



Memorandum

To:
RIHUI ZHANG
CHIEF
DIVISION OF LOCAL ASSISTANCE

Date: October 28, 2019

File: P2535-0135

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: FINAL REPORT - TOWN OF APPLE VALLEY, PROPOSITION 1B AUDIT

At the request of the Independent Office of Audits and Investigations the California Department of Finance, Office of Audits and Evaluations completed an audit of the Town of Apple Valley's Proposition 1B funded project listed below. The complete audit report is attached.

PROJECT NAME	PROJECT NUMBER	P NUMBER	FUND
Yucca Loma Bridge and Yates Road Improvements	0800000908	P2535-0135	SLPP

The audit did not disclose any findings. No further action is required.

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

Attachment

c: Dawn Cheser, Deputy Director, California Transportation Commission
Michael Beauchamp, Director, District 8, California Department of Transportation
Ray Desselle, Deputy District Director, Planning, District 8, California
Department of Transportation
Rambabu Bavirisetty, Chief, Office of Capital Improvement Programming,
California Department of Transportation
Doris M. Alkebulan, Prop 1 B Specialist, Transportation Programming, 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
P2535-0135



Town of Apple Valley
Proposition 1B Bond Program
State & Local Partnership Program
Project Number 0800000908

Report No. 19-2660-095
October 2019

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Zachary Stacy, Manager
Robert L. Scott, MSA, CPA, CGMA, Supervisor
Jeffrey Neller, Lead
Amy Dieng
Jessica Yip

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



October 21, 2019

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

Dear Ms. Morrill:

Final Report—Town of Apple Valley, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Town of Apple Valley's (Town) Proposition 1B project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0800000908	P2535-0135	Yucca Loma Bridge and Yates Road Improvements

Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

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

Sincerely,

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 Town of Apple Valley (Town) \$9.7 million in Proposition 1B funds from the State-Local Partnership Program (SLPP) for the Yucca Loma Bridge and Yates Road Improvements project (0800000908). The project's purpose was to build a bridge over the Mojave River and widen Yates Road from two lanes to four lanes. The Town was required to provide a dollar-for-dollar match of local funds for the SLPP funding. Construction for this project is complete and the project is operational.

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

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the project described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period 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 Report (FDR).

The Town'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. Caltrans and CTC are responsible for the state-level administration of the program.

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

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 Town personnel.

We conducted a risk assessment, including evaluating whether the Town's key internal controls relevant to our audit objectives, such as procurement, progress payment preparation, reimbursement request preparation, and review and approval processes were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with Town personnel and testing transactions related to construction expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. During our audit, we did not identify deficiencies in internal controls significant within the context of our audit objectives or that warranted the attention of those charged with governance.

We determined a reliability assessment of data from the Town's financial system, Eden Financial Systems, was not necessary because other sufficient evidence was available to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether the Town'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 construction and construction engineering procurement records to verify compliance with the Caltrans Local Assistance Procedures Manual (LAPM) requirements to determine if the project was appropriately advertised and awarded to the lowest, responsible, or most qualified bidder by reviewing project advertisements, bidding documents, and contracts. • Haphazardly selected two construction expenditure progress payments and three engineering invoices. In addition, we selected five construction change orders (CCO) for testing based on CCO amount and description. The following was performed: <ul style="list-style-type: none"> ○ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing contractor progress payments, engineering invoices, and cancelled checks, and comparing to relevant criteria. ○ Determined if reimbursed CCO was project-related, not a duplication of work, properly approved, and supported, by reviewing the project's scope of work, comparing the work in the CCO to the original construction contract, and reviewing vendor invoices. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by inquiring with Town staff, reviewing a list of other funding sources, project accounting records, vendor activity reports, and the Town project tracking spreadsheet, 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 scope and schedule.</p>	<ul style="list-style-type: none"> • Determined whether project deliverables/outputs were consistent with the project scope by reviewing the Project Programming Request and conducting a site visit to verify project existence. • Evaluated whether project deliverables/outputs were completed on schedule as described in the Project Programming Request by reviewing the FDR, the Notice of Completion, and Caltrans 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 FDR.</p>	<ul style="list-style-type: none"> • 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. • Evaluated whether project benefits/outcomes for traffic congestion reduction described in the executed project agreements were adequately reported in the FDR by interviewing City staff, observing traffic flow on the completed widened road and the new bridge, and relying on the Notice of Completion as support for the reported benefits/outcomes.

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.

RESULTS

Based on the procedures performed and evidence gathered, we obtained reasonable assurance 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. We also obtained reasonable assurance that project deliverables/outputs were consistent with the project scope. Although the project construction was behind schedule by three months, the Town appropriately informed Caltrans and CTC of the delay.

Additionally, we obtained reasonable assurance the Town achieved the expected project benefits/outcomes as described in the project agreements or approved amendments, and the benefits/outcomes were adequately reported in the FDR.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Final Delivery Report: FDR
- State-Local Partnership Program: SLPP
- Town of Apple Valley: Town

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0800000908	\$9,637,739	C	Y	Y	Y	Y	A-1

Legend

C = Complete

Y = Yes

Project Number: 0800000908

Project Name: Yucca Loma Bridge and Yates Road Improvements

Program Name: SLPP

Project Description: Construct a bridge over the Mojave River and widen Yates Road from two lanes to four lanes.

Audit Period: June 11, 2007 through July 31, 2016 for audit objective 1²
June 11, 2007 through January 11, 2017 for audit objectives 2 and 3³

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

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Capital	\$8,714,530
Construction Engineering	923,209
Total Proposition 1B Expenditures	\$9,637,739

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. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in September 2016. At the time of our site visit in July 2019, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed three months late, the Town appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Relieve traffic congestion and improve regional traffic circulation.	Relieve traffic congestion and improve regional traffic circulation.	Yes

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 FDR submission date.