


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: 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 project:

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
Bay Area Rapid Transit Vehicles	0412000445	P2535-0112	\$7,691,298

The project's implementing agency is Santa Clara Valley Regional Transportation Authority (VTA). The project was funded by using Proposition 1B State-Local Partnership Program Account funds for the VTA to procure 60 Bay Area Rapid Transit (BART) vehicles for the new BART extension project to San Jose.

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-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 Mrs. Elena Guerrero, Acting Audit Manager, at (916)323-7954.

RAY ZHANG

June 1, 2018

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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 IB Specialist, Division of Transportation Programming
Sharon Bertozzi, Senior Transportation Engineer, Division of Local Assistance
Elena Guerrero, Acting Audit Manager, Audits and Investigations
Daniel Burke, Audits Liaison, Division of Local Assistance



Santa Clara Valley Transportation Authority

Proposition 1B Bond Program

Project Number 0412000445

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Jeremy Jackson, CPA, Supervisor
Jedediah Thompson
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



Transmitted via e-mail

May 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—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 project listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0412000445	P2535-0112	Bay Area Rapid Transit Vehicles

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

Enclosure

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits-Contracts, Audits and Investigations, California Department of Transportation
Ms. Nuria Fernandez, General Manager, Santa Clara Valley Transportation Authority
Ms. Carolyn Gonot, Director, Engineering and Transportation, Santa Clara Valley Transportation Authority
Mr. John Rowe, Bay Area Rapid Transit Silicon Valley Program Cost and Budget Manager, Santa Clara Valley Transportation Authority
Ms. Grace Crunican, General Manager, San Francisco Bay Area Rapid Transit District

B_{ACKGROUND}, S_{COPE}, M_{ETHODOLOGY} AND R_{ESULTS}

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 \$34.9 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds to the Santa Clara Valley Regional Transportation Authority (VTA) to procure 60 Bay Area Rapid Transit (BART) vehicles for the new BART extension project to San Jose (0412000445). 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 This project is not complete.

VTA was required to provide a 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 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 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.

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.

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

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

At the time of our site visit in January 2018, this project was not complete. Since VTA had not submitted the Final Delivery Report, 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.

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 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 project 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, electronic remittance advices, and bank statements.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Verified there is a system in place to meet the match requirement.
- Reviewed project deliverables/outputs by conducting a site visit to ensure 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 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. 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. Additionally, the project deliverables/outputs were consistent with the project scope and schedule. Further, VTA 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
- Santa Clara Valley Transportation Authority: VTA
- 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
0412000445	\$7,691,298	I	Y	Y	N/A	N/A	A-1

Legend

I = Project is not complete

Y = Yes

N/A = Not Applicable

Project Number: 0412000445

Project Name: BART Vehicles

Program Name: SLPP

Project Description: Acquisition of 60 BART vehicles for VTA's portion of the BART to San Jose extension.

Audit Period: April 26, 2012 through May 31, 2017¹

Project Status: Project is not complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Materials and Equipment	\$7,691,298
Total Proposition 1B Expenditures	\$7,691,298

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. VTA has a system in place to ensure the match requirement will be met.

Deliverables/Outputs

Program Supplement Agreement 04A0040-08 A2 and the May 7, 2013 CTC Financial Vote List state VTA will acquire 60 BART vehicles but did not list a project completion date. However, Agreement 04A0040-08 A2 Attachment II states VTA will acquire up to 60 BART vehicles. Additionally, the Project Programming Request dated January 7, 2013 listed a proposed December 2024 project completion date. According to Caltrans and CTC, VTA will meet their deliverables if they acquire 60 BART vehicles by the project's completion date of December 2024. However, Proposition 1B funding for the project will expire on July 31, 2018, and no costs incurred after the deadline will be eligible for reimbursement.

Based on the clarification provided by Caltrans/CTC, project deliverables/outputs were consistent with the project's scope and schedule as stated in the Fiscal Year 2017-18 first quarter progress report submitted to Caltrans. At the end of fieldwork in March 2018, BART cars had not been delivered to VTA. According to BART, the first 10 cars would be delivered in July or August 2018 at the earliest.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has 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.