


Memorandum

*Making Conservation a
California way of life*

To: JAMES (IIM) DAVIS
Chief
Project Management

Date: June 11, 2018

File: P2505-0107
P2505-0108

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

Subject: FINAL REPORT-SANTA CLARA VALLEY TRANSPORTATION AUTHORITY,
PROPOSITION 1B AUDIT

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

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
I-280/I-880 Interchange and I-880/ Stevens Creek Interchange Improvements	0412000445	P2505-0107	\$7,691,298
US 101/Capitol Expressway-Yerba Buena Interchange Improvements	0400020484	P2505-0108	\$22,210,425

The projects' implementing agency is Santa Clara Valley Regional Transportation Authority. The projects were funded by using Proposition 1B Corridor Mobility Improvement Account funds.

As required by the Governor's Executive Order S-02-07, 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-RI, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The audit disclosed the following findings:

- Questioned Construction Capital and Construction Support Expenditures Amounting to \$2,050,046
- Improvements Needed in Reporting Project Benefits/Outcomes

Please provide the Independent Office of Audits and Investigations a corrective action resolution

JAMES (JIM) DAVIS

June 11, 2018

Page 2 of 2

audit findings within 90 days of this memorandum's date and reference the P number identified above. If you have any questions, please contact Mrs. 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
Teri L. Anderson, Assistant Deputy Director, California Transportation Commission
Coco Briseno, Deputy Director, Planning and Modal Programs
Bruce De Terra, Chief, Division of Transportation Programming
Doris M. Alkebulan, Prop 1 B Specialist, Division of Transportation Programming
Vasan Rudrapakiam, Senior Transportation Engineer, Division of Project Management
Elena Guerrero, Acting Audit Manager, Audits and Investigations



Santa Clara Valley Transportation Authority

Proposition 1B Bond Program

Project Numbers 0400001081 and 000020484

Report No. 18-2660-013
June 2018

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Robert Scott, MSA, CPA, CGMA, Supervisor
Moses Ofurio, Lead
Jessica Yip

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

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Transmitted via e-mail

June 4, 2018

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—Santa Clara Valley Transportation Authority, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Santa Clara Valley Transportation Authority's (VTA) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0400001081	P2505-0107	I-280/I-880 Interchange and I-880/Stevens Creek Interchange Improvements
0400020484	P2505-0108	US 101/Capitol Expressway—Yerba Buena Interchange Improvements

The enclosed report is for your information and use. VTA's response to the report findings 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 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, California Department of Transportation
Ms. Nuria Fernandez, General Manager/CEO, Santa Clara Valley Transportation Authority
Ms. Carolyn Gonot, Director, Engineering and Transportation, Santa Clara Valley Transportation Authority
Mr. Ven Prasad, Engineering Group Manager, Santa Clara Valley Transportation Authority

BACKGROUND, SCOPE AND METHODOLOGY

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 \$61.6 million of Proposition 1B Corridor Mobility Improvement Account (CMIA) funds to the Santa Clara Valley Transportation Authority (VTA) for two highway improvement projects in Santa Clara County (County). VTA is the County's agency responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects.² The two CMIA funded projects implemented by VTA are:

- I-280/I-880 Interchange and I-880/Stevens Creek Interchange Improvements (0400001081).
- US 101/Capitol Expressway Yerba Buena Interchange Improvements (0400020484).

Construction for these projects is complete.

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 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.

At the time of our site visit in October 2017, construction was complete for both projects.

PROGRAM DESCRIPTION¹

CMIA: \$4.5 billion of bond proceeds made available to the CMIA to finance a variety of eligible transportation projects. CTC's general expectation is that each CMIA project will have a full funding commitment through construction, either from the CMIA alone or from a combination of CMIA and other state, local, or federal funds.

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

² Excerpts from the VTA website <http://www.vta.org/about-us/inside-vta/about-vta>.

However, VTA had not reported project benefits/outcomes in the Final Delivery Reports. Accordingly, we did not evaluate whether project benefits/outcomes were achieved or adequately reported for these projects. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

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

VTA'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 CMIA program.

