State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Making Conservation a California way of life

To: Sharri Bender
District 6 Director

Date: July 20, 2017

File: P2505-0079

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

Subject: **AUDIT OF CITY OF VISALIA PROPOSITION 1B PROJECT**

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

Project Name	Project number	P Number	Amount Audited
Plaza Drive Interchange/ Auxiliary Lanes	06-423 70	P2505-0079	$20,368,965

The project's implementing agency is the City of Visalia. The project was funded using Proposition 1B Corridor Mobility Improvement Account 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 Cal trans. Deputy Directive 100-Rl, "Departmental Responses to Audit Reports" cites responsibilities of District Director relative to audits performed. The audit disclosed the following finding:

- Final delivery report not submitted timely.

Please provide Audits and Investigations a corrective action resolution on the audit finding within 90 days of this memorandum's date.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Attachment

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Associate Deputy Director, California Transportation Commission
Bruce De Terra, Division Chief, Transportation Programming, Caltrans
Doris M. Alkebulan, Prop lB Specialist, Transportation Programming, Caltrans
Vasan Rudrapakiam, Prop lB Coordinator, Division of Project Management, Caltrans
Luisa Ruvalcaba, Audit Manager, Audits and Investigations, Caltrans

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

June 8, 2017

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 Visalia, Proposition 1B Audit

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

EA Number	P Number	Project Name
06-42370	P2505-0079	Plaza Drive Interchange/Auxiliary Lanes

The enclosed report is for your information and use. The City's response to the report finding is incorporated into this final report. The City agreed with our findings and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, External Audits–Contracts, Audits and Investigations, California Department of Transportation
Mr. Mike Olmos, City Manager, City of Visalia
Mr. Nick Mascia, Director, Community Development Department, City of Visalia
Ms. Renee Nagel, Director of Finance, City of Visalia

AUDIT REPORT

City of Visalia
Proposition 1B Bond Program
EA Number 06-42370

Visalia Bridge Airport Drive and SR 198
Source: City of Visalia

Prepared By:
Office of State Audits and Evaluations
California Department of Finance

162660139

April 2017

MEMBERS OF THE TEAM

Susan M. Botkin, CGFM
Rick Cervantes, CPA
Managers

Robert Scott, MSA, CPA, CGMA
Supervisor

Staff
Kweku Atta-Mensah, MBA

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

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 $21.2 million of Proposition 1B Corridor Mobility Improvement Account (CMIA) funds to the City of Visalia (City) for the Plaza Drive Interchange/Auxiliary Lanes project (06-42370). The project included the construction of auxiliary lanes and ramp improvements on State Route 198 (SR 198) and widening Plaza Drive from two lanes to four or six lanes within the City. Construction for this project is complete.

PROGRAM DESCRIPTION[1]

CMIA: $4.5 billion of bond proceeds were made available to 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.

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.

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

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

The City'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 program.

METHODOLOGY

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

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

In conducting our audit, we obtained an understanding of internal controls, 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 our 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.

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 as noted below, the project deliverables/outputs were consistent with the project scope and schedule. Additionally, the project benefits/outcomes were adequately reported in the Final Delivery Report, and the City achieved the expected benefit/outcome as described in the executed project agreements. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Final Delivery Report not Submitted Timely

The project's Final Delivery Report was submitted 10 months late. The Final Delivery Report was due on February 2015 and was submitted to Caltrans in December 2015. According to the City, the Final Delivery Report was delayed to ensure the report would include all final expenditures and project deliverables. The City was not aware that a Supplemental Final Delivery Report could be submitted with revised expenditures and project deliverables. Late submission of reports decreases transparency of project status and hinders Caltrans/CTC's ability to timely review completed project scope, final costs, project schedules, and performance outcomes. The CTC Accountability Implementation Plan section IV C.1 requires the City to submit a Final Delivery Report within six months after the project becomes operable. The section states that a project becomes operable at the end of the construction phase when the construction contract is accepted. For this project, the construction contract was accepted August 2014.

Recommendation:

Submit final delivery reports for future state funded projects as required.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- State Route: SR
- City of Visalia: City
- Corridor Mobility Improvement Account: CMIA

Summary of Projects Reviewed

EA Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
06-42370	$20,368,965	C	Y	Y	Y	Y	A-1

Legend
C = Complete
Y = Yes

Project Number: 06-42370

Project Name: Plaza Drive Interchange/Auxiliary Lanes

Program Name: CMIA

Project Description: Construction of auxiliary lanes on SR 198, ramp improvements on SR 198, and widening Plaza Drive from two lanes to four or six lanes within the City.

Audit Period: October 7, 2010 through June 30, 2015[1]

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	$16,927,163
Construction Engineering	3,441,802
Total Proposition 1B Expenditures	**$20,368,965**

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 August 2014. At the time of our site visit in August 2016, deliverables/outputs were consistent with the project scope. However, the project's Final Delivery Report was submitted 10 months late. The Final Delivery Report was due February 2015 and was submitted in December 2015.

Benefits/Outcomes

The actual benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, the City achieved the expected benefits/outcomes described in the executed project agreements.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
607.6 Daily Travel Time Savings (hours)	709.6 Daily Travel Time Savings (hours)	Yes
7,259 Peak Period Time Savings (minutes)	8,476 Peak Period Time Savings (minutes)	Yes

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

City of Visalia

Community Development Department

315 E. Acequia, Visalia, CA 93291

Engineering: (559) 713-4033

May 24, 2017

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

Dear Ms. Whitaker,

City of Visalia Response to Proposition 1B Audit Report:

Project Name:	EA Number	P Number
Plaza Drive Interchange/Auxiliary Lanes	06-42370	P2505-0079

The City of Visalia agrees with the audit finding by the California Department of Finance. The Final Delivery Report was not submitted on time. However, the City is dedicated to completing grant requirements and takes project audit findings seriously. City Staff restates that we did not know there was an option to submit a Supplemental Final Delivery Report prior to full completion of the project. The City strives for improvement and takes the following measures to assure that future projects are compliant.

- Findings from audits are documented and distributed between all associated City Departments. City Engineering Finance Staff and Project Management Staff develop lists of funding sources and agreements for each project.
- Check lists are developed to guide City Project Managers in identifying and completing project milestones from various funding sources. Checklists include items such as utility coordination, environmental compliance, labor compliance, required forms, quarterly and annual reporting dates, budget items and amounts, closeout dates, and reversion dates.
- Project Managers and Engineering Finance Staff share project budgets and milestones. Project Managers meet with their supervisors to review milestones and are held accountable for accomplishing budget control, construction deadlines, and reporting requirements.

These measures assure better compliance on future projects funded by local, state, and federal sources. The City will coordinate to make sure all deadlines are met, including Final Delivery Reports. We greatly appreciate the State of California's investment in our local and regional transportation system.

Sincerely,

Nicholas D. Mascia, PE, PTOE
Community Development Director/City Engineer