

Memorandum

*Making Conservation
a California Way of Life.*

To: CARRIE BOWEN
District 7 Director

Date: May 15, 2018

BRUCE DE TERRA
Division Chief
Program Management

File: P2520-0044
P2525-0046
P2535-0105
P2505-0101
P2520-0046
P2520-0047
P2505-0102
P2505-0103
P2505-0104
P2505-0105

RAY ZHANG
Division Chief
Local Assistance

original signed by:

From: ALICE M. LEE
Chief
External Audits - Contracts
Independent Office of Audits and Investigations

Subject: DISTRICT 7- 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>
Route 10 HOV Lanes from 605 to Puente Ave	0700000083	P2520-0044	\$ 55,172,014
LA County Line to Moorpark Road- US 101 Improvements Phase 1	0700000201	P2525-0046	\$ 8,693,879
Orange County to Route 605- Carmenita Interchange	0700000339	P2535-0105	\$ 12,671,675
High Occupancy Vehicle (HOV) Lanes, Mussel Shoals to Casitas Pass Road	0700000490	P2505-0101	\$ 77,263,681
VEN-118 Widening, Tapo Canyon to LA County Phase 2	0700000500	P2520-0046	\$ 10,806,529
HOV Lanes on Route 5 from Route 170 to Route 118	0700001829	P2520-0047	\$ 67,101,847
I-5 Carpool Lane- Orange County Line to I-605 (Segment 1)	0700001831	P2505-0102	\$ 50,501,069
I-5 Carpool Lane- Orange County Line to I-605 (Segment 3)	0700001833	P2505-0103	\$ 91,867,346
I-5 Carpool Lane- Orange County Line to I-605 (Segment 4)	0700001834	P2505-0104	\$ 111,998,456
I-5 HOV/Empire Avenue & Burbank Boulevard (Segment 2 & 3)	0700021119	P2505-0105	\$ 60,790,580

CARRIE BOWEN
BRUCE DE TERRA
RAY ZHANG
May 15, 2018
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The projects' implementing agency is Caltrans District 7. The projects were funded using Proposition 1B Highway – Corridor Mobility Improvement Account funds, State-Local Partnership Program Funds, Transportation Corridors Improvement 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:

- District 7 should implement stronger fiscal controls to ensure compliance with project agreements and Caltrans/CTC's program guidelines.
- The Final Delivery Reports for projects 0700000083, 0700000500, 0700001829, and 0700001831 were not submitted timely.

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 Mrs. 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
Robert So, Sr. Transportation Engineer, Division of Project Management
Jimmy Shih, Sr. Transportation Engineer, Division of Project Management
Marilou Abad, Staff Services Manager I, District 7
Elena Guerrero, Acting Audit Manager, Audits and Investigations



California Department of Transportation, District 7

Proposition 1B Bond Programs

Project Numbers 0700000086, 0700000201, 0700000339, 0700000490, 0700000500,
0700001829, 0700001831, 0700001833, 0700001834, and 0700021119

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Jon Chapple, CPA, Manager
Angie Williams, Supervisor
Joshua Mortimer, Lead
Lakeisha Gulley
Erika Santiago
Thong Thao

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

May 10, 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 7, 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 7's (District) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0700000083	P2520-0044	Route 10 HOV Lanes from Route 605 to Puente Avenue
0700000201	P2525-0046	LA County Line to Moorpark Road—US 101 Improvements Phase 1
0700000339	P2535-0105	Orange County to Route 605—Carmenita Interchange
0700000490	P2505-0101	High Occupancy Vehicle (HOV) Lanes, Mussel Shoals to Casitas Pass Road
0700000500	P2520-0046	VEN-118 Widening, Tapo Canyon to LA County Phase 2
0700001829	P2520-0047	HOV Lanes on Route 5 from Route 170 to Route 118
0700001831	P2505-0102	I-5 Carpool Lane—Orange County Line to I-605 (Segment 1)
0700001833	P2505-0103	I-5 Carpool Lane—Orange County Line to I-605 (Segment 3)
0700001834	P2505-0104	I-5 Carpool Lane—Orange County Line to I-605 (Segment 4)
0700021119	P2505-0105	I-5 HOV/Empire Avenue & Burbank Boulevard (Segments 2 & 3)

The draft report was issued March 23, 2018, and the District's response to the draft report required further analysis. As a result of our analysis, changes were made to the Results and Appendices Sections. This report will be placed on our website.

