


# Memorandum

*Making Conservation  
a California Way of Life.*

**To:** KYLE GRADINGER  
Acting Division Chief  
Division of Rail and Mass Transportation

**Date:** July 25, 2017

**File:** P2550-0008  
P2550-0009

**From:** ALICE LEE   
Chief  
External Audit - Contracts  
Audits and Investigations

**Subject:** **CAPITOL CORRIDOR JOINT POWERS AUTHORITY PROPOSITION 1B AUDIT**

Attached is the audit report pertaining to the audit performed on the following projects:

<u>Project Name</u>	<u>Project Number</u>	<u>Amount Audited</u>
Bahia-Benicia Crossover and Track Improvement	P2550-0008	\$3,444,435
Wireless Network for Northern California IPR Fleet	P2550-0009	\$2,926,814

As required by the Governor's Executive Order S-02-07 and SB88, the expenditures of bond proceeds and outcomes are subject to audit. The audit was performed by the Department of Finance on behalf of Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The audit disclosed the following finding:

- Benefits not reported on Final Delivery Report

Please provide Audits and Investigations a corrective active resolution (CAR) on the audit finding within 90 days of this memorandum's date and reference the project numbers above on the CAR.

If you have any questions please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Kyle Gradinger  
July 25, 2017  
Page 2 of 2

Attachment(s)

c: Stephen Maller, Deputy Director, California Transportation Commission  
Teresa Favila, Assistant Deputy Director, California Transportation Commission  
Bruce De Terra, Acting Division Chief, Transportation Programming  
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming  
Mary Estensen, Prop 1B Coordinator, Division of Rail  
Luisa Ruvalcaba, Audit Manager, Audits and Investigations



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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Transmitted via e-mail

May 22, 2017

Ms. Alice M. Lee, Chief  
External Audits—Contracts, Audits and Investigations  
California Department of Transportation  
1304 O Street  
Sacramento, CA 95814

Dear Ms. Lee:

**Final Report—Capitol Corridor Joint Powers Authority, Proposition 1B Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Capitol Corridor Joint Powers Authority's (CCJPA) Proposition 1B funded projects listed below:

<u>EA Number</u>	<u>P Number</u>	<u>Project Name</u>
R952BA	P2550-0008	Bahia-Benicia Crossover and Track Improvement
R988BA	P2550-0009	Wireless Network for Northern California IPR Fleet

The enclosed report is for your information and use. CCJPA's response to the report finding is incorporated into this final report. CCJPA agreed with our finding and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

We appreciate the assistance and cooperation of CCJPA. If you have any questions regarding this report, please contact Rick Cervantes, Manager, or John Ponce, Supervisor, at (916) 322-2985.

Sincerely,

Jennifer Whitaker, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, External Audits-Contracts, Audits and Investigations,  
California Department of Transportation  
Mr. David Kutrosky, Managing Director, Capitol Corridor Joint Powers Authority  
Mr. James Allison, Manager of Planning, Capitol Corridor Joint Powers Authority

Capitol Corridor Joint Powers Authority  
Proposition 1B Bond Program  
EA Numbers R952BA and R988BA



**Wi-Fi? WHY, YES.**

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Wireless Network for Northern California IPR Fleet  
Source: Capitol Corridor Joint Powers Authority

Prepared By:  
Office of State Audits and Evaluations  
California Department of Finance

**MEMBERS OF THE TEAM**

Rick Cervantes, CPA  
Frances Parmelee, CPA  
Managers

John Ponce  
Supervisor

Staff  
Ramon Delgado  
Joshua Mortimer  
An Truong

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



# 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>

### PROGRAM DESCRIPTION<sup>1</sup>

**IRI:** \$400 million of bond proceeds made available to the Intercity Rail Improvement for passenger rail improvements, including a minimum of \$125 million for procurement of additional intercity passenger railcars and locomotives.

CTC awarded \$8.5 million of Proposition 1B Intercity Rail Improvement (IRI) funds to the Capitol Corridor Joint Powers Authority (CCJPA). The Bahia-Benicia Crossover and Track Improvement project (R952BA) was awarded \$4.8 million for construction of a crossover track and track improvements. The Wireless Network for Northern California Intercity Passenger Rail (IPR) Fleet project (R988BA) was awarded \$3.8 million to install a wireless communications network that provides internet access for the Capitol Corridor and San Joaquin Intercity Passenger Rail Fleet. Construction for these projects is complete.

