



Memorandum

To:
RIHUI ZHANG
CHIEF
DIVISION OF LOCAL ASSISTANCE

Date: January 13, 2020

File: P2525-0064
P2535-0130

From:
MARSUE MORRILL, CPA
CHIEF
INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS
P.O. BOX 942874, MS-2
PHONE (916) 323-7111
FAX (916) 323-7123
TTY 711
<https://ig.dot.ca.gov>

SUBJECT: CITY OF ONTARIO, 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 City of Ontario's (City) Proposition 1 B funded projects listed below. The complete audit report is attached.

PROJECT NAME	PROJECT NUMBER	P NUMBER	FUND
Grade Separation at South Miliken Avenue	0813000114	P2525-0064	TCIF/SLPP
Grade Separation at North Vineyard Avenue	0813000100	P2535-0130	SLPP

Based on the audit, Finance determined the City claimed and was reimbursed \$67,428 of ineligible construction engineering expenditures. In addition, Finance determined the City did not prepare a detailed cost estimate to be used in contract negotiations to ensure services were obtained at a fair and reasonable price. Also, Finance found the Final Delivery Report for project 0813000100 was not submitted to Caltrans within six months of the project becoming operable. Finally, Finance determined that for both projects, project benefits/outcomes, those current and expected to be achieved in year 2030, were not supported with engineering or scientific studies.

RIHUI ZHANG
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Please provide our office with a corrective action plan, including time lines, by March 13, 2020.

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

Attachment

c: Dawn Cheser, Deputy Director, California Transportation Commission
Michael Beauchamp, Director, District 8, California Department of Transportation
Ray Desselle, Deputy District 8 Director, Planning, 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

P2525-0064
P2535-0130



City of Ontario

Proposition 1B Bond Program

Project Numbers 0813000114 and 0813000100

Report No. 19-2660-096
January 2020

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Zachary Stacy, Manager
Andrea Cortez, Supervisor
Daisy Rose, Lead
Sergey Fomin
An Truong
Veronica Zalvidea

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



DEPARTMENT OF FINANCE

GAVIN NEWSOM - GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

January 8, 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—City of Ontario, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Ontario (City) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0813000114	P2525-0064	Grade Separation at South Milliken Avenue
0813000100	P2535-0130	Grade Separation at North Vineyard Avenue

The enclosed report is for your information and use. The City's response to the report findings is incorporated into this final report. The City agreed with our findings. We appreciate the City'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 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 City of Ontario (City) \$21.8 million in Proposition 1B funds from the Trade Corridor Improvement Fund (TCIF) and \$26.7 million from the State-Local Partnership Program Account (SLPP) to construct two grade separations within the City. The South Milliken Avenue Railroad Grade Separation project (0813000114) and North Vineyard Avenue Railroad Grade Separation project (0813000100) are both situated at key locations along the Alameda Corridor East. The City was required to provide a dollar-for-dollar match for both TCIF and SLPP funding.

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.

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 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).

PROGRAM DESCRIPTION¹

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.

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. Transportation Impact Fee funds were used to meet the match requirement.

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

For audit objective 3, many of the benefits/outcomes are not expected to be achieved until the year 2030. 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.

The City's management is responsible for ensuring accurate financial reporting; compliance with 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. CTC and Caltrans 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 reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations, and interviewing Caltrans and City personnel.