METHODOLOGY

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

- Examined project files, cooperative agreements, program guidelines, and applicable policies and procedures to gain an understanding of the projects and respective program.
- Reviewed procurement records to verify 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 by reviewing accounting records, progress payments, invoices, timesheets, and canceled checks.
- Reviewed a sample of contract change orders to determine if 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.
- 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 approved amendments, and the Final Delivery Reports.
- Evaluated whether there is a system in place to report actual project benefits/outcomes.

In conducting our audit, we obtained an understanding of VTA's 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.

Except as noted in Finding 1, 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, except as noted in Finding 2, project deliverables/outputs were consistent with the project scopes and schedules. Although project 0400001081 was behind schedule, VTA appropriately informed Caltrans and CTC of the delay.

VTA has a system in place to report actual project benefits/outcomes, although it does not accurately report information as noted in Finding 2. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Questioned Construction Capital and Construction Support Expenditures

VTA claimed and was reimbursed ineligible construction capital and construction support expenditures totaling \$2,050,046. VTA did not have an adequate review process to ensure eligible expenditures were claimed for reimbursement. As a result, VTA was reimbursed the following ineligible expenditures:

- \$2,040,900 for Project 0400020484 construction capital expenditures. Cooperative Agreement 04-2435, section 9, states the percentage of project for which each sponsor is responsible for is based on the funding commitments as defined in the Funding Summary. The Funding Summary budgets \$20,900,000 for CMIA construction capital and \$24,500,000 for total construction capital, resulting in a 85.31 percent reimbursement ratio for Proposition 1B. However, VTA used a 95.51 percent ratio and was reimbursed \$19,110,425. The maximum allowable reimbursable amount is \$17,069,525 ($\$20,008,821^1 \times 0.8531$), resulting in VTA receiving \$2,040,900 (\$19,110,425 - \$17,069,525) for ineligible expenditures.
- \$9,146 for Project 0400001081 computer equipment expenditures. Cooperative Agreement 04-2434, funding summary section, did not include Proposition 1B funding for capital equipment. Therefore, computer equipment expenditures are ineligible for reimbursement.

Recommendations:

- A. Remit \$2,050,046 to Caltrans, less any amounts already remitted.²
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

¹ State participating costs less retention of \$941,396.

² Subsequent to audit fieldwork, VTA remitted \$870,566 to Caltrans for ineligible construction capital expenditures and submitted a final invoice for project 040020484. According to VTA, the final invoice submitted to Caltrans in November 2017, included \$431,657 of unclaimed construction capital expenditures. The \$870,566 remittance and \$431,657 of construction capital expenditures were not included in our audit and the amounts are not reflected in the Schedule of Proposition 1B Expenditures at Appendix A-2.

Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes

The Final Delivery Reports were not submitted timely and the benefits/outcomes were not adequately reported. Specifically:

- The Final Delivery Reports for the projects were not submitted to Caltrans within six months of the projects becoming operable (construction contract acceptance date). The Final Delivery Report for project 0400020484 was due December 2014 and was submitted 31 months late in July 2017. Additionally, the Final Delivery Report for project 0400001081 was due April 2016 and was submitted 15 months late in July 2017. According to VTA, it believed the Final Delivery Reports were due after the end of the plant establishment period, which is later than construction contract acceptance date.
- The project benefits/outcomes were not addressed in the Final Delivery Reports. Additionally, VTA did not state the benefits/outcomes were not available and the date the information would be available in the Final Delivery Reports. According to VTA, the information required to complete the benefit/outcomes sections of the Final Delivery Report can only be provided by Caltrans because the projects are within the California State Highway System. Caltrans states it will provide the benefits/outcomes results. However, VTA is ultimately responsible for ensuring the project benefits/outcomes are reported in the Final Delivery Report or Supplemental Final Delivery Report.

