

**Independent Office of Audits And Investigations**

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April 16, 2021

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

Dear Ms. Ward-Waller:

**Final Audit Report – San Diego Association of Governments,  
Proposition 1B Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance) performed a Proposition 1B audit of the San Diego Association of Governments. The audit was for the following projects totaling \$98.35 million reimbursed by the California Department of Transportation (Caltrans):

- 0000020727/0012000179/0013000197, Southline Mainline Phase 2, 3, and 4
- 0013000054, Southline Mainline Yard (San Ysidro)
- 0000020089/0013000132, San Onofre to Pulgas Double Track Phase 1
- 0013000256, Sorrento Valley Double Track
- 1112000222/1113000137, Blue Line Station Rehabilitation

The audit was 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 and outputs were consistent with the project scopes and schedules, and whether benefits and 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.

Ms. Jeanie Ward-Waller  
April 16, 2021  
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The audit determined the final delivery report was not submitted timely and improvements are needed in reporting project benefits and outcomes.

Caltrans is responsible for implementing corrective action on audit recommendations and for maintaining documentation to support actions taken. Your corrective action plan is due by June 30, 2021 and should address all recommendations in the enclosed report, including timelines.

If you have any questions, contact MarSue Morrill, Audit Chief, at (916) 202-7626 or [marsue.morrill@dot.ca.gov](mailto:marsue.morrill@dot.ca.gov) or Nancy Shaul, Audit Manager, at (916) 323-7940 or [nancy.shaul@dot.ca.gov](mailto:nancy.shaul@dot.ca.gov).

Sincerely,

RHONDA L. CRAFT  
Inspector General

Enclosure

c: Andre Douzdjian, Finance Director, San Diego Association of Governments  
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P2500-0005



## San Diego Association of Governments

Proposition 1B Bond Program

Project Numbers 0000020727/0012000179/0013000197, 0013000054,  
0000020089/0013000132, and 1112000222/1113000137

Report No. 20-2660-019  
March 2021

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
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Final reports are available on our website at [www.dof.ca.gov](http://www.dof.ca.gov).

You can contact our office at:

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March 11, 2021

MarSue Morrill, Chief, Planning and Modal Office  
Independent Office of Audits and Investigations  
California Department of Transportation  
1304 O Street, Suite 200  
Sacramento, CA 95814

**Final Report—San Diego Association of Governments, Proposition 1B**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Diego Association of Governments (SANDAG) Proposition 1B funded projects listed below:

<u>Project Numbers</u>	<u>P Number</u>	<u>Project Name</u>
0000020727/0012000179/0013000197	P2500-0005	Southline Mainline Phase 2, 3, and 4
0013000054	P2500-0005	Southline Mainline Yard (San Ysidro)
0000020089/0013000132	P2500-0005	San Onofre to Pulgas Double Track Phase 1
0013000256	P2500-0005	Sorrento Valley Double Track
1112000222/1113000137	P2500-0005	Blue Line Station Rehabilitation

SANDAG's response to the report findings is incorporated into this final report. SANDAG agreed with our findings. We appreciate SANDAG's assistance and cooperation during the engagement, and its willingness to implement corrective actions. This report will be placed on our website.

If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Kylie Oltmann, 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  
Monty Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

# BACKGROUND, SCOPE, AND METHODOLOGY

## 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.<sup>1</sup>

CTC awarded the San Diego Association of Governments (SANDAG) \$30 million of Proposition 1B funds from the Intercity Rail Improvement (IRI), \$31 million from the State-Local Partnership Program (SLPP), and \$74.4 million from the Trade Corridors Improvement Fund (TCIF). The five bond-funded projects were:

- **Southline Mainline, Phases 2 through 4, (0000020727/0012000179/0013000197)** – Awarded \$35.5 million in TCIF funds for improvement of the signaling system to allow for reverse running and initial track improvements (phase 2), modifications to Palomar siding and Mainline track improvements (phase 3), and final Palomar siding track improvements (phase 4).
- **Southline Mainline Yard (San Ysidro) (0013000054)** – Awarded \$25.9 million in TCIF funds to reconfigure and expand the existing rail yard.
- **San Onofre to Pulgas Double Track Phase 1 (0000020089/0013000132)** – Awarded \$30 million in IRI funds for the plans, specifications, and estimates (PS&E) for phase 1 and 2, and to construct a new second track for phase 1.
- **Sorrento Valley Double Track (0013000256)** – Awarded \$13 million in TCIF funds to construct 1.1 miles of new double tracks for freight rail, raise elevation of the tracks, replace two timber trestles, and construct improvements required for the double track alignment.

