

Memorandum

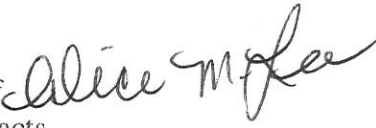
*Making Conservation
a California Way of Life.*

To: AMARJEET S. BENIPAL
District 3 Director

Date: March 21, 2018

JAMES DAVIS
Division Chief
Program Management

File: P2510-0007
P2510-0008
P2510-0009
P2505-0082
P2505-0092

From: ALICE M. LEE, Chief 
External Audit - Contracts
Audits and Investigations

Subject: **DISTRICT 3- AUDIT OF PROPOSITION 1B PROJECTS**

Attached is the audit report pertaining to the audit performed on the following Proposition 1B (Prop 1B) projects:

<u>Project Name</u>	<u>Project Number</u>	<u>P Number</u>	<u>Amount Audited</u>
Sutter 99 Segment 2	0300000206	P2510-0007	\$ 50,347,721
State Route 99/113 Interchange	0300020246	P2510-0008	\$ 15,297,311
Butte State Route 99 Chico Auxiliary Lanes Phase II	0300000443	P2510-0009	\$ 31,450,515
Lincoln Bypass Phase 2A	0300020583	P2505-0085	\$ 18,684,997
I-80 High Occupancy Vehicle Lane Across the Top	0300020155	P2505-0092	\$ 52,580,515

The projects' implementing agency is Caltrans District 3. The projects were funded using Proposition 1B Highway – Corridor Mobility Improvement Account funds, State Route 99 Corridor funds and State Transportation Improvement Program Augmentation funds.

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 findings:

- The project benefits/outcomes were not supported or achieved for projects 0300020583, 0300000206, 0300020246, and 0300000443.
- The Final Delivery Report for project 0300020246 was not submitted timely.

AMARJEET S. BENIPAL
JAMES DAVIS
March 21, 2018
Page 2 of 2

Please provide the Independent Office of Audits and Investigations a Corrective Action Resolution (CAR) on the audit findings within 90 days of this memorandum's date and reference the project numbers above on the CAR.

If you have any questions, please contact Elena Guerrero, Acting Audit Manager, at (916) 323-7954.

Attachment:

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Associate Deputy Director, California Transportation Commission
Teri L. Anderson, Assistant Deputy Director, California Transportation Commission
Bruce De Terra, Chief, Division of Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Division of Transportation Programming
Vasan Rudrapakiam, Sr. Transportation Engineer, Division of Project Management
Robert Feusi, Sr. Transportation Engineer, Division of Project Management
Jane Zhang, Sr. Transportation Engineer, Division of Project Management
Elena Guerrero, Acting Audit Manager, Audits and Investigations



California Department of Transportation District 3

Proposition 1B Bond Programs

Project Numbers 0300020583, 0300020155, 0300000206,
0300020246, and 0300000443

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Robert Scott, MSA, CPA, CGMA, Supervisor
Alan Garrett, Lead
Kweku Atta-Mensah, MBA
Jeffrey Neller
Moses Ofurio
Toni Silva
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



Transmitted via e-mail

March 14, 2018

Ms. Alice M. Lee, Chief
External Audits—Contracts, Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Lee:

Final Report—California Department of Transportation, District 3, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Department of Transportation District 3's (District) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0300020583	P2505-0085	Lincoln Bypass Phase 2A
0300020155	P2505-0092	I-80 High Occupancy Vehicle Lane Across the Top
0300000206	P2510-0007	Sutter 99 Segment 2
0300020246	P2510-0008	State Route 99/113 Interchange
0300000443	P2510-0009	Butte State Route 99 Chico Auxiliary Lanes Phase II

The enclosed report is for your information and use. The District's response to the report findings and our evaluation of the response is incorporated into this final report. The District agreed with our findings. We appreciate its assistance and cooperation during the engagement, and their willingness to implement corrective actions. This report will be placed on our website.

