



## Memorandum

**To:**  
RIHUI ZHANG  
CHIEF  
DIVISION OF LOCAL ASSISTANCE

**Date:** December 2, 2019

**File:** P2545-0034  
P2525-0079  
P2525-0082

**From:**  
MARSUE MORRILL, CPA  
CHIEF  
INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS  
P.O. BOX 942874, MS-2  
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**SUBJECT: REPORT REISSUE - PORT OF STOCKTON, 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 Port of Stockton's (Port) Proposition 1 B funded projects listed below. The complete audit report is attached.

PROJECT NAME	PROJECT NUMBER	P NUMBER	FUND
Navy Drive/ Burlington Northern Santa Fe Underpass Improvement	0015000198	P2545-0034	HRCSA
San Francisco Bay to Stockton Ship Channel Deepening	1000020283	P2525-0079	TCIF
Navy Drive Widening	101600204	P2525-0082	TCIF

Note: This report is reissued due to an incorrect audit assignment number on the prior report.

Based on the audit, Finance determined the Port does not thoroughly review invoices by consultants and does not consistently comply with its internal practices. In addition, Finance determined the Port does not maintain documentation evidencing the review and evaluation of the applicant's qualifications when hiring consultants. Finally, Finance determined that projected benefits/outcomes approved by the California Department of

Transportation and the California Transportation Commission for project 0015000198 were not adequately reported in the Final Delivery Report.

Please provide our office with a corrective action plan, including time lines, by February 2, 2020.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, by email at [luisa.ruvalcaba@dot.ca.gov](mailto:luisa.ruvalcaba@dot.ca.gov).

#### Attachment

c: Dawn Cheser, Deputy Director, California Transportation Commission  
Dan McElhinney, Director, District 10, California Department of Transportation  
Ken Baxter, Deputy District 10 Director, Planning Local Assistance & Environmental,  
California Department of Transportation  
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 1B 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

P2545-0034  
P2525-0079  
P2525-0082



## Port of Stockton

Proposition 1B Bond Programs  
Project Numbers 0015000198, 1000020283,  
and 1016000204

Report No. 19-2660-042  
November 2019

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
Sherry Ma, CRP, Manager  
Kylie L. Oltmann, CPA, Supervisor  
Thong Thao, Lead  
Muang Saeteurn

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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

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November 19, 2019

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—Port of Stockton, Proposition 1B Audit**

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0015000198	P2545-0034	Navy Drive/ Burlington Northern Santa Fe Underpass Improvement
1000020283	P2525-0079	San Francisco Bay to Stockton Ship Channel Deepening
1016000204	P2545-0082	Navy Drive Widening

The enclosed report is for your information and use. The Port's response to the report findings is incorporated into this final report. The Port agreed with our findings. We appreciate the Port'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 Sherry Ma, Manager, or Kylie Oltmann, 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.<sup>1</sup>

CTC awarded the Port of Stockton (Port) \$9.2 million in Proposition 1B Trade Corridors Improvement Funds (TCIF) and \$5.7 million in Proposition 1B Highway-Railroad Crossing Safety Account (HRCSA) funds to support three transportation projects.

The three bond-funded projects were:

- **Navy Drive/Burlington Northern Santa Fe (BNSF) Underpass Improvement (0015000198)** – The Port was awarded \$5,740,000 in HRCSA funds to reconstruct an existing BNSF underpass to accommodate a future four lane roadway and additional BNSF/Amtrak shared track.
- **San Francisco Bay to Stockton Ship Channel Deepening (1000020283)** – The Port was awarded \$7,200,000 in TCIF funds to dredge existing channel depths and width to allow for more efficient movement.
- **Navy Drive Widening (1016000204)** – The Port was awarded \$2,000,000 in TCIF funds to reconstruct an existing two lane roadway to four lanes, and reconfigure and signalize the intersection.

The Port was required to provide a dollar-for-dollar match funding for each project.

Project 0015000198 consists of two parts, whereas only Part 1 required a dollar-for-dollar match contribution.

Construction for project 0015000198 is complete and the project is operational. Construction for projects 1000020283 and 1016000204 was not complete as of February 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.

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

**PROGRAM DESCRIPTION<sup>1</sup>**

**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.

**HRCSA:** \$250 million of bond proceeds made available to HRCSA to finance completion of high-priority grade separation and railroad crossing safety improvements.

