


Memorandum

*Making Conservation a
California way of life*

To: RAY ZHANG
Division Chief
Division of Local Assistance

Date: September 22, 2017

File: P2535-0076
P2535-0077
P2530-0041

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

Subject: **AUDIT OF CITY OF FRESNO PROPOSITION 1B PROJECTS**

Attached is the audit report pertaining to the audit performed on the following Proposition 1B project:

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
180 West Frontage Road Improvements	SLPPFL 13 5060 272	P2535-0076	\$1,333,677
Peach Avenue Widening	SLPPFL 13 5060 261	P2535-0077	\$2,996,654
Shaw Avenue Traffic Light Synchronization	CML 5060 160	P2530-0041	\$1,686,288

The projects' implementing agency is the City of Fresno. The projects were funded using Proposition 1B State-Local Partnership Program 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-RI, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The audit disclosed the following findings:

- Improvements Needed in Reporting Project Benefits/Outcomes
- Final Delivery Report not Submitted Timely

Please provide the Independent Office of Audits and Investigations a corrective action resolution on the audit findings within 90 days of this memorandum's date and reference the P Numbers 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, 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
Sharon Bertozzi, Sr. Transportation Engineer, Division of Local Assistance
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Carmen Wills, Audit Liason, Division of Local Assistance
Elena Guerrero, Acting Audit Manager, Audits and Investigations



City of Fresno

Proposition 1B Bond Programs

Project Numbers SLPPFL 13 5060 272, SLPPFL 13 5060 261, and CML 5060 160

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
John Ponce, Supervisor
Alexandria Jiral
Toni Silva
An Truong

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 7, 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 Fresno, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
SLPPFL 13 5060 272	P2535-0076	180 West Frontage Road Improvements
SLPPFL 13 5060 261	P2535-0077	Peach Avenue Widening
CML 5060 160	P2530-0041	Shaw Avenue Traffic Light Synchronization

The enclosed report is for your information and use. The City's response to the report findings are incorporated into this final report. The City agreed with our findings and we appreciate its 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, 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. Scott Mozier, Director, Public Works Department, City of Fresno
Mr. Robert Andersen, Assistant Director, Public Works Department, City of Fresno
Mr. John Stanboulian, Manager, Public Works Department, City of Fresno
Ms. Kim Jackson, Administrative Manager, Finance Department, City of Fresno
Ms. Fabiola Lopez, Business Manager, Finance Department, City of Fresno

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 \$5.9 million of Proposition 1B funds from the State-Local Partnership Program Account (SLPP) and \$2.1 million from the Traffic Light Synchronization Program (TLSP) to the City of Fresno (Fresno). The three bond-funded projects were 180 West Frontage Road Improvement (SLPPFL 13 5060 272), Peach Avenue Widening (SLPPFL 13 5060 261), and Shaw Avenue Traffic Light Synchronization (CML 5060 160). The projects included adding additional lanes, new streets, traffic signals, drains, sidewalks, bike lanes, and improvements to the traffic management system. The City's Public Works Department administered these projects. Construction for these projects is complete.

PROGRAM DESCRIPTION¹

- **SLPP:** \$1 billion of bond proceeds made available to the SLPP to finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds.
- **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, acquisition and installation of equipment.

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 the projects 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.

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 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 programs.

METHODOLOGY

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

- 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.
- Reviewed a sample of contract change orders to ensure they were within the scope of the projects, 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 site visits to verify project existence.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project files, project agreements or amendments, and Final Delivery Reports.
- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the Final Delivery Reports 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 Reports 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. Except as noted in Finding 2, the project deliverables/outputs were consistent with the project scopes and schedules. Although the projects were behind schedule, the City appropriately informed Caltrans and CTC of the delays.

Except as noted in Finding 1, project benefits/outcomes were adequately reported in the Final Delivery Reports. Additionally, the City did not achieve all expected project benefits/outcomes as described in the executed project agreements. The Summary of Projects Reviewed is presented in Appendix A.

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

Two of the three benefits/outcomes for SLPPFL 13 5060 272 were not adequately reported in the Final Delivery Report. Specifically, the project benefits/outcomes for meeting existing and future traffic demands and promoting economic development in southwest Fresno were not supported with documentation. The City copied and pasted benefits/outcomes from the project agreements and were unaware of the requirements to maintain supporting documentation. Without an accurate assessment of the projected and actual project outcomes, Caltrans/CTC cannot determine whether project benefits were achieved. The SLPP Guidelines, section 14, 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 agreements. In addition, the implementing agency is held responsible for maintaining documentation of the information reported on the Final Delivery Report.

Recommendations:

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Maintain documentation to support project benefits/outcomes reported in the Final Delivery Reports.
- C. Submit a Supplemental Final Delivery Report listing the actual project benefits/outcomes for meeting existing and future traffic demands and promoting economic development in southwest Fresno.

