



## Memorandum

**To:**  
RIHUI ZHANG  
CHIEF  
DIVISION OF LOCAL ASSISTANCE

**Date:** October 28, 2019

**File:** P2525-0052

**From:**  
MARSUE MORRILL, CPA  
CHIEF  
INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS  
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**Subject: FINAL REPORT - CITY OF COACHELLA, PROPOSITION 1 B 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 City of Coachella's (City) Proposition I B funded project listed below. The complete audit report is attached.

PROJECT NAME	PROJECT NUMBER	P NUMBER	FUND
Avenue 52 Railroad Grade Separation	0800000988	P2525-0052	TCIF

Based on the audit, Finance determined that the City had an unapproved scope revision. In addition, Finance determined the project benefits/outcomes were not adequately reported in the Final Delivery Reports and the City did not achieve all expected project benefits/outcomes as described in the project agreements or approved. Please provide our office with a corrective action plan, including time lines, by December 30, 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, 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 1 B 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  
P2525-0052



## City of Coachella

Proposition 1B Bond Program  
Program Number 0800000988

Report No. 19-2660-090  
October 2019

**Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
Chikako Takagi-Galamba, CGPM, Manager  
Joshua Mortimer, Supervisor  
Todd Vermillion, Lead  
Cole Chev

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

October 17, 2019

Ms. MarSue Morrill, Chief  
Planning and Modal Office  
Independent Office of Audits and Investigations  
California Department of Transportation  
1304 O Street, Suite 200  
Sacramento, CA 95814

Dear Ms. Morrill:

**Final Report—City of Coachella, Proposition 1B Audit**

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0800000988	P2525-0052	Avenue 52 Railroad Grade Separation

The enclosed report is for your information and use. The City's response to the report findings is incorporated into this final report. The City agreed with our findings. We appreciate the City's assistance and cooperation during the engagement, and its willingness to implement corrective actions. This report will be placed on our website.

If you have any questions regarding this report, please contact Chikako Takagi-Galamba, Manager, or Joshua Mortimer, 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

## 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 \$10 million in Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) to the City of Coachella (City) for the Avenue 52 Railroad Grade Separation Project (0800000988). This project built a grade-separated overhead structure on Avenue 52 spanning over Grapefruit Boulevard and the Union Pacific Railroad tracks. It widened the corridor in each direction from Shady Lane to Tyler Street/Industrial Way and built a new connection road from Avenue 52 to Grapefruit Boulevard/Highway 111. In addition, it added bike lanes, sidewalks, retaining walls; reconstructed traffic signals and driveways; and removed the existing at-grade crossing. The City was required to provide a dollar-for-dollar match funding.

Construction for this project is complete and the project is operational.

## 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 the 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).

The City'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

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

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 agreement and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations, and interviewing Caltrans and City personnel.

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

Additionally, we assessed the reliability of data from the City's accounting system, Eden. Specifically, we reviewed vendor payment reports generated by this system. To assess the reliability of data contained in these reports, we interviewed City staff, examined supporting documents, and reviewed system controls. We determined the data were sufficiently reliable 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.

### Table of Methodologies

Audit Objective	Methods
<p><b>Objective 1:</b> To determine whether the City'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 City's internal policies and procedures and the Caltrans Local Assistance Procedures Manual requirements to determine if the project was appropriately advertised and awarded to the lowest, responsible bidder by reviewing bidding documents, contracts, and project advertisement.</li> <li>• Selected two of the quantitatively significant reimbursement invoices from the construction category and reviewed 18 contractor progress payments from those invoices. Additionally, selected five construction change orders (CCOs) based on quantitative and qualitative factors.               <ul style="list-style-type: none"> <li>○ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowable timeframe, and supported, by reviewing the City's accounting records, progress payments, cancelled checks, and comparing to relevant criteria.</li> <li>○ Determined if CCOs were within the scope of the project, not a contract duplication, incurred within the allowable timeframe, and supported, by reviewing the project's scope of work, and comparing the work of the CCOs to the original construction contract.</li> </ul> </li> <li>• Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing a list of other funding sources, project accounting records, vendor payment reports, 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 the project's deliverables/outputs were consistent with the project scope by reviewing the project baseline agreement, supporting documentation, and conducting a site visit to verify project existence.</li> <li>• Evaluated whether project deliverables/outputs were consistent with the project schedule as described in the project baseline agreement by reviewing quarterly progress reports, Notice of Completion, and the FDR.</li> </ul>
<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 Supplemental FDR with the expected project benefits/outcomes described in the executed project agreement or approved amendments.</li> <li>• Evaluated whether project benefits/outcomes were adequately reported in the Supplemental FDR by interviewing City staff and requesting documentation to support the reported benefits/outcomes.</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 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 the 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 and schedule, except as noted in Finding 1. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay. However, the project benefits/outcomes were not adequately reported in the FDRs and the City did not achieve all expected project benefits/outcomes as described in the project agreements or approved amendments as noted in Finding 2.