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).

For audit objective 3, project benefits/outcomes for project 0015000198 related to throughput, reliability, and congestion reduction are expected to be achieved in the year 2035. Further, at the end of fieldwork in February 2019, construction was not complete and FDRs had not been submitted for projects 1000020283 and 1016000204. Therefore, we did not evaluate whether project benefit/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 Port'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 Port personnel.

We conducted a risk assessment, including evaluating whether the Port'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 Port personnel, observing processes, and testing transactions related to construction expenditures and contract procurement, and project deliverables/outputs and benefits/outcomes. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Additionally, we assessed the reliability of data from the Port's accounting system, Microsoft GP. To assess the reliability of the data generated from this system, we interviewed Port personnel, reviewed information process flows, examined system reports and documents, and reviewed system controls. 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><b>Objective 1:</b> To determine whether the Port'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"> <li>• Reviewed procurement records to verify compliance with the Port's municipal code and Caltrans Local Assistance Procedures Manual (LAPM) requirements to determine if the project was appropriately advertised and awarded to the most qualified consultant/lowest, responsible bidder by reviewing requests for proposals, qualification ratings, bidding documents, contracts, and project advertisements.</li> <li>• Selected significant and high-risk expenditure categories to verify compliance with selected grant requirements. Specifically, we selected expenditures from the construction contract and construction engineering expenditure categories.</li> <li>• Selected 12 of 33 reimbursement claims to verify compliance with project requirements. Six were selected based on quantitatively significant reimbursement claims and six were selected based on qualitative factors such as timing and increased risk of ineligible expenditures due to vague work performance descriptions. Within the reimbursement claims, we selected quantitatively significant invoices and considered qualitative factors such as contractors and consultants with significant incurred expenditures and invoices with vague work performance descriptions.             <ul style="list-style-type: none"> <li>○ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowed timeframe, and supported, by reviewing progress payments, accounting records, cancelled checks, and comparing to relevant criteria.</li> </ul> </li> <li>• Selected 3 of 23 contractor change orders based on the work descriptions identified.             <ul style="list-style-type: none"> <li>○ Determined if contract change orders, were project-related, not a duplication of work, within the allowable timeframe, and supported, by reviewing the change order and comparing to the original construction contract, and reviewing vendor invoices.</li> </ul> </li> <li>• Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing a list of other funding sources, project accounting records, vendor invoices, reimbursement claims, and performing analytical procedures to identify possible duplicate payments.</li> </ul>



Audit Objective	Methods
<p><b>Objective 2:</b> To determine whether deliverables/outputs were consistent with the project scopes and schedules.</p>	<p>For project 0015000198:</p> <ul style="list-style-type: none"> <li>• Determined whether deliverables/outputs were consistent with the project scope by reviewing the Project Programming Requests, the project agreement, and Release of Any and All Claims document, and conducting a site visit to verify existence of the improved underpass and road expansion to four lanes.</li> <li>• Evaluated whether project deliverables/outputs were completed on schedule as described in the Project Programming Request by reviewing the FDR.</li> </ul> <p>For projects 1000020283 and 1016000204:</p> <ul style="list-style-type: none"> <li>• Determined whether deliverables/outputs were consistent with the project scope by reviewing the Project Programming Requests, pre and post surveys, and conducting site visits to verify project existence.</li> <li>• Evaluated whether deliverables/outputs were on schedule by reviewing submitted quarterly progress reports.</li> </ul>
<p><b>Objective 3:</b> To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDRs.</p>	<ul style="list-style-type: none"> <li>• 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 Project Programming Request, executed project agreements, and approved amendments.</li> <li>• Inquired whether project benefit/outcomes were adequately reported in the FDR by confirming with Port personnel the studies and analysis performed.</li> <li>• Evaluated whether estimated benefits/outcomes to be realized by year 2035 were supported by verifying that the projections on the Project Programming Request were supported with studies that encompasses a larger geographical area.</li> </ul>

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.

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## CONCLUSION

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, except as noted in Findings 1 and 2. We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scopes and schedules. Although the projects were behind schedule, the Port appropriately informed Caltrans and CTC of the delays.

