


Memorandum

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To: JASVINDERJIT S. BHULLAR
DIVISION CHIEF
TRAFFIC OPERATIONS

Date: October 13, 2017

File: P2530-0045

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

Subject: **AUDIT OF CITY OF SAN FRANCISCO MUNICIPAL TRANSPORTATION
AGENCY 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>Amount Audited</u>
Franklin, Gough, and Polk Streets	0400000116	\$5,110,000

The project's implementing agency is the city of San Francisco Municipal Transportation Agency. The project was funded using Proposition 1B Traffic Light Synchronization Program funds. The audit was for the period of May 6, 2009 through February 29, 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 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:

- Finding 1: Incomplete Project Information Reported on the Final Delivery Report

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 identified above.

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

JASVINDERJIT S. BHULLAR

October 13, 2017

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Attachment

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Associate Deputy Director, California Transportation Commission
Reza Afhami, Acting Assistant Deputy Director, California Transportation Commission
Coco Briseno, Deputy Director, Planning and Modal Programs
Bruce De Terra, Division Chief, Transportation Programming,
Jennifer Ashby-Camp, Prop IB Coordinator, Traffic Operations,
Doris M. Alkebulan, Prop IB Specialist, Transportation Programming,
Elena Guerrero, Acting Audit Manager, Audits and Investigations,



San Francisco Municipal Transportation Agency

Proposition 1B Bond Program

Project Number 0400000116

Report No. 17-2660-070
September 2017

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
John Ponce, Supervisor
Angie Williams, Supervisor
Bryan Nguyen

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



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

September 27, 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—San Francisco Municipal Transportation Agency, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Francisco Municipal Transportation Agency's (SFMTA) Proposition 1B funded project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0400000116	P2530-0045	Franklin, Gough, and Polk Streets

The enclosed report is for your information and use. The SFMTA'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 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
Mr. Edward D. Reiskin, Director of Transportation, San Francisco Municipal Transportation Agency
Ms. Sonali Bose, Chief Financial Officer/Director of Finance and Information Technology, San Francisco Municipal Transportation Agency
Ms. Tess Navarro, Controller, Finance and Information Technology Division, San Francisco Municipal Transportation Agency
Mr. Matthew McDonald, Interim Controller, Finance and Information Technology Division, San Francisco Municipal Transportation Agency
Ms. Evelyn Bruce, Manager—Financial Reporting and Operating Budget, Finance and Information Technology Division, San Francisco Municipal Transportation Agency
Mr. Ramon Zamora, Project Manager, Sustainable Streets Division, San Francisco Municipal Transportation Agency

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 San Francisco Municipal Transportation Agency (SFMTA) \$5.11 million of Proposition 1B funds from the Traffic Light Synchronization Program (TLSP) to upgrade traffic signal communications infrastructure at Franklin, Gough, and Polk Streets between Lombard and Oak Streets in the City of San Francisco (0400000116).² The project will provide transit priority and improve traffic signal progression along the Lombard-Van Ness corridors and includes the installation of new fiber optic interconnect, new signal controllers, and Global Positioning System based transit priority technology. Construction for this project is complete.

PROGRAM DESCRIPTION¹

TLSP: \$250 million of bond proceeds made available to the TLSP to finance traffic light synchronization projects or other technology-based improvements to improve safety, operations, and the effective capacity of local streets and roads. Project funding is limited to the costs of construction and acquisition and installation of equipment.

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 SFMTA'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.

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

² The Final Delivery Report, dated December 6, 2016, stated the Polk Street Corridor was removed from the project because it was reprioritized.

