


Memorandum

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To: KYLE GRADINGER
Acting Division Chief
Division of Rail and Mass Transportation

Date: July 21, 2017

File: P2525-0034

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

Subject: AUDIT OF CITY OF WEST SACRAMENTO PROPOSITION 1B PROJECT

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

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
Pioneer Bluff Bridge (Phase 5)	TCIF-5447(034)	P2525-0034	\$9,678,000

The project's implementing agency is the City of West Sacramento. The project was funded using Proposition 1 B Transportation Corridors Improvement funds. The audit was for the period of July 11, 2013, through April 14, 2016.

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-RI, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The audit disclosed the following finding:

- Improvements needed in reporting project benefits/outcomes

Please provide Audits and Investigations a corrective action resolution (CAR) on the audit finding within 90 days of this memorandum's date and reference the P number above on the CAR.

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

Kyle Gradinger
July 21, 2017
Page 2 of 2

Attachment

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Assistant Deputy Director, California Transportation Commission
Bruce De Terra, Division Chief, Transportation Programming, Caltrans
Doris M. Alkebulan, Prop 1 B Specialist, Transportation Programming, Caltrans
Carlos Ruiz, Prop 1B Coordinator, Division of Rail, 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 22, 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 West Sacramento, Proposition 1B Audit


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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
TCIF-5447(034)	P2525-0034	Pioneer Bluff Bridge (Phase 5)

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 finding 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 Jon Chapple, Manager, or Nichelle Jackson, 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. Martin Tuttle, City Manager, City of West Sacramento
Mr. Phil Wright, Assistant City Manager for Administrative Services, City of West Sacramento
Mr. Denix Anbiah, Director of Public Works, City of West Sacramento
Ms. Claire Connor, Accounting Manager, City of West Sacramento

AUDIT REPORT

City of West Sacramento Proposition 1B Bond Program Project Number TCIF-5447(034)



Pioneer Bluff Bridge

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

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Nichelle Jackson
Supervisor

Staff
Bryan Nguyen
Stephen Franz

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

PROGRAM DESCRIPTION¹

TCIF: \$2 billion of bond proceeds made available to the Trade Corridors Improvement Fund to finance infrastructure improvements along corridors that have a high volume of freight movement.

CTC awarded \$9.7 million of Proposition 1B Trade Corridor Improvement Funds (TCIF) to the City of West Sacramento (City) to build the Pioneer Bluff Bridge. The project (TCIF-5447(034)) consists of building a 615-foot long, four-lane bridge, over the Barge Canal. The bridge will provide an alternate vehicular route from Highway 50 to the Southport community thereby reducing traffic delays on Jefferson Boulevard and Highway 50/Business 80, and reducing delays associated with goods movement at the Port of West Sacramento and other rail users in the West Sacramento Industrial area.² The Pioneer Bluff Bridge represents the fifth and final phase of the West Sacramento Rail Plan, which was developed by the City and Port of West Sacramento to accommodate and attract unit trains without negative impact to nearby Highway 50 and the community. Construction for this project is complete.

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 agreement, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.
- Deliverables/outputs were consistent with the project scope and schedule.
- Benefits/outcomes as described in the executed project agreement, approved amendments, or Baseline Agreement were achieved, and adequately reported in the Final Delivery Report.

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

² Excerpts were obtained from the Project Baseline Agreement, dated March 5, 2013.

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

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 file, master agreement, 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, cancelled checks, and bank statements.
- 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.
- Verified the match requirement was met.
- 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, Baseline Agreement, and Final Delivery Report.
- Determined whether project benefits/outcomes were achieved by comparing actual benefits/outcomes reported in the Final Delivery Report with the expected benefits/outcomes described in the executed project agreement, approved amendments, or Baseline Agreement.
- Evaluated whether project benefits/outcomes were adequately reported in the Final Delivery Report by reviewing a sample of supporting documentation and interviewing City staff.

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. Any 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.

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 agreement, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines. In addition, the project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay. The City did not adequately report project benefits/outcomes in the Final Delivery Report and did not achieve the expected benefits/outcomes as described in the Baseline Agreement, as noted below in Finding 1. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

The project benefits/outcomes approved by Caltrans/CTC were not adequately reported and not supported with documentation. Specifically, the City did not have any mechanism to track project outcomes and did not maintain documentation to support the reported project benefits. Additionally, the City was not able to demonstrate the project benefits were achieved, since the benefits reported in the Final Delivery Report were merely copied from the Baseline Agreement. Subsequent to our audit fieldwork, the City submitted a Supplemental Final Delivery Report to Caltrans in January 2017 to address the weaknesses in reporting project benefits/outcomes. However, this report had not been reviewed by Caltrans as of our audit fieldwork, and is not included in our results.

TCIF guidelines, section 17, states 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. Inaccurate information on the Final Delivery Report decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the project based on the agreed upon projected benefits/outcomes.