### PROGRAM DESCRIPTION<sup>1</sup>

**IRI:** \$400 million of bond proceeds made available to the IRI for passenger rail improvements, including a minimum of \$125 million for procurement of additional intercity passenger railcars and locomotives.

**SLPP:** \$1 billion of bond proceeds made available to the SLPP to finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds.

**TCIF:** \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

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

- **Blue Line Station Rehabilitation (1112000222/1113000137)** – Awarded \$31 million in SLPP funds to rehabilitate light rail stations along the entire corridor from 12<sup>th</sup> and Imperial Transfer Station to San Ysidro.

SANDAG was required to provide a dollar-for-dollar match of local funding for projects 0013000256 and 112000222/1113000137. Project 0013000054 is exempt from the TCIF match requirement because it is a border infrastructure project.

Construction for the projects is complete and the projects are operational, except for Project 0000020089/0013000132. Project 0000020089/0013000132 PS&E for phases 1 and 2 is complete and construction is complete and the project is operational for phase 1.

## SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit periods 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 scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports (FDR).

Project 0000020727/0012000179/0013000197 expenditures were previously audited in our October 2015 report. Therefore, we did not perform procedures to address Objective 1 for this project.

Project 0000020089/0013000132 is a multi-phase project. At the time of fieldwork in December 2020, completion of Objective 2 was limited to evaluating whether PS&E and phase 1 construction was consistent with project scopes and schedules. Since not all phases of the multi-phase project are complete, we did not evaluate whether project benefits/outcomes were achieved. Instead, for Objective 3, we evaluated whether there was a system in place to report actual project benefits/outcomes.

For Objective 3, the safety, congestion reduction, and emissions reduction, benefits/outcomes for projects 0000020727/ 0012000179/0013000197, and 0013000054 are not expected to be achieved until the year 2030. Additionally, emissions reduction will also not be expected to be achieved until the year 2030 for project 0013000256. Accordingly, we did not evaluate whether these project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether the estimated project

benefits/outcomes described in the executed project agreements or approved amendments were adequately supported.

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.

SANDAG'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 programs.

## **METHODOLOGY**

In planning the audit, we gained an understanding of the projects and respective programs, and identified relevant criteria, by interviewing Caltrans and SANDAG 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 SANDAG'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, review and approval process for expenditures, project deliverables/outputs completion, and project benefits/outcomes reporting. Our assessment included conducting interviews with SANDAG personnel, observing processes, and testing transactions related to PS&E and construction expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. Deficiencies in internal control that were identified during our audit, and determined to be significant within the context of our audit objectives, are included in this report.

We determined verification of the reliability of data from SANDAG's financial system, ONESolution, 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><b>Objective 1 (applicable to all projects except 0000020727/0012000179/0013000197):</b> To determine whether SANDAG'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"> <li>• Selected 2 of 4 construction contracts based on quantitative factors. We determined whether projects were appropriately advertised, evaluated, and awarded to the lowest, responsible bidder by reviewing construction contractor procurement records, such as project advertisements, bidding documents, and contract agreements, and comparing to SANDAG's policies and procedures and Caltrans Local Assistance Procedures Manual (LAPM) requirements.</li> <li>• Selected 2 of 16 consultant contracts based on quantitative significance. We determined whether the projects were 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 SANDAG's policies and procedures and LAPM requirements.</li> <li>• Selected 11 reimbursement claims from the PS&amp;E<sup>2</sup> and construction/project management<sup>3</sup> categories based on qualitative and quantitative significance to verify compliance with selected project requirements. Specifically, we reviewed seven construction progress payments and six consultant invoices.             <ul style="list-style-type: none"> <li>○ Determined whether selected reimbursed construction contractor and consultant expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, consultant invoices, bid item pay estimates, and bank statements, and comparing to relevant criteria.</li> <li>○ Determined whether match expenditures for projects 0013000256 and 1112000222/1113000137 were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing total project costs, accounting records, progress payments, bid item pay estimates and bank statements, and comparing project revenue with project expenditure reports. In addition, we verified the source of funds used to meet the match requirement complied with TCIF and SLPP guidelines.</li> </ul> </li> <li>• Selected 13 contract change orders (CCO) for projects based on qualitative significance including description and type. Determined if selected CCOs were authorized, within the scope of work, not a contract duplication, completed, and supported, by reviewing the CCOs, projects' scope of work,</li> </ul>

