



## Memorandum

To: RIHUI ZHANG  
CHIEF  
DIVISION OF LOCAL ASSISTANCE

Date: October 4, 2019

File: P2525-0078

From: MARSUE MORRILL, CPA *Marsue*  
CHIEF  
**INDEPENDENT OFFICE OF AUDITS  
AND INVESTIGATIONS**  
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Subject:

**SUBJECT: FINAL REPORT - COUNTY OF SAN BERNADINO, PROPOSITION 1B AUDIT**

At the request of the Independent Office of Audits and Investigations, the California Department of Finance, Office of Audits and Evaluations (Finance) completed an audit of the County of San Bernadino's (County) Proposition 1B funded project listed below. The complete audit report is attached.

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Fund</u>
Glen Helen Parkway Grade Separation	0813000079	P2540-0078	TCIF

Based on the audit, Finance determined that except for the safety category, project benefits/outcomes approved by Caltrans/CTC were not adequately reported or supported. Please provide our office with a corrective action plan, including time lines, by December 4, 2019.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, by email at [luisa.ruvalcaba@dot.ca.gov](mailto:luisa.ruvalcaba@dot.ca.gov)

Attachment

c: Dawn Cheser, Deputy Director, California Transportation Commission  
Michael Beauchamp, District Director, District 8, California Department of Transportation  
Ray Desselle, Deputy District Director, Planning, District 8, California Department of Transportation  
Rambabu Bavirisetty, Chief, Office of Capital Improvement Programming, California Department of Transportation  
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming, California Department of Transportation  
Daniel Burke, Audits Liaison, Division of Local Assistance, California Department of Transportation  
Paula Bersola, Audits Analyst, Division of Local Assistance, California Department of Transportation  
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and Investigations

P2525-0078



## County of San Bernardino

Proposition 1B Bond Program

Project Number 0813000079

Report No. 19-2660-069  
September 2019

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
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Jeremy Cameron Jackson, CPA, Supervisor  
An Truong, Lead  
Rich Faust  
Carla Villa

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**

GAVIN NEWSOM • GOVERNOR  
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

September 27, 2019

Ms. MarSue Morrill, Chief  
Planning and Model Office, Independent Office of Audits and Investigations  
California Department of Transportation  
1304 O Street  
Sacramento, CA 95814

Dear Ms. Morrill:

**Final Report—County of San Bernardino, Proposition 1B Audit**

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0813000079	P2525-0073	Glen Helen Parkway Grade Separation

The enclosed report is for your information and use. The County's response to the report finding is incorporated into this final report. The County agreed with our finding. We appreciate their 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, or Jeremy Jackson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Ms. Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

# BACKGROUND, SCOPE, AND METHODOLOGY

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## 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>

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

**TCIF:** \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

CTC awarded the County of San Bernardino (County) \$7.2 million in Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) for the Glen Helen Parkway Grade Separation project (0813000079). This project includes construction of a grade separation on Glen Helen Parkway at the Union Pacific Railroad and Burlington North Santa Fe Railroad crossing. Construction for this project is complete and the project is operational.

The County was required to provide a dollar-for-dollar match for the TCIF funding.

## 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 *Summary of Projects Reviewed*, including the audit period and reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

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.
2. Deliverables/outputs were consistent with the project scope and schedule.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report (FDR).

For Objective 3, many of the benefits/outcomes are not expected to be achieved until the year 2030. Accordingly, we did not evaluate whether these project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether the estimated project benefits/outcomes described in the executed project agreements or approved amendments were adequately supported.

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

The County'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**

In planning the audit, we gained an understanding of the project and respective program, and identified relevant criteria, by reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations; and interviewing County and Caltrans personnel.

We conducted a risk assessment, including evaluating whether the County's key internal controls relevant to our audit objectives, such as procurement, progress payment preparation, reimbursement request preparation, review and approval processes, and benefit/outcome reporting were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with County personnel, observing processes, and testing transactions related to construction expenditures, contract procurement, and project deliverables/outputs. Deficiencies in internal controls that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We determined a reliability assessment of the data from the County's financial systems, WinCAMs Cost Accounting System, FAS Accounting System, and SAP Accounting System; and the County's electronic procurement system, eBids, were not necessary because other sufficient evidence was available to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies on the following page.