## 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 audit period for each project is identified in Appendix A.

The audit objectives were to determine whether:

- 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.
- Deliverables (outputs) were consistent with the project scopes and schedules.
- Benefits/outcomes as described in the executed project agreements or approved amendments were achieved, and adequately reported in the Final Delivery Reports.

At the time of our site visit in March 2016, construction was complete for projects R952BA and R988BA. However, CCJPA did not report project benefits/outcomes in the Final Delivery Report for project R952BA. Therefore, we did not evaluate whether project benefits/outcomes were

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

achieved or adequately reported in the Final Delivery Report. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

We did not assess the efficiency or effectiveness of program operations.

CCJPA's management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. CTC and Caltrans are responsible for the state-level administration of the program.

## **METHODOLOGY**

To achieve the audit objectives, we performed the following procedures:

### ***For All Projects***

- Examined the project files, master agreements, program supplements, program guidelines, and applicable policies and procedures.
- Reviewed accounting records, invoices, and cancelled checks.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported by accounting records.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Evaluated whether project deliverables/outputs were met by reviewing a sample of supporting documentation and conducting site visits to verify project existence.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project agreements or amendments, and the Final Delivery Reports.
- Determined whether benefits/outcomes were achieved by comparing actual benefits/outcomes reported in the Final Delivery Reports with the expected benefits/outcomes described in the executed project agreements and approved amendments.

### ***For Project R988BA***

- Evaluated whether a sample of project benefits/outcomes were adequately reported in the Final Delivery Reports by reviewing supporting documentation.

### ***For Project R952BA***

- Evaluated whether there is a system in place to report actual project benefits/outcomes.

In conducting our audit, we obtained an understanding of internal control, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. No deficiencies in internal control were identified during our audit or determined to be significant within the context of our audit objectives.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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. In addition, the deliverables/outputs were consistent with the project scopes and schedules. Although project R988BA was behind schedule, CCJPA appropriately informed Caltrans and CTC of the delay.

For project R988BA, the project benefits/outcomes were adequately reported in the Final Delivery Report and CCJPA achieved the expected project benefits/outcomes as described in the executed project agreements or approved amendments. For Project R952BA, we determined CCJPA has a system in place to report actual project benefits/outcomes. The *Summary of Projects Reviewed* are presented in Appendix A.

### **Finding 1: Benefits Not Reported on Final Delivery Report**

The expected benefits/outcomes listed in the project agreement for project R952BA were not reported in the Final Delivery Report. Caltrans assisted CCJPA in completing the Final Delivery Report; however, project benefit/outcome data was not provided to Caltrans and therefore not included in the report. Incomplete reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to review the completed project's performance benefits/outcomes. The Proposition 1B Project Close-out Process, Final Delivery Report Contents and Delivery Report templates section states that the Final Delivery Report shall contain performance benefits/outcomes as compared to the executed agreement.

### **Recommendation:**

Submit a Supplemental Final Delivery Report listing the pre and post comparable benefits/outcomes. Also, maintain documentation to support project benefits/outcomes reported in the Supplemental Final Delivery Report.

# APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Capitol Corridor Joint Powers Authority: CCJPA
- Intercity Passenger Rail: IPR
- Intercity Railroad Improvement: IRI

## Summary of Projects Reviewed

EA Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
R952BA	\$3,444,435	C	Y	Y	N	N	A-1
R988BA	\$2,926,814	C	Y	Y	Y	Y	A-2

### Legend

C = Complete

Y = Yes

N = No

**EA Number:** R952BA

**Project Name:** Bahia-Benicia Crossover and Track Improvement

**Program Name:** IRI

**Project Description:** Construct a crossover between the two mainline tracks on the Union Pacific right of way, roughly parallel to Route 680 corridor north of the Martinez Bridge. The improvements include installing a universal crossover between the two mainlines and associated signaling, track, ties, and ballast. This project will provide capacity and flexibility for trains to switch between both mainline tracks in both directions in the Bahia-Benicia area.