<sup>2</sup> PS&E category includes Preliminary Engineering Environmental Assessments and Final/Engineering Design consultant expenditures.

<sup>3</sup> Construction/Project Management includes both construction contractor and construction engineering consultants.

Audit Objective	Methods
	<p>CCO descriptions, daily extra work reports, construction contracts, final contract acceptance letters, and progress payments.</p> <ul style="list-style-type: none"> <li>• Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the executed project agreements by reviewing a list of other funding sources, project accounting records, vendor activity reports, and reimbursement requests; and performed analytical procedures to identify possible duplicate payments.</li> </ul>
<p><b>Objective 2:</b> To determine whether deliverables/outputs were consistent with the project scopes and schedules.</p>	<ul style="list-style-type: none"> <li>• Determined whether project deliverables/outputs were consistent with the project scopes by reviewing the Project Programming Requests, executed project agreements, Contract Acceptances, project designs, and Google earth images to verify project existence.</li> <li>• Evaluated whether selected project deliverables/outputs were completed on schedule as described in the Project Programming Requests by reviewing the Contract Acceptances, FDRs, and Caltrans quarterly progress reports.</li> </ul>
<p><b>Objective 3:</b> To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDRs.</p>	<ul style="list-style-type: none"> <li>• Projects 0000020727/0012000179/0013000197, 0013000054, 0013000256, and 1112000222/113000137: <ul style="list-style-type: none"> <li>○ Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDRs with the expected project benefits/outcomes described in the executed project agreements or approved amendments.</li> <li>○ Evaluated whether-project benefits/outcomes were adequately reported in the FDRs by reviewing studies that support velocity, throughput, reliability, safety, congestion reductions, emissions reduction, wait times, on-time performance, and better riding experience.</li> </ul> </li> <li>• Project 0000020089/0013000132: Determined whether there is a system in place to report actual project benefits/outcomes by interviewing SANDAG personnel and reviewing project agreements.</li> <li>• Projects 0000020727/0012000179/0013000197, 0013000054, and 0013000256: Evaluated whether the estimated projected benefits/outcomes to be realized by year 2030 as described in the executed project agreements or approved amendments were supported with surveys, studies, reports, and emission calculation sheets.</li> </ul>

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.

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## 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 scopes and schedules. Although projects 0000020727/0012000179/0013000197, 0013000054, 0013000256, and 1112000222/1113000137 were behind schedule, SANDAG appropriately informed Caltrans and CTC of the delays. However, the FDR for projects 1112000222/1113000137 was not submitted timely as noted in Finding 1.

Further, not all project benefits/outcomes were adequately reported in the FDR and SANDAG did not achieve all the expected project benefits/outcomes as described in the executed project agreements or approved amendments, as noted in Finding 2. However, the expected project benefits/outcomes that were adequately reported were achieved. Also, project benefits/outcomes for safety, congestion reduction, and emissions reduction expected to be achieved in 2030 were adequately supported. Lastly, SANDAG has a system in place to report actual benefits/outcomes for project 0000020089/0013000132.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Final Delivery Report Was Not Submitted Timely

The FDR for project 1112000222/1113000137 was not submitted to Caltrans within six months of the project becoming operable (Contract Acceptance Date). The FDR was due December 2017, but was submitted November 2018, 11 months late. According to SANDAG, the FDR was delayed due to SANDAG personnel turnover.