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

Sincerely,

original signed by:

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits–Contracts, Audits and Investigations, California Department of Transportation
Ms. Carrie Bowen, District Director, California Department of Transportation, District 7
Mr. Robert So, Deputy District Director, California Department of Transportation, District 7
Mr. Jimmy Shih, Senior Transportation Engineer, California Department of Transportation, District 7
Ms. Marilou Abad, Staff Services Manager I, California Department of Transportation, District 7

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 7 (District) was awarded \$461 million of Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA), \$132.8 million from the State Transportation Improvement Program (STIP) Augmentation, \$53 million from the State-Local Partnership Program Account (SLPP), and \$10.3 million from the Trade Corridors Improvement Fund (TCIF). The ten bond-funded projects were:

- Route 10 High Occupancy Vehicle (HOV) Lanes from Route 605 to Puente Avenue (0700000083)
- LA County Line to Moorpark Road–US 101 Improvements Phase 1 (0700000201)
- Orange County to Route 605–Carmenita Interchange (0700000339)
- HOV Lanes, Mussel Shoals to Casitas Pass Road (0700000490)
- VEN-118 Widening, Tapo Canyon to LA County Phase 2 (0700000500)
- HOV Lanes on Route 5 from Route 170 to Route 118 (0700001829)
- I-5 Carpool Lane–Orange County Line to I-605 (Segment 1) (0700001831)
- I-5 Carpool Lane–Orange County Line to I-605 (Segment 3) (0700001833)
- I-5 Carpool Lane–Orange County Line to I-605 (Segment 4) (0700001834)
- I-5 HOV/Empire Avenue & Burbank Boulevard (Segments 2 & 3) (0700021119)

PROGRAM DESCRIPTION¹

CMIA: \$4.5 billion of bond proceeds 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.

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.

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.

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.

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

Construction is complete for all projects except 0700000201, 0700000339, 0700001833, 0700001834, and 0700021119, which were in progress at the time of our site visits in September 2017.

The District was required to provide dollar-for-dollar match funding for projects 0700000201, 0700000339, 0700001829, and 0700021119.

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 amendments, were achieved and adequately reported in the Final Delivery Reports.

At the time of our site visits in September 2017, construction was complete for five projects – 0700000083, 0700000490, 0700000500, 0700001829, and 0700001831. However, Final Delivery Reports had not been submitted for these completed projects at the time of our audit. Additionally, Final Delivery Reports have not been submitted for the other five interim projects. Accordingly, we did not evaluate whether project benefit/outcomes were achieved or adequately reported for the projects. 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 to gain an understanding of the projects and respective programs.
- Reviewed procurement records to verify compliance with applicable state procurement requirements.

- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported by accounting records and progress payments.
- Reviewed a sample of contract change orders to determine if they were within the scope of the projects, properly approved, and supported.
- Reviewed a sample of project final expenditure reports and invoices to verify bond funds were not used to make duplicate payments.
- 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 and project agreements or approved amendments.
- Evaluated whether there is a system in place to report actual project benefits/outcomes by reviewing a sample of supporting documentation and interviewing District staff.

For Projects 0700000201, 0700000339, 0700001829, and 0700021119

- Verified the match requirement was met or there was a system in place to ensure the match requirement is met 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.

