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February 8, 2021

JEANIE WARD-WALLER
DEPUTY DIRECTOR
Planning and Modal Programs
California Department of Transportation

Dear Ms. Ward-Waller:

**Final Audit Report – San Francisco County Transportation Authority,
Proposition 1B Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance) performed a Proposition 1B audit of the San Francisco County Transportation Authority. The audit was for project 0400020248, Ramps on East Side of Yerba Buena Island Tunnel project with costs totaling \$7,399,632 reimbursed by the California Department of Transportation (Caltrans). The audit was performed to determine whether Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans and California Transportation Commission's program guidelines, and applicable state and federal regulations. In addition, the audit included determining whether deliverables/outputs were consistent with the project scopes and schedules, and whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report. The final audit report is enclosed.

No findings were reported, therefore, no further action is required.

Ms. Jeanie Ward-Waller
February 8, 2021
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If you have any questions contact MarSue Morrill, Audit Chief, at (916) 202-7626 or
marsue.morrill@dot.ca.gov.

Sincerely,

RHONDA L. CRAFT
INSPECTOR GENERAL

Enclosure

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P2500-0004



San Francisco County Transportation Authority

Proposition 1B Bond Program
Project Number 0400020248

Report No. 20-2660-046
January 2021

Team Members

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Final reports are available on our website at www.dof.ca.gov.

You can contact our office at:

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Gavin Newsom ■ Governor

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Transmitted via e-mail

January 27, 2021

MarSue Morrill, Chief, Planning and Modal Office
Independent Office of Audits and Investigations
1304 O Street
Sacramento, CA 95814

Final Report—San Francisco County Transportation Authority, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Francisco County Transportation Authority's (Transportation Authority) Proposition 1B funded project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0400020248	P2500-0004	Ramps on East Side of Yerba Buena Island Tunnel

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

If you have any questions regarding this report, please contact Sherry Ma, Manager, or Fabiola Torres, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Nancy Shaul, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation
Monte Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

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

PROGRAM DESCRIPTION¹

LBSRA: \$125 million of bond proceeds made available to the LBSRA to provide the 11.5 percent required match for federal Highway Bridge Program funds for seismic work on local bridges, ramps, and overpasses.

CTC awarded the San Francisco County Transportation Authority (Transportation Authority) \$7.8 million of Proposition 1B Local Bridge Seismic Retrofit Account (LBSRA) funds for the Ramps on the East Side of Yerba Buena Island Tunnel project (0400020248). The project addresses the seismic retrofitting and reconstruction of the ramps on the east side of the Yerba Buena Island Tunnel, connecting Yerba Buena Island to the state owned San Francisco-Oakland Bay Bridge on Interstate Route 80.

Construction for this project is complete and the project is operational.

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the project described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.
2. Deliverables/outputs were consistent with the project scope and schedule.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report (FDR).

¹ Excerpts obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>.

At the time of fieldwork in November 2020, construction was complete for project 0400020248, and the Transportation Authority had submitted the FDR. However, the FDR is pending Caltrans approval. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

In performing our audit, we considered internal controls significant to the audit objectives. See Appendix B for a list of significant internal control components and underlying principles.

The Transportation Authority's management is responsible for ensuring accurate financial reporting; compliance with executed project agreements, 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. Caltrans and CTC are responsible for the state-level administration of the program.

METHODOLOGY

In planning the audit, we gained an understanding of the project and respective program, and identified relevant criteria, by interviewing Caltrans and Transportation Authority personnel, and reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations.

We conducted a risk assessment, including evaluating whether the Transportation Authority's key internal controls significant to our audit objectives were properly designed, implemented, and operating effectively. Key Internal controls evaluated focused on procurement, progress payment preparation, reimbursement request preparation, and review and approval process for expenditures and project deliverables/outputs completion, and whether a system is in place to adequately report project benefits/outcomes. Our assessment included conducting interviews with Transportation Authority personnel, observing processes, and testing transactions related to construction and construction engineering expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. During our audit, we did not identify deficiencies in internal controls significant within the context of our audit objectives or that warranted the attention of those charged with governance.