As specified in the SLPP program guidelines, section 14, the implementing agency is responsible for submitting the FDR within six months of the project becoming operable. Late submissions of the FDR decreases transparency of the project status and outcomes, and prevents Caltrans/CTC from determining whether project benefits and outcomes were met.

### Recommendations:

- A. Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements.
- B. Submit FDRs for completed projects to Caltrans within the specified time frames as required by developing and implementing project reporting processes.

## **Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes**

The project benefits/outcomes approved by Caltrans/CTC were not adequately reported. SANDAG could not provide documentation to support project benefits/outcomes reported in the FDRs for projects 0000020727/0012000179/0013000197, 0013000054, and 0013000256. SANDAG assumed the projected benefits/outcomes would be inherently achieved by virtue of project completion and was not aware of the requirement to report on actual benefits/outcomes, including providing studies or other documents to support the amounts reported. Subsequently, SANDAG provided consultant studies dated December 8, 2020, for projects 0000020727/0012000179/0013000197 and 0013000054, and October 28, 2020, for project 0013000256, to support project benefits/outcomes reported in the FDRs. Although SANDAG completed studies in October 2020 and December 2020, it should have conducted the studies prior to submitting the FDRs. Additionally, SANDAG did not provide support for all project benefits/outcomes as described below.

- The project agreements for projects 0000020727/0012000179/ 0013000197, and 0013000054 included an expected benefit/outcome in the throughput category to increase yearly track carload capacity from 12,375 to 23,600. However, the actual benefit/outcome was not reported in the FDR or in the December 2020 study. According to SANDAG, the 23,600 potential carload capacity for the mainline track speaks to the theoretical capacity of the line. SANDAG focused its analysis on improvements on the lower limiting factor of 10,000 to 19,000 carloads since that is the actual maximum capacity of the line as a system, not the potential theoretical capacity of the track itself.
- The project agreement for project 0013000256 included an expected benefit/outcome in the reliability category to reduce travel time by at least 10 minutes per freight train. However, the support provided in the October 2020 study includes an increase in percentage of on-time performance for AMTRAK passenger rail. As a result, the actual benefit/outcome cannot be compared to the expected benefit/outcome. According to SANDAG, the metric of freight train minutes saved as shown in the project agreements was not verifiable because travel time for freight trains is not tracked by freight operators.

TCIF Guidelines, section 17, requires, within six months of the project becoming operable, the implementing agency will provide a FDR on the scope of the completed project, including performance measures derived from the project as compared to those described in the project agreements. Inaccurate and incomplete information on the FDRs decreases the transparency of the project outcomes and prevents CTC from determining whether project benefits/outcomes were met.

### **Recommendations:**

- A. Review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.
- C. Develop a process to track and maintain documentation to support project benefits/outcomes reported in the FDR.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Final Delivery Report: FDR
- Intercity Rail Improvement: IRI
- Miles Per Hour: mph
- Mile Post: MP
- Plans, Specifications, and Estimates: PS&E
- San Diego Association of Governments: SANDAG
- State-Local Partnership Program: SLPP
- Trade Corridors Improvement Fund: TCIF
- Vehicle Miles Traveled: VMT

### Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0000020727/ 0012000179/ 0013000197	N/A 1	C	N/A 1	Y	P	N	A-1
0013000054	\$25,899,945	C	Y	Y	P	N	A-2
0000020089/ 0013000132	\$29,402,222	C 1	Y	Y	N/A 2	N/A 2	A-3
0013000256	\$12,055,199	C	Y	Y	P	N	A-4
1112000222/ 1113000137	\$30,993,000	C	Y	Y	Y	Y	A-5

**Legend**

C = Construction is complete and the project is operational.

C 1 = PS&E for phases 1 and 2, and construction for phase 1 is complete.

N = No

N/A 1 = Not Applicable, project costs were previously audited in our October 2015 audit report.

N/A 2 = Not Applicable, all phases of the multi-phase project have not been completed.

