



Memorandum

To:
JEANNIE WARD-WALLER
DEPUTY DIRECTOR
Planning and Modal Programs

Date: April 20, 2020

File: P2505-0118

From:
MARSUE MORRILL, CPA
AUDIT CHIEF
Independent Office of Audits
and Investigations

**SUBJECT: FINAL REPORT – SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
PROPOSITION 1B AUDIT**

At the request of the Independent Office of Audits and Investigations, the Department of Finance, Office of Audits and Evaluations (Finance) completed an audit of the San Bernardino County Transportation Authority (SBCTA) Proposition 1B funded projects listed below.

PROJECT NAME	PROJECT NUMBER	FUND
I-15 Rancho Road Interchange	0800000613	CMIA/SLPP
Palm Avenue Grade Separation	0800020276	IRI
I-10 Pepper Interchange Improvement	0813000121	CMIA
Monte Vista Grade Separation	0816000140	SLPP

The results of the audit found that the Final Delivery Reports (FDRs) were not submitted within six months of the projects being operable for three of the four projects.

The complete audit report is attached. Please provide our office with a corrective action plan, including time lines, by June 20, 2020.

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

Jeannie Ward-Waller
April 20, 2020
Page 2

Attachment:

c: Dr. Raymond W. Wolfe, Executive Director, San Bernardino County Transportation Authority
Dee Lam, Acting Chief, Division of Local Assistance, California Department of Transportation
Marlon Flournoy, Division Chief, Division of Transportation Planning, California Department of Transportation
Kyle Gradinger, Division Chief, Division of Rail and Mass Transportation, California Department of Transportation
Mike Beauchamp, District Director, District 8, California Department of Transportation
Albert Vergel de Dios, District Local Assistance Engineer (Acting), District 8, California Department of Transportation
Kacey Ruggiero, Staff Services Manager, Division of Programming, California Department of Transportation
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and Investigations

P2505-0118



San Bernardino County Transportation Authority

Proposition 1B Bond Program

Project Numbers 0800000613, 0800020276, 0813000121,
and 0816000140

Report No. 20-2660-017
March 2020

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Jennifer Arbis, Manager
Joshua Mortimer, Supervisor
Muang Saeteurn, Lead
Jeremy Bunting

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



March 27, 2020

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

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

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0800000613	P2505-0118	I-15 Ranchero Road Interchange
0800020276	P2525-0083	Palm Avenue Grade Separation
0813000121	P2525-0084	I-10 Pepper Interchange Improvement
0816000140	P2525-0089	Monte Vista Grade Separation

SBCTA's response to the report finding and our evaluation of response are incorporated into this final report. SBCTA agreed with our finding. We appreciate SBCTA'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 Jennifer Arbis, Manager, or Joshua Mortimer, Supervisor, at (916) 322-2985.

Sincerely,

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

cc: 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

The San Bernardino County Transportation Authority (SBCTA), formerly known as the San Bernardino Associated Governments, is the council of governments and transportation planning agency for San Bernardino County. SBCTA is responsible for cooperative regional planning and furthering an efficient multi-modal transportation system countywide.²

CTC awarded SBCTA \$20.8 million in Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA), \$4.6 million from the State-Local Partnership Program (SLPP) Account, \$7.5 million from the State Transportation Improvement Program (STIP) Augmentation, and \$5.5 million from the Trade Corridors Improvement Fund (TCIF). The four bond-funded projects were as follows:

- **I-15 Ranchero Road Interchange (0800000613)** – Awarded \$20.8 million in CMIA, \$4.6 million in SLPP, and \$7.5 million in STIP Augmentation funds to construct an interchange on Interstate 15 at Ranchero Road in Hesperia between Joshua Street and Oak Hill Road.
- **Palm Avenue Grade Separation (0800020276)** – Awarded \$3.3 million in TCIF funds to construct a railroad grade separation and widen Palm Avenue and Cajon Boulevard from two to four lanes.

PROGRAM DESCRIPTIONS¹

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.

