

Memorandum

*Making Conservation
a California Way of Life.*

To: TIM GUBBINS
District 5 Director

Date: November 30, 2018

From: ALICE LEE 
Chief
External Audits – Contracts
Independent Office of Audits and Investigations

File: P2505-0094
P2505-0095
P2505-0096
P2505-0097
P2520-0039
P2520-0040
P2505-0099
P2520-0042

Subject: **AUDIT OF CALTRANS DISTRICT 5 PROPOSITION 1B PROJECT**

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>
San Juan Road Interchange	0500000495	P2505-0094	\$24,781,639
Salinas Road Interchange	0500000496	P2505-0095	\$19,506,000
Route 46 Corridor Improvements	0500000499	P2505-0096	\$49,405,401
Santa Maria River Bridge Widening	0500000535	P2505-0097	\$30,095,166
Milpas-Cabrillo Operational Improvements	0500000539	P2520-0039	\$65,772,458
Casitas Pass & Linden Avenue Interchanges	0500000543	P2520-0040	\$17,454,736
Route 46 Corridor Improvements	0500020049	P2505-0099	\$42,802,239
Route 46 Corridor Improvements	0512000076	P2520-0042	\$33,569,419

The projects' implementation agency is Caltrans District 5. The projects were funded using Proposition Corridor Mobility Improvement Account funds (CMIA), and State Transportation Improvement Program funds (STIP).

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. The audit disclosed the following findings:

- **Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes-** The benefits/outcomes for project 0500000496, 0500000499, 0500000539, and 0500020049 were not adequately reported in the Final Delivery Reports.

Tim Gubbins
November 30, 2018
Page 2 of 2

- **Finding 2: Final Delivery Reports Not Submitted Timely-** The Final Delivery Reports for projects 0500000496 and 0500000499 were not submitted to Caltrans within six months of the projects becoming operable.

Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. Please provide the Independent Office of Audits and Investigations a Corrective Action Plan (CAP) on the audit findings within 60 days of this memorandum's date and reference the project numbers identified above on the CAP.

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

Attachment:

cc: Robert Nelson, Deputy Director, California Transportation Commission
Coco Briseno, Deputy Director, Planning and Modal Programs
Bruce De Terra, Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Richard Rosales, Deputy District Director, District 5, Division of Project Management
Ms. Johanna Andris, Senior Transportation Engineer, District 5, Division of Project Management
Daniel Burke, Audits Liaison, Division of Local Assistance
Paula Bersola, Audits Bersola, Division of Local Assistance
Elena Guerrero, Audit Manager, Independent Office of Audits and Investigations



California Department of Transportation

Proposition 1B Bond Programs

Project Numbers 0500000495, 0500000496, 0500000499, 0500000535,
0500000539, 0500000543, 0500020049, and 0512000076

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Angie Williams, Supervisor
Alan Garrett, Lead
Lakeisha Gulley, MBA
Jeffrey Neller
Blanca Sandoval
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

July 18, 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:

Reissued Final Report—California Department of Transportation, District 5, 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 5's (District) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0500000495	P2505-0094	San Juan Road Interchange
0500000496	P2505-0095	Salinas Road Interchange
0500000499	P2505-0096	Route 46 Corridor Improvements (Whitley 1)
0500000535	P2505-0097	Santa Maria River Bridge Widening
0500000539	P2520-0039	Milpas-Cabrillo Operational Improvements
0500000543	P2520-0040	Casitas Pass and Linden Avenue Interchanges
0500020049	P2505-0099	Route 46 Corridor Improvements (Whitley 2A)
0512000076	P2520-0042	Route 46 Corridor Improvements (Whitley 2B)

The final report dated July 9, 2018 included the District's original response instead of their revised response. As a result, we are reissuing the final report to include the District's revised response.

The enclosed report is for your information and use. The District's response to the report findings and our evaluation of the response are incorporated into this final report. 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,

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. Richard Rosales, Acting District Director, District 5, California Department of Transportation
Ms. Johanna Andris, Project Manager, District 5, California Department of Transportation

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.¹

Caltrans District 5 (District) was awarded \$172.9 million of Proposition 1B funds from the Corridor Mobility Improvement Account (CMIA) and \$139.6 million from the State Transportation Improvement Program (STIP) Augmentation. The eight bond-funded projects were:

- San Juan Road Interchange (0500000495)
- Salinas Road Interchange (0500000496)
- Route 46 Corridor Improvements (Whitley 1) (0500000499)
- Santa Maria River Bridge Widening (0500000535)
- Milpas-Cabrillo Operational Improvements (0500000539)
- Casitas Pass and Linden Avenue Interchanges (0500000543)
- Route 46 Corridor Improvements (Whitley 2A) (0500020049)
- Route 46 Corridor Improvements (Whitley 2B) (0512000076)

Construction is complete for all projects except 0500000543 and 0512000076, which are still in progress.