Finding 2: Final Delivery Report not Submitted Timely

The Final Delivery Report for CML 5060 160 was submitted 24 months late. The Final Delivery Report was due October 2014 and was submitted October 2016. According to the City, the submission of the Final Delivery Report was delayed due to potential litigation. The City wanted to resolve pending litigation prior to submitting the Final Delivery Report and was not aware of the requirement to submit the report six months after the project becomes operable. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project scope, final costs, project schedules, and performance benefits/outcomes. The TLSP Guidelines, section 16, requires 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 in April 2014.

Recommendations:

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for state funded projects as required.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Fresno: City
- State-Local Partnership Program: SLPP
- 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
SLPPFL 13 5060 272	\$1,333,677	C	Y	Y	P	P	A-1
SLPPFL 13 5060 261	\$2,996,654	C	Y	Y	Y	Y	A-3
CML 5060 160	\$1,686,288	C	Y	Y	P	Y	A-5

Legend

C = Complete

Y = Yes

P = Partial

Project Number: SLPPFL 13 5060 272

Project Name: 180 West Frontage Road Improvements

Program Name: SLPP

Project Description: Construction of a new industrial street with water, sewer, storm drains, street lighting, traffic signals, street trees, and other concrete improvements on the north side of State Route 180 within the city limits.

Audit Period: June 11, 2013 through January 15 2016¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$1,200,112
Construction Engineering	133,565
Total Proposition 1B Expenditures	\$1,333,677

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 City met the match requirement.

Deliverables/Outputs

The construction phase of the project was completed in September 2015. At the time of our site visit in March 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. The City updated Caltrans and CTC of the delay.

Benefits/Outcomes

The actual benefits/outcomes for restoring connectivity were adequately reported in the Final Delivery Report. Although the benefits/outcomes related to meeting traffic demands and promoting economic development were reported in the Final Delivery Report, the City was unable to provide documentation supporting these benefits/outcomes.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Meet existing and future traffic demands	Not Adequately Reported	No
Restore connectivity that was severed by the freeway extension	Restored connectivity that was severed by the freeway extension	Yes
Promote economic development in southwest Fresno	Not Adequately Reported	No

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

Project Number: SLPPFL 13 5060 261

Project Name: Peach Avenue Widening

Program Name: SLPP

Project Description: Widening Peach Avenue from a two-lane to a four-lane arterial roadway between Kings Canyon Road and Belmont Avenue, including curb and gutter, sidewalks, street trees, landscaped median islands, bike lanes, and traffic signal improvements.

Audit Period: March 14, 2013 through November 6, 2015²

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$2,825,697
Construction Engineering	170,957
Total Proposition 1B Expenditures	\$2,996,654

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 City met the match requirement.

Deliverables/Outputs

The construction phase of the project was completed in May 2015. At the time of our site visit in March 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 12 months late. The City updated Caltrans and CTC of the delay.

Benefits/Outcomes

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

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Improve Traffic Operations	Improved Traffic Operations	Yes
Reduce Traffic Accidents	Reduced Traffic Accidents	Yes
Provide Safe Pedestrian Access	Provided Safe Pedestrian Access	Yes
Improve Circulation	Improved Circulation	Yes

² Ibid.

Project Number: CML 5060 160

Project Name: Shaw Avenue Traffic Light Synchronization

Program Name: TLSP

Project Description: Connect the City's Advanced Transportation Management System to a network of controllers, cameras, and detection systems for an efficient traffic responsive coordination system.

Audit Period: July 26, 2012 through December 31, 2015³

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$1,525,396
Construction Engineering	160,892
Total Proposition 1B Expenditures	\$1,686,288

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 City met the match requirement.

Deliverables/Outputs

The construction phase of the project was completed in April 2014. At the time of our site visit in March 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed nine months late. The City updated Caltrans and CTC of the delay. In addition, the Final Delivery Report was submitted 24 months late.

Benefits/Outcomes

The actual project benefits/outcomes were adequately reported in the Final Delivery Report. However, the City did not achieve the expected project benefits/outcomes for four of the five benefits/outcomes as described in the executed project agreement or amendments.

³ Ibid.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Annual Emissions Reduction (estimates): <ul style="list-style-type: none"> • CO = 79 Metric Tons • NOx = 17 Metric Tons • Volatile Organic Compounds = 19 Metric Tons 	Annual Emissions Reduction: <ul style="list-style-type: none"> • CO = 70.4 Metric Tons • NOx = 13.7 Metric Tons • Volatile Organic Compounds = 16.3 Metric Tons 	No
Fuel Reduction: <ul style="list-style-type: none"> • AM and PM Peaks = 553,500 gallons of gasoline savings annually 	Fuel Reduction: <ul style="list-style-type: none"> • AM and PM Peaks = 1,007,000 gallons of gasoline savings annually 	Yes
Travel Time Savings of 2.6 Minutes	Travel Time Savings of 2.08 Minutes	No
Annual Delay Savings Estimate of \$19,002,080	Annual Delay Savings of \$17,756,960	No
Safety Index of 18.26 59 Accidents per Year*	71.3 Accidents per Year*	No

* The Safety Index was originally reported on the project agreement as the expected benefits/outcomes. However, the City reported accident data for before and after project implementation in the Final Delivery report to provide actual data instead of using the Safety Index projection. Caltrans program coordinator accepted the different metrics used to determine benefits/outcomes.