P = Partial

Y = Yes

<b>Project Numbers:</b>	0000020727 (Phase 2)/ 0012000179(Phase 3)/0013000197 (Phase 4)
<b>Project Name:</b>	Southline Mainline (Phases 2 through 4)
<b>Program Name:</b>	TCIF
<b>Project Description:</b>	Improvement of the signaling system to allow for reverse running and initial track improvements including ten at grade crossings, new interlockings and signals, a powered crossover and modifications to the Palomar siding (phase 2). Modifications to Palomar siding and Mainline track improvements including removal, realignment, and reconstruction of mainline and siding track (phase 3). Final Palomar siding track improvements, installation of a freight bridge, improvements of the final signaling system, and completion of the Central Train Control (phase 4).
<b>Audit Period:</b>	January 20, 2011 through October 18, 2018 for audit objectives 2 and 3 <sup>4</sup> (Phase 2) April 29, 2013 through March 9, 2017 for audit objectives 2 and 3 <sup>5</sup> (Phase 3) October 25, 2013 through October 18, 2018 for audit objectives 2 and 3 <sup>6</sup> (Phase 4)
<b>Project Status:</b>	Construction is complete and the projects are operational.

## Results:

### Deliverables/Outputs

The construction phase of the projects were completed in June 2016, June 2017 and August 2016 for projects 0000020727, 0012000179, and 0013000197, respectively. At the time of our fieldwork in December 2020, project deliverables/outputs were consistent with the project scopes and schedules. The FDRs for projects 0000020727 and 0013000197 were submitted 21 and 13 months late, respectively, due to a request from Caltrans to submit the FDRs and supplemental FDRs simultaneously. Additionally, the FDR for project 0012000179 was submitted three months prior to the project being operable. Lastly, the projects were behind schedule and projects 0000020727, 0012000179, and 0013000197 were completed 39, 29, and 13 months late, respectively. Although the projects were behind schedule, SANDAG appropriately updated Caltrans and CTC of the delays.

### Benefits/Outcomes

Although SANDAG could not provide an original study supporting the actual project benefits/outcomes reported in the FDRs, as noted in Finding 2, it subsequently provided a project benefits report dated December 8, 2020. Actual project benefits/outcomes were adequately reported in the FDR except for throughput, as noted in Finding 2. Additionally, the actual project benefits/outcomes for velocity was partially achieved.

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<sup>4</sup> The audit period end date reflects the FDR submission date.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

Project benefits/outcomes for safety, congestion reduction, and emissions reduction as described in the executed project agreements or approved amendments are expected to be achieved in 2030 and were adequately supported.

Project			
Velocity	Allow freight trains to move on the Southline at greater operating speeds.	Train speeds increased to 40 mph while operating on 'normal' rail.	Yes
	Reverse running speeds increase from 10 mph to 40 mph.	Reverse speeds increased to 30 mph.	No
Throughput	Provide capacity to double the number of freight train movements from two to four trains per day.	Improvements allow for an increase from two train operations per day to four.	Yes
	Increase potential yearly carload from 12,375 to 23,600.	Not adequately reported.	No
	Increase total system capacity from 10,000 to 19,600 carloads per year.	Capacity in total system has increased from allowing 10,000 carloads per year to 19,600 carloads per year due to a 96 percent increase in the capacity of the San Ysidro Yard and improvements on the Main Line.	Yes
Reliability	Reliability of freight delivery is increased with two additional train operations per day.	Improvements allow for an increase from two train operations per day to four.	Yes
	Reduces canceled train movements because of scheduled and unscheduled track maintenance and reduces the variability and unpredictability of train travel times.	Reverse running has reduced impacts of track maintenance and reduced canceled train movements and/or variability of travel times due to track maintenance.	Yes
Safety	Reduction of 31,800 truck trips causing two fewer injury accidents per year by 2030.	Expected to be achieved in 2030.	Not Applicable  Expected to be achieved in 2030.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Congestion Reduction	Eliminate up to 31,800 truck trips annually by 2030.	Expected to be achieved in 2030.	Not Applicable  Expected to be achieved in 2030.
Emissions Reduction	<p>The reduction of 31,800 trucks by 2030 is projected to result in the following emissions reductions:</p> <ul style="list-style-type: none"> <li>• NOx: 320 pounds/day</li> <li>• CO2: 1.36 million pounds/day</li> <li>• PM10: 260 pounds/day</li> <li>• CO: 540 pounds/day</li> </ul>	Expected to be achieved in 2030.	Not Applicable  Expected to be achieved in 2030.