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.

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.

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

The audit objectives were to determine whether:

- Proposition 1B expenditures were incurred in compliance with 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.

At the time of our site visits in January and February 2018, the construction phase was not complete for projects 0500000543 and 0512000076. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported for these 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.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported by reviewing accounting records and progress payments.²
- Reviewed a sample of contract change orders to determine if they were within the scope of the projects, properly approved, and supported.²

For Project 0500000535:

- Reviewed procurement records to verify compliance with applicable state procurement requirements.

For Projects 0500000539 and 0500000543:

- Reviewed a sample of project progress payments and accounting records to verify bond funds were not used to make duplicate payments.²

² The sample selected was based on significant qualitative and quantitative factors identified during our audit to meet the audit objectives. The results from our samples cannot be projected to the entire CMIA or STIP Augmentation programs.

For Projects 0500000495, 0500000496, 0500000499, 0500000535, 0500000539, and 0500020049:

- 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 approved amendments, and the Final Delivery Reports.
- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes 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 Projects 0500000543 and 0512000076:

- Reviewed a sample of project deliverables/outputs by conducting site visits to confirm consistency with the project scopes.³
- Evaluated whether project deliverables/outputs were on schedule as described in the project agreements or amendments.
- Evaluated whether there is a system in place to report actual project benefits/outcomes.

In conducting our audit, we obtained an understanding of the District's 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.

³ Ibid

Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines. Additionally, except as noted in Finding 2, project deliverables/outputs were consistent with the project scopes and schedules. Although project 0500000495, 0500000496, 0500000499, 0500000535, 0500000543, 0500020049, and 0512000076 were behind schedule, the District appropriately informed Caltrans and CTC of the delays.

For projects 0500000496, 0500000499, 0500000539, and 0500020049, benefits/outcomes were not adequately reported in the Final Delivery Reports, as noted in Finding 1. Additionally, for projects 0500000495, 0500000496, 0500000499, 0500000535, 0500000539, and 0500020049, the District did not achieve the expected project benefits/outcomes as described in the project agreements or approved amendments. For the interim projects 0500000543 and 0512000076, there is a system in place to report actual project benefits/outcomes, although the District does not always accurately report information as noted in Finding 1. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

The benefits/outcomes for projects 0500000496, 0500000499, 0500000539, and 0500020049 were not adequately reported in the Final Delivery Reports. Specifically:

- For projects 0500000496 and 0500000499, actual project benefits/outcomes related to peak travel hour Level of Service (LOS) were not addressed in the Final Delivery Reports. The executed agreements (baseline agreement) for these projects listed expected project benefits/outcomes for LOS. The District stated that it did not report on these project benefits/outcomes because there was not a section in the Final Delivery Report form to report those benefits.
- For project 0500000539, the actual project benefits/outcomes to reduce congestion and improve safety, operation, and local access were not addressed in the Final Delivery Report. Those benefits/outcomes were described in the Project Programming Request (baseline agreement). According to the District, STIP Augmentation funded projects have different reporting requirements than CMIA funded projects and did not have baseline agreements. Thus, they were unaware that projected project benefits/outcomes listed in the Project Programming Request would become the baseline figures needing to be addressed in the Final Delivery Report.
- For project 0500020049, the expected project benefits/outcomes listed in the executed agreement were erroneous. The expected projected benefits/outcomes were copied from another project (0500000499). As a result, the actual benefits/outcomes reported on the Final Delivery Report cannot be compared to the expected projected benefits/outcomes. According to the District, the projected baseline benefits/outcomes for project 0500020049 was inaccurate because it was obtained from the original project.

The CMIA and State Route 99 Accountability Implementation Plan, section IV C.1, and STIP Augmentation Accountability Implementation Plan, Follow-Up Accountability, section A, 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. Without an accurate assessment of projected and actual project outcomes, CTC cannot determine whether project benefits and deliverables 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 project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future Final Delivery Reports address all project benefits/outcomes, including comparable pre and post metrics.