METHODOLOGY

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

- Examined the project files, project agreements, program supplements, 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.
- 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 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 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. 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 agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. In addition, except as noted below, the project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule, SFMTA appropriately informed Caltrans and CTC of the delay. SFMTA adequately reported project benefits/outcomes in the Final Delivery Report 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: Incomplete Project Information Reported on the Final Delivery Report

SFMTA reported incomplete project deliverable information on the Final Delivery Report. The project deliverables required an upgrade to the traffic signal communications infrastructure on three streets: Franklin, Gough, and Polk Streets. However, the Final Delivery Report did not include the project completion, funding sources, and associated costs for Polk Street. SFMTA stated it was unsure how to report the completion of the Polk Street section of the project since it was funded with federal funds rather than Proposition 1B funds. Although Polk Street was completed with federal funds, Caltrans requires the Final Delivery Report to include the completion, funding sources, and associated costs for the entire project.

Inaccurate information decreases the transparency of the status of projects and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedules, and performance outcomes. The TLSP Guidelines, section 16, states the implementing agency will provide a Final Delivery Report to CTC on the scope of the completed project, including its final cost as compared to the approved budget.

Recommendations:

- A. Communicate with Caltrans to resolve any reporting questions prior to submitting Final Delivery Reports.
- B. Submit a Supplemental Final Delivery Report listing the project completion, funding sources, and associated costs for Franklin, Gough, and Polk Streets.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- San Francisco Municipal Transportation Agency: SFMTA
- Traffic Light Synchronization Program: TLSP

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0400000116	\$5,110,000	C	Y	Y	Y	Y	A-1

Legend

C = Complete

Y = Yes

Project Number: 0400000116

Project Name: Franklin, Gough, and Polk Streets

Program Name: TLSP

Project Description: Upgrade traffic signal communications infrastructure at Franklin, Gough, and Polk Streets between Lombard and Oak Streets in the City of San Francisco. The project provides transit priority and improved traffic signal progression along the Lombard-Van Ness corridors and includes the installation of new fiber optic interconnect, new signal controllers, and Global Positioning System based transit priority technology.

Audit Period: May 6, 2009 through February 29, 2016¹

Project Status: Construction is complete

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$ 3,579,428
Construction Engineering	1,530,572
Total Proposition 1B Expenditures	\$ 5,110,000

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.

Deliverables/Outputs

The construction phase of the project was completed in December 2015. At the time of our site visits in March 2017 and June 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed six months late. SFMTA appropriately updated Caltrans and CTC of the delay. In addition, the Final Delivery Report did not include complete project deliverable information as stated in Finding 1.

Benefits/Outcomes

The actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, SFMTA achieved the expected project benefits/outcomes as described in the executed project agreement 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
<p>Ensure more efficient use of these corridors and promote better progression and reduced delays and emissions.</p>	<p>New hardware from this project enables intersection controllers the ability to efficiently allocate green time based on demand. This makes it possible to deploy traffic responsive and adaptive timing plans that further improve the allocation of green time. Collectively, this resulted in fewer delays and stops, and improved progression for both transit and individual automobiles, and reduced traffic congestion, vehicle emissions and smog.</p>	<p>Yes</p>
<p>Intelligent Transportation System signal controllers will be installed that are capable of superior system coordination (such as traffic responsive system coordination).</p>	<p>New hardware from this project enables intersection controllers the ability to efficiently allocate green time based on demand. This makes it possible to deploy traffic responsive and adaptive timing plans that further improve the allocation of green time. Traffic signal timing changes were also implemented to help improve safety and efficiency for all modes of travel.</p>	<p>Yes</p>
<p>Combined with new interconnect, consistent coordination can be provided and the system can be accessed by the SFgo Transportation Management Center, which will permit rapid incident management.</p>	<p>Added ability to monitor and troubleshoot traffic signal controllers, which naturally helps SFMTA to improve both system performance and reliability.</p>	<p>Yes</p>
<p>Transit priority improves progression for the transit, ensuring more people are moved more efficiently throughout the corridors.</p>	<p>New hardware from this project enables intersection controllers the ability to efficiently allocate green time based on demand. This makes it possible to deploy traffic responsive and adaptive timing plans that further improve the allocation of green time. Collectively, this resulted in fewer delays and stops, and improved progression for both transit and individual automobiles, and reduced traffic congestion, vehicle emissions and smog.</p>	<p>Yes</p>