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

The District has a system in place to report actual project benefits/outcomes, although information is not reported timely as noted in Finding 2. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Fiscal Controls Need Improvement

As the recipient of Proposition 1B funds, the District should implement stronger fiscal controls to ensure compliance with project agreements and Caltrans/CTC's program guidelines. Specifically, we noted the following:

- The District's contract administration database allows staff to record project costs in excess of the approved bid amounts. Specifically, District staff receive warnings generated from the database when specific bid line items are exceeded; however, there are no procedures to ensure the warnings are reviewed and resolved. For example, the District did not identify \$11,454,443 in miscoded contractor payments, which may have been detected if database warnings were resolved. Although the projects were not over budget in total, the contractor costs were overstated in the accounting system. The District stated it was unaware of these coding errors and does not perform reconciliations of budget line items for overages. These errors result in inaccurate accounting information and could result in overpayments to contractors.

California Government Code, section 13401(a)(1) requires an active oversight process, including regular and ongoing monitoring processes, for the prevention and early detection of fraud and errors in program administration. This oversight process is vital to public confidence and the appropriate and efficient use of public resources.

- The District does not consistently maintain documentation supporting claimed expenditures. Specifically, the District was unable to provide documents such as quantity sheets and calculations to support some construction invoices.²

According to Caltrans Construction Manual, section 5-102, the District is responsible for using a uniform filing system for all projects that includes maintaining source documents. Additionally, Caltrans Construction Manual, section 5-103C(2e) requires the District to maintain an adequate audit trail by linking transactions to the specific source documents that generate the transactions. Lacking these documents, the District is unable to demonstrate information reported on contractor invoices is accurate and project related.

² The lack of supporting documentation did not result in questioned costs; additional audit procedures were performed to determine that contractor invoices were project related and accurate.

Recommendations:

- A. Establish and implement policies and procedures to ensure progress payment warnings are adequately reviewed and resolved; including performing reconciliations of budget line items.
- B. Ensure a clear audit trail is established and documentation is maintained to support contractor invoices. The audit trail should facilitate the tracing of claimed expenditures to the accounting records and source documents.

Finding 2: Final Delivery Reports Not Submitted Timely

The Final Delivery Reports for projects 0700000083, 0700000500, 0700001829, and 0700001831 were not submitted to Caltrans within six months of the projects becoming operable (construction contract acceptance date). The Final Delivery Reports for these projects were due August 2016, February 2012, January 2017, and November 2016, respectively; however, none were submitted to Caltrans as of November 2017. According to the District, the Final Delivery Reports were delayed due to pending claims or project managers being unaware of the requirement. The District was also unaware Supplemental Final Delivery Reports could be submitted to include revised expenditures, project deliverables, and actual project benefits/outcomes.

The STIP Augmentation Accountability Implementation Plan, Follow-Up Accountability, section A, SLPP Program Guidelines, section 14, and CMIA Accountability Implementation Plan, section IV C.1, require a Final Delivery Report within six months after projects become operable. The guidelines state a project becomes operable at the end of the construction phase when the construction contract is accepted. The construction contracts have been accepted for these projects.

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.

Recommendations:

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for the completed projects to Caltrans as required. Upon completion of the projects in progress as of September 2017, submit Final Delivery Reports to Caltrans within six months of the projects becoming operable.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Caltrans District 7: District
- Corridor Mobility Improvement Account: CMIA
- State Transportation Improvement Program Augmentation: STIP Augmentation
- State-Local Partnership Program Account: SLPP
- Trade Corridors Improvement Fund: TCIF
- 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
0700000083	\$ 55,172,014	C	Y	Y	N/A	N/A	A-1
0700000201	\$ 8,693,879	I	Y	Y	N/A	N/A	A-2
0700000339	\$ 12,671,675	I	Y	Y	N/A	N/A	A-3
0700000490	\$ 77,263,681	C	Y	Y	N/A	N/A	A-4
0700000500	\$ 10,806,529	C	Y	Y	N/A	N/A	A-5
0700001829	\$ 67,101,847	C	Y	Y	N/A	N/A	A-6
0700001831	\$ 50,501,069	C	Y	Y	N/A	N/A	A-7
0700001833	\$ 91,867,346	I	Y	Y	N/A	N/A	A-8
0700001834	\$111,998,456	I	Y	Y	N/A	N/A	A-9
0700021119	\$ 60,790,580	I	Y	Y	N/A	N/A	A-10

