



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

August 3, 2022

Tony Tavares, Director  
California Department of Transportation

## Final Report – California Department of Transportation, District 11, Proposition 1B Audit

On behalf of the Independent Office of Audits and Investigations, the Department of Finance, Office of State Audits and Evaluations, completed an audit of three California Department of Transportation, District 11 (District), Proposition 1B funded projects.

Enclosed is the final report, which includes the District's response to the draft report. The final report is a matter of public record and will be posted on the Independent Office of Audits and Investigations' website.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations is due within 120 days from receipt of this letter. The CAP should be sent to [IOAI.Admin@dot.ca.gov](mailto:IOAI.Admin@dot.ca.gov).

If you have any questions, please contact Fabiola Torres, Audit Chief, at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG

Inspector General

C: Gustavo Dallarda, District Director, District 11, California Department of Transportation  
Joe Hull, Deputy District Director, Program Project Management, District 11, California Department of Transportation  
Gilbert Petrissans, Chief, Division of Accounting, California Department of Transportation  
Zilan Chen, Deputy Director, Administration and Financial Management, California Transportation Commission

P2500-0006

Gavin Newsom, Governor

Independent Office of Audits and Investigations  
P.O. Box 942874, MS-2 (916) 323-7111  
Sacramento, CA 94274-0001 <https://oig.dot.ca.gov>



**California Department of Transportation  
District 11**

Proposition 1B Bond Program  
Project Number 110000035, 1100020191,  
and 1112000102

Report No. 22-2660-010  
July 2022

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
Zachary Stacy, Manager  
Robert L. Scott, CPA, MSA, CGMA, Supervisor  
Veronica Zalvidea, Lead  
Jeffrey Neller  
Muang Saeteurn

Final reports are available on our website at <https://www.dof.ca.gov>.

You can contact our office at:

California Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

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July 27, 2022

Fabiola Torres, Chief, Planning and Modal Office  
Independent Office of Audits and Investigations  
1304 O Street, Suite 200  
Sacramento, CA 95814

**Final Report—California Department of Transportation, District 11, Proposition 1B Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Department of Transportation, District 11's (District) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1100000035	P2500-0006	El Centro Maintenance Station
1100020191	P2500-0006	I-805/HOV Managed Lanes-North
1112000102	P2500-0006	I-5/Genessee Avenue Interchange Reconstruction

The enclosed report is for your information and use. The District's response to the report findings is incorporated into this final report. The District agreed with our findings. We appreciate District'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 Zachary Stacy, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

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

cc: Jonathan Cox, 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, 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 allocated Caltrans District 11 (District) \$40.6 million of Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA), \$10.2 million from the State Highway Operations and Protection Program (SHOPP), and \$9.4 million from the State-Local Partnership Program (SLPP). The three bond-funded projects were as follows:

- **El Centro Maintenance Station (110000035)** – Allocated \$10.2 million in SHOPP funds to replace and relocate an existing and outdated maintenance facility.
- **I-805/HOV Managed Lanes-North (1100020191)** – Allocated \$40.6 million in CMIA funds and \$1.4 million in SLPP funds to construct two High Occupancy Vehicle lanes and one direct access ramp.
- **I-5/Genesee Avenue Interchange Reconstruction (1112000102)** – Allocated \$8 million in SLPP funds to reconstruct the I-5 Genesee Bridge and interchange including ramps and retaining walls and adding one bicycle facility between Voigt and Sorrento Valley Road.

The District was required to provide dollar-for-dollar match of SLPP funding for projects 1100020191 and 1112000102.

Construction for these projects is complete and the projects are operational.

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

**CMIA:** \$4.5 billion of bond proceeds made available to the 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.

**SHOPP:** \$500 million of bond proceeds made available to the SHOPP to finance vehicle detection, ramp metering, and pavement rehabilitation projects.

**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.

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

## 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 incurred expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.
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).

The District's management is responsible for ensuring accurate financial reporting; compliance with executed project agreements, 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 project and respective program, and identified relevant criteria, by interviewing Caltrans and District staff, and reviewing the executed project agreements and amendments, and Caltrans/CTC's bond program guidelines.

We conducted a risk assessment, including evaluating whether the District'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, review and approval processes for expenditures, project deliverables/outputs completion, and project benefits/outcomes reporting. Our assessment included conducting interviews with District personnel, and testing transactions related to construction phase expenditures, major 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.

