

Memorandum

*Making Conservation
a California Way of Life.*

To: DARA WHEELER
Division Chief
Division of Rail and Mass Transportation

Date: February 16, 2018

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

File: P2545-0022
P2545-0023
P2545-0024
P2545-0025
P2545-0028
P2550-0010

Subject: **AUDIT OF SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY 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>
Woodley Avenue Grade Crossing Improvements	0014000026	P2545-0022	\$ 438,379.00
Grandview Avenue Grade Crossing Improvements	0013000151	P2545-0023	\$ 655,108.00
Sonora Avenue Grade Crossing Improvements	0013000154	P2545-0024	\$ 633,850.00
Broadway-Brazil Street Grade Crossing Improvements	0013000019	P2545-0025	\$ 284,264.00
Branford Street Grade Crossing Improvements	0014000086	P2545-0028	\$1,201,613.00
New Station Track at Los Angeles Union Station	0000002574	P2550-0010	\$19,967,459.00

The projects' implementing agency is Southern California Regional Rail Authority (SCRRA). The projects were funded using Proposition 1B Highway - Railroad Crossing Safety Account funds, and Intercity Rail Improvement 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 finding:

- Questioned Indirect Expenditures - SCRRA claimed and was reimbursed unapproved indirect expenditures totaling \$60,872 for projects 0014000026, 0013000151, and 0014000086.

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

If you have any questions, please contact 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
Coco Briseño, Deputy Director, Planning and Modal Programs
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Carlos Ruiz, Rail Transportation Manager I, Division of Rail and Mass Transportation
Carmen Wills, Audit Liaison, Division of Local Assistance
Elena Guerrero, Acting Audit Manager, Audits and Investigations



Southern California Regional Rail Authority

Proposition 1B Bond Programs

Project Numbers 0014000026, 0013000151, 0013000154,
0013000019, 0014000086, and 0000002574

Report No. 17-2660-019
January 2018

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Robert Scott, MSA, CPA, CGMA, Supervisor
Alan Garrett, Lead
Blanca Sandoval

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

January 8, 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—Southern California Regional Rail Authority, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Southern California Regional Rail Authority's (SCRRA) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0014000026	P2545-0022	Woodley Avenue Grade Crossing Improvements
0013000151	P2545-0023	Grandview Avenue Grade Crossing Improvements
0013000154	P2545-0024	Sonora Avenue Grade Crossing Improvements
0013000019	P2545-0025	Broadway-Brazil Street Grade Crossing Improvements
0014000086	P2545-0028	Branford Street Grade Crossing Improvements
0000002574	P2550-0010	New Station Track at Los Angeles Union Station

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

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

Sincerely,

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits–Contracts, Audits and Investigations, California Department of Transportation
Mr. Bruce W. Plowman, Chief, Capital Projects Branch, Division of Rail and Mass Transportation, California Department of Transportation
Mr. Carlos Ruiz, Rail Transportation Associate, Division of Rail and Mass Transportation, California Department of Transportation
Mr. Arthur T. Leahy, Chief Executive Officer, Office of the Chief Executive Officer, Southern California Regional Rail Authority
Ms. Elissa Konove, Deputy Chief Executive Officer, Office of the Chief Executive Officer, Southern California Regional Rail Authority
Mr. Gary Lettengarver, Chief Operating Officer, Commuter Operations, Southern California Regional Rail Authority
Mr. Darrell Maxey, Deputy Chief Operating Officer, Positive Train Control Operations, Southern California Regional Rail Authority
Mr. Ronnie Campbell, Chief Financial Officer, Finance, Southern California Regional Rail Authority
Ms. Anne Louise Rice, Assistant Director, Grants, Southern California Regional Rail Authority
Mr. Michael Naoum III, Senior Manager, Finance, Southern California Regional Rail Authority
Ms. Elizabeth Lazuardi, Senior Manager, Internal Audit, Southern California Regional Rail Authority

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

CTC awarded the Southern California Regional Rail Authority (SCRRA) \$6.7 million of Proposition 1B Highway-Railroad Crossing Safety Account (HRCSA) funds and \$21.8 million from the Intercity Rail Improvement (IRI).² SCRRA is a joint powers authority that operates the Metrolink train system in Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego counties.³ The six bond-funded projects implemented by SCRRA are:

- Woodley Avenue Grade Crossing Improvements (0014000026)
- Grandview Avenue Grade Crossing Improvements (0013000151)
- Sonora Avenue Grade Crossing Improvements (0013000154)
- Broadway-Brazil Street Grade Crossing Improvements (0013000019)
- Branford Street Grade Crossing Improvements (0014000086)
- New Station Track at Los Angeles Union Station (0000002574)

Projects 0014000026, 0013000151, 0013000154, 0013000019, and 0014000086 included construction improvements at railroad crossings. Project 0000002574 included the construction of a station platform and installation of customer signage. Construction for these projects is complete.

SCRRA was required to provide 48 percent match funding for project 0013000019 and 50 percent match funding for project 0014000086.

PROGRAM DESCRIPTION¹

HRCSA: \$250 million of bond proceeds made available to HRCSA to finance completion of high-priority grade separation and railroad crossing safety improvements.

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

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

² In addition to the \$21.8 million IRI funds awarded to project 0000002574, CTC also awarded SCRRA an additional \$3 million of Proposition 1B IRI funds. SCRRA allocated a portion of the \$3 million to improve safety at railroad crossings for projects 0013000151, 0013000154, and 0013000019. The allocated amounts were included in our Scope.

³ Excerpts were obtained from the Metrolink website <https://www.metrolinktrains.com/about/agency/>

SCOPE

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

The audit objectives were to determine whether:

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

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

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

METHODOLOGY

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

For All Projects

- Examined the project files, project agreements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable local and state procurement requirements.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported.
- Reviewed accounting records, progress payments, and cancelled checks.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Reviewed a sample of contract change orders to ensure they were within the scope of the project, properly approved, and supported.
- Evaluated whether project deliverables/outputs were met by reviewing supporting documentation and conducting a site visit 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 reported in the Final Delivery Reports with the expected project benefits/outcomes described in the executed project agreements or approved amendments.
- Evaluated whether project benefits/outcomes were adequately reported in the Final Delivery Reports by reviewing supporting documentation.

For Projects 0013000019 and 0014000086

- Verified the match requirement was met.

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 or determined to be significant within the context of our audit objectives are included in this report.

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.

Except as noted below, Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. In addition, the project deliverables/outputs were consistent with the project scopes. Although projects, 0014000026, 0013000151, 0013000154, 0013000019, and 0014000086 were behind schedule, SCRRRA appropriately informed Caltrans and CTC of the delays.

SCRRRA reported project benefits/outcomes in the Final Delivery Reports and achieved the expected project benefits/outcomes as described in the executed project agreements or approved amendments. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Questioned Indirect Expenditures

SCRRRA claimed and was reimbursed unapproved indirect expenditures totaling \$60,872 for projects 0014000026, 0013000151, and 0014000086. Prior to seeking reimbursement, SCRRRA must have an Indirect Cost Rate Proposal (ICRP) approved by Caltrans Division of Audits and Investigations (A&I). However, SCRRRA did not have an approved ICRP for fiscal years 2013-14 and 2014-15 prior to submitting reimbursement claims for indirect expenditures.¹ A summary of the questioned project costs is as follows:

Cost Category	0014000026	0013000151	0014000086	Total Questioned Costs
Indirect Cost	\$17,570	\$20,971	\$22,331	\$60,872

SCRRRA did not have adequate policies and procedures in place to ensure that claimed indirect expenditures are based on ICRP rates approved by Caltrans A&I.

Local Assistance Procedures Manual section 5.3 (Indirect Costs section) states that any local agency seeking reimbursement of their indirect costs must receive an Approval/Acceptance letter of the local agency's ICRP for the fiscal year(s) involved from Caltrans A&I prior to billing for any indirect costs.

Recommendations:

- A. Remit \$60,872 to Caltrans.
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable and supported by Caltrans approved ICRPs prior to submitting reimbursement claims to Caltrans.