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.

STIP Augmentation: \$2 billion of bond proceeds made available to the STIP to augment funds otherwise available for STIP from other sources. The original STIP finances state highway improvements, intercity rail, and regional highway and transit improvements. These funds are available through the Transportation Facilities Account.

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.

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

² Excerpts obtained from the SBCTA website <https://www.gosbcta.com/>.

- **I-10 Pepper Interchange Improvement (0813000121)** – Awarded \$1.2 million in TCIF funds to replace and widen the bridge at Pepper Avenue from three lanes to five, and replace the existing Interstate 10 Bridge at Pepper Avenue.
- **Monte Vista Grade Separation (0816000140)** – Awarded \$1 million in TCIF funds to construct a grade separation at Monte Vista Avenue/Union Pacific Railroad and associated roadway improvements to provide four lanes of traffic and a connector between Monte Vista Avenue and State Street.

SBCTA was required to provide a dollar-for-dollar match of local funds for the SLPP funding (project 0800000613) and federal, local, or private funds for the TCIF funding (projects 0800020276, 0813000121, and 0816000140).

Construction for projects 0800000613, 0800020276, and 0813000121 is complete and the projects are operational. Project 0816000140 is still in progress (interim project) as of November 2019.

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).

At the time of fieldwork in November 2019, construction was not complete for project 0816000140. Since SBCTA had not yet submitted the FDR, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

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

SBCTA 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 SBCTA personnel, and reviewing the executed project agreements and amendments, Caltrans/CTC bond program guidelines, and applicable state and federal regulations.

We conducted a risk assessment, including whether key internal controls relevant 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 processes for expenditures, tracking processes for deliverables, and reporting processes for benefits. Our assessment included conducting interviews with SBCTA personnel, observing processes, and testing related to the construction phase expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. A deficiency in internal control was identified during our audit that we determined to be significant within the context of our audit objectives and is included within the Results section of this report.

Additionally, we assessed the reliability of data from SBCTA's accounting system, Eden. To assess the reliability of data generated by this system, we interviewed SBCTA personnel, examined existing reports, reviewed system controls, and performed data testing. We determined the data were 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 on the following page.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether SBCTA's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.</p>	<ul style="list-style-type: none"> • Determined whether 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 contracts, and comparing to SBCTA policies and procedures and Caltrans Local Assistance Procedures Manual (LAPM) requirements. • Determined whether the project was appropriately advertised, evaluated, and awarded to the most qualified consultant by reviewing construction engineering procurement records, such as project advertisements, consultant proposals, scoring sheets, and contracts, and comparing to SBCTA policies and procedures and LAPM requirements. • From the four projects, selected nine of the quantitatively significant reimbursement requests from the construction capital and construction engineering/support categories and reviewed 28 invoices. Additionally, selected 13 construction change orders (CCO) based on quantitative and qualitative factors, such as the amount and relevance as described by the CCO title. <ul style="list-style-type: none"> ○ Determined if selected reimbursed and match expenditures were project-related, properly incurred, authorized, completed within the audit period, and supported by reviewing accounting records, progress payments, cancelled checks, reimbursement claims, and comparing project reimbursed amounts with project expenditure reports and relevant criteria. ○ Determined if CCOs were within the scope of the project, supported, completed, and not a contract duplication by reviewing the CCO scopes against the contractual scopes, CCO memorandums, estimates, and progress payments. • 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, and reimbursement claims from other funding sources; and performed analytical procedures to identify possible duplicate payments.

