relative to projects EA#11-956538 and EA#11-212904 funded by the California Department of Transportation (Caltrans) using Proposition 1B (Prop 1B) Traffic Light Synchronization Program (TLSP) funds. The names of the projects audited are "South Mission Road Interconnect Project" and "Bonita Road/Briarwood Road/Central Avenue/Sweetwater Road Signal Synchronization Project". The Prop 1B programmed amounts were $78,000 and $718,000. The audits were for the period of October 1, 2008 through November 30, 2012.

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 audits were performed by the State Controller's Office on behalf of Caltrans. You are receiving the audits report since TLSP projects are under the responsibility of Traffic Operations. Deputy Directive 100, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. However, as this audit report did not disclose any deficiencies there is no subsequent action required on your part.

The audit concluded that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, Code of Federal Regulations, Part 18, and California Public Contract Code sections 10140-10141.

- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof; state and federal laws and regulations; contract provisions, and California Transportation Commission guidelines.

- 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.

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

Attachment
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
Luisa Ruvalcaba, Audit Manager, Audits and Investigations
Mathew Friedman, Sr. Transportation Planner, Traffic Operations

SAN DIEGO COUNTY

Audit Report

TRAFFIC LIGHT SYNCHRONIZATION PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECTS
EA Nos. 11-956538 and 11-212904/P2530-004 and P2530-0005

October 1, 2008, through November 30, 2012

JOHN CHIANG

California State Controller

September 2013

JOHN CHIANG
California State Controller

September 3, 2013

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 San Diego County's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 1, 2008, though November 30, 2012.

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 and Transportation Commission (Commission) program guidelines and agreements.

We selected for testing the Proposition 1B bond-funded projects South Mission Road Interconnect Project and Bonita Road/Briarwood Road/Central Avenue/Sweetwater Road Signal Synchronization Project, and for each project 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.

- 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, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Luisa Ruvalcaba, Audit Manager
Audits and Transportations
California Department of Transportation
Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Kim Anh Phung, 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 San Diego County's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of October 1, 2008, through November 30, 2012.

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 (the Commission) program guidelines and agreements.

We selected for testing the Proposition 1B bond-funded projects South Mission Road Interconnect Project and Bonita Road/Briarwood Road/Central Avenue/Sweetwater Road Signal Synchronization Project, EA 11-212904 and 11-956538/P2530-0004 and P2530-0005, and for each project 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.

- 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 Caltrans and Commission-executed project agreement(s) or approved amendments, the projects listed below were programmed and approved to receive Proposition 1B bond funds, for one or more phases of work, under the Traffic Light Synchronization Program:

- EA 11-956538 South Mission Road Interconnect Project. The total programmed and approved Proposition 1B amount is $78,000. The project completion date was August 31, 2011.

- EA 11-212904 Bonita Road, Briarwood Road, Central Avenue, and Sweetwater Road Signal Synchronization Project. The total programmed and approved Proposition 1B amount is $718,000. The project completion date was August 31, 2011.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2530-0004 and P2530-0005). 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 October 1, 2008, through November 30, 2012.

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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.

- 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 selected for testing the Proposition 1B bond-funded projects South Mission Road Interconnect Project and Bonita Road/Briarwood Road/Central Avenue/Sweetwater Road Signal Synchronization Project, and for each project 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 the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- 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 representatives during an exit conference conducted on May 17, 2013. Amparo Sutter, Department of Public Works Unit Manager; Steve Ron, Project Manager; and Ramin Abidi, Construction Program Manager, agreed with the audit results. Ms. Sutter 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 San Diego County, 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 3, 2013

Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
October 1, 2008, through November 30, 2012

Project No./EA No.: TLSPL-5957(081)/EA No. 11-956538

Project Information: The installation of an underground fiber optic cable to interconnect four existing traffic signal intersections on South Mission Road.

Project Financial Information:

Phases Reimbursed by Prop 1B Bond Fund	Programmed and Approved	Expended	Audited	Variance [1]
Construction Engineering	$ —	$ 29,748	$ 29,748	$ —
Construction	78,000	48,252	48,252	—
Total	$ 78,000	$ 78,000	$ 78,000	$ —

Project Delivery Baseline:

Project Phase(s):	Baseline	Approved	Actual	Audited
Beginning Construction	10/31/08	09/08/09	09/08/09	09/08/09
End Construction	04/01/09	10/31/10	11/08/10	11/08/10
Beginning Closeout	04/15/09	01/01/11	12/21/10	12/21/10
End Closeout	04/30/09	01/04/11	08/31/11	08/31/11

[1] Difference between expended and audited.

Schedule 2—
Summary of Project Costs
Approved, Expended, and Audited
October 1, 2008, through November 30, 2012

Project No./EA No.: TLSPL-5957(082)/EA No. 11-212904

Project Information: The installation of an underground fiber optic cable to interconnect 10 existing and two new traffic signals.

Project Financial Information:

Phases Reimbursed by Prop 1B Bond Fund	Programmed and Approved	Expended	Audited	Variance
Construction Engineering	$ —	$ 182,590.81	$ 182,590.81	$ —
Construction	718,000	449,902.77	449,902.77	—
Total	$ 718,000	$ 632,493.58	$ 632,493.58	$ —

Project Delivery Baseline:

Project Phase(s):	Baseline	Approved	Actual	Audited
Beginning Construction	10/31/08	09/08/09	09/08/09	09/08/09
End Construction	04/01/09	10/31/10	12/20/10	12/20/10
Beginning Closeout	04/15/09	01/01/11	12/21/10	12/21/10
End Closeout	04/30/09	01/04/11	08/31/11	08/31/11

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

http://www.sco.ca.gov

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