We determined verification of the reliability of data from the Transportation Authority's financial management system, Microsoft Dynamics AX, was not necessary because other sufficient evidence was available to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether the Transportation Authority's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.</p>	<ul style="list-style-type: none"> • Determined whether the project was appropriately advertised, evaluated, and awarded to the lowest, responsible bidder by reviewing construction contractor procurement records, such as project advertisements, bidding documents, and contracts, and comparing to the Transportation Authority's policies and procedures and Caltrans Local Assistance Procedures Manual (LAPM) requirements. • Determined whether the project was appropriately advertised, evaluated, and awarded to the most qualified consultant by reviewing construction engineering procurement records, such as project advertisements, consultant proposals, scoring sheets, and contract agreements, and comparing to the Transportation Authority's policies and procedures and LAPM requirements. • Selected three reimbursement claims based on quantitative and qualitative factors from the construction category and reviewed three construction progress payments. Further, for the construction engineering category, we selected four invoices based on vendor, timing of expenditure, and quantitative significance. <ul style="list-style-type: none"> ○ Determined if selected reimbursed construction and construction engineering expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, executed contracts, construction progress estimate invoices, consultant invoices, subcontractor invoices, Resident Engineer Daily Report Logs, subcontractor daily field reports, quantity calculations, concrete pour records, weight tickets, materials inspected and release forms, and bank statements, and comparing to relevant criteria. • Selected one quantitatively significant contract change order (CCO). Determined if selected CCO was properly authorized, within the scope of work, not a contract duplication, incurred within the allowable period, completed, and supported, by reviewing the CCO, CCO Memorandum, and the project's scope of work, and comparing the work of the CCO to the bid items listed in the construction contract, construction progress estimate invoices and progress payment vouchers, contractor invoices, subcontractor daily field reports, bank statements, and accounting records. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the executed project agreement by interviewing Transportation Authority personnel, reviewing reimbursement requests submitted to Caltrans' for federal funding, contractor invoices, and consultant engineer billing summaries, and performed analytical procedures to identify possible duplicate payments.

Audit Objective	Methods
<p>Objective 2: To determine whether deliverables/outputs were consistent with the project scope and schedule.</p>	<ul style="list-style-type: none"> • Determined whether project deliverables/outputs were consistent with the project scope by reviewing the project baseline agreement, project agreement, Caltrans Structural Branch approved project plans and specifications, Engineer of Record as-built project plans, video footage of construction progress, and Google earth images to verify project existence. • Evaluated whether selected project deliverables/outputs were completed on schedule as described in the Caltrans mid-project review by reviewing project files, project agreement or approved amendments, construction contractor project schedule, Contract Acceptance Report, High Cost Agreement between Caltrans and the Transportation Authority, and Caltrans quarterly progress reports (QPRs).
<p>Objective 3: To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p>	<ul style="list-style-type: none"> • Determined whether there is a system in place to report actual project benefits/outcomes by conducting a walkthrough of the database used for reporting project progress to Caltrans, and reviewing existing supporting documents to evidence the achievement of the project benefits such as comparing the project agreement, and construction contractor project schedule to the project Plans and specifications, Engineer of Record as-built project plans, Resident Engineer's Daily Report Logs, and QPRs.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.

We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule, the Transportation Authority appropriately informed Caltrans and CTC of the delay. Additionally, the project's High Cost Agreement supports Caltrans' approval of a schedule extension.

The project benefits/outcomes have not been assessed because the FDR, although submitted timely, was pending approval by Caltrans at the time of our fieldwork in November 2020. However, the Transportation Authority has a system in place to determine and report actual project benefits/outcomes described in the executed project agreements.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Final Delivery Report: FDR
- Local Bridge Seismic Retrofit Account: LBSRA
- San Francisco County Transportation Authority: Transportation Authority

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0400020248	\$7,399,632	C	Y	Y	N/A	N/A	A-1

Legend

C = Construction is complete and the project is operational.

N/A = Not Applicable; FDR has been submitted, but not approved by Caltrans as of November 2020, the end of our fieldwork.

Y = Yes

Project Number: 0400020248

Project Name: Ramps on East Side of Yerba Buena Island Tunnel

Program Name: LBSRA

Project Description: Seismic retrofitting and reconstruction of the ramps on the east side of Yerba Buena Island Tunnel, connecting Yerba Buena Island to the State owned San Francisco-Oakland Bay Bridge on Interstate Route 80.

Audit Period: May 20, 2010 through March 31, 2020 for audit objectives 1²
May 20, 2010 through April 30, 2020 for audit objectives 2 and 3³

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$1,502,581
Construction Engineering	\$5,897,051
Total Proposition 1B Expenditures	\$7,399,632

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreement, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.

Deliverables/Outputs

The construction phase of the project was completed in April 2020. At the time of our fieldwork in November 2020, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 44 months late, the Transportation Authority appropriately updated Caltrans and CTC of the delays. Additionally, the project's High Cost Agreement between Caltrans and the Transportation Authority supports Caltrans' approval of a schedule extension.

Benefits/Outcomes

Actual project benefits/outcomes have been reported, but the FDR has not been approved by Caltrans. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. However, a system is in place to report actual project benefits/outcomes.

² The audit period end date reflects the billing period end date of the last reimbursement claim submitted and approved by Caltrans.

³ The audit period end date reflects the Contract Acceptance Report date.

We considered the following internal control components and underlying principles significant to the audit objectives:

Internal Control Component	Internal Control Principle
Control Activities	<ul style="list-style-type: none"> • Management designs control activities to achieve objectives and respond to risks. • Management designs the entity's information system and related control activities to achieve objectives. • Management implements control activities through policies.
Information and Communication	<ul style="list-style-type: none"> • Management uses quality information to achieve the entity's objectives. • Management externally communicates necessary quality information to achieve the entity's objectives.