



Memorandum

To:
RIHUI ZHANG
CHIEF
DIVISION OF LOCAL ASSISTANCE

Date: February 13, 2020

File: P2505-0113

AMARJEET S. BENIPAL
DIRECTOR
District 3

From:
MARSUE MORRILL, CPA
CHIEF
INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS
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SUBJECT: FINAL REPORT COUNTY OF EL DORADO, PROPOSITION 1B AUDIT

At the request of the Independent Office of Audits and Investigations the California Department of Finance, Office of Audits and Evaluations (Finance) completed an audit of the County of El Dorado's (County) Proposition 1B funded projects listed below.

PROJECT NAME	PROJECT NUMBER	FUND
Silva Valley Parkway/US Highway 50 Interchange	0300000258	SLPP
US Route 50 High Occupancy Vehicle Lanes Phase 0	0312000163	CMIA

Based on the audit, Finance determined the County's Final Delivery Reports were not submitted to the California Department of Transportation within six months of the projects becoming operable.

The complete audit report is attached. Please provide our office with a corrective action plan, including time lines, by April 13, 2020.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, by email at luisa.ruvalcaba@dot.ca.gov.

RIHUI ZHANG
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Attachment:

c: Sukhvinder Takhar, Acting Deputy District 3 Director, Planning, Local Assistance, and Sustainability, California Department of Transportation
Rambabu Bavirisetty, Chief, Office of Capital Improvement Programming, California Department of Transportation
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming, California Department of Transportation
Felicia Haslem, Acting Chief, Office of Guidance and Oversight, Division of Local Assistance, California Department of Transportation
Daniel Burke, Audits Liaison, Division of Local Assistance, California Department of Transportation
Paula Bersola, Audits Analyst, Division of Local Assistance, California Department of Transportation
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and Investigations

P2505-0113



El Dorado County

Proposition 1B Bond Programs

Project Numbers 030000258 and 0312000163

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Zachary Stacy, Manager
Andrea Cortez, Supervisor
Veronica Zalvidea, Lead
Jane Xuan

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

You can contact our office at:

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



GAVIN NEWSOM - GOVERNOR

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Transmitted via e-mail

February 7, 2020

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

Dear Ms. Morrill:

Final Report—County of El Dorado, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0300000258	P2535-0131	Silva Valley Parkway/US Highway 50 Interchange
0312000163	P2505-0113	US Route 50 High Occupancy Vehicle Lanes Phase 0

The enclosed report is for your information and use. After review of the draft report, the County chose not to provide a written response. This report will be placed on our website.

If you have any questions regarding this report, please contact Zachary Stacy, Manager, or Andrea Cortez, Supervisor, at (916) 322-2985.

Sincerely,

ORIGINAL SIGNED BY:

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

cc: Ms. Luisa Ruvalcaba, Audit Manager, 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.¹

CTC awarded the County of El Dorado (County) \$1 million of Proposition 1B funds from the State-Local Partnership Program Account (SLPP) for the Silva Valley Parkway/United States Highway 50 Interchange project (0300000258) and \$15.5 million of Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA) for the United States Route 50 High Occupancy Vehicle Lanes Phase 0 project (0312000163). The projects purposes were to construct an interchange on Highway 50 at Silva Valley Parkway and to add high occupancy vehicle lanes on Highway 50 from El Dorado Hills Boulevard to west of Bass Lake Road. The County was required to provide a dollar-for-dollar match of local funds for project 0300000258.

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

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.

PROGRAM DESCRIPTION¹

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.

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 CMIA alone or from a combination of CMIA and other state, local, or federal funds.

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

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 Report (FDR).

At the time of fieldwork in September 2019, construction was complete for both projects. However, the County had not yet submitted the FDR for project 0300000258. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported for this project.

The County'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 project and respective program, and identified relevant criteria, by reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations, and interviewing Caltrans and County personnel.

We conducted a risk assessment, including evaluating whether the County's key internal controls relevant to our audit objectives, such as procurement, progress payment and reimbursement request preparation, and review and approval processes, were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with County personnel, observing processes, and testing transactions related to 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 the County's financial systems, Financial Accounting Management Information System and Capital Infrastructure Program, 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 on the following page.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether the County'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"> • Reviewed contractor procurement records to verify compliance with the County's policies and procedures and Caltrans Local Assistance Procedures Manual requirements to determine if the projects were appropriately advertised and awarded to the lowest, responsible bidder by reviewing the project advertisement, bidding documents, and contracts. • Selected items from the construction expenditure category to verify compliance with selected project requirements. Specifically, for project 0300000258, selected the most quantitatively significant reimbursement claim, and two construction progress payments from the claim. For project 0312000163, selected the first reimbursement claim and the most quantitatively significant reimbursement claim, and one construction progress payment from each of the claims and performed the following: <ul style="list-style-type: none"> ○ Determined if selected expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria. • Selected the most quantitatively significant contract change orders (CCO) for both projects. Determined if selected CCOs were project-related, consistent with the construction contracts, not a contract duplication, justified, and properly approved, by reviewing the CCOs for the change order description, approved CCO memo, County Board of Supervisor approval, and monthly pay estimates, and comparing to the related construction contract. • 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 the chart of accounts, and performing analytical procedures to identify possible duplicate payments.
<p>Objective 2: To determine whether deliverables/outputs were consistent with the project scopes and schedules.</p>	<ul style="list-style-type: none"> • Determined whether selected project deliverables/outputs were consistent with the project scopes by reviewing the Project Programming Request (PPR) and executed project agreement, supporting documentation, and conducting a site visit to verify project existence. • Evaluated whether selected project deliverables/outputs were completed on schedule as described in the PPR and executed project agreement by reviewing the Notices of Acceptance and the FDRs submitted to Caltrans.