Finding 2: Final Delivery Reports not Submitted Timely

The Final Delivery Reports for projects 0500000496 and 0500000499 were not submitted to CTC within six months of the project becoming operable (construction contract acceptance date). The Final Delivery Report for project 0500000496 was due September 2014, and was not submitted to CTC until February 2016. The Final Delivery Report for project 0500000499 was due April 2015, and was not submitted to CTC until May 2016. According to the District, the Final Delivery Reports were delayed for the final project expenditures. 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 Accountability Implementation Plan, section IV C.1, and the STIP Augmentation Accountability Implementation Plan, Follow-Up Accountability, section A, require a Final Delivery Report within six months after projects become operable. The CMIA guidelines state the project becomes operable at the end of the construction phase when the construction contract is accepted. The Proposition 1B Project Close-out Process Update 2016 further states final project expenditures should be reported in the Supplemental Final Delivery Report.

Recommendations:

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

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Caltrans District 5: District
- Corridor Mobility Improvement Account: CMIA
- State Transportation Improvement Program Augmentation: STIP Augmentation
- Level of Service: LOS

Summary of Projects Reviewed

Project Number	Expenditures Incurred	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0500000495	\$24,781,639	C	Y	Y	N	Y	A-1
0500000496	\$19,506,000	C	Y	Y	P	P	A-2
0500000499	\$49,405,401	C	Y	Y	N	P	A-3
0500000535	\$30,095,166	C	Y	Y	N	Y	A-4
0500000539	\$65,772,458	C	Y	Y	N	N	A-5
0500000543	\$17,454,736	I	Y	Y	N/A	N/A	A-6
0500020049	\$42,802,239	C	Y	Y	N	N	A-7
0512000076	\$33,569,419	I	Y	Y	N/A	N/A	A-8

Legend

I = Construction is not complete

C = Construction is complete

Y = Yes

N = No

P = Partial

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

Project Number: 0500000495

Project Name: San Juan Road Interchange

Program Name: CMIA and STIP Augmentation

Project Description: On Route 101 near Prunedale, construct new interchange and convert 1.4 miles of expressway to freeway.

Audit Period: April 4, 2012 through November 7, 2017¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – CMIA	\$22,771,869
Construction – STIP Augmentation	2,009,770
Total Proposition 1B Expenditures	\$24,781,639

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 April 2016. At the time of our site visit in January 2018, 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.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. However, the District did not achieve the expected project benefits/outcomes as described in the executed project agreements or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
884 Daily Travel Time Savings (hours)	662 Daily Travel Time Savings (hours)	No
6,424 Peak Period Time Savings (minutes)	5,479 Peak Period Time Savings (minutes)	No

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

Project Number: 0500000496

Project Name: Salinas Road Interchange

Program Name: CMIA and STIP Augmentation

Project Description: On Highway 1, near Watsonville, remove left turn conflict by constructing new interchange and convert a 2-lane highway to a 2-lane expressway with access control and frontage roads.

Audit Period: June 4, 2007 through August 28, 2015²

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – CMIA	\$14,140,000
Construction – STIP Augmentation	938,000
Construction Engineering – CMIA	4,428,000
Total Proposition 1B Expenditures	\$19,506,000

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 March 2014. At the time of our site visit in January 2018, project deliverables/outputs were consistent with the project scope. The project Final Delivery Report was due in September 2014 and was submitted 16 months late. Additionally, the project was behind schedule and completed 32 months late. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes related to peak travel hour LOS was not adequately reported in the Final Delivery Report. The remaining expected project benefits/outcomes related to Daily Vehicle Hours and Daily Peak Duration Minutes were adequately reported and achieved.

² Ibid.

Expected Benefits/ Outcomes	Actual Benefits/ Outcomes	Benefits/ Outcomes Achieved
673 Daily Vehicle Hours of Delay Saved	729 Daily Vehicle Hours of Delay Saved	Yes
45,561 Daily Peak Duration Minutes Saved	49,354 Daily Peak Duration Minutes Saved	Yes
Improve traffic flow and reduce existing and future peak congestion and improve travel times on Highway 1 mainline. During the peak hour southbound Highway 1 operates at LOS "D" during the peak travel hour. If no improvements are made, the LOS is expected to decline to "F" by the year 2030 for Northbound travel.	Not reported	No

Project Number: 0500000499

Project Name: Route 46 Corridor Improvements (Whitley 1)

Program Name: CMIA and STIP Augmentation

Project Description: Near Paso Robles, on Route 46, west of Genesee Road to east of Almond Drive, convert to a 4-lane expressway.