However, project benefits/outcomes for project 0015000198 were not adequately reported in the FDR, and the Port did not achieve the expected project benefits/outcomes as described in the project agreements or approved amendments as noted in Finding 3.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Inadequate and Inconsistent Internal Review Practices

The Port does not thoroughly review invoices submitted by consultants and does not consistently comply with its internal practices. As a result, the Port was reimbursed \$18,789 for ineligible costs from two projects. Specifically:

- For Project 0015000198, the Port paid a \$45,805 invoice without verifying the accuracy of the hourly rates charged for the December 2014 engineering services. Review of the December 2014 Master Professional Service Agreement, Exhibit B's Fee Schedule, hourly rates supported \$41,377 of the invoice. The Port has established and implemented a review process to verify only allowable costs are included within the reimbursement claim. However, the Port did not perform a comprehensive review by comparing claimed amounts to the approved engineering service's hourly rates per classification, resulting in ineligible expenditures submitted for reimbursement. According to Caltrans' HRCSA agreement, the reimbursement ratio for this project is 72 percent of total claimed expenditures. Therefore, \$3,188 [(\$45,805-\$41,377) X .72] is not eligible for reimbursement.
- For Project 1000020283, the Port claimed \$31,202 of expenditures from 4 of 21 invoices that had vague work performance descriptions, such as "*hours worked as directed by Port*". Without a more specific description of services performed, the Port cannot be assured the work performed was in accordance with the agreement and eligible for reimbursement. The Port has an invoice review process; however, an oversight occurred resulting in ineligible expenditures submitted for reimbursement. The Port agreed that vague descriptions of work performed would not be acceptable for reimbursement. The LAPM, Exhibit 5-J, Local Agency Invoice Review Checklist, states that work performed and reimbursement requests are required to be consistent with approved project scope/limits. According to Caltrans' TCIF agreement, the reimbursement ratio for this project is 50 percent of total claimed expenditures. Therefore, \$15,601 [\$31,202 X .50] is not eligible for reimbursement.

**Recommendations:**

- A. Remit \$18,789 to Caltrans.
- B. Verify consultant billing rates are consistent with the approved rates in the contract agreements. Further, thoroughly review descriptions of invoices to ensure claimed expenditures are supported and project related.

**Finding 2: Improvement Needed for Contracting Procedures for Professional Services**

The Port solicits applicants for consultative services and has established criteria applicants must meet to be placed on a list of approved consultants available for hire. However, the Port does not maintain documentation evidencing the review and evaluation of the applicant's qualifications. The Port hired three consultants for environmental and project management services from its approved consultants list for project 100020283. The Port was not aware documented evidence of its evaluation was required.

Government Code section 4526 requires local agency heads to select private environmental and project management firms for professional services on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required.

Additionally, January 2018 LAPM Chapter 10, section 10.7, and the Port's October 12, 2011 Request for Qualifications for Consulting Service form both state consultants are rated based upon their qualifications.

Contract administrative laws and processes exist to protect the public from misuse or waste of public funds, provide qualified services organizations with fair opportunity, stimulate competition, and help eliminate favoritism, fraud, and abuse in selecting firms for service. Without evidence of the Port's evaluation of each applicant's qualifications, there is no assurance that all consultants were fairly assessed and eligible to be on the approved consultants list. Additionally, securing professional services without confirmation of competence and qualifications increases the risk that Proposition 1B funds may not be expended in the most prudent and economical matter, which may impact the quality and/or completion of grant deliverables.

**Recommendation:**

- A. Implement a process within the consultant selection process for the committee to document the ranking and qualifications of applicants. Ensure documentation is retained for audit.

**Finding 3: Improvements Needed in Reporting Project Benefits/Outcomes**

Project benefits/outcomes approved by Caltrans/CTC for project 0015000198 were not adequately reported in the FDR. Specifically, the Port did not track or maintain documentation to support four of the seven reported project benefits/outcomes; the remaining three expected benefits/outcomes will not be achieved until 2035. Therefore, the Port was not able to demonstrate the project benefits/outcomes were achieved. The Port states the traffic studies and benefits analysis could not be completed in-house due to limited resources and expertise. However, the Port plans to outsource this activity in the future.

Highway-Railroad Crossing Safety Account Program Guidelines, section 15 states within six months of the project becoming operable, the implementing agency will provide a FDR to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project agreements.

The Port is the implementing agency and is responsible for ensuring accurate project benefits/outcomes are reported in the FDR and maintaining supporting documentation. Inaccurate information in the FDR decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the project based on the agreed upon projected benefits/outcomes.