The CMIA Accountability Implementation Plan, section IV C.1, states 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. This section further states a project becomes operable at the end of the construction phase when the construction contract is accepted. Additionally, the Proposition 1B Project Close-Out Process Update 2016 (Update) issued by Caltrans requires the implementing agency to state in the Final Delivery Report if benefits/outcomes are not available, when it will be available, and the benefits/outcomes must be reported in the Supplemental Final Delivery Report.

Incomplete and late submission of reports decreases transparency of the status of the projects and prevents Caltrans/CTC's ability to timely review the completed projects' scopes, final costs, project schedules, and performance outcomes.

Recommendations:

- A. Read and review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for future state funded projects as required.
- C. Obtain required benefits/outcomes information from Caltrans and submit Supplemental Final Delivery Reports listing the pre and post benefits/outcomes.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Corridor Mobility Improvement Account: CMIA
- Northbound: NB
- Southbound: SB

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0400001081	\$36,142,930	C	P	Y	N/A	N	A-1
0400020484	\$22,210,425	C	P	Y	N/A	N	A-2

Legend

C = Complete

Y = Yes

N = No

P = Partial

N/A = Not Applicable; Final Delivery Reports did not list project benefits/outcomes.

Project Number: 0400001081

Project Name: I-280/I-880 Interchange and I-880/Stevens Creek Interchange Improvements

Program Name: CMIA

Project Description: Reconfigure I-880/Stevens Creek Boulevard, construct NB I-280 to NB I-880 direct connector ramp, and improve SB I-880 off/on ramps at Stevens Creek Boulevard including dedicated off-ramp to Monroe Street.

Audit Period: June 13, 2011 through April 30, 2017¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed	Questioned Expenditures
Construction Capital	\$29,643,243	\$ 0
Construction Support	6,499,687	9,146
Total Proposition 1B Expenditures	\$36,142,930	\$9,146

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, except for \$9,146 of construction support expenditures.

Deliverables/Outputs

The construction phase of the project was completed in October 2015. At the time of our site visit in October 2017, project deliverables/outputs were consistent with the project scope. The project Final Delivery Report was due in April 2016 and was submitted 15 months late. Additionally, the project was behind schedule and completed 15 months late. VTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes could not be confirmed since VTA did not report benefits/outcomes information in the Final Delivery Report. However, there is a system in place to report actual project benefits/outcomes.

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

Project Number: 0400020484

Project Name: US 101/Capitol Expressway–Yerba Buena Interchange Improvements

Program Name: CMIA

Project Description: Modify Capitol Expressway Interchange from full to partial cloverleaf, construct NB slip on-ramp and modify NB collector-distributor road between Yerba Buena Road and Capitol Expressway, construct two-lane SB off-ramp to Yerba Buena Road and auxiliary lane between Capitol Expressway to Yerba Buena Road, and replace planting for US 101/Capitol Expressway Interchange and US 101/Tully Road Interchange.

Audit Period: March 28, 2012 through December 31, 2015²

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed	Questioned Expenditures
Construction Capital	\$19,110,425	\$2,040,900
Construction Support	3,100,000	0
Total Proposition 1B Expenditures	\$22,210,425	\$2,040,900

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, except for \$2,040,900 of construction capital expenditures.

Deliverables/Outputs

The construction phase of this project was completed in June 2014. At the time of our site visit in October 2017, project deliverables/outputs were consistent with the project scope and schedule. However, the project Final Delivery Report was due in December 2014 and was submitted 31 months late.

Benefits/Outcomes

Actual project benefits/outcomes could not be confirmed since VTA did not report benefits/outcomes information in the Final Delivery Report. However, there is a system in place to report actual project benefits/outcomes.

² Ibid.

RESPONSE



May 2, 2018

Ms. Jennifer Whitaker
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

SUBJECT: Response of Santa Clara Valley Transportation Authority (VTA) to
Proposition 1B Draft Audit Report

Dear Ms. Whitaker:

Enclosed is VTA's response to the audit report on Proposition 1B funded projects (I-280/I-880 Interchange and I-880/Stevens Creek Interchange Improvements, and US 101/Capitol Expressway-Yerba Buena Interchange Improvements). Please note that VTA has complied with all recommendations, except for recommendation 2C whose implementation is dependent on the availability of information from Caltrans.