We conducted a risk assessment, including evaluating whether the City's key internal controls relevant to our audit objectives, such as procurement, vendor progress payment preparation, reimbursement invoice preparation, and review and approval processes, were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with City personnel, observing processes, and testing transactions related to construction expenditures, contract procurement, and project deliverables/outputs. 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 the City's PlanetBids procurement system and the PeopleSoft accounting system. To assess the reliability of data generated by these systems, we interviewed City staff, performed observations of the systems, examined existing reports and documents, and compared system generated data to source documents. 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 the City'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 agreements.</p>	<ul style="list-style-type: none"> • Reviewed contractor procurement records to verify compliance with the Caltrans Local Assistance Procedures Manual (LAPM) requirements. Specifically, we determined whether projects were appropriately advertised and awarded to the lowest, responsible bidder by reviewing project advertisements, bidding documents, and contracts. • Reviewed construction engineering procurement records to verify compliance with the Caltrans LAPM requirements. Specifically, we determined whether projects were appropriately advertised and awarded to the most qualified consultant by reviewing project advertisements, consultant proposals and final ranking sheet, and the construction engineering contract. • Selected items from the significant and high risk expenditure categories to verify compliance with selected project requirements. Specifically, we selected expenditures from the construction category for both projects 0813000114 and 0813000100, and the construction engineering category for project 0813000114. The following was performed: <ul style="list-style-type: none"> ○ Selected the first reimbursement claim as well as the most quantitatively significant reimbursement claim for each project, and selected eight construction progress payments from these claims (four progress payments per project). Determined if selected expenditures were paid, allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, original invoices, and cancelled checks, and by recalculating the cost of bid items invoiced using the unit costs per the construction contracts. ○ Selected the most quantitatively significant reimbursement claim for consultant expenditures for project 0813000114, and selected three consultant payments from this claim. Determined if selected expenditures were allowable, project-related, incurred within the allowable time frame, authorized, and supported by reviewing consultant invoices, timesheets, and billing rates, and comparing to the consultant contract. ○ Selected the most quantitatively significant contract change order (CCO) paid for project 0813000114. Determined if selected CCO was project-related, consistent with the construction contract, not a contract duplication, justified, and properly approved by reviewing the CCO for the change order description, approved justification letter, and monthly progress reports, and comparing to the related construction contract. • Performed analytical procedures to determine whether the match requirement for both projects was met. Specifically, we reviewed accounting records to determine total project costs, and then verified the amount claimed was less than 50 percent of total project costs. In addition, we verified the source of funds used to meet the matching requirement complied with TCIF and SLPP guidelines. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by interviewing City staff, reviewing a list of other funding sources, project accounting records, final reimbursement claims, construction and consultant contracts, the City's chart of accounts, and performing 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>	<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), supporting documentation, and conducting site visits to verify project existence. • Evaluated whether selected project deliverables/outputs were completed on schedule as described in the PPR by reviewing quarterly progress reports, the Notice of Completions, and the FDRs.
<p>Objective 3: To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p>	<ul style="list-style-type: none"> • Determined whether 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. • Evaluated whether selected project benefits/outcomes were adequately reported in the FDRs by reviewing studies that support the project benefits/outcomes. • Evaluated whether the estimated project benefits for emissions reduction, velocity, and throughput described in the executed project agreements were supported with engineering or scientific studies or whether the City has a system in place to measure future reported benefits.

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 agreements, except as noted in Finding 1. Additionally, certain procurement practices do not follow Caltrans/CTC’s program guidelines and applicable state and federal regulations as cited in the executed agreements, as noted in Finding 2.

We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scopes. Although projects 0813000114 and 0813000100 were behind schedule, the City appropriately informed Caltrans and CTC of the delays. However, the FDR for project 0813000100 was not submitted timely to Caltrans, as noted in Finding 3.

Further, the City could not support project benefits/outcomes as described in the project agreements and reported in the FDR for both projects, those current and expected to be achieved in the year 2030, as noted in Finding 4.

FINDINGS AND RECOMMENDATIONS

Finding 1: Ineligible Construction Engineering (Consultant) Expenditures

For project 0813000114, the City claimed and was reimbursed \$67,428 of ineligible construction engineering expenditures. Specifically, the City’s reimbursement claim to Caltrans included consultant personnel costs for one employee at a higher billing rate than was agreed upon within the original consultant contract and also included two additional employees whose names, job titles, and applicable billing rates were absent from the original consultant contract. See Table 1 below for a summary of ineligible consultant costs from the amounts tested.

Table 1: Ineligible Consultant Costs

Consultant Employees Tested	Total Hours Worked	Unsupported/ Ineligible Billing Rate	Ineligible Costs-rounded (paid by City)
Employee A*	184	\$11.27	\$2,074
Employee B**	282	\$164.01	\$46,251
Employee C**	494	\$164.01	\$81,021
Total Ineligible Costs			\$129,346
Questioned Costs = Ineligible x 52.13 percent *** (reimbursed by Caltrans)			\$67,428

* Employee billing rate per the contract was lower than paid by the City.

** Employee and billing rate were not included in the contract.

*** The City requested reimbursement at 52.13 percent of total costs.

Section 3.3.1 of the contract between the City and the consultant states the consultant shall receive compensation for services rendered under the agreement at the rates set forth in Exhibit C - Compensation. Exhibit C specifies the names and hourly billing rates of consultant personnel performing work on the projects. Further, the LAPM, Chapter 10, section 8, requires all contract

amendments to be in writing and fully executed by the consultant and local agency before reimbursable work begins on the amendment. The LAPM also states that the consultant should not substitute key personnel (project manager and others listed by name in the cost proposal) without prior written approval from the local agency; to do so can result in costs being ineligible for state reimbursement.