¹ Subsequent to our audit, Caltrans A&I approved SCRRRA's ICRP for 2014-15. The approval, dated November 1, 2017, was obtained after SCRRRA submitted reimbursements for indirect expenditures.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Southern California Regional Rail Authority: SCRRA
- Highway-Railroad Crossing Safety Account: HRCSA
- Intercity Rail Improvement: IRI

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0014000026	\$438,379	C	P	Y	Y	Y	A-1
0013000151	\$655,108	C	P	Y	Y	Y	A-2
0013000154	\$633,850	C	Y	Y	Y	Y	A-3
0013000019	\$284,264	C	Y	Y	Y	Y	A-4
0014000086	\$1,201,613	C	P	Y	Y	Y	A-5
0000002574	\$19,967,459	C	Y	Y	Y	Y	A-6

Legend

C = Complete

P = Partial

Y = Yes

Project Number: 0014000026

Project Name: Woodley Avenue Grade Crossing Improvements

Program Name: HRCSA

Project Description: Located in the City of Los Angeles, the project improvements will bring this crossing up to SCRRA Sealed Corridor standards and among other improvements, include the advanced signal preemption.

Audit Period: March 25, 2014 through June 30, 2015¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed	Questioned Costs
Direct Construction Costs	\$ 438,379	\$17,570
Total Proposition 1B Expenditures	\$ 438,379	\$17,570

Audit Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except for \$17,570 of indirect costs.

Deliverables/Outputs

The construction phase of the project was completed in September 2015. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 14 months late. SCRRA appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

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

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Improve safety at the crossing due to reduction in the number and severity of collisions.	Improved safety at the crossing due to the installation of a pre-signal in coordination with the advanced pre-emption timing, which prevent cars from queuing onto the tracks at the adjacent traffic signals; this will prevent the number and severity of collisions in the future.	Yes
Improve operations due to better traffic flow and fewer and shorter train delays.	Improved operations due to better traffic flow and fewer and shorter train delays.	Yes
Reduce Greenhouse Gases (GHG) emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Reduced GHG emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Yes

Project Number: 0013000151

Project Name: Grandview Avenue Grade Crossing Improvements

Program Name: HRCSA and IRI

Project Description: The project improvements include new raised median islands, additional warning devices with gate arms and cantilevered flashing warning devices and enhancements, crossing widening to improve truck turning radii, right of way security gates and advanced signal preemption, and other traffic signal improvements.

Audit Period: April 10, 2008 through December 6, 2014²

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed	Questioned Costs
Direct Construction Costs - HRCSA	\$ 559,029	\$ 0
Indirect Construction Costs - HRCSA	20,971	20,971
Final / Engineering Design - IRI	75,108	0
Total Proposition 1B Expenditures	\$ 655,108	\$ 20,971

Audit Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except for \$20,971 of indirect costs.

Deliverables/Outputs

The construction phase of the project was completed in April 2015. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. SCRRA appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

² Ibid.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Improve safety at the crossing due to reduction in the number and severity of collisions.	Improved safety at the crossing due to reduction in the number and severity of collisions.	Yes
Improve operations due to better traffic flow and fewer and shorter train delays.	Improved operations due to better traffic flow and fewer and shorter train delays.	Yes
Reduce GHG emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Reduced GHG emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Yes

Project Number: 0013000154

Project Name: Sonora Avenue Grade Crossing Improvements

Program Name: HRCSA and IRI

Project Description: The project improvements include raised median islands, additional warning devices with gate arms and cantilevered flashing signals, improved pavement, curbs, gutters, and sidewalks with pedestrian warning devices and enhancements, advanced signal preemption, and other traffic signal improvements.

Audit Period: April 10, 2008 through December 6, 2014³

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Direct Construction Costs - HRCSA	\$ 580,000
Final / Engineering Design - IRI	53,850
Total Proposition 1B Expenditures	\$ 633,850

Audit Results:

Compliance–Proposition 1B Expenditures

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

Deliverables/Outputs

The construction phase of the project was completed in April 2015. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. SCRRA appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

³ Ibid.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Improve safety at the crossing due to reduction in the number and severity of collisions.	Improved safety at the crossing due to reduction in the number and severity of collisions.	Yes
Improve operations due to better traffic flow and fewer and shorter train delays.	Improved operations due to better traffic flow and fewer and shorter train delays.	Yes
Reduce GHG emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Reduced GHG emissions and other air pollutants, including particulates; as a result of less engine idle times when incidents do occur.	Yes

Project Number: 0013000019

Project Name: Broadway-Brazil Street Grade Crossing Improvements

Program Name: HRCSA and IRI

Project Description: The project improvements include construction of rail-highway grade crossing for the Broadway-Brazil Street crossing of the Pacific Surfliner/Antelope Valley Line located in the Cities of Glendale and Los Angeles on the Pacific Surfliner Corridor.