**Audit Period:** September 12, 2008 through June 30, 2013

**Project Status:** Construction is complete.

#### Schedule of Proposition 1B Expenditures

Proposition 1B expenditures	Reimbursed
Construction/Project Management	\$3,444,435
<b>Total Proposition 1B Expenditures</b>	<b>\$3,444,435</b>

#### Audit 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.

##### Deliverables/Outputs

The construction phase of the project was completed in June 2013. At the time of our site visit in March 2016, deliverables/outputs were consistent with the project scope and schedule.

##### Benefits/Outcomes

Actual project benefits/outcomes were not reported in the Final Delivery Report. Therefore, we cannot determine whether CCJPA achieved the expected benefits/outcomes as described in the executed project agreement or amendments. However, there is a system in place to report actual benefits/outcomes.

**EA Number:** R988BA

**Project Name:** Wireless Network for Northern California IPR Fleet

**Program Name:** IRI

**Project Description:** Install a wireless communications network on the Northern California IPR Fleet that provides internet access on both Capitol Corridor and San Joaquin IPR services.

**Audit Period:** January 20, 2011 through February 28, 2015

**Project Status:** Construction is complete.

#### Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction/Project Management	\$2,926,814
<b>Total Proposition 1B Expenditures</b>	<b>\$2,926,814</b>

#### Audit 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.

##### Deliverables/Outputs

The construction phase of the project was completed in February 2015. At the time of our site visit in March 2016, deliverables/outputs were consistent with the project scope and schedule. However, the project was behind schedule and completed 15 months late. CCJPA updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

The actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, CCJPA achieved the expected benefits/outcomes as described in the executed project agreement or amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Drive ridership through a mode shift (increase ridership).	The Project provides Wi-Fi to Northern California intercity passenger rail customers and induces passengers to travel by train. Research showed a 2.7 percent ridership increase.	Yes
Support existing and future operational applications (e.g., safety, security, and Americans with Disabilities Act compliance requirements).	The project provides the basis for operational applications using the wireless network.	Yes

# RESPONSE

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May 9, 2017

Mr. John Ponce, Supervisor  
California Department of Finance Office of State Audits and Evaluations  
915 L Street, 6th Floor Sacramento, CA 95814

Subject: Comments regarding Audit Report for CCJPA Proposition 1B Bond  
Program EA Numbers R952BA and R988BA

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Dear Mr. Ponce:

The Capitol Corridor Joint Powers Authority (CCJPA) has reviewed the referenced Audit Report and support the findings of the report. We would offer one comment to address the corrective actions for Finding 1: Benefits Not Reported on Final Delivery Report.

The expected benefits/outcomes listed in the agreement for Project R952BA were not reported in the Final Delivery Report and, as such the CCJPA agrees to submit a Supplemental Final Delivery Report listing the pre- and post-construction comparison of benefits/outcomes related to the Project.

The Project is primarily the construction of a track crossover installed between two mainline tracks with the intent and purpose to provide Union Pacific Railroad (UPRR) dispatchers the flexibility to dispatch passenger and/or freight trains. While there is no verifiable means to quantify the benefits of the crossover, the goal of the Project is to reduce delay minutes caused by congestion of freight and/or passenger trains in the Benicia-Suisun section of the Capitol Corridor route. With the possibility that not constructing this crossover could degrade end-station on-time performance of the Capitol Corridor service as freight and passenger train traffic grows.

With this information as background, the CCJPA is committed to work with UPRR to review their dispatch records and ascertain how often the Bahia crossover has been utilized since it was installed. When the CCJPA receives that data, we will include that information in the recommended Supplemental Final Delivery Report as the best proxy for the benefits of the project through the reasoning that the trains using the crossover prevented a prospective delay which may reduce delay minutes and ensure the timely arrival of the train at its end-point station. As there are many factors that contribute to on-time performance, the assessment of public benefits of the project is likely our best attempt to infer the benefits of the Project, while also acknowledging that there may never be a direct and measurable project benefit.

To that end, the CCJPA hereby accepts the Audit Report and will prepare a Supplemental Final Delivery Report to address the Finding 1 in the Audit Report to attempt quantifying the benefits of the Project.

Sincerely,

David Kutrosky  
Managing Director