Additionally, we assessed the reliability of data from Caltrans's financial management system, AMS Advantage. Specifically, we reviewed a general ledger expenditure detail report. Our assessment included interviewing District staff, examining existing reports, and vouching data elements against supporting documents. We determined the data was sufficiently reliable 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:</b> To determine whether the District's Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans's/CTC's program guidelines.</p>	<ul style="list-style-type: none"> <li>• Selected the prime contractor for each project to determine 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 Caltrans's Construction Manual.</li> <li>• Using a combination of random and targeted methodologies, selected construction and construction support expenditures to determine whether costs were allowable, authorized, project related, incurred within the allowable time frame, and supported by reviewing accounting records, executed contracts, progress payments, timesheets, payroll reports, travel expense claims, utility invoices, and other accounting records, and comparing to relevant criteria. Specifically:             <ul style="list-style-type: none"> <li>○ For all projects, selected 11 construction progress payments.</li> <li>○ For project 1100020191, selected 8 consultant invoices.</li> <li>○ For all projects, selected 12 service contract invoices.</li> <li>○ For projects 1100020191 and 1112000102, selected 21 in-house labor expenditures.</li> <li>○ For all projects, selected 95 transactions from "Other Costs."</li> </ul> </li> <li>• For projects 1100020191 and 1112000102, verified 100 percent of indirect costs charged were allowable by (1) comparing the applied approved rate on direct labor dollars to indirect costs charged to the project and (2) ensuring the amount charged to indirect costs is equal to or less than the allowable indirect labor costs.</li> <li>• Selected 6 contract change orders (CCO) to determine whether the selected CCOs were within the scope of work, not a contract duplication, completed, supported, and authorized, by reviewing CCO logs and memorandums, contracts, cost analyses, contractor correspondence, progress payments, and other supporting documents.</li> <li>• For projects 1100020191 and 1112000102, evaluated whether 100 percent of match requirements were met by reviewing executed project agreements and accounting records, and evaluating whether Proposition 1B funding was limited to its proportional contractor payment share compared to total contractor payments.</li> </ul>

Audit Objective	Methods
<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 and completed on schedule by reviewing the Project Programming Requests, CTC vote lists, Caltrans quarterly progress reports, Contract Acceptance reports, FDRs, and Google earth images to verify project existence.</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 FDR.</p>	<ul style="list-style-type: none"> <li>• Determined whether project benefits/outcomes were achieved and adequately reported by (1) comparing the actual project benefits/outcomes reported in the FDR to the expected project benefits/outcomes described in the CTC Financial Vote List for projects 1100020191 and 1112000102, and (2) by reviewing the California Life-Cycle Benefit/Cost Analysis Model Summary report for project 1100020191.</li> </ul>

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.



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## CONCLUSION

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

We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scopes and schedules, except as noted in Finding 1. Although all projects were behind schedule, the District appropriately informed Caltrans and CTC of the delays.

Additionally, we obtained reasonable assurance the project benefits/outcomes, as described in the executed project agreements or approved amendments, were adequately reported in the FDR, and the District achieved the expected project benefits/outcomes as described in the executed project agreements, except as noted in Finding 2.

## FINDINGS AND RECOMMENDATIONS

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

The FDR for project 1100000035 was not submitted to Caltrans/CTC within six months of the project becoming operable (Contract Acceptance report date). The project became operational in June 2017, requiring the FDR to be submitted by December 2017. However, the FDR was not submitted until February 2022, 49 months late. According to the District, they were unaware of the FDR reporting requirements. Late submission of the FDR decreases transparency of the project's status, and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, and project schedule.

The Proposition 1B Close-Out Process Update 2016 states the FDR is due within six months of the project becoming operable. Operable is further defined as the end of the construction phase when the construction contract is accepted.

#### Recommendation:

- A. Design and implement policies and procedures to ensure timely completed project reporting, specifically the FDR, to Caltrans/CTC within the specified time frames as required.

### Finding 2: Improvements Needed in Project Reporting

The FDR for project 1112000102 did not report actual project benefits/outcomes. According to the CTC Financial Vote List, the project was expected to achieve 200 daily vehicle hours of saved time. According to the District, the actual amount of daily vehicle hours of time saved has not yet been measured. Incomplete information in the FDR decreases transparency and prevents Caltrans/CTC from determining whether project benefits/outcomes were met.

