


## Memorandum

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California way of life*

**To:** RAY ZHANG  
Division Chief  
Division of Local Assistance

**Date:** October 26, 2017

**File:** P2535-0087  
P2535-0088

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

**Subject:** **AUDIT OF SAN MATEO COUNTY TRANSIT DISTRICT PROPOSITION 1B PROJECTS**

Attached is the audit report pertaining to the audit performed on the following Proposition 1B (Prop 1B) projects:

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
Replacement of Gillig Buses	0413000130	P2535-0087	\$5,269,838
Advance Communications System Upgrade	0413000352	P2535-0088	\$84,579

The projects' implementing agency is San Mateo County Transit District. The projects were funded using Proposition 1B State-Local Partnership Program Funds. The Audit was for the period of January 11, 2013, through January 31, 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:

- Final Delivery Reports Not Submitted Timely

The auditee submitted the FDR on May 2017. The recommendation does not require San Mateo Transit District to respond; therefore, we will consider the finding closed.

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 1 B Specialist, Transportation Programming  
Carmen Wills, Audit Liason, Division of Local Assistance  
Elena Guerrero, Acting Audit Manager, Audits and Investigations



## San Mateo County Transit District

Proposition 1B Bond Program

Project Numbers 0413000130 and 0413000352

Report No. 17-2660-088  
October 2017

Team Members

Jennifer Whitaker, Chief  
Cheryl L. McCormick, CPA, Assistant Chief  
Rick Cervantes, CPA, Manager  
Jon Chapple, CPA, Manager  
Robert Scott, MSA, CPA, CGMA, Supervisor  
Bryan Nguyen  
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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

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DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. - GOVERNOR

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

Transmitted via e-mail

October 19, 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 Mateo County Transit District, Proposition 1B Audit**

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0413000130	P2535-0087	Replacement of Gillig Buses
0413000352	P2535-0088	Advance Communications System Upgrade

The enclosed report is for your information and use. After review of the draft report, the District chose not to provide a written response. This report will be placed on our website.

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. Elena Guerrero, Acting Audit Manager, External Audits-Contracts, Audits and Investigations  
Mr. Jim Hartnett, Executive Director, San Mateo County Transit District  
Ms. Rebecca Arthur, Senior Grants Analyst, San Mateo County Transit District

# 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.<sup>1</sup>

CTC awarded \$5.6 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds to the San Mateo County Transit District (District) for the Replacement of Gillig Buses project (0413000130) and Advance Communications System Upgrade project (0413000352). These completed projects replaced transit buses that have exceeded their useful life and updated aging communications and computer aided dispatch/automatic vehicle location mobile equipment. The projects were implemented by the District, which is the administrative body for the principal public transit and transportation programs in San Mateo County.<sup>2</sup>

### **PROGRAM DESCRIPTION<sup>1</sup>**

**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.

## 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 each 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 agreement.
- 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.

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

<sup>2</sup> Excerpts were obtained from the District's website [www.smctd.com](http://www.smctd.com).

District 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 programs.

## **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.
- 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.
- 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 reported 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. In addition, except as noted below, project deliverables/outputs were consistent with the project scopes and schedules. Although each of the projects were behind schedule, the District informed Caltrans and CTC of the delays.

The District adequately reported project benefits/outcomes in the Final Delivery Reports 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: Final Delivery Reports Not Submitted Timely**

The Final Delivery Reports for each project were not submitted to CTC within six months of the projects becoming operable. The Final Delivery Reports for projects 0413000130 and 0413000352 were due September 2015 and February 2016, respectively, and were submitted to Caltrans in May 2017.

The District stated the Final Delivery Reports were submitted late because it was unaware of the report filing requirements. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes.

SLPP Program Guidelines, section 14 requires a Final Delivery Report be submitted to CTC within six months after the project becomes operable.

### **Recommendations:**

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. 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
- San Mateo County Transit District: District
- State-Local Partnership Program Account: SLPP

### Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0413000130	\$5,269,838	C	Y	Y	Y	Y	A-1
0413000352	\$ 84,579	C	Y	Y	Y	Y	A-2

#### Legend

C = Complete

Y = Yes

**Project Number:** 0413000130

**Project Name:** Replacement of Gillig Buses

**Program Name:** SLPP

**Project Description:** Purchase 62 hybrid and diesel buses to replace the 1998 Gillig bus fleet that have exceeded their useful life and are in need of replacement.

**Audit Period:** January 11, 2013 through January 31, 2015<sup>1</sup>

**Project Status:** Project is complete.

#### Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Bus Acquisitions	\$ 5,269,838
<b>Total Proposition 1B Expenditures</b>	<b>\$ 5,269,838</b>

#### 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. Additionally, the match requirement was met.

##### Deliverables/Outputs

The project was completed in March 2015. At the time of our site visit in May 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 3 months late. The District updated Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in September 2015 and was submitted in May 2017.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, the District achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Ensure public transit is reliable by reducing breakdowns.	The acquisition of new buses has resulted in reduced breakdowns.	Yes
Cost-effective due to reduced repair costs.	The reduction in breakdowns has resulted in reduced bus repair costs.	Yes
Produce less air emissions than the 1998 buses.	The new buses produce less air emissions than the older buses.	Yes

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

**Project Number:** 0413000352

**Project Name:** Advance Communications System Upgrade

**Program Name:** SLPP

**Project Description:** Replace aging communications and computer aided dispatch/automatic vehicle location mobile equipment on transit buses. The SLPP funds will be used primarily towards the purchase of bus and dispatcher radios to increase radio voice and data communications capacity, reduce polling rates, and provide adequate bandwidth to support current and future operations.

**Audit Period:** January 11, 2013 through January 31, 2015<sup>2</sup>

**Project Status:** Project is complete.

#### **Schedule of Proposition 1B Expenditures**

<b>Proposition 1B Expenditures</b>	<b>Reimbursed</b>
Communications Equipment Acquisition	\$ 84,579
<b>Total Proposition 1B Expenditures</b>	<b>\$ 84,579</b>

#### **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. Additionally, the match requirement was met.

##### Deliverables/Outputs

The project was completed in August 2015. At the time of our site visit in May 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 14 months late. The District appropriately updated Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in February 2016 and was submitted in May 2017.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, the District achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

<b>Expected Benefits/Outcomes</b>	<b>Actual Benefits/Outcomes</b>	<b>Benefits/Outcomes Achieved</b>
Improved communications between dispatchers and revenue vehicles for passenger transfers.	The new communications upgrade resulted in improved communications between dispatchers and revenue vehicles.	Yes
Improved scheduling information through increased polling of Automatic Vehicle Location equipment.	The polling rate has been reduced resulting in improved scheduling information.	Yes

<sup>2</sup> Ibid.