RESPONSE

City Hall
2600 Fresno Street, 4th Floor
Fresno, California 93721
Ph. (559) 621-8650 FAX (559) 488-1045
www.fresno.gov

Scott L. Mozier
INTERIM Public Works Director

July 24, 2017

Jennifer Whitaker, Chief
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814

Subject: City of Fresno, Public Works Department, Proposition 1B Audit Findings Response

Ms. Whitaker,

The City of Fresno would like to thank the State of California, California Transportation Commission, California Department of Transportation, California Department of Finance and Staff for the Proposition 1B funding to improve the City of Fresno's transportation infrastructure.

The City of Fresno, Public Works Department was awarded Proposition 1B funding from State-Local Partnership Program (SLPP) and Traffic Light Synchronization Program (TLSP) for three projects, including 180 West Frontage Road Improvements Project (SLPPFL 13 5060 272), Peach Avenue Widening Project (SLPPFL 13 5060 261) and Shaw Ave Traffic Light Synchronization Project (CML 5060 160).

The City of Fresno, Public Works Department continually strives to improve capital projects delivery for fiscally and operationally efficient and effective improvements to the City's transportation infrastructure. The California Department of Finance, Office of State Audits and Evaluations reported two (2) findings and the associated City's responses are as follows:

Department of Finance, Office of State Audits and Evaluations

Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

Two of the three benefits/outcomes for SLPPFL 13 5060 272 were not adequately reported in the Final Delivery Report. Specifically, the project benefits/outcomes for meeting existing and future traffic demands and promoting economic development in southwest Fresno were not supported with documentation. The City copied and pasted benefits/outcomes from the project agreements and were unaware of the requirements to maintain supporting documentation. Without an accurate assessment of the projected and actual project outcomes, Caltrans/CTC cannot determine whether project benefits were achieved. The SLPP Guidelines, section 14, 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 agreements. In addition, the implementing agency is held responsible for maintaining documentation of the information reported on the Final Delivery Report.

Recommendations:

- A. Read and review grant guidelines to ensure a clear understanding of the requirements.
- B. Maintain documentation to support project benefits/outcomes reported in the Final Delivery Reports.
- C. Submit a Supplemental Final Delivery Report listing the actual project benefits/outcomes for meeting existing and future traffic demands and promoting economic development in southwest Fresno.

City of Fresno, Public Works Department
Finding 1: Response

The City of Fresno, Public Works Department is continually striving to improve capital projects grant documentation and reporting through state of the art technology and process improvements. The Public Works Department has recently developed the Project Tracker Database to manage grant projects milestones from application phase to final close out phase; has deployed Laserfiche Electronic Document Management System (EDMS) to store all associated grants documentation; and will soon be updating the City of Fresno Project Manager's Manual. The Public Works Department has also hired a full time records clerk to further improve Public Works records management. The Public Works Department's state of the art technology, process improvements, and staff additions will ensure future reporting requirements for State of California published guidelines.

Department of Finance, Office of State Audits and Evaluations
Finding 2: Final Delivery Report not Submitted Timely

The Final Delivery Report for CML 5060 160 was submitted 24 months late. The Final Delivery Report was due October 2014 and was submitted October 2016. According to the City, the submission of the Final Delivery Report was delayed due to potential litigation. The City wanted to resolve pending litigation prior to submitting the Final Delivery Report and was not aware of the requirement to submit the report six months after the project becomes operable. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project scope, final costs, project schedules, and performance benefits/outcomes. The TLSP Guidelines, section 16, requires 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 in April 2014.

Recommendations:

- A. Read and review grant guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for state funded projects as required.

City of Fresno, Public Works Department
Finding 2: Response

Intelligent Transportation Systems (ITS) projects are complex due to the amalgamation of Civil Engineering, Electrical Engineering, and Computer Engineering, and Traffic Engineering disciplines.

The City along with partner State and Federal agencies, continually strive to improve on ITS projects delivery and integration into a City-wide traffic coordination system, thereby, improving safety, operations, energy conservations, and effective capacity of the key arterials while reducing emissions.

The Final Delivery Report for ITS Shaw Ave (CML 5060 160) was delayed, due to contractor project delays, contract closeout delays due to potential contract claims, disputes and associated Government code stipulations, and funding delays due to rebalancing of project federal match funds on the local transportation improvement program. The Public Works Department will endeavor to complete timely Final Delivery Reports and satisfy future State of California published guidelines.

Regards,



Scott Mozier, PE, TE
Interim Public Works Director
City of Fresno
2600 Fresno Street, Room 4016
Fresno, CA 93721