RESPONSE



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Cheryl Brinkman, *Chairman*

Joél Ramos, *Director*

Malcolm Heinicke, *Vice-Chairman*

Cristina Rubke, *Director*

Gwyneth Borden, *Director*

Art Torres, *Director*

Lee Hsu, *Director*

Edward D. Reiskin, *Director of Transportation*

September 7, 2017

Jennifer Whitaker
Office of State Audits and Evaluations
915 L Street, 6th floor
Sacramento, CA 95814

Subject: Response to Draft Report – San Francisco Municipal Transportation Agency,
Proposition 1B Audit or the period ended February 19, 2016

Dear Ms. Whitaker:

Thank you for your letter dated August 29, 2017 forwarding the 10 minutes Draft Report of the audit of the San Francisco Municipal Transportation Agency's (SFMTA) Proposition 1B funded project listed below:

Project: 0400000116, P2530-0045, Franklin, Gough and Polk Streets.

Please find below the finding and our response:

Finding 1: Incomplete Project Information Reported on the Final Delivery Report
SFMTA reported incomplete project deliverable information on the Final Delivery Report. The project deliverables required an upgrade to the traffic signal communications infrastructure on three streets: Franklin, Gough, and Polk Streets. However, the Final Delivery Report did not include the project completion, funding sources, and associated costs for Polk Street. SFMTA stated it was unsure how to report the completion of the Polk Street section of the project since it was funded with federal funds rather than Proposition 1B funds. Although Polk Street was completed with federal funds, Caltrans requires the Final Delivery Report to include the completion, funding sources, and associated costs for the entire project.

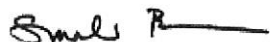
SFMTA Response:

SFMTA now understands that we should have reported the completion of the Polk Street section even though the funding source for this portion of the larger project ultimately came from Federal Highway Safety Improvement Program (HSIP) and not Proposition 1B. We believed that since the Baseline Agreement, Cooperative Agreement and Programming Request Forms did not specifically include the Polk Street corridor in the scope of the larger project for which the traffic signal communications upgrades would be installed, we did not need to report the completion of the Polk Street section. However, we do agree that since the title of overall project did include Polk Street we should have changed the title or reported on the project.

We agree with the recommendation and going forward we will be communicating with Caltrans to ensure our agencies are in agreement before submitting the Final Delivery Reports. In terms of the second recommendation to submit a Supplemental Final Delivery Report listing the project completion, funding sources and associated costs for Franklin, Gough and Polk Street, we submitted the Report on June 30, 2017 via email. Your office confirmed receipt of the Report on July 5, 2017.

We appreciate the efforts of your team and the partnership of our agencies.

Sincerely,



Sonali Bose
Chief Financial Officer

cc: Edward D. Reiskin, SFMTA, Director of Transportation
Alice M. Lee, Chief, External Audits–Contracts, Audits and Investigations, California Department of Transportation
Luisa Ruvalcaba, Audit Manager, External Audits–Contracts, Audits and Investigations, California Department of Transportation
Brian Nguyen, Auditor/Evaluator, California Department of Finance
Matthew McDonald, SFMTA
Evelyn Bruce, SFMTA
Tim Manglicmot, SFMTA
Ramon Zamora, SFMTA

EVALUATION OF RESPONSE

SFMTA's response to the draft report has been reviewed and incorporated into the final report. We acknowledge SFMTA's willingness to implement our recommendations and in evaluating SFMTA's response, we provide the following comments:

Finding 1: Incomplete Project Information Reported on the Final Delivery Report

SFMTA agrees with the finding and states it has taken corrective action by submitting a Supplemental Final Delivery Report to Caltrans on June 30, 2017. However, the report submitted to Caltrans was a revised Final Delivery Report and not a Supplemental Final Delivery Report. Per Caltrans email correspondence dated July 5, 2017, since the project has been closed, SFMTA will need to submit a Supplemental Final Delivery Report to make changes to the Final Delivery Report. Therefore, our recommendations remain unchanged.