The City was made aware of the increase in billing rates and the addition of two employees; however, the City was unaware of the LAPM requirements; and therefore, did not formalize the approval of the rate changes with a contract amendment. In addition, the City's review and approval of consultant invoices did not verify that personnel costs charged by the consultant aligned with the contract.

Without a contract amendment or documentation to demonstrate approvals of changes in billing rate or personnel, ineligible expenditures attributed to three consultant employees were reimbursed by Caltrans in the amount of \$67,428.

Recommendation:

- A. Remit \$67,428 to Caltrans.
- B. Collaborate with Caltrans to identify additional ineligible consultant personnel costs and remit total ineligible costs to Caltrans.
- C. Review the LAPM to ensure an understanding of all contracting requirements.
- D. Revise current procedures for the review of consultant invoices to ensure compliance with contract requirements.

Finding 2: Improvements Needed in Procurement Practices

The City did not prepare a detailed cost estimate to be used in contract negotiations to ensure services were obtained at a fair and reasonable price. Further, during the consultant selection process, the City maintained the final consultant ranking sheet, but it did not maintain the individual scoring sheets used to evaluate and score each consultant proposal.

Cost Estimate Not Prepared

In reference to the Federal Code of Regulations, 49 CFR 18.36(f), the LAPM Chapter 10, section 2, states an independent estimate for cost or price analysis is needed for all consultant contracts to ensure that consultant services are obtained at a fair and reasonable price. This estimate is prepared in advance of requesting a cost proposal from the top-ranked consultant so the local agency's negotiating team has a detailed cost analysis of the project to evaluate the reasonableness of the consultant's cost proposal.

The City does not have a process in place to prepare a formal cost estimate for consultant contracts and was not aware of the requirement in LAPM, Chapter 10 requiring the use of a detailed cost estimate when selecting consultants through a Request for Proposal (RFP). The City's construction engineering contract came within the estimate range used by the City, whereby the City applied the industry standard of 15 percent for participating construction costs per LAPM Chapter 12. This would be considered a reasonable and fair contract based on that criteria. However, when contracting out

LAPM Chapter 10, section 2 – the cost estimate must include a detail cost breakdown of the following:

- Direct labor costs
- Indirect costs
- Sub-consultant costs
- General and administrative costs
- Net fee or profit
- Other direct costs

its construction engineering through an RFP, the City should follow all requirements which includes preparing a detailed cost estimate.

Without a detailed cost estimate, the City is unable to adequately conduct a price analysis and evaluate whether consultant services were obtained at a fair and reasonable price.

Individual Scoring Sheets Not Maintained

LAPM Chapter 10, section 5 requires the members of the consultant selection committee to evaluate each proposal in terms of the technical criteria listed in the RFP and to maintain notes as to why a particular consultant was not selected. For the consultant scoring sheets, the City's current practice is to purge the sheets once the final ranking has been developed and the contract is awarded. This practice does not align with LAPM Chapter 10, section 8, which requires project records and documentation to be kept for three years after payment of the final state voucher. Among the records to be retained are the evaluation and ranking records, such as original score sheets from all panel members.

Maintaining the individual scoring sheets provides an audit trail for how the selection committee scored each individual consultant and supports the final ranking used in contract negotiations.

Recommendation:

- A. Revise current policies and procedures and business practices to ensure compliance with state requirements. Specifically, maintain individual consultant scoring sheets for a minimum of three years after final contract payment, and develop and maintain a detailed cost estimate following the LAPM guidelines.

Finding 3: Final Delivery Report Not Submitted Timely

The FDR for project 0813000100 was not submitted to Caltrans within six months of the project becoming operable (Notice of Completion date). The project's FDR was due April 2017, but was not submitted until September 2018, 17 months late. According to the City, FDRs were submitted when FDRs were requested by Caltrans SLPP and TCIF program coordinators. The City received monthly reminders from Caltrans program coordinators for quarterly reports, but did not receive reminders regarding the submission of FDRs prior to the due date. The City was not aware of the FDR due date, nor did the City have a system in place to ensure that the FDR was prepared and delivered on or before the due date.

The SLPP and TCIF program guidelines, sections 14 and 17, respectively, require the City 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 as compared to those in the executed project agreements and approved amendments.

Recommendations:

- A. Review the respective Proposition 1B program guidelines to ensure a clear understanding of the requirements.
- B. Ensure sufficient monitoring of Proposition 1B projects to meet all necessary deadlines.
- C. Submit FDRs for future state funded projects as required.