The SLPP Guidelines, section 14, states within six months of the project becoming operable, the implementing agency will provide an FDR to CTC on the scope of the completed project, including performance outcomes derived from the project. Additionally, the Proposition 1B Project Close-out Process Update 2016 states benefits not available at the time of the FDR must be reported in a Supplemental FDR.

**Recommendations:**

- A. Measure the actual daily vehicle hours of time saved and compare actuals to the expected daily vehicle hours of time saved noted in the CTC Financial Vote List. Submit a Supplemental FDR that includes the actual daily vehicle hours of time saved.
- B. Retain documentation that supports the actual daily vehicle hours of time saved reported in the Supplemental FDR.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Caltrans District 11: District
- Corridor Mobility Improvement Account: CMIA
- Final Delivery Report: FDR
- High Occupancy Vehicle: HOV
- Interstate 5: I-5
- State Highway Operations and Protection Program: SHOPP
- State-Local Partnership Program: SLPP

### Summary of Projects Reviewed

Project Number	Expenditures Incurred	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
1100000035	\$10,034,752	C	Y	Y	N/A	N/A	A-1
1100020191	\$41,977,553	C	Y	Y	N	Y	A-2
1112000102	\$ 8,000,000	C	Y	Y	Unknown	N	A-3

#### **Legend**

C = Construction is complete and the project is operational.

N = No

Y = Yes

N/A = Not Applicable

**Project Number:** 1100000035

**Project Name:** El Centro Maintenance Station

**Program Name:** SHOPP

**Project Description:** Replace and relocate an existing and outdated maintenance facility.

**Audit Period:** May 7, 2013 through November 7, 2018 for audit objective 1<sup>2</sup>  
May 7, 2013 through February 10, 2022 for audit objective 2<sup>3</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Incurred
Construction Capital - SHOPP	\$10,034,752
<b>Total Proposition 1B Expenditures</b>	<b>\$10,034,752</b>

#### Results:

##### Compliance—Proposition 1B Expenditures

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

##### Deliverables/Outputs

The construction phase of the project was completed in June 2017. At the time of our fieldwork in May 2022, project deliverables/outputs were consistent with the project scope. However, the FDR was not submitted timely, as noted in Finding 1. Additionally, the project was behind schedule and completed 55 months late. Although the project was behind schedule, the District appropriately informed Caltrans and CTC of the delay.

<sup>2</sup> The audit period end date is the last date project costs were posted to Caltrans's general ledger.

<sup>3</sup> The audit period end date reflects the FDR submission date.

**Project Number:** 1100020191

**Project Name:** I-805/HOV Managed Lanes-North

**Program Names:** CMIA and SLPP

**Project Description:** Construct two HOV lanes and one direct access ramp.

**Audit Period:** October 26, 2011 through October 8, 2019 for audit objective 1<sup>4</sup>  
October 26, 2011 through April 3, 2019 for audit objectives 2 and 3<sup>5</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Incurred
Construction Support (CMIA)	\$ 5,000,000
Construction (CMIA)	35,621,400
Construction (SLPP)	1,356,153
<b>Total Proposition 1B Expenditures</b>	<b>\$41,977,553</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

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

##### Deliverables/Outputs

The construction phase of the project was completed in March 2018. At the time of our fieldwork in May 2022, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 37 months late, the District appropriately informed Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. However, the District did not achieve the expected project benefits/outcomes as described in the CTC Financial Vote list.

Expected Benefits/Outcomes (CTC Financial Vote List)	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
118,004 daily travel time savings (hours)	1,483 daily travel time savings (hours)	No

<sup>4</sup> The audit period end date is the last date project costs were posted to Caltrans's general ledger.

<sup>5</sup> The audit period end date reflects the FDR submission date.

**Project Number:** 1112000102

**Project Name:** I-5/Genessee Avenue Interchange Reconstruction

**Program Name:** SLPP

**Project Description:** Reconstruct the I-5 Genessee Bridge and interchange including ramps and retaining walls and adding one bicycle facility between Voigt and Sorrento Valley Road.

**Audit Period:** May 7, 2013 through August 17, 2021 for audit objective 1<sup>6</sup>  
May 7, 2013 through December 16, 2021 for audit objectives 2 and 3<sup>7</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Incurred
Construction Support	\$1,000,000
Construction	7,000,000
<b>Total Proposition 1B Expenditures</b>	<b>\$8,000,000</b>

#### Results:

##### Compliance—Proposition 1B Expenditures

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

##### Deliverables/Outputs

The construction phase of the project was completed in April 2021. At the time of our fieldwork in May 2022, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 42 months late, the District appropriately informed Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the FDR. According to the District, benefits/outcomes have not yet been measured. See Finding 2 for details.