## Tables of Methodologies

Audit Objective	Methods
<p><b>Objective 1:</b> To determine whether the County's 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.</p>	<ul style="list-style-type: none"> <li>• Reviewed procurement records to verify compliance with the Caltrans Local Assistance Procedures Manual (LAPM) and the Uniform Public Construction Cost Accounting Act requirements to ensure the project was appropriately advertised and awarded to the lowest, responsible bidder by reviewing bidding documents, contracts, and project advertisements.</li> <li>• Selected three of the most quantitatively significant reimbursement invoices from the construction expenditure category, one progress payment from each invoice, and the first and last progress payments of the project. Additionally, selected a construction change order (CCO) based on quantitative factors and performed the following:               <ul style="list-style-type: none"> <li>○ Determined if selected reimbursed and match expenditures were project-related, incurred within the allowable time frame, and supported, by reviewing progress payments, bid quantity sheets, bank statements, contracts, and the County's funding sources, and comparing to relevant criteria.</li> <li>○ Determined if reimbursed CCO was project-related, not a duplication of work, properly approved, and supported, by reviewing the project's scope of work, comparing the work of the CCO to the original construction contract, and reviewing price estimates, daily engineering reports, and construction photos.</li> </ul> </li> <li>• Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing supporting invoices, comparing vendor activity reports to the contracted amounts, and performing analytical procedures to identify possible duplicate payments.</li> </ul>
<p><b>Objective 2:</b> To determine whether deliverables/outputs were consistent with the project scope and schedule.</p>	<ul style="list-style-type: none"> <li>• Determined whether project deliverables/outputs were consistent with the project scope by reviewing the Project Programming Request, supporting documentation, and conducting a site visit to verify project existence.</li> <li>• Evaluated whether project deliverables/outputs were completed on schedule as described in the Project Programming Request by reviewing the Notice of Completion, Caltrans quarterly progress reports, and the FDR.</li> </ul>



Audit Objective	Methods
<p><b>Objective 3:</b> To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p>	<ul style="list-style-type: none"> <li>• Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDR with the expected project benefits/outcomes described in the executed project agreement and approved amendments.</li> <li>• Evaluated whether project benefits/outcomes were adequately reported in the FDR by interviewing County staff, conducting a site visit, and reviewing an engineering study.</li> <li>• Evaluated whether the estimated project benefits/outcomes for velocity, throughput, and congestion reduction described in the executed project agreements or approved amendments were adequately supported by interviewing County staff, and reviewing an engineering traffic analysis and a consultant air quality report.</li> </ul>

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.

## CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance 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. We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scope. Although the project was behind schedule, the County appropriately informed Caltrans and CTC of the delay.

However, as noted in Finding 1, project benefits/outcomes were not adequately reported in the FDR and the County could not support achievement of the expected project benefits/outcomes as described in the project agreements or approved amendments. Further, project benefits/outcomes, as described in the executed project agreements or approved amendments, expected to be met in 2030, were not adequately supported.

## FINDING AND RECOMMENDATIONS

### Finding 1: Improvements Needed in Reporting Project Benefits/Outcomes

Except for the safety category, project benefits/outcomes approved by Caltrans/CTC were not adequately reported or supported. Specifically the project benefits/outcomes described in the baseline agreement were not addressed in the FDR. Additionally, project benefits/outcomes for velocity, throughput, and congestion reduction that are expected to be achieved in year 2030 were not supported with consultant or engineering studies. See Table 1 on the following page for variances between the approved and reported project benefits/outcomes.