**Recommendations:**

- A. Review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Obtain required benefits/outcomes information and submit a Supplemental FDR listing the pre and post comparable benefits/outcomes.
- C. Maintain documentation to support project benefits/outcomes reported in the FDRs.

The following acronyms are used throughout Appendix A.

- Burlington Northern Santa Fe: BNSF
- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Final Delivery Report: FDR
- Highway-Railroad Crossing Safety Account: HRCSA
- Port of Stockton: Port
- Trade Corridors Improvement Fund: TCIF

### Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved <sup>2</sup>	Benefits/ Outcomes Adequately Reported <sup>2</sup>	Page
0015000198	\$ 5,740,000	C	P	Y	N	N	A-1
1000020283	\$ 5,742,799	I	P	N/A	N/A	N/A	A-2
1016000204	\$ 1,686,317	I	Y	N/A	N/A	N/A	A-3

#### **Legend**

C = Complete

I = Interim, construction is not complete

P = Partial

Y = Yes

N = No

N/A = Not applicable, FDR has not been submitted

<sup>2</sup> Project benefits/outcomes for project 0015000198 related to throughput, reliability, and congestion reduction are expected to be achieved in 2035; therefore, we did not evaluate whether these benefits/outcomes were achieved or adequately reported.

**Project Number:** 0015000198

**Project Name:** Navy Drive/BNSF Underpass Improvement

**Program Name:** HRCSA

**Project Description:** Reconstruct the existing BNSF underpass at Navy Drive to accommodate a future four lane roadway and additional BNSF/Amtrak shared track. Lower Navy Drive to bring vertical and horizontal clearance up to current standards. Relocate underground utilities and install a storm water pump station.

**Audit Period:** December 6, 2012 – March 31, 2016 for audit objective 1<sup>3</sup>  
December 6, 2012 – August 4, 2016 for audit objectives 2 and 3<sup>4</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed	Ineligible Expenditures
Construction Contract	\$ 5,740,000	\$ 3,188
<b>Total Proposition 1B Expenditures</b>	<b>\$ 5,740,000</b>	<b>\$ 3,188</b>

#### Results:

##### Compliance–Proposition 1B Expenditure

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 for \$3,188 in ineligible consultant costs as noted in Finding 1. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in July 2016. The FDR was submitted on August 4, 2016. At the time of our site visit in December 2018, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed eight months late. The Port appropriately informed Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the FDR. The Port could not provide documentation supporting the reported project benefits/outcomes. As noted in Finding 3, the Port does not have the resources and expertise to perform the traffic studies and benefits analysis necessary to determine actual project benefits. The project benefits/outcomes for throughput, reliability, and congestion reduction expected to be achieved in 2035, as described in the executed project agreement or amendments, were adequately supported.

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

<sup>4</sup> The audit period end date reflects the FDR submission date.

Expected Benefits/Outcomes	Benefits/Outcomes Reported in the FDR	Benefits/Outcomes Achieved
Improved travel times and a reduction in vehicular delays for vehicles accessing the Port via Navy Drive.	Not Adequately Reported	No
Improved air quality through a reduction in vehicular emissions from those idling vehicles backed up or waiting during construction.	Not Adequately Reported	No
Enhanced movement of goods.	Not Adequately Reported	No
Reduce noise and air emissions by removing truck traffic from residential neighborhood (including the existing route which is adjacent to an elementary school).	Not Adequately Reported	No
Throughput: From "F" to "D" – Change in Highway Level Of Service.	Expected to be completed in 2035	N/A
Reliability: 7,963 Person Minutes Saved During Peak Hour.	Expected to be completed in 2035	N/A
Congestion Reduction: 881 Reduction in Daily Vehicle Hours of Delay.	Expected to be completed in 2035	N/A

**Project Number:** 1000020283

**Project Name:** San Francisco Bay to Stockton Ship Channel Deepening

**Program Name:** TCIF

**Project Description:** Dredge the existing authorized Stockton Ship Channel to -37 feet mean lower low water

**Audit Period:** July 1, 2008 – April 30, 2018 for objective 1<sup>5</sup>  
July 1, 2008 – February 21, 2019 for objectives 2 and 3<sup>6</sup>

**Project Status:** Construction is not complete.

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed	Ineligible Expenditures
Construction Contract	\$ 4,876,514	\$ 0
Construction Engineering	866,285	15,601
<b>Total Proposition 1B Expenditures</b>	<b>\$ 5,742,799</b>	<b>\$ 15,601</b>

#### Results:

##### Compliance–Proposition 1B Expenditure

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 for \$15,601 in ineligible consultant costs as noted in Finding 1. Additionally, the match requirement was met.