Audit Period: April 10, 2008 through January 9, 2013⁴

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Direct Construction Costs - HRCSA	\$ 232,312
Final / Engineering Design - IRI	44,023
Construction Management - IRI	7,929
Total Proposition 1B Expenditures	\$ 284,264

Audit Results:

Compliance–Proposition 1B Expenditures

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

Deliverables/Outputs

The construction phase of the project was completed in May 2015. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 33 months late. SCRRA appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

⁴ Ibid.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Reduction of collisions with the associated property damage, potential injuries and loss of life as well as reductions of delays to both train and street traffic resulting from collisions and near-misses.	Reduced collisions with the associated property damage, potential injuries and loss of life as well as reductions of delays to both train and street traffic resulting from collisions and near-misses.	Yes
Improve safety and reliability for the 66 daily passenger trains (Metrolink and Amtrak) and 17 daily Union Pacific freight trains as well as the over 5,500 daily vehicles using the crossing.	Improved safety and reliability for the 66 daily passenger trains (Metrolink and Amtrak) and 17 daily Union Pacific freight trains as well as the over 5,500 daily vehicles using the crossing.	Yes

Project Number: 0014000086

Project Name: Branford Street Grade Crossing Improvements

Program Name: HRCSA

Project Description: Located in the City of Los Angeles, the project improvements bring this crossing to SCRRA Sealed Corridor standards, and include the addition of pedestrian improvements, roadway widening, and advanced timing preemption.

Audit Period: April 2, 2014 through March 31, 2016⁵

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed	Questioned Costs
Construction	\$1,201,613	\$22,331
Total Proposition 1B Expenditures	\$1,201,613	\$22,331

Audit Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreement, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreement except for \$22,331 of questioned costs. In addition, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in December 2016. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 13 months late. SCRRA appropriately informed Caltrans and CTC of the delay.

Benefits/Outcomes

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

⁵ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans at the time of audit fieldwork. Subsequent to fieldwork, a final reimbursement claim dated May 17, 2017 was submitted to Caltrans for \$18,628. This claim was not included in our audit.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Improve safety at the crossing due to reduction of collisions.	Improved safety and reliability of train movements and reduced chance of collisions.	Yes
Improve operations due to better traffic flow and fewer and shorter train delays.	Improved operations due to better traffic flow and fewer and shorter train delays	Yes
Reduce GHG emissions and other air pollutants, including particulates, as a result of less engine idle times when incidents do occur.	Reduced GHG emissions and other air pollutants	Yes

Project Number: 0000002574

Project Name: New Station Track at Los Angeles Union Station

Program Name: IRI

Project Description: Reconstruct platform 7, including American Disability Act compliant north and south ramps, improve tracks 13 through 15 and procure and install software and hardware components for customer information signage. Also, install signage on existing platforms, in the pedestrian tunnel and in key locations in the east and west portals, including the large board next to the waiting room.

Audit Period: April 10, 2008 through June 30, 2015⁶

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Final / Engineering Design	\$ 3,146,791
Construction / Project Management	16,820,668
Total Proposition 1B Expenditures	\$19,967,459

Audit Results:

Compliance–Proposition 1B Expenditures

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

Deliverables/Outputs

The construction phase of the project was completed in July 2015. At the time of our site visit in November 2016, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

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

⁶ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
<p>Increase capacity for train services of the Los Angeles Union Station and improved efficiency of operations. The new ramps will be to expand the access to the platforms. In addition, it will allow the station to accommodate the projected increased travel, continue to take cars off the parallel freeways, and provide significant improvement to mobility and air quality.</p>	<p>Improved the efficiency at Los Angeles Union Station. The construction of platform 7, and the reactivation of tracks 13 and 14 increased the train yard capacity for passenger trains by 20 percent. In addition, the project resulted in a state-of the-art customer information signage for Amtrak and Metrolink, improved access for emergency response vehicles, and increased fire protection coverage.</p>	<p>Yes</p>



December 20, 2017

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

Response to Draft Report – Proposition 1B Audit - REVISED

See below for SCRRA’s management response to the recommendations in the finding for this audit.