VTA is committed to fully implementing all recommendations as timely as possible. Should you need further clarification on VTA responses, please call Raj Srinath, Chief Financial Officer, at (408)321-5630 or email at raj.srinath@vta.org.

Sincerely,


Nuria I. Fernandez
General Manager/CEO



Finding 1: Questioned Construction Capital and Construction Support Expenditures

VTA claimed and was reimbursed ineligible construction capital and construction support expenditures totaling \$2,050,046. VTA did not have an adequate review process to ensure eligible expenditures were claimed for reimbursement. As a result, VTA was reimbursed the following ineligible expenditures:

- \$2,040,900 for Project 0400020484 construction capital expenditures. Cooperative Agreement 04-2435, section 9, states the percentage of project for which each sponsor is responsible for is based on the funding commitments as defined in the Funding Summary. The Funding Summary budgets \$20,900,000 for CMIA construction capital and \$24,500,000 for total construction capital, resulting in a 85.31 percent reimbursement ratio for Proposition 1B. However, VTA used a 95.51 percent ratio and was reimbursed \$19,110,425. The maximum allowable reimbursable amount is \$17,069,525 ($\$20,008,821^1 \times 0.8531$), resulting in VTA receiving \$2,040,900 ($\$19,110,425 - \$17,069,525$) for ineligible expenditures.
- \$9,146 for Project 0400001081 computer equipment expenditures. Cooperative Agreement 04-2434, funding summary section, did not include Proposition 1B funding for capital equipment. Therefore, computer equipment expenditures are ineligible for reimbursement.

Recommendations:

- A. Remit \$2,050,046 to Caltrans, less any amounts already remitted.²
- B. Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.

¹ State participating costs less retention of \$941,396.

² Subsequent to audit fieldwork, VTA remitted \$807,566 to Caltrans for ineligible construction capital expenditures and submitted a final invoice for project 040020484. According to VTA, the final invoice submitted to Caltrans in November 2017, included \$431,657 of unclaimed construction capital expenditures. The \$807,566 remittance and \$431,657 of construction capital expenditures were not included in our audit and the amounts are not reflected in the Schedule of Proposition 1B Expenditures at Appendix A-2.

VTA Response:

A. Final construction invoice #18 was submitted in November 2017 for construction capital participating cost of \$21,381,873.48. VTA remitted a check for \$870,566.13 to Caltrans based on the schedule provided on the next page. At the time of audit fieldwork in October 2017, this information was included in the Final Delivery Report and VTA's financial accounting system. These documents were also provided to the auditors during the audit fieldwork. VTA considers this part of the recommendation resolved and closed.

VTA disagrees with the disallowance of \$9,146 relating to computer equipment expenditures as such purchases were made specifically for the construction field office. VTA has already provided to the auditor related documentation to substantiate this cost.

		(a)	(b)	(c)	(d)
		VTA Invoice No.	Costs from Inception to audit cut-off date of Oct 2017	Cost- sharing Ratio	Amount
(A)	Per VTA cost-sharing established in SAP, as billed to Caltrans	17	20,008,820.94	95.51%	\$ 19,110,424.88
(B)	Per Caltrans cost-sharing	17		85.31%	17,068,507.63
(C)=(A)-(B)	Difference				2,041,917.25
(E)	Additional costs incurred that were not considered during the audit; submittal was November 2017	18	1,373,052.54	85.31%	1,171,351.12
(F)=(A)+(E)	Total costs incurred		21,381,873.48		
(G)=(C)-(E)	Difference				870,566.13
(H)	Amount refunded by VTA to Caltrans (Check No. 0211083 dated Dec 11, 2017)				870,566.13
(I)=(G)-(H)	Amount due to Caltrans				\$ (0.00)