Audit Objective	Methods
<p>Objective 2: To determine whether deliverables/outputs were consistent with the project scopes and schedules.</p>	<p>Completed projects 0800000613, 0800020276, and 0813000121:</p> <ul style="list-style-type: none"> • Determined whether selected project deliverables/outputs were consistent with the project scopes by reviewing the project agreements, supporting documentation, Google Earth images, interviewing SBCTA staff, and conducting site visits to verify project existence. • Evaluated whether selected project deliverables/outputs were completed on schedule as described in the project agreements by reviewing Notices of Completion and FDRs submitted to Caltrans. <p>Interim project 0816000140:</p> <ul style="list-style-type: none"> • Determined whether there is a system in place to report actual project deliverables/outputs by reviewing supporting documentation and conducting a site visit to confirm consistency with the project scope. • Determined whether project deliverables/outputs were on schedule by reviewing the project agreement and quarterly progress reports.
<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 FDRs.</p>	<p>Completed projects 0800000613, 0800020276, and 0813000121:</p> <ul style="list-style-type: none"> • 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. • Evaluated whether the project benefits/outcomes were adequately reported in the FDRs by interviewing SBCTA staff and reviewing traffic impact studies to support the reported benefits/outcomes. <p>Interim project 0816000140:</p> <ul style="list-style-type: none"> • Determined whether there is a system in place to report actual project benefits/outcomes by interviewing SBCTA staff and reviewing the project baseline schedule and weekly progress meeting agendas.

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; however, as noted in Finding 1, FDRs for the completed projects were not submitted timely. Although all the projects were behind schedule, SBCTA appropriately informed Caltrans and CTC of the delays.

Additionally, for completed projects 0800000613, 0800020276, and 0813000121, we obtained reasonable assurance the benefits/outcomes, as described in the executed project agreements or approved amendments, were adequately reported in the FDRs. The expected benefits/outcomes were achieved for projects 0800020276 and 0813000121, but not for project 0800000613. The measured benefits/outcomes had a variance of less than one percent. See Appendix A for details.

For interim project 0816000140, there is a system in place to determine and report actual project benefits/outcomes.

FINDINGS AND RECOMMENDATIONS

Finding 1: Final Delivery Reports Not Submitted Timely

FDRs were not submitted to Caltrans within six months of the projects becoming operable (Notice of Completion date), as follows:

Project Number	Project Name	Notice of Completion Date	FDR Due Date	FDR Submitted Within Six Months ³
0800000613	I-15 Ranchero Road Interchange	December 21, 2015	June 21, 2016	No
0800020276	Palm Avenue Grade Separation	September 10, 2015	March 10, 2016	No
0813000121	I-10 Pepper Interchange Improvement	April 17, 2018	October 17, 2018	No

The FDR includes the scope of the completed project, the final costs compared to the approved project budget, the project duration as compared to the project schedule, and project benefits/outcomes derived from the project as compared to those

³ See Appendices A-1, A-2, and A-3 for FDR submission dates.

described in the project agreements. SBCTA stated FDRs were held until all claims were resolved and costs were final. SBCTA further stated they were unaware of the option to file a Supplemental FDR for any updates, such as expenditures, to the original FDR.

This issue was also noted in our February 2016 audit report where FDRs for multiple Proposition 1B funded projects were not submitted timely to Caltrans. In SBCTA's response to the prior audit finding, a draft FDR would be submitted within the required time period and then finalized when all outstanding issues were resolved. This process was not continued for subsequent Proposition 1B funded projects as late submission of FDRs of all completed projects remains an issue.

Late submission of reports decreases transparency of the status of a project and inhibits Caltrans/CTC's ability to timely review the completed project scopes, final costs, schedules, and performance outcomes. In addition, late submission of reports to Caltrans could result in sanctions imposed upon SBCTA in accordance with the current Local Assistance Procedures.

CMIA Accountability Implementation Plan and SLPP and TCIF guidelines, sections IV C.1, 14, and 17, respectively, require submission of FDRs within six months of the projects becoming operable. In addition, the Proposition 1B Project Close-out Process Update 2016 further states final project expenditures should be reported in the Supplemental FDR.