Expected Benefits/Outcomes (CTC Financial Vote List)	Actual Benefits/Outcomes Reported in the FDR	Benefits/ Outcomes Achieved
200 daily travel time savings (hours)	No measurement reported	Unknown

<sup>6</sup> The audit period end date is the last date project costs were posted to Caltrans's general ledger.

<sup>7</sup> The audit period end date reflects the FDR submission date.



## California Department of Transportation

DISTRICT 11  
4050 TAYLOR STREET, MS-120  
SAN DIEGO, CA 92110  
(619) 688-6668  
[www.dot.ca.gov](http://www.dot.ca.gov)



July 7, 2022

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

Dear Ms. McCormick:

Thank you for your recent letter to the California Department of Transportation (Caltrans), District 11, regarding the results of an audit and subsequent findings provided in the Office of State Audits and Evaluations Confidential Draft Report, Report No: 22-2660-010 of the following district Proposition 1B funded projects:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1100000035	P2500-0006	El Centro Maintenance Station
1100020191	P2500-0006	I-805/HOV Managed Lanes-North
1112000102	P2500-0006	I-5/Genesee Avenue Interchange Reconstruction

Caltrans District 11 is pleased that the audit concluded Proposition 1B expenditures were in compliance with executed agreements and Caltrans' and the California Transportation Commission's (CTC) program guidelines, were consistent with the project scopes and schedules, except as noted in Finding 1, and that project benefits/outcomes and achievements were adequately reported in the Final Delivery Reports (FDR), except as noted in Finding 2. The district appreciates the opportunity to review and respond to the audit findings as follows:

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

The audit found that the FDR for project 1100000035 was not submitted to Caltrans/CTC within six months of the project becoming operable.

### **Response:**

District 11 will review its internal procedures to ensure project management teams comply with FDR submittal timelines in accordance with the Proposition 1B Close-Out Process Update 2016.



## **Finding 2: Improvements Needed in Project Reporting**

The audit found that the FDR for project 1112000102 did not report actual project benefits/outcomes in accordance with the CTC Financial Vote List which indicated the project was expected to achieve 200 daily vehicle hours of saved time.

### **Response:**

The District 11 project team re-evaluated the expected project benefits/outcomes regarding vehicle hours of saved time and determined a significant percentage of the time savings achieved by project 1112000102 were on city streets. Because city streets typically do not have adequate vehicle detection systems necessary to obtain data associated with delay, measurements of actual daily vehicle hours of time saved could not be obtained. New emerging Location-Based Service (LBS) technologies such as Streetlight <[www.streetlightdata.com](http://www.streetlightdata.com)> and Here.com <[www.here.com](http://www.here.com)> may provide a method to capture such information, but Caltrans' access to these new tools is limited.

By visual observations, following completion of the project, delays have been significantly reduced because of the project improvements. Given the volume of users during peak travel periods, it is estimated that savings are in excess of 600 daily vehicle hours, which far exceeds the intended goal of 200 daily vehicle hours. District 11 will seek to confirm the observed delay savings through a pilot using LBS technology. A supplemental FDR will be submitted in August 2022 with findings.

Thank you again for sharing the audit findings on the above listed projects. Caltrans District 11 will review its procedures in accordance with the Proposition 1B Close-Out Process Update 2016, and initiate corrective measures as needed. Should you require additional information regarding our response, please contact Mario Orso, District 11 Chief Deputy, Capital Program, at cell phone 619-921-4230 or via email at <[mario.orso@dot.ca.gov](mailto:mario.orso@dot.ca.gov)>.

Sincerely,



Gustavo Dallarda  
District Director, Caltrans District 11

Ms. Cheryl L. McCormick, CPA

July 7, 2022

Page 3

c: Fabiola Torres, Chief, Planning and Modal Office, Independent Office of Audits and Investigations, Caltrans

Jonathan Cox, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, Caltrans

Monte Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, Caltrans

Everett Townsend, Chief Deputy, Caltrans District 11

Allan Kosup, North County Corridor Director, Caltrans District 11

Karen Jewel, Central Corridor Director, Caltrans District 11

Marcelo Peinado, District Division Chief, Maintenance Engineering & Asset Management, Caltrans District 11