**Project Number:** 0013000054

**Project Name:** Southline Mainline Yard (San Ysidro)

**Program Name:** TCIF

**Project Description:** Reconfigure and expand the existing rail yard through acquisition of property, addition of new tracks, construction of access, and circulation and drainage improvements, and construction of new storage tracks for up to 96 additional rail cars.

**Audit Period:** October 24, 2012 through June 30, 2016 for audit objective 1<sup>7</sup>  
October 24, 2012 through February 1, 2017 for audit objectives 2 and 3<sup>8</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction/Project Management	\$ 25,889,945
<b>Total Proposition 1B Expenditures</b>	<b>\$ 25,889,945</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

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. Project 0013000054 is a border infrastructure project and is exempt from the TCIF match requirement.

##### Deliverables/Outputs

The construction phase of the project was completed in August 2017. At the time of our fieldwork in December 2020, project deliverables/outputs were consistent with the project scope and schedule. The FDR was submitted 13 months prior to the project being operable, at the request of Caltrans. Additionally, the project was behind schedule and completed 19 months late; however, SANDAG appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Although SANDAG could not provide an original study supporting the actual project benefits/outcomes reported in the FDR, as noted in Finding 2, it subsequently provided a project benefits report dated December 8, 2020. Actual project benefits/outcomes were adequately reported in the FDR except for throughput, as noted in Finding 2. Additionally, the actual project benefits/outcomes for velocity was partially achieved. Project benefits/outcomes for safety, congestion reduction, and emissions reduction as described in the executed project agreements or approved amendments are expected to be achieved in 2030 and were adequately supported.

<sup>7</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>8</sup> The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Velocity	Allow freight trains to move on the Southline at greater operating speeds.	Train speeds increased to 40 mph while operating on 'normal' rail.	Yes
	Reverse running speeds increase from 10 mph to 40 mph.	Reverse speeds increased to 30 mph.	No
Throughput	Provide capacity to double the number of freight train movements from two to four trains per day.	Improvements allow for an increase from two train operations per day to four.	Yes
	Increase potential yearly carload from 12,375 to 23,600.	Not adequately reported.	No
	Increase total system capacity from 10,000 to 19,600 carloads per year.	Capacity in total system has increased from allowing 10,000 carloads per year to 19,600 carloads per year due to a 96 percent increase in the capacity of the San Ysidro Yard and improvements on the Main Line.	Yes
Reliability	Reliability of freight delivery is increased with two additional train operations per day.	Improvements allow for an increase from two train operations per day to four.	Yes
	Reduces canceled train movements because of scheduled and unscheduled track maintenance and reduces the variability and unpredictability of train travel times.	Reverse running has reduced impacts of track maintenance and reduced canceled train movements and/or variability of travel times due to track maintenance.	Yes
Safety	Reduction of 31,800 truck trips causing two fewer injury accidents per year by 2030.	Expected to be achieved in 2030.	Not Applicable Expected to be achieved in 2030.
Congestion Reduction	Eliminate up to 31,800 truck trips annually by 2030.	Expected to be achieved in 2030.	Not Applicable Expected to be achieved in 2030.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Emissions Reduction	<p>The reduction of 31,800 trucks by 2030 is projected to result in the following emissions reductions:</p> <ul style="list-style-type: none"> <li>• NOx: 320 pounds/day</li> <li>• CO2: 1.36 million pounds/day</li> <li>• PM10: 260 pounds/day</li> <li>• CO: 540 pounds/day</li> </ul>	Expected to be achieved in 2030.	<p>Not Applicable</p> <p>Expected to be achieved in 2030.</p>

**Project Numbers:** 0000020089/0013000132

**Project Name:** San Onofre to Pulgas Double Track Phase 1

**Program Name:** IRI

**Project Description:** PS&E and construction of phase 1, which includes 4.2 miles of new second track from MP 212.3 to MP 216.5 within the existing rail right-of-way, a new single track bridge adjacent to an existing one, new retaining walls, new double track bridge, extending seven drainage culverts, reconstructing drainage structures, modifying signals, and installing a new universal crossover.