Recommendations:

- A. The City should develop a mechanism to track project benefits/outcomes and maintain documentation to support project benefits/outcomes reported in future Final Delivery Reports.
- B. Ensure the Supplemental Final Delivery Report submitted to Caltrans in January 2017 lists pre and post comparable benefits and outcomes.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of West Sacramento: City
- Trade Corridor Improvement Fund: TCIF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
TCIF-5447(034)	\$9,678,000	C	Y	Y	N	N	A-1

Legend

C = Complete

Y = Yes

N = No

Project Number: TCIF-5447(034)

Project Name: Pioneer Bluff Bridge (Phase 5)

Program Name: TCIF

Project Description: Phase 5 is the last phase in the City of West Sacramento/Port of West Sacramento Rail Plan Project. The bridge will be a 615 foot long and four lane bridge over the Barge Canal located in West Sacramento, California. The bridge will initially be striped for two lanes to conform to the existing roadway, South River Road, on both sides of the canal and include minor roadway improvements along South River Road. A traffic signal will also be installed at the intersection of 15th Street and South River Road.

Audit Period: June 11, 2013 through April 14, 2016¹

Project Status: Construction is complete

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$ 9,678,000
Total Proposition 1B Expenditures	\$ 9,678,000

Audit Results:

Compliance—Proposition 1B Expenditures

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

Deliverables/Outputs

Construction for this project was completed in December 2015. At the time of our site visit in January 2017, deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. The City appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the Final Delivery Report; they were merely copied from the Baseline Agreement. In addition, the City was unable to substantiate what benefits/outcomes were achieved. The City did not have any mechanism to track outcomes and did not maintain documentation to support the project benefits reported in the Final Delivery Report.

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

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/ Outcomes Adequately Reported in FDR	Benefits/ Outcomes Achieved
Safety	Increase public safety by providing an alternate route during an emergency and/or evacuation.	Not adequately reported	No
Throughput	Significantly improve operational efficiencies at the Port of West Sacramento; one unit train will deliver 10,500 tons of material. Eliminate 50,000 trucks from the highway system.	Not adequately reported	No
Congestion Reduction	<p>Reduce congestion by addressing the following impacts that exist without the bridge:</p> <ul style="list-style-type: none"> • 15 minutes of stopped traffic for the unit train will take approximately 45 minutes for the first vehicle to clear • Traffic will not be allowed to exit at Jefferson and the queue will extend onto Highway 50 for approximately 20 minutes • Traffic queue will extend to Highway 50 and I-5 merge located only .3 miles from the off ramp • Traffic from West I-80 will not be able to exit Jefferson Boulevard; significant impact on I-80 toward Harbor Boulevard 	Not adequately reported	No
Emission Reduction	Reduce air emissions (ROG, CO, NOx, PM10, PM2.5) locally by providing vehicles an alternative to idling while waiting for the train to cross Jefferson Boulevard.	Not adequately reported	No

RESPONSE



CITY HALL
1110 West Capitol Avenue
West Sacramento, CA 95691

City Council
(916) 617-4500

City Manager's Office
City Clerk
Early Learning Services
Information Technology
(916) 617-4500
Economic Development
(916) 617-4535

Community Development
Planning/Development Engineering
(916) 617-4645
Housing & Community Investment
(916) 617-4555
Building
(916) 617-4683
Code Enforcement
(916) 617-4925

Public Works
Administration
Transportation
Engineering
Flood Protection
(916) 617-4850
Environmental Services
(916) 617-4590
Utility Billing
(916) 617-4589

Administrative Services
Finance
(916) 617-4575
Human Resources
(916) 617-4567

Parks & Recreation
Administration
(916) 617-4620
Recreation Center
2801 Jefferson Boulevard
West Sacramento, CA 95691
(916) 617-4770
Community Center
1075 West Capitol Avenue
West Sacramento, CA 95691
(916) 617-5320

FIRE
2040 Lake Washington Boulevard
West Sacramento, CA 95691
(916) 617-4600
Fax (916) 371-5017

POLICE
550 Jefferson Boulevard
West Sacramento, CA 95605
(916) 617-4900

PUBLIC WORKS
Operations
1951 South River Road
West Sacramento, CA 95691
(916) 617-4850

Date: May 30, 2017

To: Ms. Jennifer Whitaker, Chief
Office of State Audits and Evaluations

From: Martin Tuttle, City Manager

Subject: Response to Letter Dated May 19, 2017 Regarding Draft
Report – City of West Sacramento, Proposition 1B Audit

The City of West Sacramento appreciates the efforts of the California Department of Finance, Office of State Audits and Evaluations in its recent Proposition 1B Audit.

We are pleased to learn that our Proposition 1B expenditures were incurred and reimbursed in compliance with the project agreement, regulations, contract provisions, and program guidelines. We also acknowledge *Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes*.

We will implement the audit recommendations of putting procedures in place to track and document project benefits and outcomes for reporting in Final Delivery Reports. To that end, we are attaching a document that articulates that 5 relevant benefits/outcomes from the project. We will also ensure such future reports submitted to Caltrans sufficiently address the pre and post comparable benefits.

