


Memorandum

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To: RAY ZHANG
Division Chief
Division of Local Assistance

Date: April 2, 2018

File: P2535-0098
P2535-0099
P2535-0100

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

Subject: **AUDIT OF SAN FRANCISCO BAY AREA RAPID 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>
Warm Springs Extension	0400020802	P2535-0098	\$23,340,911
Warm Springs Extension	0412000181	P2535-0099	\$11,528,397
Warm Springs Extension	0413000078	P2535-0100	\$9,512,000

The projects' implementing agency is the San Francisco Bay Area Rapid Transit District. 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 Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. Because the audit disclosed no audit findings, a Correction Action Resolution is not required.

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

RAY ZHANG

April 2, 2018

Page 2

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 Francisco Bay Area Rapid Transit District

Proposition 1B Bond Program

Project Numbers 0400020802, 0412000181,
and 0413000078

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Jeremy Jackson, CPA, Supervisor
Jedediah Thompson, Lead
Stephen Franz
Jeffrey Neller
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

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Transmitted via e-mail

March 23, 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—San Francisco Bay Area Rapid Transit District, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Francisco Bay Area Rapid Transit District (BART) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0400020802	P2535-0098	Warm Springs Extension
0412000181	P2535-0099	Warm Springs Extension
0413000078	P2535-0100	Warm Springs Extension

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Jeremy Jackson, Supervisor, at (916) 322-2985.

Sincerely,

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits—Contracts, Audits and Investigations, California Department of Transportation
Ms. Grace Crunican, General Manager, San Francisco Bay Area Rapid Transit District
Mr. Robert Powers, Deputy General Manager, San Francisco Bay Area Rapid Transit District
Mr. Robert Mitroff, Co-Acting Assistant General Manager, Planning Development and Construction, San Francisco Bay Area Rapid Transit District
Mr. Val Menotti, Co-Acting Assistant General Manager, Planning Development and Construction, San Francisco Bay Area Rapid Transit District
Ms. Pamela Herhold, Acting Assistant General Manager, Administration and Budget, San Francisco Bay Area Rapid Transit District
Mr. Terry Green, Department Manager, Internal Audits, San Francisco Bay Area Rapid Transit District
Mr. John E. Love, Acting Internal Audit Manager, Internal Audits, San Francisco Bay Area Rapid Transit District

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 \$44.8 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds for the Warm Springs Extension of the San Francisco Bay Area Rapid Transit District (BART) into southern Alameda County. The Warm Springs Extension projects 0400020802, 0412000181, and 0413000078, is also the first segment of the BART extension to San Jose.² BART implemented this project, which supports its mission to provide safe, clean, reliable, and customer-friendly regional public transportation service that increases mobility and accessibility, strengthens community and economic prosperity, and helps preserve the Bay Area's environment.³ BART began service March 25, 2017; however, construction is not complete until the Construction Contract Acceptance (CCA) is filed. The estimated date for the CCA is September 2018.

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.

BART was required to provide dollar-for-dollar match funding for this project.

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the project's 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 Reports.

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

² The scope of the audit includes three project numbers; however, all three project numbers are for a single project. Each number represents a different funding phase of the project.

³ Excerpts were obtained from the BART website <https://www.bart.gov/sites/default/files/docs/strategicPlan.pdf>.

At the time of our site visit in January 2018, construction was not complete for projects 0400020802, 0412000181, and 0413000078. Since BART has not submitted the Final Delivery Reports, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. 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.

BART's management is responsible for ensuring accurate financial reporting; compliance with contract provisions, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the program.

METHODOLOGY

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

- Examined the project files, project 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, and bank statements.
- Reviewed a sample of contract change orders to determine if they were within the scope of the project, properly approved, and supported.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Verified the match requirement was met by reviewing a sample of supporting documentation.
- Reviewed project deliverables/outputs by conducting a site visit to confirm consistency with the project scope.
- Evaluated whether project deliverables/outputs were on schedule as described in the project agreements or amendments.
- Evaluated whether there is a system in place to report actual project benefits/outcomes.

In conducting our audit, we obtained an understanding of BART'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. No deficiencies in internal control were identified during our audit or determined to be significant within the context of our audit objectives.

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.

RESULTS

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 the completion of the CCA, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule, BART appropriately informed Caltrans and CTC of the delays. Further, BART has a system in place to report actual project benefits/outcomes. The *Summary of Projects Reviewed* is presented in Appendix A.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- San Francisco Bay Area Rapid Transit District: BART
- 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
0400020802	\$23,340,911	I	Y	Y	N/A	N/A	A-1
0412000181	\$11,528,397	I	Y	Y	N/A	N/A	A-1
0413000078	\$9,512,000	I	Y	Y	N/A	N/A	A-1

Legend

I = Construction is not complete

Y = Yes

N/A = Not Applicable

Project Numbers: 0400020802, 0412000181, and 0413000078

Project Name: Warm Springs Extension

Program Name: SLPP

Project Description: Construction of a 5.4 mile extension of the BART rail system south of the existing Fremont Station to the Warm Springs Station.

Audit Period: March 11, 2011 through June 30, 2015¹

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Project Number	Proposition 1B Expenditures	Reimbursed
0400020802	Construction	\$23,340,911
0412000181		11,528,397
0413000078		9,512,000
	Total Proposition 1B Expenditures	\$44,381,308

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

Target completion for this project is September 2018. At the time of our site visit, except for the completion of the CCA, project deliverables/outputs were consistent with the project's scope and schedule in January 2018, as stated in the Fiscal Year 2017-18 first quarter progress report submitted to Caltrans. BART updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the projects have not been completed. However, a system is in place to measure achievements of actual project benefits/outcomes.

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