## FINDING AND RECOMMENDATIONS

### Finding 1: Scope Revision Not Approved

The overcrossing along Avenue 52 between Shady Lane and Tyler Street/Industrial Way was striped with four lanes instead of six as required in the project scope.

The City contends that the scope revision had been approved by Caltrans and provided evidence of project design team meetings held during the early stages of project development. Specifically, at a meeting held on February 16, 2012, which included Caltrans representatives and was held at the Caltrans District 8 office, the City and Caltrans agreed to amend the project scope to stripe the corridor with four rather than six lanes. Based on the agreements reached, the City assumed that Caltrans would amend the project scope; however, the scope was not revised.

CTC requires implementing agencies to request a project baseline agreement amendment prior to the allocation of funds to obtain approval of a scope revision. However, the project baseline agreement was not formally amended. Further, section 4.2 of the project baseline agreement requires widening of the corridor from four to six lanes by adding one additional lane in each direction from Shady Lane to Tyler Street/Industrial Way. Unapproved revisions to a project's scope may prevent the intended and projected benefits/outcomes from being achieved.

### Recommendations:

- A. Develop and implement procedures to ensure agreements are properly amended for scope or other revisions.
- B. Coordinate with Caltrans to determine the savings, if any, that were realized from not striping the road for six lanes. Remit identified savings to Caltrans.

## **Finding 2: Improvements Needed in Reporting Project Benefits/Outcomes**

Project benefits/outcomes approved by Caltrans/CTC were not fully achieved or adequately reported. Specifically, the City was unable to demonstrate the project benefits/outcomes were achieved as it did not have a mechanism or policies and procedures to track and maintain support documentation for throughput, reliability, congestion reduction, and emissions reduction reported in the Supplemental FDR. The City presumed the projected benefits/outcomes would be achieved by virtue of project completion and was not aware of the requirement to report on actual benefits/outcomes as compared to those described in the project baseline agreement.

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. Inaccurate information in the FDR decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the project based on the agreed upon project benefits/outcomes.

### **Recommendations:**

- A. Review the project agreements and program guidelines to ensure a clear understanding of the requirements.
- B. Develop a mechanism, including establishing policies and procedures, to track and maintain documentation to support the project benefits/outcomes reported in the FDR.
- C. Submit Supplemental FDRs listing the pre and post comparable benefits and outcomes. Additionally, ensure future FDRs have comparable pre and post benefits/outcomes.

# APPENDIX A

The following acronyms and terms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Coachella: City
- Final Delivery Report: FDR

## Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0800000988	\$9,766,254	C	Y	P	P	P	A-1

### Legend

C = Construction is complete and the project is operational.

Y = Yes

P = Partial

**Project Number:** 0800000988

**Project Name:** Avenue 52 Railroad Grade Separation Project

**Program Name:** Trade Corridors Improvement Fund

**Project Description:** Build a grade-separated overhead structure on Avenue 52 spanning over Grapefruit Boulevard and the Union Pacific Railroad tracks.

**Audit Period:** November 3, 2013 through September 23, 2016 for audit objective 1<sup>1</sup>  
November 3, 2013 through April 27, 2017 for audit objectives 2 and 3<sup>2</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$ 9,766,254
<b>Total Proposition 1B Expenditures</b>	<b>\$ 9,766,254</b>

#### Results:

##### Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements and 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 July 2016. At the time of our site visit in July 2019, project deliverables/outputs were consistent with the project scope and schedule except as noted in Finding 1. Additionally, although the project was behind schedule and completed 15 months after the due date, the City appropriately informed Caltrans and CTC of the delay.

##### Benefits/Outcomes

Except for safety, velocity, and noise reduction, actual project benefits/outcomes were not achieved or adequately reported in the Supplemental FDR as noted in Finding 2, since the City does not have a mechanism, including policies and procedures, to track and maintain supporting documentation.