B. VTA has a system in place for determining eligibility of costs incurred. This includes the following:

1. Grants and Project Management discuss eligibility of costs under a grant.
2. A project budget is established in the VTA accounting system (SAP) by funding sources (also known as functional areas).
3. Project Management assigns funding sources of costs at the Purchase Order level as necessary.
4. Project Management signs off on invoices prior to entry in the Accounts Payable system. Appropriate funding sources are identified and invoices are assigned the appropriate funding sources (if funding sources have not yet been identified through the Purchase Order).
5. VTA sends invoices to Caltrans local assistance, who reviews it for eligibility and conformance with Agreements. In this case all invoices were approved by local assistance. In fact, VTA had already identified the issue of overpayment before the audit and proactively worked on processing a refund to Caltrans.
6. Regular reporting and discussions occur during the life of the grant and/or project.

Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes

The Final Delivery Reports were not submitted timely and the benefits/outcomes were not adequately reported. Specifically:

- The Final Delivery Reports for the projects were not submitted to Caltrans within six months of the projects becoming operable (construction contract acceptance date). The Final Delivery Report for project 0400020484 was due December 2014 and was submitted 31 months late in July 2017. Additionally, the Final Delivery Report for project 0400001081 was due April 2016 and was submitted 15 months late in July 2017. According to VTA, it believed the Final Delivery Reports were due after the end of the plant establishment period, which is later than construction contract acceptance date.
- The project benefits/outcomes were not addressed in the Final Delivery Reports. Additionally, VTA did not state the benefits/outcomes were not available and the date the information would be available in the Final Delivery Reports. According to VTA, the information required to complete the benefit/outcomes sections of the Final Delivery Report can only be provided by Caltrans because the projects are within the California State Highway System. Caltrans states it will provide the benefits/outcomes results. However, VTA is ultimately responsible for ensuring the project benefits/outcomes are reported in the Final Delivery Report or Supplemental Final Delivery Report.

The CMIA Accountability Implementation Plan, section IV C.1, states 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. This section further states a project becomes operable at the end of the construction phase when the construction contract is accepted. Additionally, the Proposition 1B Project Close-Out Process Update 2016 (Update) issued by Caltrans requires the implementing agency to state in the Final Delivery Report if benefits/outcomes are not available, when it will be available, and the benefits/outcomes must be reported in the Supplemental Final Delivery Report.

Incomplete and late submission of reports decreases transparency of the status of the projects and prevents Caltrans/CTC's ability to timely review the completed projects' scopes, final costs, project schedules, and performance outcomes.

Recommendations:

- A. Read and review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for future state funded projects as required.
- C. Obtain required benefits/outcomes information from Caltrans and submit Supplemental Final Delivery Reports listing the pre and post benefits/outcomes.

VTA Response:

- A. VTA generally ensures clear understanding of pertinent project agreements and program guidelines.
- B. VTA has previously submitted Final Delivery Reports on completed projects and will continue to do so for future state funded projects as required.
- C. VTA will submit Supplementary Final Delivery Report as soon as it receives the post construction benefits/outcomes from Caltrans.

EVALUATION OF RESPONSE

VTa's response to the draft report has been reviewed and incorporated into the final report. In evaluating VTA's response, we provide the following comments:

Finding 1: Question Construction Capital and Construction Support Expenditures

VTa stated it submitted a final construction invoice and check to Caltrans in November 2017, which addressed this portion of our finding. Because the final invoice and payment were submitted to Caltrans subsequent to our October 2017 fieldwork, it was considered outside the scope of our audit and therefore, not included in our analysis.

VTa disagrees that \$9,146 of computer equipment was ineligible for reimbursement. However, VTA did not provide a reference to program guidelines allowing reimbursement of computer equipment expenditures. In addition, Cooperative Agreement 04-2434 did not include Proposition 1B funding for computer equipment.

For the reasons stated above, the finding and recommendations remain unchanged. However, we corrected footnote 2 in the Results section to reflect VTA remitted \$870,566 to Caltrans.

Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes

VTa agreed with our finding, and we acknowledge VTA's willingness to implement our recommendations.