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

Sincerely,

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits—Contracts, Audits and Investigations, California Department of Transportation
Mr. Amarjeet Benipal, District Director, California Department of Transportation, District 3
Mr. Thomas Brannon, Deputy District Director, Program Project Management, California Department of Transportation, District 3

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

Caltrans District 3 (District) was awarded \$73.5 million of Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA), \$90.5 million from State Route 99 (SR 99) Corridor program, and \$10.6 million from State Transportation Improvement Program (STIP) Augmentation. The five bond-funded projects were Lincoln Bypass Phase 2A (0300020583), I-80 High Occupancy Vehicle (HOV) Lane Across the Top (0300020155), Sutter 99 Segment 2 (0300000206), State Route 99/113 Interchange (0300020246), and Butte State Route 99 Chico Auxiliary Lanes Phase II (0300000443). 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 in compliance with the executed project agreements and Caltrans/CTC's program guidelines.
- 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.

PROGRAM DESCRIPTION¹

CMIA: \$4.5 billion of bond proceeds were made available to the CMIA to finance a variety of eligible transportation projects. CTC's general expectation is that each CMIA project will have a full funding commitment through construction, either from the CMIA alone or from a combination of CMIA and other state, local, or federal funds.

SR 99: \$1 billion of bond proceeds made available to SR 99 to finance safety, operational enhancements, rehabilitation, and capacity improvements necessary to improve SR 99 in the state's central valley.

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

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

At the time of our site visit in August 2017, the construction phase for project 0300020155 was complete. However, since the District had not submitted the Final Delivery Report at the time of our audit, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

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

The District's management is responsible for ensuring accurate financial reporting; compliance with project agreements 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

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

For All Projects

- Examined the project files, project agreements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state procurement requirements.
- Reviewed accounting records and progress payments.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported.
- Reviewed a sample of contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Evaluated whether project deliverables/outputs were met by reviewing supporting documentation and conducting site visits to verify project existence.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project files, project agreements or amendments, and/or Final Delivery Reports.

For Projects 0300020583, 0300000206, 0300020246, and 0300000443

- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes reported in the Final Delivery Reports with the expected project benefits/outcomes described in the executed project agreements or approved amendments.
- Evaluated whether project benefits/outcomes were adequately reported in the Final Delivery Reports by reviewing supporting documentation.

For Project 0300020155

- Evaluated whether there is a system in place to report actual project benefits/outcomes by reviewing a sample of supporting documentation.

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, implemented, and operating effectively. 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.

Except as discussed in the following paragraph, 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.

The California Department of Finance (Finance) and Caltrans are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. In addition, except as noted in Finding 2, the project deliverables/outputs were consistent with the project scopes and schedules. Although projects 0300020155 and 0300000443 were behind schedule, the District appropriately informed Caltrans and CTC of the delays.

For projects 0300020583, 0300000206, 0300020246, and 0300000443, the District could not provide support for the project benefits/outcomes reported in the Final Delivery Reports, as noted in Finding 1. Additionally, for these four projects, the District did not achieve the expected benefits/outcomes as described in the executed project agreements or approved amendments. For project 0300020155, the District has a system in place to report actual project benefits/outcomes. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Project Benefits/Outcomes are Not Supported or Achieved

The benefits/outcomes for projects 0300020583, 0300000206, 0300020246, and 0300000443 were not adequately reported in the Final Delivery Reports and not supported with documentation. Therefore, the District could not demonstrate the expected benefits/outcomes were achieved. Specifically:

- For projects 0300020583 and 0300000443, the District reported benefits/outcomes for daily vehicle hours and person minutes saved in the Final Delivery Report. However, the District was unable to provide documentation supporting the reported amounts, and therefore could not demonstrate the expected benefits were achieved.
- For project 0300000206, the benefits/outcomes listed in the Baseline Agreement for daily vehicle hours saved were not reported in the Final Delivery Report. In addition, project benefits/outcomes for person minutes saved were reported in the Final Delivery Report; however, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved.
- For project 0300020246, the District reported benefits/outcomes for daily vehicle hours saved in the Final Delivery Report. However, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved. Additionally, the project benefits/outcomes listed in the Baseline Agreement for person minutes saved were not reported in the Final Delivery Report.