**Table 1: Variances Between Approved and Reported Project Benefits/Outcomes**

<b>Project Benefits/Outcomes Category</b>	<b>Approved Benefits/Outcomes Per Baseline Agreement</b>	<b>Benefits/Outcomes Reported per FDR</b>
Safety	Eliminate potential accidents with at grade crossings of rail lines.	Eliminate 1) at-grade crossing; 2) pedestrian walking against traffic; and 3) emergency vehicle response delays.
Velocity	Reduction of 24 existing daily vehicle hours.	Improve railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.
	Reduction of 371 daily vehicle hours in 2030.	
Throughput	Elimination of current gate down time of 3.3 hours per day.	Improve railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.
	Elimination of gate down time of 6.6 hours per day in 2030.	
Reliability	Eliminate emergency vehicle delay time up to 5 minutes.	Improve railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.
Congestion Reduction	Eliminate current at grade vehicle queue rate of 175 vehicles per hour per lane.	Reduce vehicle delays due to passing trains.
	Eliminate at grade vehicle queue rate of 368 vehicles per hour per lane in 2030.	
Emissions Reduction	Estimate emission reductions in tons per day: CO <sub>2</sub> - 0.961 NO <sub>x</sub> - 0.00054 PM <sub>2.5</sub> - 0.00008 ROG- 0.00025	Eliminate impacts from greenhouse gases generated by traffic delayed by trains.

The County stated the project benefits/outcomes for the project were developed for a multi-phased project and could not be measured until both phases were complete. However the County is required to measure and report actual benefits/outcomes because the project agreements did not indicate this project was one phase of a multi-phased project. The County also stated that it could not explain why the approved benefits/outcomes in the baseline agreement were not addressed in the FDR because the employee that prepared the project benefits section of the FDR is no longer employed by the County.

The County provided an engineering traffic impact analysis and a consultant air quality report to support project benefits/outcomes expected to be met in 2030. However, the County could not explain how the study supported the metrics listed in the baseline agreement. The County stated the study was conducted on behalf of the San Bernardino County Transportation Authority (formerly San Bernardino Association of Governments), and was not involved in the study. However, the County is the implementing agency and is ultimately responsible for ensuring the project benefits/outcomes are accurately supported and reported in the project agreements and the FDRs.

TCIF guidelines, section 17, states that within six months of the project becoming operable, the implementing agency will provide a FDR 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. Additionally, section 7 states each project nomination should include documentation supporting the benefits cited in the nomination. Lastly, the baseline agreement, section 3.8, states that the implementing agency will retain all work related

documents for four years from the date of the final closeout of the project. Inaccurate information in the FDR decreases the transparency of project outcomes and prevents CTC from reviewing the success of the project based on the agreed upon projected/outcomes.

**Recommendations:**

- A. Review project agreements and program guidelines to ensure a clear understanding of the reporting requirements.
- B. Obtain required benefits/outcomes information from the San Bernardino County Transportation Authority to support the estimated 2030 project benefits/outcomes.
- C. Submit a Supplemental FDR that addresses all project benefits/outcomes listed in the baseline agreement, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.
- D. Maintain documentation to support benefits/outcomes reported in the project agreements and the FDR.

# APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- County of San Bernardino: County

## Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved <sup>2</sup>	Benefits/ Outcomes Adequately Reported <sup>2</sup>	Page
0813000079	\$7,172,000	C	Y	Y	N	N	A-1

### **Legend**

C = Construction is complete and the project is operational.

Y = Yes

N = No

N/A = Not Applicable

<sup>2</sup> Project benefits/outcomes for velocity, throughput, and congestion reduction have segments that are expected to be achieved in the year 2030; therefore, we did not evaluate whether these benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether the estimated project benefits/outcomes described in the executed project agreements or approved amendments were adequately supported.

**Project Number:** 0813000079

**Project Name:** Glen Helen Parkway Grade Separation

**Program Name:** Trade Corridor Improvement Fund

**Project Description:** Construct a grade separation on Glen Helen Parkway at Union Pacific Railroad and Burlington North Santa Fe Railroad crossing.

**Audit Period:** September 1, 2008 through August 31, 2015<sup>3</sup>

**Project Status:** Construction is complete and the project is operational.

**Schedule of Proposition 1B Expenditures**

Category	Reimbursed
Construction	\$7,172,000
<b>Total Proposition 1B Expenditures</b>	<b>\$7,172,000</b>

**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 construction phase of the project was completed in May 2015. At the time of our site visit in May 2019, project deliverables/outputs were consistent with the project scope. Although the project was behind schedule and completed nine months after the due date, the County appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Except for the safety category, actual project benefits/outcomes were not adequately reported in the FDR, as noted in Finding 1. Additionally, except for the safety category, the County did not achieve the expected project benefits/outcomes as described in the executed project agreements or approved amendments, and project benefit/outcomes expected to be met in 2030 were not adequately supported.