Audit Objective	Methods
<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"> • For project 0300000258, assessed whether the actual project benefits/outcomes as stated in the executed project agreements were achieved by interviewing Caltrans and County personnel and performing physical observation. • For project 0312000163, determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDR with the expected project benefits/outcomes described in the executed project agreements. We also evaluated whether selected project benefits/outcomes were adequately reported in the FDR by interviewing Caltrans and County personnel and reviewing Caltrans/County correspondence.

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.

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. However, as noted in Finding 1, the FDR for project 0312000163 was not submitted timely and the FDR for project 0300000258 had not been submitted as of September 2019, even though the project was completed in October 2016. Although project 0312000163 was behind schedule, the County appropriately informed Caltrans and CTC of the delay.

The project benefits/outcomes were achieved and adequately reported in the FDR for project 0312000163.

FINDING AND RECOMMENDATIONS

FINDING 1: Final Delivery Reports Not Submitted Timely

FDRs were not submitted to Caltrans within six months of the project becoming operable (the Construction Contract Notice of Acceptance date). The FDR for project 0312000163 was due in January 2016, but not submitted until October 2018, and the FDR for project 0300000258 was due in April 2017, but has not been submitted as of September 2019. According to the County, FDRs are submitted after the Caltrans program manager initiates a request. Other than a request from the Caltrans program manager, the County does not have a system in place to ensure the FDR is prepared and delivered on or before the due date.

The County is ultimately responsible for meeting the requirement to submit FDRs timely. As specified in the CMIA and State Route 99 Accountability Implementation Plan, section IV, and the SLPP program guidelines, section 14, the County is required to submit an FDR within six months of the project becoming operable.

Late submissions of reports decreases transparency of the status of a project and prevents Caltrans/CTC's timely review of the completed project's scope, final costs, project schedule, and benefits/outcomes.

Recommendations:

1. Review the respective Proposition 1B program guidelines to ensure a clear understanding of the requirements.

2. Implement processes to ensure sufficient monitoring of Proposition 1B projects to meet all necessary deadlines, including the timely development and submittal of FDRs.
3. Submit the FDR for project 0300000258, as well as FDRs for future state funded projects to Caltrans as required.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Corridor Mobility Improvement Account: CMA
- Final Delivery Report: FDR
- Highway: HWY
- High Occupancy Vehicle: HOV
- State-Local Partnership Program Account: SLPP
- United States: US

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0300000258	\$937,805	C	Y	Y	N/A	N/A	A-1
0312000163	\$14,716,293	C	Y	Y	Y	Y	A-2

Legend

- C = Construction is complete and the project is operational.
N/A = Not Applicable; the FDR had not been submitted.
Y = Yes

Project Number: 0300000258

Project Name: Silva Valley Parkway/US HWY 50 Interchange project

Program Name: SLPP

Project Description: Construct an overpass, on and off ramps, signalized intersection, and bicycle and pedestrian facilities at Silva Valley Parkway.

Audit Period: June 6, 2012 through December 6, 2017 for audit objective 1²
June 6, 2012 through September 25, 2019 for audit objectives 2 and 3³

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$937,805
Total Proposition 1B Expenditures	\$937,805

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 construction phase of the project was completed in October 2016. At the time of our site visit in September 2019, project deliverables/outputs were consistent with the project scope. However, the FDR for this project was due in April 2017, and has yet to be submitted as of September 2019, as noted in Finding 1.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the FDR has not been submitted.

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

³ The audit period end date reflects the date that construction has been complete as noted in the Notice of Acceptance.

Project Number: 0312000163

Project Name: US Route 50 HOV Lanes Phase 0

Program Name: CMIA

Project Description: Reconstruct the westbound off-ramp and westbound on-ramp with dedicated HOV bypass lanes and ramp metering on US 50 at the El Dorado Interchange.

Audit Period: April 18, 2012 through June 30, 2016 for audit objective 1⁴
April 18, 2012 through October 29, 2018 for audit objectives 2 and 3⁵

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$14,716,293
Total Proposition 1B Expenditures	\$14,716,293

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 construction phase of the project was completed in July 2015. At the time of our site visit in September 2019, project deliverables/outputs were consistent with the project scope. However, the FDR for this project was due in January 2016, and was not submitted until October 2018, as noted in Finding 1. Additionally, the project was behind schedule and completed one year and six months past the due date; however, the County appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

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

⁴ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁵ The audit period end date reflects the FDR submission date.

Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR ⁶	Benefits/Outcomes Achieved
947 daily travel time savings (hours)	1,119 daily travel time savings (hours)	Yes
22,728 peak period time savings (minutes)	81,685 peak period time savings (minutes)	Yes

⁶ Actual benefits/outcomes reported in the FDR were provided by Caltrans. In addition, Caltrans noted the pre-construction daily travel time savings should have been 1,103 hours and peak period time savings should have been 80,519 minutes.