**Audit Period:** January 13, 2010 through April 30, 2017 for audit objective 1<sup>9</sup>  
January 13, 2010 through December 15, 2020 for audit objectives 2 and 3<sup>10</sup>

**Project Status:** PS&E for phases 1 and 2 are complete and construction is complete and the project is operational for phase 1.

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
PS&E	\$ 4,225,809
Construction/Project Management	25,176,413
<b>Total Proposition 1B Expenditures</b>	<b>\$ 29,402,222</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

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.

##### Deliverables/Outputs

The PS&E and construction for phase 1 of the project was completed in June 2016. At the time of our fieldwork in December 2020, project deliverables/outputs were consistent with the project scopes and schedules.

##### Benefits/Outcomes

Actual project benefits/outcomes have not been reported because all the phases of the project have not been completed. However, a system is in place to measure achievements of actual project benefits/outcomes.

<sup>9</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>10</sup> The audit period end date reflects the end of fieldwork date.

**Project Number:** 0013000256

**Project Name:** Sorrento Valley Double Track

**Program Name:** TCIF

**Project Description:** Construct 1.1 miles of new double track from MP 247.8 to MP 248.9, raise elevation of the tracks, replace two timber trestles, and construct improvements required for the double track alignment for freight trains.

**Audit Period:** May 7, 2013 through January 11, 2018 for audit objective 1<sup>11</sup>  
May 7, 2013 through February 13, 2018 for audit objectives 2 and 3<sup>12</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$ 12,055,199
<b>Total Proposition 1B Expenditures</b>	<b>\$ 12,055,199</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

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. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in August 2016. At the time of our fieldwork in December 2020, project deliverables/outputs were consistent with the project scope and schedule. Additionally, the project was behind schedule and completed nine months late; however, SANDAG appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Although SANDAG could not provide an original study supporting the actual project benefits/outcomes reported in the FDRs, as noted in Finding 2, it subsequently provided a project benefits reported dated October 28, 2020. Actual project benefits/outcomes were adequately reported in the FDR except for reliability, as noted in Finding 2. Additionally, the project benefits/outcomes for emissions reduction as described in the executed project agreements or approved amendments are expected to be achieved in 2030 and were adequately supported.

<sup>11</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>12</sup> The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Safety	Reduction of 9,540 truck trips per year thereby reducing injury crashes by up to one per year.	The diverted 9,540 truck trips in 2015 equates to .37 eliminated crashes per year and 6 crashes by 2030 due to freight rail removing trucks from regional and inter-regional highway networks.	Yes
Velocity	Increase train speeds from 20 mph to 24 mph.	Increased freight train speed to 55 mph.	Yes
Throughput	Increase capacity from four to five trains per day, which is equivalent to 5,627 train cars per year.	Freight train capacity was increased from four to five freight trains per day, approximately 5,627 train cars per year.	Yes
Reliability	On average reduce travel time variability by at least 10 minutes per freight train.	Not Adequately Reported.	No
Congestion Reduction	Eliminate 9,540 truck trips per year and reduce 1,144,880 VMT.	Eliminated 9,540 truck trips which is approximately 1,144,880 VMT within the regional and interregional-highway network.	Yes
Emissions Reduction	Reduction of 9,450 trucks by 2030 is projected to result in the following: <ul style="list-style-type: none"> <li>• NOx: 200 pounds per day</li> <li>• CO2: 1.32 Million pounds per day</li> <li>• PM10: 260 pounds per day</li> <li>• CO: 500 pounds per day</li> </ul>	Expected to be achieved in 2030.	Not Applicable Expected to be achieved in 2030.