Legend

I = Construction is not complete

C = Construction is complete

Y = Yes

N = No

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

Project Number: 0700000083

Project Name: Route 10 HOV Lanes from Route 605 to Puente Avenue

Program Name: STIP Augmentation

Project Description: Construct one HOV lane in each direction on Route 10 from Route 605 to Puente Avenue.

Audit Period: June 26, 2008 through August 11, 2017¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 37,981,957
Construction Engineering	17,190,057
Total Proposition 1B Expenditures	\$ 55,172,014

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 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 28 months late. The District appropriately informed Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in August 2016 and had not been submitted to Caltrans as of November 2017.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the Final Delivery Report has not been submitted to Caltrans. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

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

Project Number: 0700000201

Project Name: LA County Line to Moorpark Road–US 101 Improvements Phase 1

Program Name: TCIF

Project Description: Widen and improve the connectors at State Route 23 and US 101; improve the Moorpark Road off-ramp and median; and improve the sound wall at southbound Hampshire Road.

Audit Period: January 8, 2013 through September 1, 2017³

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 8,470,715
Construction Engineering	223,164
Total Proposition 1B Expenditures	\$ 8,693,879

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. In addition, there is a system in place to ensure the match requirement is met.

Deliverables/Outputs

Target completion for the construction phase of this project was August 2015. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule and has not been completed. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project is not complete, and the Final Delivery report has not been submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

³ Ibid.

Project Number: 0700000339

Project Name: Orange County to Route 605 – Carmenita Interchange

Program Name: SLPP

Project Description: Replace the Carmenita Overcrossing by removing the existing two lane steel girder bridge and replacing it with a new ten lanes cast in place concrete structure. The new structure will be a tight diamond type interchange and will stretch over the existing at grade rail road crossing. The project will also improve local frontage roads to meet new design standards.

Audit Period: May 11, 2007 through August 8, 2017⁴

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 12,671,675
Total Proposition 1B Expenditures	\$ 12,671,675

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. In addition, there is a system in place to ensure the match requirement is met.

Deliverables/Outputs

Target completion for the construction phase of this project was November 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule and has not been completed. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project is not complete, and the Final Delivery report has not been submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁴ Ibid.

Project Number: 0700000490

Project Name: HOV Lanes, Mussel Shoals to Casitas Pass Road

Program Name: CMIA and STIP Augmentation

Project Description: Construct improvements on Route 101 in Ventura County near the community of Mussel Shoals to 0.4 miles south of Casitas Pass Road in Santa Barbara County, to include constructing HOV lanes within the existing highway median. The project also includes intelligent transportation system elements (vehicle detectors and closed-circuit television cameras) and pedestrian improvements within a portion of the project limits.

Audit Period: May 3, 2007 through August 16, 2017⁵

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – CMIA	\$ 60,339,416
Construction Engineering – STIP Augmentation	4,218,497
Construction Engineering – CMIA	12,705,768
Total Proposition 1B Expenditures	\$ 77,263,681

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 June 2017. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 23 months late. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the Final Delivery Report was not submitted to Caltrans as of November 2017 (report due date is December 2017). Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁵ Ibid.

Project Number: 0700000500

Project Name: VEN-118 Widening, Tapo Canyon to LA County Phase 2

Program Name: STIP Augmentation

Project Description: Add one mixed-flow lane to Westbound State Route 118 and add one lane between Tapo Canyon Road and Tapo Street on the Eastbound State Route 118.