Audit Period: June 4, 2007 through August 18, 2016³

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction – CMIA	\$48,101,401
Construction – STIP Augmentation	1,304,000
Total Proposition 1B Expenditures	\$49,405,401

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 January 2018, project deliverables/outputs were consistent with the project scope. The project Final Delivery Report was due in April 2015 and was submitted 13 months late. Additionally, the project was behind schedule and completed 15 months late. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes related to peak hour LOS was not adequately reported in the Final Delivery Report. The remaining expected project benefits/outcomes related to Daily Vehicle Hours and Daily Peak Duration Minutes were adequately reported. The District did not achieve the expected benefits/outcomes as described in the executed project agreements or approved amendments.

³ Ibid.

Expected Benefits/ Outcomes	Actual Benefits/ Outcomes	Benefits/ Outcomes Achieved
2,425 Daily Travel Time Savings (hours)	2,329 Daily Travel Time Savings (hours)	No
164,164 Peak Period Time Savings (minutes)	157,673 Peak Period Time Savings (minutes)	No
The existing LOS of Route 46 during peak hour condition is a substandard "E", and the predicted LOS for the design year will be "F" during peak hour if no improvements are made. Upon completion of this project the Route 46 four-lane divided expressway projected peak hour LOS is "B" and in the design year the projected LOS is "C."	Not Reported	No

Project Number: 0500000535

Project Name: Santa Maria River Bridge Widening

Program Name: CMIA

Project Description: Near Santa Maria, add one northbound and one southbound lane from Junction 135 to Junction 166.

Audit Period: June 30, 2010 through May 17, 2017⁴

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$24,558,044
Construction Engineering	5,537,122
Total Proposition 1B Expenditures	\$30,095,166

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 March 2015. At the time of our site visit in January 2018, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 11 months late. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. However, the District did not achieve the expected project benefits/outcomes as described in the executed project agreements or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
220 Daily Travel Time Savings (hours)	203 Daily Travel Time Savings (hours)	No
21,300 Peak Period Time Savings (minutes)	20,000 Peak Period Time Savings (minutes)	No

⁴ Ibid.

Project Number: 0500000539

Project Name: Milpas-Cabrillo Operational Improvements

Program Name: STIP Augmentation

Project Description: In Santa Barbara on Route 101, from Cabrillo/Hot Springs Road to Milpas Bridge, construct operational improvements including adding auxiliary lanes, closing median ramps, and constructing a roundabout.

Audit Period: May 24, 2011 through May 11, 2015⁵

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$56,832,458
Construction Engineering	8,940,000
Total Proposition 1B Expenditures	\$65,772,458

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 2012. At the time of our site visit in February 2018, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the Final Delivery Report. Specifically, expected project benefits/outcomes to reduce congestion and improve safety, operation, and local access were not addressed in the Final Delivery Report.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Reduce congestion and improve safety, operation, and local access.	Add additional northbound and southbound lanes off ramp, add undercrossing, reconstruct ramps and street intersections, and add multipurpose paths and sidewalks.	No

⁵ Ibid.

Project Number: 0500000543

Project Name: Casitas Pass and Linden Avenue Interchanges

Program Name: STIP Augmentation

Project Description: In Carpinteria, reconstruct two interchanges (Casitas Pass Road and Linden Avenue) and extend Via Real frontage road.

Audit Period: September 22, 2015 through November 16, 2017⁶

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$17,453,815
Construction Engineering	921
Total Proposition 1B Expenditures	\$17,454,736

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 this project was December 2018. At the time of our site visit in February 2018, the project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and is estimated to be completed December 2021. The District appropriately informed Caltrans of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed. Although there is a system in place to report actual project benefits/outcomes, the District does not always accurately or timely report information as noted in Findings 1 and 2.

⁶ Ibid.

Project Number: 0500020049

Project Name: Route 46 Corridor Improvements (Whitley 2A)

Program Name: CMIA

Project Description: Near El Paso De Robles, from 0.1 mile east of Almond Drive to 0.8 east of McMillan Canyon Road, convert to a 4-lane expressway.