**Project Numbers:** 1112000222/1113000137

**Project Name:** Blue Line Station Rehabilitation

**Program Name:** SLPP

**Project Description:** Rehabilitate light rail stations along the entire corridor from 12<sup>th</sup> and Imperial Transfer Station to San Ysidro including reconstructing light rail stations with eight inch high platforms, increasing parking, upgrading access for the disabled, replacing and adding bus shelters, and adding fiber optic communications and variable message sign.

**Audit Period:** August 22, 2012 through May 28, 2016 for audit objective 1<sup>13</sup>  
August 22, 2012 through November 6, 2018 for audit objectives 2 and 3<sup>14</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction/Project Management	\$ 30,993,000
<b>Total Proposition 1B Expenditures<sup>15</sup></b>	<b>\$ 30,993,000</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

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. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in June 2017. At the time of our fieldwork in December 2020, project deliverables/outputs were consistent with the project scope and schedule. As noted in Finding 1, the FDR was due December 2017, but was submitted November 2018, 11 months late. Additionally, the project was behind schedule and completed 33 months late; however, SANDAG appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. Additionally, SANDAG achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

<sup>13</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>14</sup> The audit period end date reflects the FDR submission date.

<sup>15</sup> The total Proposition 1B Expenditures does not reflect a \$3,198 refund submitted to Caltrans on December 7, 2018.

Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Significantly reduce wait times.	The improvements have resulted in reduced wait times.	Yes
Substantially improve overall on-time performance.	The improvements have resulted in improved on-time schedule adherence, regular operations at full speed, and reduced wait times.	Yes
Better riding experience.	The improvements have resulted in improved on-time schedule adherence, regular operations at full speed, reduced wait times, and created a much more desirable ridership experience	Yes



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

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



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March 2, 2021

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

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Mexico

Dear Ms. McCormick:

Subject: Response to the Department of Finance's Draft Report – San Diego Association of Governments, Proposition 1B Audit

Thank you for the opportunity to review and respond to the Proposition 1B Project Audit draft report. SANDAG appreciates all the time and effort your staff invested in this effort. We are pleased that the audit concluded that Proposition 1B expenditures were incurred and reimbursed in compliance with executed project agreements, Caltrans and California Transportation Commission (CTC) program guidelines, and applicable state and federal regulations. In addition, SANDAG appreciates the audit conclusion that project deliverables and outputs were consistent with project scopes and schedules.

SANDAG values your audit observations related to timely submittal of Final Delivery Reports (FDRs) and proper reporting of project benefits and outcomes. We are committed to ensuring all FDRs are submitted in a timely manner and that all future FDRs adequately address project benefits and outcomes as follows:

**Finding 1: Final Delivery Report Was Not Submitted Timely.** The implementing agency is responsible for submitting the FDR within six months of the project becoming operable.

**Response:** SANDAG has appointed fund managers to oversee requirements of each fund type. These fund managers enter and track funding deadlines in the SANDAG Dashboard reporting tool to help ensure reporting deadlines are met. In addition, SANDAG staff meets with Caltrans Division of Rail and Mass Transit (DRMT) staff on a regular basis to track deadlines and coordinate across agencies. SANDAG will continue working with project managers and DRMT staff to ensure FDRs for completed projects are submitted to Caltrans within specified timeframes.

**Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes.** The implementing agency is responsible for providing an FDR including performance measures derived from the project as compared to those described in the project agreements.

**Response:** SANDAG is evaluating internal procedures to identify agency-wide improvements to reporting and monitoring project benefits. SANDAG will work to ensure future FDRs address all project benefits/outcomes and will continue working to develop a process to track and maintain documentation to support benefits/outcomes reported in the FDR.

Should you require additional information regarding our response, please do not hesitate to contact Ariana zur Nieden, Senior Financial Programming and Project Control Analyst, at (619) 699-6961 or [ariana.zurnieden@sandag.org](mailto:ariana.zurnieden@sandag.org).

Sincerely,

Original signed by

HASAN IKHRATA  
Executive Director

HIK/AZU/ais

cc: MarSue Morrill, Chief, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation  
Nancy Shaul, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation  
Monty Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation  
Gustavo Dallarda, District 11 Director, California Department of Transportation  
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