The District was unaware of the current requirements that a new benefit/cost analysis was required in conjunction with the Final Delivery Reports and did not ensure that new project managers understood the reporting requirements for these projects. The CMIA and SR 99 Accountability Implementation Plan, section IV, state that within six months of the project becoming operable, the implementing agency will provide a Final Delivery Report to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project Baseline Agreement.

The implementing agency is held responsible for maintaining documentation of the information reported in the Final Delivery Reports. Without an accurate assessment of actual project outcomes, CTC cannot determine whether project benefits were met.

Recommendations:

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Supplemental Final Delivery Reports that address all expected project benefits/outcomes and include pre and post comparable metrics. Additionally, ensure future Final Delivery Reports address all expected project benefits/outcomes and have comparable pre and post metrics.
- C. Maintain documentation to support project benefits reported in the Final Delivery Reports.

Finding 2: Final Delivery Report not Submitted Timely

The Final Delivery Report for project 0300020246 was not submitted to CTC within six months of the project becoming operable (construction contract acceptance date). The Final Delivery Report was due February 2015, and was not submitted to CTC until November 2015. According to the District, the Final Delivery Report was delayed due to easement issues with a property owner. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes.

The CMIA and SR 99 Accountability Implementation Plan, section IV C.1, requires a Final Delivery Report within six months after the project becomes operable. The CMIA and SR 99 guidelines state the project becomes operable at the end of the construction phase when the construction contract is accepted.

Recommendations:

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for future state funded projects as required.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Transportation Commission: CTC
- California Department of Transportation: Caltrans
- Caltrans District 3: District
- Corridor Mobility Improvement Account: CMIA
- State Route 99 Corridor: SR 99
- State Transportation Improvement Program Augmentation: STIP Augmentation
- High Occupancy Vehicle: HOV

Summary of Projects Reviewed

Project Number	Expenditures Incurred	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0300020583	\$18,684,997	C	Y	Y	N	N	A-1
0300020155	\$52,580,515	C	Y	Y	N/A	N/A	A-2
0300000206	\$50,347,721	C	Y	Y	N	N	A-3
0300020246	\$15,297,311	C	Y	Y	N	N	A-4
0300000443	\$31,450,515	C	Y	Y	N	N	A-5

Legend

C = Complete

Y = Yes

N = No

N/A = Not Applicable; Final Delivery Report has not been submitted

Project Number: 0300020583

Project Name: Lincoln Bypass Phase 2A

Program Name: CMIA

Project Description: Add two southbound lanes from Nelson Lane to West Wise Road on existing State Route 65 in the vicinity of the City of Lincoln.

Audit Period: October 27, 2011 through March 29, 2017¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$16,434,997
Construction Engineering	2,250,000
Total Proposition 1B Expenditures	\$18,684,997

Audit Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.

Deliverables/Outputs

The construction phase of the project was completed in October 2014. At the time of our site visit in August 2017, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

The District did not adequately report actual project benefits/outcomes in the Final Delivery Report. Specifically, project benefits/outcomes relating to daily vehicle hours and person minutes saved were reported in the Final Delivery Report; however, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
834 Daily Vehicle Hours Saved	Not adequately reported	No
57,056 Daily Peak Duration Person-Minutes Saved	Not adequately reported	No

¹ The audit period end date is the last date project costs were posted to the Caltrans' general ledger.

Project Number: 0300020155

Project Name: I-80 HOV Lane Across the Top

Program Name: CMIA

Project Description: Construct 20 lane miles of HOV lanes in the median of I-80 in Sacramento County from the Sacramento River Bridge to Watt Avenue where existing HOV lanes on I-80 have their western terminus.