Recommendations:

- A. Establish a process that will ensure FDRs for future Proposition 1B funded projects are submitted within six months of the projects becoming operable.
- B. Review program guidelines to ensure a clear understanding of the requirements.
- C. Submit FDRs for completed projects to Caltrans within the specified time frame 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: CMIA
- Final Delivery Report: FDR
- Level of Service: LOS
- San Bernardino County Transportation Authority: SBCTA
- State Transportation Improvement Program Augmentation: STIP Augmentation
- State-Local Partnership Program Account: SLPP
- Trade Corridors Improvement Fund: TCIF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures in Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0800000613	\$31,801,282	C	Y	Y	N	Y	A-1
0800020276	\$1,876,875	C	Y	Y	Y	Y	A-2
0813000121	\$1,050,611	C	Y	Y	Y	Y	A-3
0816000140	\$524,687	I	Y	Y	N/A	N/A	A-4

Legend

C = Construction is complete and the project is operational.

I = Construction is not complete.

N = No

N/A = Not Applicable, project deliverables/outputs and project benefits/outcomes were not audited as the project is not complete.

Y = Yes

Project Number: 0800000613

Project Name: I-15 Ranchero Road Interchange

Program Name: CMIA, SLPP, STIP Augmentation

Project Description: Construct interchange on I-15 at Ranchero Road in Hesperia between Joshua Street and Oak Hill Road.

Audit Period: May 15, 2012 through January 16, 2016 for audit objective 1⁴
May 15, 2012 through January 26, 2017 for audit objectives 2 and 3⁵

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital - CMIA	\$20,000,822
Construction Capital - SLPP	3,009,602
Construction Support - SLPP	1,311,857
Construction Capital - STIP Augmentation	7,479,000
Total Proposition 1B Expenditures	\$31,801,281

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 on December 21, 2015 and project deliverables/outputs were consistent with the project scope. As noted in Finding 1, the FDR was due on June 21, 2016, but was not submitted until January 26, 2017. Additionally, the project was behind schedule and completed 17 months late. Although the project was behind schedule, SBCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. However, SBCTA did not achieve the expected project benefits/outcomes as described in the executed project agreement or approved amendments. The measured benefits/outcomes had a variance of less than one percent. See Appendix A for details.

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	Benefits/Outcomes Achieved
Daily Vehicle Hours of Delay saved is 958.	Daily Travel Time Savings (hours): 957	No
Daily Peak Hour Person Minutes saved is 76,292.	Peak Period Time Savings (minutes): 76,184	No

Project Number: 0800020276

Project Name: Palm Avenue Grade Separation

Program Name: TCIF

Project Description: Construct railroad grade separation and widen Palm Avenue and Cajon Boulevard from two to four lanes.

Audit Period: September 1, 2008 through September 30, 2016 for audit objective 1⁶
September 1, 2008 through February 16, 2017 for audit objectives 2 and 3⁷

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital	\$1,876,875
Total Proposition 1B Expenditures	\$1,876,875

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 on September 10, 2015 and project deliverables/outputs were consistent with the project scope. As noted in Finding 1, the FDR was due on March 10, 2016, but was not submitted until February 16, 2017. Additionally, the project was behind schedule and completed 20 months late. Although the project was behind schedule, SBCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

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

⁶ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁷ 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	Eliminate potential accidents with at grade crossings of rail lines.	One accident occurred over the 10 year period prior to the opening of the grade separation, at which point the accidents have been reduced to zero.	Yes
Velocity	Reduction of 23 existing vehicle hours.	Grade separation reduces delay to zero. Reduced existing delay by 23 daily vehicle hours. Projected to reduce 105 daily vehicle hours in 2030.	Yes
Throughput	Elimination of current gate downtime of 3.32 hours per day. Elimination of gate downtime of 6.6 hours per day in 2030.	Gate downtime reduced to zero from 3.32 hours per day for existing conditions. Reduced to zero from 6.6 hours per day in 2030.	Yes
Reliability	Eliminate emergency vehicles delay time up to 5 minutes.	Emergency vehicle delay time reduced to zero because of no gate downtime. Delay time reduced by average of 5 minutes when gates are down.	Yes
Congestion Reduction	Eliminate current at grade vehicle queue rate of 166 vehicles per hour per lane. Eliminate at grade vehicle queue rate of 327 vehicles per hour per lane in 2030.	Vehicles previously developed queues at a rate of 166 vehicles per hour per lane in the existing condition. This congestion and future 2030 congestion has been eliminated.	Yes
Emissions Reductions	Estimate emission reductions in tons per day: <ul style="list-style-type: none"> • CO2: 0.066 • NOx: 0.00002 • PM2.5: 0.00001 • ROG: 0.00001 	Reduced incremental emission to zero over the no-build condition.	Yes

