

Memorandum

*Making Conservation
a California Way of Life.*

To: RAY ZHANG
Division Chief
Division of Local Assistance

Date: August 2, 2018

File: P2535-0074

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

Subject: FINAL AUDIT OF THE CITY OF EL CENTRO, PROPOSITION 1B PROJECT

Attached is the audit report pertaining to the audit performed on the following Proposition 1B project:

<u>Project Name</u>	<u>Project Number</u>	<u>P Number</u>	<u>Amount Audited</u>
Fiscal Year 2013 Streets Rehabilitation Project	1112000187	P2535-0074	\$1,036,000

The project's implementing agency is the City of El Centro. The project was funded using Proposition 1B State-Local Partnership Program 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 does not disclose any findings.

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

RAY ZHANG
August 2, 2018
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Attachment:

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Associate Deputy Director, California Transportation Commission
Teri Anderson, Assistant Deputy Director, California Transportation Commission
Coco Briseño, Deputy Director, Planning and Modal Programs
Bruce De Terra, Division Chief, Transportation Programming
Sharon Bertozzi, Sr. Transportation Engineer, Division of Local Assistance
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Daniel Burke, Audit Liaison, Division of Local Assistance
Elena Guerrero, Audit Manager, Audits and Investigations



City of El Centro

Proposition 1B Bond Program

Project Number 1112000187

18-2660-049
July 2018

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Jeremy Jackson, CPA, Supervisor
Angie Williams, Supervisor
Jeffrey Neller

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 13, 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—City of El Centro, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of El Centro's (City) Proposition 1B funded project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1112000187	P2535-0074	Fiscal Year 2013 Streets Rehabilitation Project

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. 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
Ms. Leticia Salcido, Director of Finance, City of El Centro
Ms. Marcela Piedra, City Manager, City of El Centro
Mr. Abraham Campos, P.E., Deputy City Engineer, City of El Centro

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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

CTC awarded \$1 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds to the City of El Centro (City) for the Fiscal Year 2013 Streets Rehabilitation Project (1112000187). The project consisted of rehabilitating segments of various streets located throughout the City, including the removal of potholes and significant cracks, and leveling the road surface. Construction for this project is complete.

The City was required to provide dollar-for-dollar match funding for this project.

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the project described in the Background section of this report. The audit period for the project is identified in Appendix A.

The audit objectives were to determine whether:

- Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.
- Deliverables/outputs were consistent with the project scope and schedule.
- Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report.

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

PROGRAM DESCRIPTION¹

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.

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

METHODOLOGY

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

- Examined the project file, project agreements, program guidelines, and applicable policies and procedures to gain an understanding of the project and respective program.
- Reviewed procurement records to verify compliance with applicable local and state procurement requirements.
- Selected a risk-based sample of claimed expenditures and determined whether they were allowable, authorized, project-related, incurred within the allowed time frame, and supported by reviewing accounting records, progress payments, invoices, cancelled checks, and bank statements. The sample was selected based on the significance of the cost category. The results from our sample cannot be projected to the entire population of expenditures submitted for reimbursements.
- Selected a risk-based sample of contract change orders and determined whether they were within the scope of the project, completed within the allowable time frame, and supported by reviewing accounting records, contractor's invoices, correspondence between the contractor and City, and interviews with the City. The sample was selected based on the significance of the cost category. The results from our sample cannot be projected to the entire population of change orders.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Verified the match requirement was met by selecting a judgmental sample of claimed expenditures based on quantitative significance and determined whether they were project-related, properly authorized, incurred within the allowable time frame, and supported by reviewing accounting records, progress payments, invoices, cancelled checks, and bank statements. The results from our sample cannot be projected to the entire project.
- Selected a haphazard sample of project deliverables/outputs and determined whether they were met by reviewing supporting documentation and conducting site visits to verify project existence. The results from our sample cannot be projected to all project deliverables/outputs.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project files, project agreements or approved amendments, and the Final Delivery Report.
- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the Final Delivery Report with the expected project benefits/outcomes described in the executed project agreements or approved amendments.
- Selected a haphazard sample of project benefits/outcomes and determined whether they were adequately reported in the Final Delivery Report by reviewing supporting documentation. The results from our sample cannot be projected to the entire project.

In conducting our audit, we obtained an understanding of the City'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. No deficiencies in internal control were identified during the audit or determined to be significant within the context of our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Based on the procedures performed, Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay.

Project benefits/outcomes were adequately reported in the Final Delivery Report and the City achieved the expected project benefits/outcomes as described in the project agreements or approved amendments. The *Summary of Projects Reviewed* is presented in Appendix A.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of El Centro: City
- State Local Partnership Program Account: SLPP

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
1112000187	\$1,036,000	C	Y	Y	Y	Y	A-1

Legend

C = Complete

Y = Yes

Project Number: 1112000187

Project Name: Fiscal Year 2013 Streets Rehabilitation Project

Program Name: SLPP

Project Description: Rehabilitate segments of various streets throughout the City, including removal of potholes and significant cracks, and leveling the road surface.

Audit Period: November 5, 2013 through January 12, 2015¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$ 1,036,000
Total Proposition 1B Expenditures	\$ 1,036,000

Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in September 2014. At the time of our site visit in May 2018, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed seven months late. The City appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, the City achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Maximize mobility and accessibility for all people and goods in the region by removing potholes and cracks, and creating a smoother driving surface.	Maximized mobility and accessibility for all people and goods in the region by removing potholes and cracks, and creating a smoother driving surface.	Yes
Ensure travel safety and reliability for all people and goods in the region by leveling the road surface making a significant benefit to bicyclists and pedestrians.	Ensured travel safety and reliability for all people and goods in the region by leveling the road surface making a significant benefit for bicyclists and pedestrians.	Yes
Preserve and ensure a sustainable regional transportation system by improving existing roadways.	Preserved and ensured a sustainable regional transportation system by improving existing roadways.	Yes

¹ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.