Audit Period: June 23, 2011 through November 10, 2017⁷

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$35,682,773
Construction Engineering	7,119,466
Total Proposition 1B Expenditures	\$42,802,239

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 2016. At the time of our site visit in January 2018, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 11 months late. The District appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the Final Delivery Report. Specifically, the District could not demonstrate the expected project benefits/outputs were achieved because the actual project benefits/outcomes could not be compared to the estimated project benefits/outcomes listed in the agreement (see Finding 1).

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
2,425 Daily Travel Time Savings (hours)	2,812 Daily Travel Time Savings (hours)	No
164,164 Peak Period Time Savings (minutes)	205,297 Peak Period Time Savings (minutes)	No
11.2 Lane Miles Added (Mixed)	11.2 Lane Miles Added (Mixed)	No

⁷ Ibid.

Project Number: 0512000076

Project Name: Route 46 Corridor Improvements (Whitley 2B)

Program Name: STIP Augmentation

Project Description: Near Shandon, from 0.2 mile east of McMillan Canyon Road to 0.5 mile east of the Shandon Safety Roadside, convert to a 4-lane expressway.

Audit Period: October 14, 2011 through November 15, 2017⁸

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Incurred
Construction	\$33,569,419
Total Proposition 1B Expenditures	\$33,569,419

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 this project was April 2018. At the time of our site visit in January 2018, the project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and is estimated to be completed in October 2018. The District appropriately informed Caltrans of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed. Although there is a system in place to report actual project benefits/outcomes, the District does not always accurately or timely report information as noted in Findings 1 and 2.

⁸ Ibid.

DEPARTMENT OF TRANSPORTATION

CALTRANS DISTRICT 5
 50 HIGUERA STREET
 SAN LUIS OBISPO, CA 93401-5415
 PHONE (805) 549-3101
 FAX (805) 549-3329
 TTY 711
<http://www.dot.ca.gov/dist05/>



*Making Conservation
 a California Way of Life.*

June 8, 2018

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

Dear Ms. Whitaker:

**Response to Draft Report – California Department of Transportation, District 5,
 Proposition 1B Audit**

Thank you for your thorough audit of the California Department of Transportation (Caltrans) District 5's Proposition 1B Bond-funded projects and for the opportunity to review and respond to the draft report.

The projects listed below were included in the audit:

<u>Project Identifier</u>	<u>P Number</u>	<u>EA</u>	<u>Project Name</u>
0500000495	P2505-0094	05-31580_	San Juan Road Interchange
0500000496	P2505-0095	05-31592_	Salinas Road Interchange
0500000499	P2505-0096	05-33072_	Route 46 Corridor Improvements (Whitley 1)
0500000535	P2505-0097	05-44590_	Santa Maria River Bridge Widening
0500000539	P2520-0039	05-44870_	Milpas-Cabrillo Operational Improvements
0500000543	P2520-0040	05-4482U_	Casitas Pass and Linden Avenue Interchanges
0500020049	P2505-0099	05-33077_	Route 46 Corridor Improvements (Whitley 2A)
0512000076	P2520-0042	05-33078_	Route 46 Corridor Improvements (Whitley 2B)

For all eight of these projects, the audit concluded that “Proposition 1B expenditures were incurred in compliance with the executed project agreements and Caltrans/CTC's program guidelines” and that the “project deliverables/outputs were consistent with the project scope and schedule.”

The draft report contains two findings where District 5 did not do an adequate job reporting and documenting the benefits of the transportation improvements. District 5 concurs with the findings in the draft report and agrees to adopt the recommendations. District 5's detailed response to each recommendation is as follows:

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

Projects 0500000496 and 0500000499 – The District will submit a Supplemental Final Delivery Report for each project and will include before and after metrics for comparison, including a discussion of Level of Service to show that these two projects both achieved the expected benefits/outcomes.

Project 0500000539 – The District will submit an addendum to the Supplemental Final Delivery Report to add wording that the project did achieve the expected benefits/outcomes of reducing congestion and improving safety, operation, and local access, backed up by support analyses.

Projects 0500000543 and 0512000076 – Once construction is completed, and it is time to submit the Final Delivery Report for each project, the District will include before and after metrics for comparison in the benefits/outcomes section of the report in similar terms as to how benefits/outcomes were stated at the time STIP- Augmentation funds were allocated to these projects.