Project Number: 0813000121

Project Name: I-10 Pepper Interchange Improvement

Program Name: TCIF

Project Description: Replace and widen the bridge at Pepper Avenue from three lanes to five and replace the existing Interstate 10 Bridge at Pepper Avenue.

Audit Period: May 28, 2015 through February 21, 2019 for audit objective 1⁸
May 28, 2015 through October 23, 2018 for audit objectives 2 and 3⁹

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital ¹⁰	\$ 850,569
Construction Engineering	200,042
Total Proposition 1B Expenditures	\$1,050,611

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 on April 17, 2018 and project deliverables/outputs were consistent with the project scope. As noted in Finding 1, the FDR was due on October 17, 2018, but was not submitted until October 23, 2018. Additionally, the project was behind schedule and completed eight months late. Although the project was behind schedule, SBCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

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

⁸ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁹ The audit period end date reflects the FDR submission date.

¹⁰ Construction capital includes \$31,943 in construction costs not eligible for Federal reimbursement.

Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Improve traffic conditions to LOS of D or better at studied intersections.	Additional lanes have been provided on all the ramps and north/south approaches to I-10, which improves LOS from E to D.	Yes

Project Number: 0816000140

Project Name: Monte Vista Grade Separation

Program Name: TCIF

Project Description: Construct a grade separation at Monte Vista Avenue/Union Pacific Railroad and associated roadway improvements to provide four lanes of traffic and a connector between Monte Vista Avenue and State Street.

Audit Period: March 16, 2016 through December 20, 2018 audit objective 1¹¹
March 16, 2016 through November 27, 2019 for audit objectives 2 and 3¹²

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital	\$524,687
Total Proposition 1B Expenditures	\$524,687

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, SBCTA has a system in place to ensure the match requirement will be met.

Deliverables/Outputs

Target completion for the construction phase of this project was January 2019. At the time of fieldwork in November 2019, project deliverables/outputs were consistent with the project scope as stated in the fiscal year 2018-19 third quarter progress report submitted to Caltrans. Although the project is behind schedule, SBCTA has appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR had not been submitted at the time of our fieldwork in November 2019. However, a system is in place to measure achievements of actual project benefits/outcomes.

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

¹² The audit period end date reflects the end of audit fieldwork.

APPENDIX B

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

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

March 2, 2020

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

Dear Ms. McCormick,

Thank you for providing the draft audit report of the San Bernardino County Transportation Authority's (SBCTA) Proposition 1B funded projects.

This letter is to provide a response to the only finding; Finding 1: Final Delivery Reports (FDR), that was not submitted to Caltrans within six months of the projects becoming operable (Notice of Completion date) as follows:

Project Number	Project Name	Notice of Completion Date	FDR Due Date	FDR Submitted Within Six Months ³
0800000613	I-15 Ranchero Road Interchange	December 21, 2015	June 21, 2016	No
0800020276	Palm Avenue Grade Separation	September 10, 2015	March 10, 2016	No
0813000121	I-10 Pepper Interchange Improvement	April 17, 2018	October 17, 2018	No

There were several reasons that resulted in delayed submittals, each varying for the three projects referenced in Finding 1. In all cases, SBCTA made efforts to communicate delays on submittals with Caltrans representatives and staff was timely in providing data for the required monthly expenditure and status reports which were regularly posted on the Proposition 1B website. A summary of these reasons are provided below:

- Interstate 15 Ranchero Road Interchange - SBCTA staff submitted the FDR on January 26, 2017 to Samuel Jee, Caltrans District Project Manager (see attached e-mail). While it was still after the FDR due date, it was significantly sooner than what is documented in the draft audit report of May 7, 2019. The delay was due to the additional time needed to complete the Benefit Cost (B/C) evaluation, which was completed in late 2016. Data needed to complete the B/C evaluation included updated traffic volumes and other quantitative output in order to calculate post construction traffic Levels of Service. These updated quantitative measures were not anticipated since future year traffic volumes generated from the regional traffic model were used for the Proposition 1B project application. This new data had to first be gathered and processed before updated traffic metrics could be calculated.
- Palm Avenue Grade Separation - SBCTA staff were in discussion with Bill Huang, Caltrans Headquarter TCIF Program Coordinator regarding the status of the closeout. Per the audit, it shows project completion on September 17, 2015 with FDR due on March 17, 2016 and the FDR was not submitted until February 16, 2017. SBCTA had been providing updates to Caltrans stating that we were still compiling the

final project cost and claims (see attached e-mail). The actual contract acceptance on the project was June 2016, and the final cost reconciliation and B/C evaluation was completed in late 2016.

- Interstate 10 Pepper Interchange - The submittal of the FDR for the Interstate 10 Pepper Avenue Interchange Project was slightly delayed primarily because staff held the filing of the FDR in anticipation of resolution of a minor claim. Although the project was completed, there was an unresolved claim in the amount of \$40,000. Both SBCTA and the contractor anticipated timely resolution of the claim since the amount in dispute was considered to be minimal; however, actual resolution took longer than anticipated. While the claim was in dispute, reconciliation of costs for the report was held in anticipation of claim resolution in order to provide the best reporting of costs. Staff eventually decided to complete the FDR with the best information available without resolution of the claim; however, this resulted in filing of the FDR three working days past the six-month deadline.

In response to the findings related to delayed FDR submittals, SBCTA has implemented the following measures described below:

1. Anticipate B/C analysis timelines and requirements: staff began discussions on implementing protocols for anticipating post-construction analysis needed for State program reporting. In fact, a post construction traffic study was added to the Scope of Work for an upcoming design contract intended to help with compliance with program reporting requirements and deadlines. Planning and programming staff are also considering inclusion of this analysis in on-call agency contracts.
2. Provide Staff training: SBCTA will conduct training to pertinent staff on State program requirements and deadlines. This training will discuss procedures and protocols on accurate and timely preparation and filing of reports and data. A focus of this training will be on FDR submittals needing to meet the 6-month deadlines even if final costs and claims have not been resolved. Following the resolution of all costs and claims a Supplemental FDR will be submitted.
3. Track status of FDRs internally on a bi-monthly basis: the topic of FDRs will be included in the agency's cross-department bi-monthly financial status meetings. Tracking the status of FDRs on a regular basis will keep its status on the forefront.
4. Continue communication with Caltrans and other partners: SBCTA will continue correspondence with State personnel on status of B/C analysis, financial reconciliation, and report preparation to communicate status, challenges, or potential delays.

SBCTA truly appreciates the opportunity to respond to Finding 1 in the February 21, 2020 Office of State Audits and Evaluations Draft Report. Please contact Tim Hilton, Project Controls Manager at 909-884-8276 or thilton@gosbcta.com should you have any questions.

Sincerely,



Raymond W. Wolfe
Executive Director

EVALUATION OF RESPONSE

SBCTA's response to the draft audit report has been reviewed and incorporated into the final report. We acknowledge SBCTA's willingness to implement our recommendations and in evaluating SBCTA's response, we provide the following comments:

Finding 1: Final Delivery Reports Not Submitted Timely

In the response to the draft audit report, SBCTA provided additional documentation to support the FDR submission date for Project 0800000613, though we had previously requested the documents during our fieldwork. Accordingly, we have updated Appendix A-1 of our report to reflect January 26, 2017, the initial date of submission to Caltrans. However, Finding 1 remains unchanged.