Finding 4: Improvements Needed in Reporting Project Benefits/Outcomes

For projects 0813000114 and 0813000100, project benefits/outcomes, those current and expected to be achieved in year 2030, were not supported with engineering or scientific studies. While the City provided a preliminary engineering report, the City confirmed this report was not used to determine the benefits/outcomes listed in the PPR. Additionally, the City did not perform a study or evaluation of current project benefits, and has no system in place to ensure future benefits will be achieved.

The City was unaware of the requirement to maintain documentation to support the reported benefits/outcomes. The City believed San Bernardino County Transportation Authority (SBCTA), who had originally applied for funding on the City's behalf, would maintain such documentation as it had developed the benefits/outcomes for both projects. However, neither SBCTA nor the City could explain how the metrics listed in the baseline agreement and PPR were developed. Nonetheless, the City is the implementing agency and is ultimately responsible for ensuring the project benefits/outcomes are adequately supported and reported in the project agreements and FDRs.

The SLPP and TCIF program guidelines, sections 14 and 17, respectively, require a FDR at the completion of the project on the performance outcomes derived from the project as compared to those described in the project baseline agreement. Further, TCIF guidelines, section 7, states that each project nomination should include documentation supporting the benefits cited in the nomination. Inaccurate information in the FDR decreases the transparency of project outcomes and prevents Caltrans and CTC from reviewing the success of the project based on the agreed upon project benefits/outcomes.

Recommendations:

- A. Review the project agreement and program guidelines to ensure a clear understanding of the reporting requirements.
- B. Maintain documentation to support benefits/outcomes reported in the FDRs.
- C. If necessary, submit Supplemental FDRs to accurately report benefits/outcomes achieved for the projects.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Ontario: City
- Final Delivery Report: FDR
- State-Local Partnership Program Account: SLPP
- Trade Corridor Improvement Fund: TCIF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved ²	Benefits/ Outcomes Adequately Reported ²	Page
0813000114	\$27,745,712	C	P	Y	P	P	A-1
0813000100	\$19,490,000	C	Y	Y	Y	Y	A-2

Legend

C = Construction is complete and the project is operational.

Y = Yes

N = No

P = Partial

² For project 0813000114, some of the project benefits/outcomes for velocity, throughput, and congestion reduction are expected to be achieved in the year 2030. Further, for project 0813000100, project benefits/outcomes for gate down time and daily vehicle hour reduction are expected to be achieved in the year 2030. Therefore, we did not evaluate whether these benefits/outcomes were achieved or adequately reported.

Project Number: 0813000114

Project Name: South Milliken Avenue Railroad Grade Separation

Program Name: TCIF, SLPP

Project Description: Grade separation at Milliken Avenue to mitigate community impacts of goods movement and provide more reliable truck access to the logistics complex and air cargo facilities at Los Angeles/Ontario International Airport.

Audit Period: June 11, 2013 through June 6, 2018 for audit objective 1³
June 11, 2013 through September 20, 2018 for audit objectives 2 and 3⁴

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed	Unallowable Expenditures
Construction Capital – TCIF	\$18,333,230	\$ 0
Construction Engineering – TCIF	2,202,482	51,182
Construction Capital – SLPP	6,526,278	0
Construction Engineering – SLPP	683,722	16,246
Total Proposition 1B Expenditures	\$27,745,712	\$67,428

Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed agreements, except for \$67,428 of unallowable construction engineering expenditures, as noted in Finding 1. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in November 2017. At the time of our site visit in June 2019, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed four months late, the City appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

While the completion of the project would achieve a certain level of benefits/outcomes, the actual current and future benefits/outcomes as reported in the FDR are unsupported, as noted in Finding 2. As a result, the achievement of benefits could not be determined, nor could we conclude whether the benefits/outcomes were adequately reported.

³ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁴ The audit period end date reflects the FDR submission date.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Eliminate potential accidents with at grade crossings of rail lines.	Eliminate potential accidents with at grade crossings of rail lines.	Yes
Velocity	Reduction of 20 existing daily vehicle hours.	Grade separation reduces delay to zero. Reduced existing delay by 29 daily vehicle hours.	No
	Reduction of 131 daily vehicle hours in 2030.	Expected to be achieved in 2030.	N/A
Throughput	Elimination of current gate down time of 1.3 hours per day.	Gate down time reduced to zero from the existing 1.3 hours per day.	No
	Elimination of gate down time of 2.0 hours per day in 2030.	Expected to be achieved in 2030.	N/A
Reliability	Eliminate emergency vehicle delay time of up to 5 minutes.	Emergency vehicle delay time reduced to zero because of no gate down time. Delay time reduced by average of 5 minutes when gates are down.	No
Congestion Reduction	Eliminate current at grade vehicle queue rate of 203 vehicles per hour per lane.	Vehicles previously developed queues at a rate of 203 vehicles per hour per lane in the existing condition and 448 vehicles per hour per lane in 2030. This congestion and future congestion has been eliminated.	No
	Eliminate at grade vehicle queue rate of 448 vehicles per hour per lane in 2030.	Expected to be achieved in 2030.	N/A
Emissions Reduction	Estimate emissions reductions in tons per day. CO2- 0.077 Nox- 0.0005 PM2.5- 0.00001 ROG- 0.00002	Reduced incremental emission to zero and over the no-build condition, as shown in the Adopted Program.	No

