



BETTY T. YEE
California State Controller

November 17, 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 District 8's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of August 1, 2009, through November 30, 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, "CMIA Project State Route 210 Connectors and Interstate 215 North Segment 5 – HOV and Mixed Flow Lane Addition, EA No. 08-440U," and determined that:

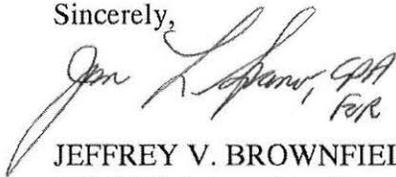
- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18, and/or California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans 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.

However, our audit found that Caltrans District 8 did not comply with applicable federal and state requirements for project deliverables. The Final Delivery Report or Supplemental Delivery Report was not submitted within 6 months of the project becoming operable.

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

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

Handwritten signature of Jeffrey V. Brownfield, CPA, with "CPA" and "FAR" written below the signature.

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Andrew Tsay, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

**CALIFORNIA DEPARTMENT OF
TRANSPORTATION
DISTRICT 8**

Audit Report

**CORRIDOR MOBILITY IMPROVEMENT ACCOUNT
PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECT
EA No. 08-4440U/P2505-0058**

August 1, 2009, through November 30, 2014



BETTY T. YEE
California State Controller

November 2015

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials.....	4
Restricted Use	4
Schedule 1—Summary of Project Costs Approved, Expended, and Audited.....	5
Finding and Recommendation	6

Audit Report

Summary

The State Controller's Office (SCO) audited the California Department of Transportation District 8's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of August 1, 2009, through November 30, 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 CMIA Project, "State Route 210 Connectors and Interstate 215 North Segment 5 – HOV and Mixed Flow Lane Addition, EA No. 08-440U," 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, our audit found that Caltrans District 8 did not comply with applicable federal and state requirements for project deliverables. The Final Delivery Report or Supplemental Delivery Report was not submitted within 6 months of the project becoming operable.

Background

In accordance with Caltrans and Commission executed project agreement(s) or approved amendments, the project CMIA Project State Route 210 Connectors and Interstate 215 North Segment 5 – HOV and Mixed Flow Lane Addition, EA No. 08-440U, was programmed and approved to receive \$74,000,000 in Proposition 1B bond funds, for one or more phases of work, under the Corridor Mobility Improvement Account program.

Objectives, Scope, and Methodology

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 completion date was February 22, 2013.

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 August 1, 2009, through November 30, 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 limited 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 judgmentally, 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 CMIA Project State Route 210 Connectors and Interstate 215 North Segment 5 – HOV and Mixed Flow Lane Addition, EA No. 08-440U, 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.

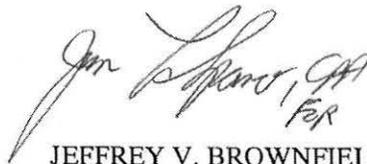
However, our audit found that Caltrans District 8 did not comply with applicable federal and state requirements for project deliverables. The Final Delivery Report or Supplemental Delivery Report was not submitted within 6 months of the project becoming operable.

**Views of
Responsible
Officials**

We discussed our audit results with Caltrans District 8 representatives during an exit conference conducted on June 30, 2015. Joseph Meraz, P.E., Corridor/Project Manager; Manny Yogarajah, Resident Engineer; and Kerry Hudson, Office Chief, agreed with the audit results. Mr. Meraz 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 Caltrans District 8, 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.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

November 17, 2015

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
August 1, 2009, through November 30, 2014**

Project No./EA No.: P2505-0058/EA No. 08-4440U

Project Information: CMIA State Route 210 Connectors and Interstate 215 North Segment 5-HOV and Mixed Flow Lane Addition

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>	<u>Finding(s)¹</u>
Construction	\$ 74,000,000	\$ 69,956,002	\$ 69,956,002	\$ —	\$
Total	<u>\$ 74,000,000</u>	<u>\$ 69,956,002</u>	<u>\$ 69,956,002</u>	<u>\$ —</u>	

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>	<u>Audited</u>	<u>Finding(s)¹</u>
Beginning construction	06/09	06/09	01/11/10		
End construction	10/11	10/11	12/14/12		
Beginning close-out	11/11	11/11	02/22/13		
End close-out	11/12	11/12	06/15/14		

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Caltrans District 8
did not submit a
Final Delivery
Report or
Supplemental
Delivery Report
within six months
of project
completion**

Caltrans District 8 did not submit a Final Delivery Report (FDR) or Supplemental Delivery Report within six months of project completion.

CMIA Guidelines Technical Changes Resolution CMIA-G-0708-001, Amending Resolution G-06-17: Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final cost as compared to the approved project budget, its duration as compared to the project schedule in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement. The Commission shall forward this report to the Department of Finance as required by Government Code section 8879.50.

The implementing agency will also provide a supplement to the final delivery report at the completion of the project to reflect final project expenditures at the conclusion of all project activities. For the purposes of this section, a project becomes operable at the end of the construction phase when the construction contract is accepted. Project completion occurs at the conclusion of all remaining project activities after acceptance of the construction contract.

The FDR is an instrument used to provide the measurement of actual outcomes of the project compared with what was originally budgeted and forecasted. By not submitting the FDR on time, the program's responsible officials may have difficulty evaluating the degree of attainment of the project's original intent. Additionally, information from the FDR is used to monitor actual project performance and as a decision-making tool for future project programming.

Recommendation

Caltrans District 8 should adhere to the CMIA Guidelines and submit the Final Delivery Report or Supplemental Delivery report within six months of the project completion date.

**State Controller's Office
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<http://www.sco.ca.gov>

S15-BAU-0009