Finding 2: Final Delivery Reports not Submitted Timely

Final Delivery Reports for projects 0500000496 and 0500000499 were delayed due to final project expenditures not being complete. The District now has the understanding that the Final Delivery Report is due within six months of the project becoming operable (construction contract acceptance date), regardless of the status of project expenditures. The District agrees to submit all future Final Delivery Reports in a timely manner.

It would be helpful to add clarifying language to the draft report. For your consideration are the following edits:

1. Page 4 – The fifth paragraph (Project 0500000539), third sentence should be amended to read, “According to the District, STIP-Augmentation-funded projects have different reporting requirements than CMIA-funded projects and did not have Baseline Agreements. Thus, they were unaware that projected project benefits/outcomes listed in the Project Programming Request would become the baseline figures, needed needing to be addressed in the Final Delivery Report.”
2. Page 6 – In the summary table on the first page of Appendix A, in the “Benefits/Outcomes Achieved?” column, please change “N” to “P” for project 0500000499 for the reason explained in suggested edit #4 below. Please change “N” to “Y” for project 0500000535 for the reason explained in suggested edit #5 below.
3. Page 7 (A-1, Project 0500000495) – The last paragraph, last sentence should be amended to read, “However, the District did not achieve the expected project benefits/outcomes as

described in the executed project agreements or approved amendments due to the corridor not experiencing the level of traffic growth forecasted back when the baseline agreement was prepared.”

4. Page 10 (A-3, Project 0500000499) – The last paragraph, last sentence should be amended to read, “The District did not achieve the expected benefits/outcomes as described in the executed project agreements or approved amendments. Although the actual figures related to Daily Vehicle Hours and Daily Peak Duration Minutes are reported to be slightly less than what was expected, Caltrans considers these data sets to be statistically equivalent. The difference in figures is due to a lower growth rate than what the models initially had forecast.”

5. Page 12 (A-4, 0500000535) – The last paragraph, last sentence should be amended to read, “However, the District did not achieve the expected project benefits/outcomes as described in the executed project agreements or approved amendments. Although the actual figures related to Daily Vehicle Hours and Daily Peak Duration Minutes are reported to be slightly less than what was expected, Caltrans considers these data sets to be statistically equivalent. The difference in figures is due to a lower growth rate than what the models initially had forecast.”

We appreciate the thorough review provided by the Department of Finance audit team and for the opportunity to respond. Should you have any questions regarding this response or if you need additional information, please feel free to contact me at (805) 549-3127 or Rochelle Vierra, Caltrans District 5 Acting Deputy District Director of Program Project Management, at (805) 549-3003.

Sincerely,



RICHARD ROSALES
Acting District Director

- c. Ms. Alice M. Lee, Chief, External Audits–Contracts, Audits and Investigations, California Department of Transportation
- Ms. Luisa Ruvalcaba, Audit Manager, External Audits–Contracts, Audits and Investigations, California Department of Transportation
- Ms. Rochelle Vierra, Acting Deputy District Director, Division of Program/Project Management, California Department of Transportation, District 5
- Ms. Johanna Andris, Project Manager, District 5, California Department of Transportation

The District's response to the draft audit report has been reviewed and incorporated into the final report. In evaluating the District's response, we provide the following comments:

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

The District concurred with our finding and agreed to adopt the recommendations for projects 0500000496 and 0500000499, and provided a suggested report edit for project 0500000539, which we addressed below. The District did not address project 0500020049 in their response. For project 0500020049, we recommend the District work with Caltrans and CTC to develop comparable metrics to determine whether the project achieved the expected project benefits/outcomes.

Finding 2: Final Delivery Reports not Submitted Timely

The District agreed with our finding and agrees to submit all future Final Delivery Reports in a timely manner. We acknowledge the District's willingness to implement our recommendations.

Suggested Report Edits

The District provided suggested edits to the draft audit report:

- We incorporated the District's suggested edits for Finding 1, project 0500000539, to clarify that STIP Augmentation funded projects have different reporting requirements than CMIA funded projects.
- We did not incorporate the District's suggested edits relating to the achievement of expected project benefits/outcomes. The audit objective was to determine whether project benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved. Therefore, each individual expected project benefit/outcome is classified as met or not met based on the information reported in the Final Delivery Report. The District did not provide additional information supporting the reported project benefits/outcomes and agreed with the finding in our draft report. For the reasons stated above, our results remain unchanged.