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<sup>3</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	Eliminate potential accidents with at grade crossings of rail lines.	Eliminated 1) at-grade crossing; 2) pedestrian walking against traffic; and 3) emergency vehicle response delays	Yes
Velocity	Reduction of 24 existing daily vehicle hours.	Not Adequately Reported	No
	Reduction of 371 daily vehicle hours in 2030.	Expected to be achieved in 2030	N/A
Throughput	Elimination of current gate down time of 3.3 hours per day.	Not Adequately Reported	No
	Elimination of gate down time of 6.6 hours per day in 2030.	Expected to be achieved in 2030	N/A
Reliability	Eliminate emergency vehicle delay time up to 5 minutes.	Not Adequately Reported	No
Congestion Reduction	Eliminate current at grade vehicle queue rate of 175 vehicles per hour per lane.	Not Adequately Reported	No
	Eliminate at grade vehicle queue rate of 368 vehicles per hour per lane in 2030.	Expected to be achieved in 2030	N/A
Emissions Reduction	Estimate emission reductions in tons per day: CO <sub>2</sub> - 0.961 NO <sub>x</sub> - 0.00054 PM <sub>2.5</sub> - 0.00008 ROG- 0.00025	Not Adequately Reported	No







## Department of Public Works

- Flood Control
- Operations
- Solid Waste Management
- Surveyor
- Transportation

[www.SBCounty.gov](http://www.SBCounty.gov)

Kevin Blakeslee, P.E.  
Director

September 18, 2019

Ms. Cheryl L. McCormick, CPA, Assistant Chief  
Office of State Audits and Evaluations  
915 L Street  
Sacramento, CA 95814-3706

**RE: PROPOSITION 1B AUDIT - COUNTY RESPONSE - PROJECT NO. 0813000079 GLEN HELEN PARKWAY GRADE SEPARATION**

Dear Ms. McCormick:

The County of San Bernardino (County) has received the Department of Finance's Draft Report dated September 6, 2019, regarding the Proposition 1B audit performed for the Glen Helen Parkway Grade Separation Project.

The County has reviewed the Department of Finance's recommendations and has the following responses:

1. The County has reviewed project agreements and program guidelines to ensure a clear understanding of the reporting requirements.
2. Expected 2030 benefits and outcomes for the Project were determined using a microsimulation model provided by a consultant hired by the San Bernardino Associated Governments (SANBAG), which is currently known as, the San Bernardino County Transportation Authority (SBCTA) in 2006-07. SBCTA was the original applicant for TCIF funds for the Project. Despite several attempts, SBCTA was not able to access the backup data for the output and does not have the capability to run microsimulation in house. It is common practice that future traffic volumes are extrapolated by using growth factors based on growth history and projected growth due to development. However, the County will attempt to provide the rationale for the estimated 2030 project benefits and outcomes.
3. The County will submit a supplemental FDR that addresses, to the extent possible, all project benefits/outcomes listed in the baseline agreement, including pre and post comparable metrics and ensure, to the extent possible, future FDRs address all project benefits/outcomes, including comparable pre and post metrics.
4. The County will maintain available documentation to support benefits/outcomes reported in the project agreements and the FDR.

## BOARD OF SUPERVISORS

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Vice Chair, Fifth District

**Gary McBride**  
Chief Executive Officer

Thank you for your audit and feedback. If you have any questions, please contact Sri Srirajan, Engineering Manager for Transportation Planning at (909) 387-8165.

Sincerely,

*“original signed by”*

**KEVIN BLAKESLEE, P.E.**

Director

cc: Aimee Westrom, Chief Financial Officer  
Mazin Kasey, Deputy Director - Transportation  
Sakura Younger, Supervising Accountant III