Project Number: 0813000100

Project Name: North Vineyard Avenue Railroad Grade Separation

Program Name: SLPP

Project Description: Grade separation at North Vineyard Avenue to mitigate community impacts of goods movement and provide more reliable truck access to the logistics complex and air cargo facilities at Los Angeles/Ontario International Airport.

Audit Period: June 11, 2013 through May 18, 2018 for audit objective 1⁵
June 11, 2013 through September 20, 2018 for audit objectives 2 and 3⁶

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital	\$ 19,386,437
Construction Engineering	103,563
Total Proposition 1B Expenditures	\$ 19,490,000

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 agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in October 2016. At the time of our site visit in June 2019, project deliverables/outputs were consistent with the project scope. The project FDR was due in April 2017, but was not submitted until September 2018, as noted in Finding 3. Additionally, the project was behind schedule and completed 17 months late; however, the City appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

While the completion of the project would assuredly achieve a certain level of benefits/outcomes, the expected benefits/outcomes to be achieved in 2030 are unsupported, as noted in Finding 2.

⁵ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

⁶ The audit period end date reflects the FDR submission date.

Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
<p>Railroad grade separations increase travel reliability on major roadways for both the community and truck traffic, improve air quality, eliminate potential conflicts between vehicular and train traffic, which all act to mitigate the impact of freight movement on communities.</p> <p>This grade separation will eliminate gate down time totaling 2.4 hours per day in 2030 and is estimated to reduce 98 daily vehicle hours in 2030.</p>	<p>This project replaced the existing at-grade railroad-roadway crossing with a grade separated roadway underpass. The resulting project eliminated traffic delays at the intersection between railroad and vehicular traffic, increased reliability for train movements, improved emergency vehicle access, improved safety by eliminating the railroad crossing, and provided a more efficient freeway/arterial operation.</p> <p>Expected to be achieved in 2030.</p>	<p>Yes</p> <p>N/A</p>



PAUL S. LEON
MAYOR

RUBEN VALENCIA
MAYOR PRO TEM

ALAN D. WAPNER
JIM W. BOWMAN
DEBRA DORST-PORADA
COUNCIL MEMBERS

SCOTT OCHOA
CITY MANAGER

SHEILA MAUTZ
CITY CLERK

JAMES R. MILHISER
TREASURER

ENGINEERING DEPARTMENT

December 20, 2019

California Department of Finance
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

SUBJECT: PROPOSITION 1B AUDIT – CITY RESPONSE
PROJECT 0813000114 – SOUTH MILLIKEN GRADE SEPARATION
PROJECT 0813000100 – NORTH VINEYARD GRADE SEPARATION

Dear Ms. McCormick,

The City of Ontario has received the Department of Finance's Draft Report dated December 6, 2019 regarding the Proposition 1B audit performed for the subject projects and submits the following responses:

1. In response to Ineligible Construction Engineering (Consultant) Expenditures, the City acknowledges that substitution of inspection staff from the Consultant was not formalized. The City was aware of the substitution but was unaware of the LAPM requirements. Substitution of personnel did not change the contract fee and the consultant completed the services under the contract amount. The City will ensure LAPM requirements are followed on future applicable projects.
2. In response to Improvement Needed in Procurement Practices, the City was unaware of the specified LAPM requirements regarding preparation of a construction engineering cost estimate and maintenance of scoring sheets. The City will ensure LAPM requirements are followed on future applicable projects.
3. In response to Final Delivery Report Not Submitted Timely, the City will ensure to submit timely FDRs for future state funded projects as required.

4. In response to Improvements Needed in Reporting Project Benefits/Outcomes, the City will maintain documentation to support benefits/outcomes and submit Supplemental FDRs, if necessary.

Should you have questions, please contact Jay Bautista, Traffic/Transportation Manager at (909) 395-2120.

Sincerely,

ORIGINAL SIGNED BY:

Khoi Do, P.E.
City Engineer

cc: Jay Bautista, Traffic/Transportation Manager