



Transmitted via e-mail

September 29, 2016

Ms. Alice Lee, Chief
External Audits-Contracts, Audits and Investigations
California Department of Transportation
1304 O Street
Sacramento, CA 95814

Dear Ms. Lee:

Final Report—California Department of Transportation, District 6, Proposition 1B Project Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Department of Transportation District 6's (District) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
06-3568U (0600000390)	P2505-0053	Route 198 Expressway
06-44252 (0600000438)	P2505-0052	Route 46 Expressway – Segment 3

Because there were no findings requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the District. If you have any questions regarding this report, please contact Jon Chapple, Manager, or John Ponce, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, External Audits-Contracts, Audits, and Investigations,
California Department of Transportation

California Department of Transportation District 6
Proposition 1B Bond Program
Project Numbers 06-3568U and 06-44252



Route 46 within Kern County

Prepared By:
Office of State Audits and Evaluations
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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.¹

Caltrans District 6 (District) received \$77.3 million of Proposition 1B funds for the Corridor Mobility Improvement Account (CMIA). The two bond-funded projects were Route 198 Expressway and Route 46 Expressway – Segment 3. These projects are complete.

PROGRAM DESCRIPTION¹

- **CMIA:** \$4.5 billion of bond proceeds were made available to the Corridor Mobility Improvement Account (CMIA) to finance a variety of eligible transportation projects. CTC's general expectation is that each CMIA project will have a full funding commitment through construction, either from the CMIA alone or from a combination of CMIA and other state, local, or federal funds.

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The audit period for each project is identified in Appendix A.

The audit objectives were to determine whether:

- Proposition 1B expenditures were incurred in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.
- Deliverables/outputs were consistent with the project scopes and schedules.
- Benefits/outcomes as described in the executed project agreements, approved amendments, or Baseline Agreements were achieved, and adequately reported in the Final Delivery Reports.

We did not assess the efficiency or effectiveness of program operations.

¹ Excerpt was obtained from the bond accountability website. www.bondaccountability.dot.ca.gov/bondacc/

District management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the program.

METHODOLOGY

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

- Examined the project files, project agreements, amendments, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state procurement requirements.
- Reviewed accounting records, progress payments, cancelled checks, and electronic fund transfer documents.
- Selected a sample of expenditures to determine if expenditures were project-related, properly incurred, authorized, and supported by accounting records.
- Reviewed significant contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Evaluated whether deliverables/outputs were met by reviewing a sample of supporting documentation and conducting site visits to verify project existence.
- Evaluated whether deliverables/outputs were completed on schedule by reviewing project files, project agreements or amendments, Baseline Agreements, and Final Delivery Reports.
- Determined whether benefits/outcomes were achieved by comparing actual benefits reported in the Final Delivery Reports with the expected benefits described in the executed project agreements, approved amendments, or Baseline Agreements.
- Evaluated whether benefits/outcomes reported in the Final Delivery Report were adequately reported by reviewing a sample of supporting documentation and interviewing Caltrans staff.

In conducting our audit, we obtained an understanding of internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

Except as discussed in the following paragraph, 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.

Finance and Caltrans are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

RESULTS

Proposition 1B expenditures were incurred in compliance with the executed project agreements, state regulations, contract provisions, and CTC/Caltrans program guidelines. In addition, the deliverables/outputs were consistent with the project scopes and schedules.

Benefits/outcomes were adequately reported in the Final Delivery Report. However, the District did not achieve the expected benefits/outcomes as described in the executed project agreements, approved amendments, or Baseline Agreements. The *Summary of Projects Reviewed* is presented in Appendix A.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC

Summary of Projects Reviewed

Project Name	Expenditures Incurred	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Page
Route 198 Expressway	\$44,514,000	C	Y	Y	N	A-1
Route 46 Expressway– Segment 3	\$30,375,048	C	Y	Y	N	A-2

Legend

C = Complete

Y = Yes

N = No

Project Number: 06-3568U
Project Name: Route 198 Expressway
Program Name: Corridor Mobility Improvement Account
Project Description: Convert a two-lane highway into a four-lane expressway.
Audit Period: June 4, 2007 through October 2, 2013²
Project Status: Complete

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction Expenditures	\$ 44,514,000
Total Proposition 1B Expenditures	\$ 44,514,000

Audit Results:

Compliance-Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements, state regulations, contract provisions, and Caltrans/CTC program guidelines.

Deliverables/Outputs

This project was completed in June 2014. At the time of our site visit in February 2015, deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual benefits/outcomes were adequately reported in the Final Delivery Report. However, the District did not achieve the expected benefits/outcomes as described in the executed project agreement, approved amendments, or Baseline Agreement as shown below. The benefits/outcomes for Kings County and Tulare County were combined for presentation purposes.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
1,250 daily travel time savings (hours)	1,233 daily travel time savings (hours)	No
37,833 peak period time savings (minutes)	12,607 peak period time savings (minutes)	No

² The audit period end date is the last date project costs were posted to the Caltrans' general ledger.

Project Number: 06-44252
Project Name: Route 46 Expressway-Segment 3
Program Name: Corridor Mobility Improvement Account
Project Description: Convert a two-lane highway into a four-lane expressway.
Audit Period: June 4, 2007 through November 18, 2014³
Project Status: Complete

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction Expenditures	\$ 30,375,048
Total Proposition 1B Expenditures	\$ 30,375,048

Audit Results:

Compliance-Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreement, state regulations, contract provisions, and Caltrans/CTC program guidelines.

Deliverables/Outputs

This project was completed in October 2014. At the time of our site visit in February 2015, deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual benefits/outcomes were adequately reported in the Final Delivery Report. However, the District did not achieve the expected benefits/outcomes as described in the executed project agreement, approved amendments, or Baseline Agreement as shown below.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
475 hours of vehicle hours of delay saved	435.6 hours of vehicle hours of delay saved	No
5,678 minutes of daily peak duration minutes saved	5,204 minutes of daily peak duration minutes saved	No

³ Ibid.