Audit Period: September 20, 2007 through June 11, 2014⁶

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 9,002,718
Construction Engineering	1,803,811
Total Proposition 1B Expenditures	\$ 10,806,529

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 2011. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. The District appropriately informed Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in February 2012 and had not been submitted to Caltrans as of November 2017.

Benefits/Outcomes

Actual benefits/outcomes have not been reported because the Final Delivery Report has not been submitted to Caltrans. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁶ Ibid.

Project Number: 0700001829

Project Name: HOV Lanes on Route 5 from Route 170 to Route 118

Program Name: STIP Augmentation and SLPP

Project Description: Construct one HOV lane in each direction and a direct HOV connection at the Route 5/170 interchange.

Audit Period: May 11, 2010 through October 19, 2016⁷

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – STIP Augmentation	\$ 32,590,000
Construction – SLPP	24,406,484
Construction Engineering – STIP Augmentation	10,105,363
Total Proposition 1B Expenditures	\$ 67,101,847

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. In addition, the District met the match requirement.

Deliverables/Outputs

The construction phase of the project was completed in July 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 25 months late. The District appropriately informed Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in January 2017 and had not been submitted to Caltrans as of November 2017.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the Final Delivery Report has not been submitted to Caltrans. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁷ Ibid.

Project Number: 0700001831

Project Name: I-5 Carpool Lane – Orange County Line to I-605 (Segment 1)

Program Name: CMIA

Project Description: In Santa Fe Springs, from the North Fork Coyote Creek Overcrossing to Marquardt Avenue, add HOV and mixed flow lane in each direction; reconstruct bridges and adjacent frontage roads.

Audit Period: May 11, 2007 through July 26, 2017⁸

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 43,765,069
Construction Engineering	6,736,000
Total Proposition 1B Expenditures	\$ 50,501,069

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 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 13 months late. The District appropriately informed Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in November 2016 and had not been submitted to Caltrans as of November 2017.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the Final Delivery Report has not been submitted to Caltrans. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁸ Ibid.

Project Number: 0700001833

Project Name: I-5 Carpool Lane – Orange County Line to I-605 (Segment 3)

Program Name: CMIA

Project Description: Add HOV lane and mixed flow lane in each direction in Norwalk, from Shoemaker Avenue to Silverbow Avenue on I-5.

Audit Period: May 11, 2007 through August 17, 2017⁹

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 76,606,346
Construction Engineering	15,261,000
Total Proposition 1B Expenditures	\$ 91,867,346

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

Target completion for the construction phase of this project was April 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule and has not been completed. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project is not complete, and the Final Delivery report has not been submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

⁹ Ibid.

Project Number: 0700001834

Project Name: I-5 Carpool Lane – Orange County Line to I-605 (Segment 4)

Program Name: CMIA

Project Description: Widening I-5 with HOV and mixed flow lanes in Norwalk, from Silverbow Avenue to Orr and Day Road Overhead.

Audit Period: May 11, 2007 through August 17, 2017¹⁰

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$ 95,305,456
Construction Engineering	16,693,000
Total Proposition 1B Expenditures	\$ 111,998,456

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

Target completion for the construction phase of this project was April 2016. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule and has not been completed. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project is not complete, and the Final Delivery report has not been submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

¹⁰ Ibid.

Project Number: 0700021119

Project Name: I-5 HOV/Empire Ave and Burbank Blvd (Segments 2 & 3)

Program Name: CMIA and SLPP

Project Description: Construct one HOV lane in each direction from the Empire Avenue Interchange in Los Angeles County, on Route 5 from south of Magnolia Boulevard to north of Buena Vista.

Audit Period: May 4, 2012 through August 15, 2017¹¹

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – SLPP	\$ 10,554,182
Construction – CMIA	50,236,398
Total Proposition 1B Expenditures	\$ 60,790,580

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. In addition, there is a system in place to ensure the match requirement is met.