Audit Period: July 28, 2010 through April 28, 2017²

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$47,580,515
Construction Engineering	5,000,000
Total Proposition 1B Expenditures	\$52,580,515

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.

Deliverables/Outputs

The construction phase of the project was completed in July 2017. At the time of our site visit in August 2017, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 19 months late; the District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual benefits/outcomes will not be reported for the project until the Final Delivery Report is submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not always adequately report information as noted in Finding 1.

² Ibid.

Project Number: 0300000206

Project Name: Sutter 99 Segment 2

Program Name: SR 99

Project Description: Feather River Bridge replacement and widening to a four lane expressway in Sutter County from 0.2 miles north of Power Line Road to 0.6 miles north of Sacramento Avenue.

Audit Period: May 30, 2007 through May 29, 2017³

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$41,307,477
Construction Engineering	8,493,438
Right of Way Operations	318,456
Right of Way Capital Outlay	228,350
Total Proposition 1B Expenditures	\$50,347,721

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.

Deliverables/Outputs

The construction phase of the project was completed in May 2015. At the time of our site visit in August 2017, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

The District did not adequately report actual project benefits/outcomes. Specifically, project benefits/outcomes relating to daily vehicle hours saved were not reported in the Final Delivery Report. In addition, project benefits/outcomes relating to person minutes saved were reported in the Final Delivery Report; however, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
1 Daily Vehicle Hour of Delay Saved	Not reported	No
85 Daily Peak Duration Person-Minutes Saved	Not adequately reported	No

³ Ibid.

Project Number: 0300020246

Project Name: State Route 99/113 Interchange

Program Name: SR 99

Project Description: Construct an interchange at the intersection of State Routes 99 and 113, near Tudor in Sutter County.

Audit Period: May 9, 2011 through June 29, 2016⁴

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$12,843,815
Construction Engineering	2,453,496
Total Proposition 1B Expenditures	\$15,297,311

Audit Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.

Deliverables/Outputs

The construction phase of the project was completed in August 2014. At the time of our site visit in August 2017, deliverables/outputs were consistent with the project scope and schedule. In addition, the project Final Delivery Report was due in February 2015, and was not submitted to Caltrans until November 2015.

Benefits/Outcomes

The District did not adequately report actual project benefits/outcomes. Specifically, project benefits/outcomes relating to daily vehicle hours saved were reported in the Final Delivery Report; however, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved. In addition, project benefits/outcomes relating to person minutes saved were not reported in the Final Delivery Report.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
277 Daily Vehicle Hours of Delay Saved	Not adequately reported	No
19,109 Daily Peak Duration Person-Minutes Saved	Not reported	No

⁴ Ibid.

Project Number: 0300000443

Project Name: Butte State Route 99 Chico Auxiliary Lanes Phase II

Program Name: SR 99 and STIP Augmentation

Project Description: Construct northbound and southbound auxiliary lanes in Chico, from State Route 32 to East First Avenue.

Audit Period: May 30, 2007 through July 25, 2016⁵

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – SR 99	\$20,895,449
Construction – STIP Augmentation	6,208,000
Construction Engineering – STIP Augmentation	4,347,066
Total Proposition 1B Expenditures	\$31,450,515

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines.

Deliverables/Outputs

The construction phase of the project was completed in February 2015. At the time of our site visit in August 2017, deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed 16 months late; the District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

The District did not adequately report actual project benefits/outcomes. Specifically, project benefits/outcomes relating to daily vehicle hours and person minutes saved were reported in the Final Delivery Report; however, the District was unable to provide documentation supporting the reported amounts or demonstrate the benefits/outcomes were achieved.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
260 Daily Vehicle Hours Saved	Not adequately reported	No
20,684 Daily Peak Duration Person-Minutes Saved	Not adequately reported	No

⁵ Ibid.