##### Deliverables/Outputs

Target completion for this project was June 2018. At the time of our site visit in December 2018, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule as stated in the fiscal year 2017-18 third quarter progress report submitted to Caltrans. The Port updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

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

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

<sup>6</sup> The audit period end date reflects the end of fieldwork date, February 21, 2019.



**Project Number:** 1016000204

**Project Name:** Navy Drive Widening

**Program Name:** TCIF

**Project Description:** Widen the existing two lane Navy Drive to four lanes from the State Route 4 Western Extension to Navy Drive connection to just west of the Navy Drive/Washington Street intersection. Reconfigure and signalize the Navy Drive/Washington Street intersection to make Navy Drive the primary through movement.

**Audit Period:** March 16, 2016 – June 30, 2018 for objective 1<sup>7</sup>  
March 16, 2016 – February 21, 2019 for objectives 2 and 3<sup>8</sup>

**Project Status:** Construction is not complete.

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction Contract	\$ 1,686,317
<b>Total Proposition 1B Expenditures</b>	<b>\$ 1,686,317</b>

#### Results:

##### Compliance–Proposition 1B Expenditure

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

Target completion for this project was June 2014. At the time of our site visit in December 2018, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule as stated in the 2017-18 third quarter progress report submitted to Caltrans. The Port 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.

<sup>7</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>8</sup> The audit period end date reflects the end of fieldwork date, February 21, 2019.



# PORT OF STOCKTON

Phone: (209) 946-0246



Fax: (209) 465-7244

November 8, 2019

California Department of Finance  
Office of State Audits and Evaluations  
Ms. Cheryl L. McCormick, Chief  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814

Re: Confidential Draft Report – Port of Stockton, Proposition 1B Audit

Dear Ms. McCormick,

Thank you for the opportunity to review and respond to the Confidential Draft Report for the Port's Prop 1B Audit. We have responded to each finding separately below:

## **Finding 1: Inadequate and Inconsistent Internal Review Practices**

### **Recommendations:**

- A. Remit \$18,789 to Caltrans.
- B. Verify consultant billing rates are consistent with the approved rates in the contract agreements. Further, thoroughly review descriptions of invoices to ensure claimed expenditures are supported and project related.

**PORT RESPONSE TO FINDING 1:** The Port is in the process of deploying a document management software solution that will improve workflows and develop internal controls that assist in invoice review processes.

## **Finding 2: Improvement Needed for Contracting Procedures for Professional Services**

### **Recommendation:**

- A. Implement a process within the consultant selection process for the committee to document the ranking and qualifications of applicants. Ensure documentation is retained for audit.

**PORT RESPONSE TO FINDING 2:** The Port maintains a prequalified consultant and vendor list which was first developed in 2012 that includes firms and vendors with the competence and qualifications necessary to provide assigned deliverables. A more comprehensive ranking system has been developed which will support documented ranking for each consultant.

## **Finding 3: Improvements Needed in Reporting Project Benefits/Outcomes**

### **Recommendations:**

- A. Review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Obtain required benefits/outcomes information and submit a Supplemental FDR listing the pre and post comparable benefits/outcomes.
- C. Maintain documentation to support project benefits/outcomes reported in the FDRs.

**PORT RESPONSE TO FINDING 3:** The Port concurs that the traffic studies and benefit analysis will need to be outsourced. With the document software solution that was mentioned in the response for Finding 1, it is anticipated that performance outcomes and supporting documentation will be incorporated into the workflow, thus enabling the Port to track and maintain documentation to demonstrate the achievement of the project's benefits/outcomes.

We appreciate the opportunity to submit this response to the audit and recognize the thorough effort put forth by your staff. If you have questions regarding our response please contact me at (209)946-0246 or [jvillanueva@stocktonport.com](mailto:jvillanueva@stocktonport.com).

Sincerely,

*Original Signed by*

Juan G. Villanueva  
Director  
Development & Planning