Deliverables/Outputs

Target completion for the construction phase of this project was December 2015. At the time of our site visit in September 2017, project deliverables/outputs were consistent with the project scope. However, the project is behind schedule and has not been completed. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project is not complete, and the Final Delivery report has not been submitted. Although there is a system in place to report actual project benefits/outcomes, the District does not report information timely as noted in Finding 2.

¹¹ Ibid.

DEPARTMENT OF TRANSPORTATION

DISTRICT 7

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*Making Conservation
a California Way of Life.*

April 5, 2018

Ms. Jennifer Whitaker, Chief
Office of State Audits and Evaluations
California Department of Finance
915 L Street, 6th Floor
Sacramento, CA 95814

Dear Ms. Whitaker:

This letter is in response to the “Draft Report - California Department of Transportation, District 7, Proposition 1B Audit”. The following projects were part of your audit:

<u>Project Number</u>	<u>EA</u>	<u>Project Name</u>
700000083	07-11707	Route 10 HOV Lanes from Route 605 to Puente Avenue
700000201	07-1952U	LA County Line to Moorpark Road-US 101 Improvements
700000339	07-2159C	Phase 1 Orange County to Route 605-Carmenita Interchange
700000490	07-26070	High Occupancy Vehicle Lanes, Mussel Shoals to Casitas Pass Road
700000500	07-26670	VEN-118 Widening, Tapo Canyon to LA County
700001829	07-1219U	Phase 2 HOV Lanes on Route 5 from Route 170 to Route 118
700001831	07-21591	1-5 Carpool Lane-Orange County Line to 1-605 (Segment 1)
700001833	07-21593	1-5 Carpool Lane-Orange County Line to 1-605 (Segment 3)
700001834	07-21594	1-5 Carpool Lane-Orange County Line to 1-605 (Segment 4)
700021119	07-1218W	1-5 HOV/Empire Avenue & Burbank Boulevard (Segments 2 & 3)

The audit contained three findings and seven total recommendation to the findings. Caltrans response to each finding (briefly described) and recommendations follows:

Finding 1: Match Requirement Not Met

The District could not provide evidence that match was met for project 0700001829 (07-12190).

Recommendations:

*“Provide a safe, sustainable, integrated and efficient transportation system
to enhance California’s economy and livability”*

Ms. Jennifer Whitaker
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- A. Read and review program guidelines to ensure a clear understanding of the match funding requirements.
- B. Develop and implement procedures to ensure local funds are used to meet the match requirement for the construction phase of current and future Proposition 1B funded projects.
- C. Work collaboratively with Caltrans Headquarters to identify funding sources for this multi-phase project that may be used to meet the match requirement.

Caltrans Response:

Corridor Mobility Improvement Account (CMIA) funds were originally programmed on February 26, 2007 on three segments (EA 12181, 12183 and 12184) of five segments on Interstate (I) 5 from State Route (SR) 134 to SR-118 (EA 12190, 12181, 12182, 12183 and 12184) I-5 North High Occupancy Vehicle (HOV) Corridor. Eventually, EAs 12181, 12182, 12183 and 13350 (Empire Interchange) were combined and re-scoped to two segments, EAs 1218W and 1218V.

EA 12190 was amended to the Corridor on June 2010 CTC for \$40 million SLPP (SLPP Adjust 1219U June 2010.pdf) which adjusted approximately \$25.075 million with \$13.091 million later amended to EA 1218W of the same corridor, eventually adjusted to \$13.061 million.

These segment has always been recognized one project, the I-5 North Corridor that includes project segments EA 12190, 121811, 12182, 12183 and 12184 per Cooperative Agreement 4880 dated 9/25/09. The last amendment (COOP_4880A6.pdf) include total SLPP of \$38.136 million matching with \$13.217 million Prop C and \$142.04 million Measure R. The SLPP matching funds are considered across the Corridor project (total) and not individual segments.

Finding 2: Fiscal Controls Need Improvement

As the recipient of Proposition 1B funds, the District should implement stronger fiscal controls to ensure compliance with project agreements and Caltrans/CTC's program guidelines.