DEPARTMENT OF TRANSPORTATION**DISTRICT 3**

703 B STREET
 MARYSVILLE, CA 95901
 PHONE (530) 741-4233
 FAX (530) 741-4245
 TTY 711
 www.dot.ca.gov/dist3



*Making Conservation
 a California Way of Life.*

February 13, 2018

Ms. Jennifer Whitaker
 Chief, Office of State Audits and Evaluations
 California Department of Finance
 915 L Street
 Sacramento, CA 95814-3706

Dear Ms. Whitaker:

Response to Draft Report-California Department of Transportation, District 3, Proposition 1B Audit

Thank you for providing California Department of Transportation (Caltrans) District 3 the opportunity to review and respond to the Draft Audit Report for the District 3 Proposition 1B audit for the projects listed below:

EFIS ID	P Number	EA	Project Name
0300020583	P2505-0085	03-33382	Lincoln Bypass Phase 2A
0300020155	P2505-0092	03-3797U	I-80 HOV Lane Across the Top
0300000206	P2510-0007	03-1A43A	Sutter 99 Segment 2
0300020246	P2510-0008	03-1A464	State Route 99/113 Interchange
0300000443	P2510-0009	03-3A042	Butte State Route 99 Chico Auxiliary Lanes Phase II

The audit concluded that "Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines". District 3 did not do an adequate job of reporting and documenting the benefits that will accrue to the citizens of California as a result of the transportation improvements. However, the reporting and documentation requirements are now well understood and the lessons learned from this audit will be applied to all baselined projects in the future.

District 3 understands and agrees with all of your recommendations. My staff is currently completing updated cost benefit analyses and will submit Supplemental Final Delivery Reports (FDRs) by March 30th to accurately reflect the benefits associated with these projects. Our tracking processes are being revised to ensure that documentation to support benefits is maintained in a central location so that future reports will be accurate and submitted in a timely manner.

Even though we agree with the recommendations, I would like to request three edits to the results summary and findings as detailed on the following page.


Ms. Whitaker;
Date February 13, 2018
Page 2

Requested Edits

1. Page 4, 2nd paragraph, 2nd sentence. “Additionally, for these four projects, the District did not properly report achieve how the actual or adjusted benefits/outcomes compared to the expected benefits/outcomes as described in the executed project agreements or approved amendments.”
2. Page 4, last paragraph, 1st sentence. “The District was unaware of the current requirement that a new benefit/cost analysis was required in conjunction with final delivery reports and did not ensure that new project managers understood the reporting requirements for the projects.”
3. In the Table on Page 6, please add an additional code “U = Uncertain” and use that code under “Benefits/Outcomes Achieved” for the four projects that did not adequately report the actual benefits.

Sincerely,



 AMARJEET S. BENIPAL
District 3 Director
California Department of Transportation

cc: Ms. Alice M. Lee, Chief, External Audits-Contracts, Audits and Investigations, California Department of Transportation
Ms. Elena Guerrero, Acting Audit Manager, External Audits-Contracts, Audits and Investigations, California Department of Transportation
Mr. Thomas L. Brannon, Deputy District Director, Program Project Management, California Department of Transportation, District 3
Mr. Stephen Stratford, Staff Services Manager, Program Project Management, California Department of Transportation, District 3

EVALUATION OF RESPONSE

The District's response to the draft audit report has been reviewed and incorporated into the final report. The District provided several suggested edits to the draft audit report relating to the reporting requirements of the actual project benefits/outcomes. The results of our audit are based on benefits/outcomes as reported by the District in the Final Delivery Reports. Since the District did not provide additional information supporting the reported project benefits/outcomes, our conclusions and recommendations remain unchanged. However, we updated Finding 1 to clarify the District was unaware of the current requirement that a new benefit/cost analysis was required in conjunction with Final Delivery Reports and did not ensure that new project managers understood the reporting requirements for completed projects.