Finding 1 - Questioned Indirect Expenditures

SCRRA claimed and was reimbursed unapproved indirect expenditures totaling \$60,872 for projects 0014000026, 0013000151, and 0014000086. Prior to seeking reimbursement, SCRRA must have an Indirect Cost Rate Proposal (ICRP) approved by Caltrans Division of Audits and Investigations (A&I). However, SCRRA did not have an approved ICRP for fiscal years 2013-14 and 2014-15 prior to submitting reimbursement claims for indirect expenditures. A summary of the questioned project costs is as follows:

Cost Category	0014000026	0013000151	0014000086	Total Questioned Costs
Indirect Cost	\$17,570	\$20,971	\$22,331	\$60,872

Recommendations:

- A. Remit \$60,872 to Caltrans.
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable and supported by Caltrans approved ICRPs prior to submitting reimbursement claims to Caltrans.

Responses to Recommendations:

SCRRA Management agrees with the finding.
See next page for responses to A and B.

- A. Management acknowledges that SCRRA submitted reimbursement claims for Indirect Costs when Indirect Cost Rates were not yet approved for fiscal years 2013/14 (FY13/14) and 2014/15 (FY14/15). *This approach has been discussed with and agreed to by our Caltrans representatives from three different divisions during our quarterly meetings (starting on February 18, 2016 with continuing any Indirect Cost Allocation Plans (ICAP) updates to the representatives every quarter) as a way for SCRRA to be reimbursed for these costs without interest when the rates are finally approved.*

On November 1, 2017, the Department of Transportation Office of Audits and Investigations approved the rates billed to these projects for FY14/15. On December 14, 2017 we received the final audit report from the FTA's audit firm recommending for approval our submitted rates for FY13/14.

We expect FTA to issue a letter approving the rates by December 22, 2017 at which point we will request rate approval by the Department of Transportation Office of Audits and Investigations. Given these circumstances, SCRRA requests that these incurred Indirect Costs be considered expenses eligible for reimbursement under the grant and the request for remittance waived.

- A. Beginning with FY2016, SCRRA transitioned to a fixed rate with carryforward methodology which should allow for FTA rate approval prior to the start of a fiscal year.

Going forward, any ICAP costs incurred will not be billed until rate approvals have been received.

In the event SCRRA requires grant extensions in order to obtain lagging ICAP rate approvals, we will request them from Caltrans or other State agencies so that these costs can be reimbursed. If the grant(s) can no longer be extended, then the final billing will be the ICAP as the grant retention requirement and disputed/held by Caltrans until ICAP approval and project close is completed. This approach has been discussed with and agreed to by our Caltrans representatives from three different divisions during our quarterly meetings (starting on February 18, 2016 with continuing ICAP updates to the representatives every quarter) as a way for SCRRA to be reimbursed for these costs without interest when the rates are finally approved.

Sincerely,



Arthur T. Leahy
Chief Executive Officer

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

Finding 1: Questioned Indirect Expenditures

Although SCRRA agrees with the Finding, they take exception to remitting the \$60,872 in questioned indirect expenditures to Caltrans (Recommendation A). SCRRA states delays in obtaining approved indirect cost rates before filing a claim for reimbursement should not make the indirect expenditures ineligible for reimbursement. However, Local Assistance Procedures Manual section 5.3 requires local agencies to obtain indirect cost rate approval letters prior to submitting reimbursement claims. This requirement places the burden on SCRRA to have its approval letters before the reimbursement claim is filed. Therefore, our recommendation to remit \$60,872 to Caltrans remains unchanged.

For Recommendation B, we commend SCRRA for implementing a process to ensure rate approval letters will be requested prior to the start of a fiscal year, and for developing a control ensuring future indirect costs will not be billed until rate approval letters have been received.