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

<sup>2</sup> The audit period end date reflects the FDR submission date. Before the FDR was formally accepted by Caltrans, its content was updated and submitted in the form of a Supplemental FDR, which was formally accepted on October 26, 2018.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Benefits/Outcomes Reported per FDR	Benefits/Outcomes Achieved
Safety	<ul style="list-style-type: none"> <li>Eliminate the potential for train versus automobile/truck/ pedestrian accidents.</li> <li>Provide direct access over and across the railroad without any delays or stoppages.</li> <li>Improve emergency vehicle response time.</li> <li>Eliminate need for pedestrians to walk across the main line tracks.</li> <li>Eliminate rear-end vehicular accidents.</li> </ul>	<ul style="list-style-type: none"> <li>Potential for train versus automobile/truck/ pedestrian accidents eliminated.</li> <li>Direct access over and across the railroad without any delays or stoppages provided.</li> <li>Emergency vehicle response time improved.</li> <li>Need for pedestrians to walk across the main line tracks eliminated.</li> <li>Rear-end vehicular accidents eliminated.</li> </ul>	Yes
Velocity	<ul style="list-style-type: none"> <li>Eliminate the potential for accidents and associated delays to investigate and clear tracks.</li> <li>Eliminate idling of trucks and cars at the crossing.</li> <li>Increase vehicle speed to the ultimate posted speed limit of 55 miles per hour.</li> <li>Freight and passenger rail will not have to reduce speed through the area.</li> </ul>	<ul style="list-style-type: none"> <li>Trains now travel at a constant velocity/speed without being required to slow down and/or investigate for clear tracks; delays eliminated.</li> <li>Idling of trucks and cars at the crossing eliminated.</li> <li>Vehicle speeds on Avenue 52 can increase to the ultimate posted speed.</li> <li>Freight and passenger do not have to reduce speed through the area.</li> </ul>	Yes
Throughput	<ul style="list-style-type: none"> <li>Increase volume of freight trains through improved operational efficiency.</li> <li>Increase capacity and improve operational efficiency for trucks.</li> </ul>	Not Adequately Reported	No
Reliability	<ul style="list-style-type: none"> <li>Reduce the variability and unpredictability of travel time, including North American Free Trade Agreement truck traffic through the corridor through the elimination of auto/train conflicts.</li> </ul>	Not Adequately Reported	No
Congestion Reduction	<ul style="list-style-type: none"> <li>Eliminate up to 50 vehicle daily hours of delay on the system and improve truck access to nearby freight facilities.</li> </ul>	Not Adequately Reported	No
Emissions Reduction	<ul style="list-style-type: none"> <li>The emissions benefit of the project is estimated to eliminate the following: <ul style="list-style-type: none"> <li>16,161 grams/day of CO<sub>2</sub></li> <li>1.29 grams/day of PM<sub>2.5</sub></li> <li>9 grams/day of NO<sub>x</sub></li> <li>4.31 grams or ROG/day.</li> </ul> </li> </ul>	Not Adequately Reported	No
Noise Reduction	<ul style="list-style-type: none"> <li>Eliminate the need of sounding the train horn as trains approach the intersection.</li> </ul>	The need of sounding the train horn as trains approach the intersection is eliminated.	Yes

# RESPONSE

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## CITY OF COACHELLA

1515 SIXTH STREET, COACHELLA, CALIFORNIA 92236

PHONE (760) 398-3502 • FAX (760) 398-8117 • WWW.COACHELLA.ORG

October 1, 2019

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations  
915 Street, 6<sup>th</sup> floor  
Sacramento, CA 95814

Dear Ms. McCormick,

The City of Coachella appreciates the efforts of the California Department of Finance, Office of State Audits and Evaluations in its audit of the City's Proposition 1B funding for Avenue 52 Railroad Grade Separation-Project No. 0800000988.

We are pleased to learn that your audit found that the City incurred and reimbursed Proposition 1B expenditures in compliance with the executed project agreements, Caltrans/CTC's program guidelines and applicable state and federal regulations. We also acknowledge findings #1-Scope revision not approved and finding #2-Improvements needed in reporting project benefits/outcomes.

The City worked closely with Caltrans and TCIF staff during all phases of this project. With regard to Finding #1, the City designed and installed a 6-lane bridge in accordance with the projects baseline agreement. However, the project was constrained by the existing conditions at its logical termini, 2-lanes to the west and 4-lanes to the east. Therefore the City and Caltrans agreed to build the 6-lane bridge but stripe 4-lanes in the interim period, until the corridor was widened to the east and west of the project. With regard to Finding #2, we recognize that many of the benefits and outcomes were based on estimates and not pre and post project field testing.

The City will endeavor to implement the audit recommendations, including the development of mechanisms and policies and procedures to track and maintain documentation to support project benefits/outcomes reported in the FDR.

It was a pleasure working with your audit team. If you need any additional information please contact me at [jhoy@coachella.org](mailto:jhoy@coachella.org) or 760.398.5744.

Sincerely,

**ORIGINAL SIGNED BY:**

*Jonathan D. Hoy, P.E.*  
Assistant City Manager/City Engineer