


Memorandum

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To: BRUCE DE TERRA
Division Chief
Division of Transportation Programming

Date: September 22, 2017

File: P2525-0035

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

Subject: **AUDIT OF CITY OF SANTA FE SPRINGS 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>
Plaza Drive Interchange/ Auxiliary Lanes	0700020895	P2525-0035	\$18,012,000

The project's implementing agency is the City of Santa Fe Springs. The project was funded using Proposition 1B Transportation Corridors Improvement funds. The audit was for the period of August 28, 2008 through February 12, 2015.

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:

- 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 CAR with the P number identified above

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, Assistant Deputy Director, California Transportation Commission
Reza Afhami, Acting Assistant Deputy Director, California Transportation Commission
Coco Briseno, Deputy Director, Planning and Modal Programs
Doris M. Alkebulan, Prop 1 B Specialist, Transportation Programming
Antonio Cano, Sr. Transportation Engineer, Division of Local Assistance
Carmen Wills, Audits Analyst, Division of Local Assistance
Elena Guerrero, Acting Audit Manager, Audits and Investigations



City of Santa Fe Springs

Proposition 1B Bond Program

Project Number 0700020895

Report No. 17-2660-079
September 2017

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Jon Chapple, CPA, Manager
Angie Williams, Supervisor
Alan Garrett
Toni Silva

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



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Transmitted via e-mail

September 11, 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 Santa Fe Springs, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0700020895	P2525-0035	ACE: Gateway-Valley View Grade Separation

The enclosed report is for your information and use. The City's response to the report finding 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 Jon Chapple, 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. Noe Negrete, Director of Public Works, City of Santa Fe Springs
Mr. Jose Gomez, Assistant City Manager/Director of Finance and Administrative Services, City of Santa Fe Springs

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 TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

Caltrans awarded the City of Santa Fe Springs (City) \$18 million of Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) to construct a grade crossing at the intersection of Valley View Avenue and Stage Road in the cities of Santa Fe Springs and La Mirada (0700020895). The project was administered by the City's Department of Public Works and included demolition of existing improvements, construction of an underpass and relocation of utilities. 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 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.

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.

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 files, 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 electronic fund transfer documents.
- 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.
- Verified the match requirement was met.
- 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 amendments, and the Final Delivery Report.
- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes reported in the Final Delivery Report 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 Report by reviewing a sample of supporting documentation.

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 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 agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. In addition, 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. Except as noted below, the City adequately reported project benefits/outcomes in the Final Delivery Report, and achieved the expected benefits/outcomes as described in the executed project agreements or approved amendments. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

Project benefits/outcomes relating to safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report and achieved by the City. However, the project benefits/outcomes relating to congestion relief and emissions reduction were not adequately reported and not supported with documentation. Specifically, the City did not report comparable metrics for congestion relief and emissions reduction, and did not have any mechanism to track post project outcomes relating to these benefits. The City stated it was unaware of the requirement to maintain documentation supporting the post project benefits/outcomes. Although the City certified that the information in the Final Delivery Report was a true and accurate record, the reported project benefits/outcomes were not supported with sufficient evidence.

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. In addition, the implementing agency is held responsible for maintaining documentation of the information reported on the Final Delivery Report. Without an accurate assessment of projected and actual project outcomes, CTC cannot determine whether project benefits were met.

Recommendations:

- A. The City should develop a mechanism to track project benefits/outcomes and maintain documentation to support the project benefits/outcomes reported in the Final Delivery Report.
- B. Submit a Supplemental Final Delivery Report listing the pre and post comparable benefits and outcomes relating to congestion relief and emissions reduction. Additionally, ensure future Final Delivery Reports have comparable pre and post benefits/outcomes.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Santa Fe Springs: City
- Trade Corridors Improvement Fund: TCIF
- Burlington Northern and Santa Fe Railway: BNSF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables /Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0700020895	\$18,012,000	C	Y	Y	P	P	A-1

Legend

C = Complete

Y = Yes

P = Partial

Project Number: 0700020895

A-1

Project Name: ACE: Gateway-Valley View Grade Separation

Program Name: TCIF

Project Description: Construct a grade crossing at the intersection of Valley View Avenue and Stage Road in the cities of Santa Fe Springs and La Mirada. The project also included demolition of existing improvements, construction of an underpass and relocation of utilities.

Audit Period: August 28, 2008 through February 12, 2015¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$16,454,000
Construction Engineering	1,558,000
Total Proposition 1B Expenditures	\$18,012,000

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. In addition, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in February 2015. At the time of our site visit in April 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed six months late. The City appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

The expected benefits/outcomes relating to safety, velocity, throughput, and reliability were achieved and adequately reported in the Final Delivery Report. However, the City did not have any mechanism to track benefits/outcomes relating to congestion relief and emissions reduction, and did not maintain documentation to support these benefits.

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