Recommendations:

- A. Establish and implement policies and procedures to ensure progress payment warnings are adequately reviewed and resolved; including performing reconciliations of budget line items.

B. Ensure a clear audit trail is established and documentation is maintained to support contractor invoices. The audit trail should facilitate the tracing of claimed expenditures to the accounting records and source documents.

Caltrans Response:

A. Caltrans concurs with the recommendation. Caltrans project Bid Item quantities are estimated amounts to allow for actual field measurement of the items (unless the Bid Item is designated as a Final Pay Item). As such, project specifications allows payment of Bid Items in excess of bid quantities. The Caltrans contract administration database does generate a “warning report” when Bid Item quantities are exceeded during each monthly progress payment. The monthly “warning report” indicates when a Bid Item quantity is being paid over 125% of the Bid Item quantity. The field Resident Engineer receives these “warning reports” to review and file as project record.

In order to ensure progress payment warnings are addressed adequately, the District will remind the Resident Engineers to more carefully review these “warning printouts.” If Bid Item quantities are exceeded, the Resident Engineers should document the reasons for the exceeded quantities, whether it is due actual field measurements or due to a contract change order. Resident Engineers need to continue to monitor the project payment amounts and contingency balance.

B. Caltrans accepts this recommendation. In setting up a project record, each construction project follows a uniform filing system in accordance with the 63 categories described in the Caltrans Construction Manual, Section 5-102 “Organization of Project Documents”. Project supporting documents pertaining to payments to the Contractor are an important part of the project record.

Since Contractors bid on the Bid Item quantities, these item payments will typically require monthly quantity calculations of the work performed for each Bid Item. In the case of a contract change order, there would be labor & equipment cost calculations and/or material invoices to support the contract change order payments. Source supporting documents from the Contractor are required only if the work is a change order work. In order to ensure that a clear audit trail to facilitate the tracing of project expenditures (payments to the Contractor), it is important to accurately file any payment supporting documents in the correct categories in the project record. The District will remind the Resident Engineers to maintain better project record, file documents properly, and have cross reference documents to verify accurate payments for the work performed.

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Finding 3: Final Delivery Reports Not Submitted Timely

The Final Delivery Reports for projects 0700000083, 0700000500, 0700001829, and 0700001831 were not submitted to Caltrans within six months of the projects becoming operable (construction contract acceptance date).

Recommendations:


- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for the completed projects to Caltrans as required. Upon completion of the projects in progress as of September 2017, submit Final Delivery Reports to Caltrans within six months of the projects becoming operable.

Caltrans Response:

- A. Caltrans accepts this recommendation. The District will remind Program Managers of these requirements.
- B. Caltrans accepts this recommendation. One missing reports has been submitted. The three remaining missing reports will be submitted this month. The District will remind the Project Managers at Construction Contract Close Out of this requirement for the remaining projects.

Should you have any questions or need further information, you can contact Gregory Farr at 213-897-0208.

Sincerely,
original signed by:

ROBERT SO 
Deputy District Director
Division of Program/Project Management
California Department of Transportation – District 7

Enclosures

- (1) SLPP Adjust 1219U June 2010.pdf
- (2) COOP_4880A6.pdf

The District's response to the draft report has been reviewed and incorporated into the final report. We acknowledge the District's willingness to implement our recommendations specific to Findings 2 and 3. For Finding 1, we received additional information in response to the draft report. After analysis of the additional information, the report was modified as follows:

Finding 1: Match Requirement Not Met

The District disagrees with our finding and asserts project 0700001829 was part of a segment that has been recognized as one "corridor" project. The District further contends the match requirement should be considered in total for all corridor projects and not by individual segments. The additional information obtained from Caltrans and CTC on May 2, 2018 confirms the District's understanding. Therefore, this finding has been removed from the report and the Results and Appendices Sections have been revised accordingly.