If you require addition information or have any questions, please contact Philip Wright, Assistant City Manager at (916) 617-4500.

Sincerely,

Martin Tuttle, City Manager

cc: Philip Wright, Assistant City Manager – Administrative Services
Denix Anbiah, Director of Public Works

Pioneer Bluff (Mike McGowan) Bridge Project

Project Number- P2525-0034

Project Benefits Information

Summary

Construction of the Mike McGowan Bridge was completed in December 2014. The project's primary benefit was to add a north-south route alternative to Jefferson Boulevard, relieving significant pre-existing impacts on traffic from freight rail.

Prior to the bridge opening, vehicles and bicyclists traveling between the northern and southern portions of West Sacramento had no direct route alternative to Jefferson Boulevard. The short line railroad that runs parallel to Jefferson Boulevard, serving the Port of West Sacramento and other industrial areas of the city, has two at-grade rail crossings that directly impact Jefferson Boulevard traffic (15th Street and Stone Boulevard). As a result, the Port's efforts to attract additional bulk cargo via rail was substantially limited by the City's priority to minimize the impacts of rail on Jefferson Boulevard traffic. With the McGowan Bridge in place, north-south vehicular traffic now has a secondary route option to circumvent the at-grade crossings on Jefferson Boulevard when freight trains are traversing the intersections en route to the Port and other destinations.

1. Increase the Port's ability to be competitive in the bulk cargoes market.

The bridge project significantly relieved the impacts to north-south traffic flow in West Sacramento from freight rail activity. As a result, the Port is more competitive for attracting rail-based bulk cargo because it can pursue those cargoes without the previously overriding concern of adversely affecting traffic in the city. Since the bridge project was initiated, the Port's bulk cargo tonnage has steadily increased from 296,999 metric tons in 2012 to 564,359 metric tons in 2016. Additionally, the bridge has facilitated an increase in rail shipments to the Cemex import facility at the Port within the past year (see below). Cemex is a major tenant of the Port and these shipments are important to the Port's revenue stability. Without the north-south option provided by the McGowan Bridge, motorists and bicyclists would be forced to use Jefferson Boulevard and be subject to delays from Cemex's unit trains crossing at the 15th Street and Stone Boulevard intersections.

2. Increased rail to its full capacity will reduce drayage truck traffic to the Port by over 150,000.

For the past several months, Cemex has been conducting unit train service to and from its Port of West Sacramento facility. Each 40-car train contains approximately 4,000 tons of cement, which is the equivalent of roughly 320 truck trips per one round-trip via rail. The frequency of these trains has been at least two round-trips per month. Although the target benefit of reducing drayage truck traffic to the Port by over 150,000 trips has not been achieved to this point, in the long-term the bridge's facilitation of increased rail traffic will contribute to this target.

3. Increased rail will add over 20 full time permanent jobs to the Port.

From 2013 to 2016, the total man hours of longshoremen at the Port increased by over 8 percent. Also, in 2016 the Pacific Maritime Association, which employs the Port's longshoremen, approved an expansion of the Port's labor pool by 32 longshoremen in response to the significant increase in cargo tonnage. While it is difficult to directly attribute the Port's increased labor pool to new rail-based

cargo that was facilitated by the McGowan Bridge, the Port's enhanced competitiveness for bulk cargo resulting from the bridge project is beneficial to the long-term employment outlook of this labor pool.

4. Provide short-term construction jobs.

According to the bridge contractor's payroll records, construction of the McGowan Bridge resulted in 122 construction jobs and 15 design jobs in the short-term. The construction jobs included 35 laborers, 15 carpenters, 25 operators, 25 pile drivers, 15 welders, and 7 construction managers. The time period for these construction jobs was approximately August 2013 through December 2014.

5. Reduce air emissions locally and in the region by providing vehicles with an alternative and reduction of drayage trucks.

The McGowan Bridge has already resulted in improved traffic flow in West Sacramento, which will reduce emissions locally and in the region due to the associated reduction in traffic idling. According to the City's traffic analysis data, the Level of Service (LOS) at the Jefferson Boulevard and Highway 50 interchange is projected to be at letter grade C in 2018. Without the bridge, the LOS at that same intersection in 2018 would be F. Also, starting in 2018 the City's data projects a reduction of CO2 emissions by 1,898 pounds per year due to the construction of the McGowan Bridge.

EVALUATION OF RESPONSE

The City's response to the draft audit report has been reviewed and incorporated into the final report. The City agrees with our finding and also provided additional information relating to project benefits/outcomes. However, the results of our audit are based on benefits/outcomes as reported by the City in the Final Delivery Reports; therefore we did not review the updated information since it has yet to be reported to Caltrans. Our finding and recommendations remain unchanged.

Also, we recommend the City work with Caltrans to ensure reported project benefits/outcomes are consistent with the expected benefits identified in Exhibit C, Project Benefits Form, of the project Baseline Agreement (which differ from the benefits/outcomes identified in the Project Programming Request).