

## Memorandum

**To:** RIHUI ZHANG  
Chief  
Division of Local Assistance

**Date:** May 17, 2019

**File:** P2535-0119

**From:** MARSUE MORRILL, CPA *Marsue*  
Chief  
Planning and Modal Office  
Independent Office of Audits and Investigations

**Subject:** PROPOSITION 1B AUDIT - CITY OF PALM DESERT

At the request of the Independent Office of Audits and Investigations, the California Department of Finance, Office of Audits and Evaluations completed an audit of the City of Palm Desert's Proposition 1B funded project 0800000110, 1-10/Monterey Avenue Interchange Ramp Modification. The project was funded using State-Local Partnership Program funds. The complete audit report is attached.

The audit did not disclose any findings. No further action is required.

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

### Attachment

cc: Robert Nelson, Deputy Director, California Transportation Commission  
Michael Beauchamp, Director, District 8, Caltrans  
Ray Desselle, Deputy Director, Planning and Local Assistance, District 8, Caltrans  
Bruce De Terra, Division Chief, Transportation Programming, Caltrans  
Sharon Bertozzi, Sr. Transportation Engineer, Division of Local Assistance, Caltrans  
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming, Caltrans  
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and Investigations  
Daniel Burke, Audit Liaison, Division of Local Assistance, Caltrans  
Paula Joy Bersola, Audits Analyst, Division of Local Assistance, Caltrans



## City of Palm Desert

Proposition 1B Bond Program

Project Number 0800000110

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, Manager  
Robert Scott, MSA, CPA, CGMA, Supervisor  
Lakeisha Gulley, MBA

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**

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Transmitted via e-mail

April 15, 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 Palm Desert, Proposition 1B Audit**

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0800000110	P2535-0119	I-10/Monterey Avenue Interchange Ramp Modification

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 Rebecca McAllister, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

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

cc: Ms. Janice Benton, District 8 Director, California Department of Transportation  
Ms. Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation  
Ms. Lauri Aylaian, City Manager, City of Palm Desert  
Ms. Janet Moore, Director of Finance, City of Palm Desert  
Mr. Tom Garcia, Director of Public Works, City of Palm Desert  
Mr. Luis Espinoza, Assistant Director of Finance, City of Palm Desert  
Mr. Bo Chen, P.E., City Engineer, City of Palm Desert



# 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>

CTC awarded \$2.8 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds to the City of Palm Desert (City) for the I-10/Monterey Avenue Interchange Ramp Modification project (0800000110). The project consists of reconfiguring an interchange to add a new I-10 westbound entry ramp, and realign and relocate the I-10 westbound exit ramp onto Monterey Avenue. Construction for this project is complete and the project is operational.

The City was required to provide a dollar-for-dollar match of local funds.

## 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:

- 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.

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 allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the program.

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

**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. Transportation Impact Fee funds were used to meet the match requirement.

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

## **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, 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, progress payment preparation, reimbursement request preparation, project deliverables and outcomes, 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 contract procurement, construction expenditures, and project deliverables and outcomes. During our audit, we did not identify deficiencies in internal controls within the context of our audit objectives or that warranted the attention of those charged with governance.

We determined a reliability assessment of the data from the City's accounting system, OneSolution/H.T.E., was not necessary because other sufficient evidence was available to complete 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 municipal code and Local Assistance Procedures Manual (LAPM) 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 all the construction progress payments from the construction category and a non-generalizable sample of construction engineering expenditures to verify compliance with selected project requirements. <ul style="list-style-type: none"> <li>Determined if reimbursed construction and construction engineering expenditures were allowable, authorized project-related, incurred within the allowable time frame, supported, and properly recorded, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria.</li> <li>Determined if match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, supported, and properly recorded, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria.</li> </ul> </li> <li>Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing project accounting records including unique vendor identification numbers, 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 deliverable/output was 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 Caltrans quarterly progress reports.</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 Final Delivery Report.</p>	<ul style="list-style-type: none"> <li>Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the Final Delivery Report with the expected project benefits/outcomes described in the executed project agreements or approved amendments.</li> <li>Evaluated whether project benefits/outcomes were adequately reported in the Final Delivery Report by conducting a site visit to observe reduction of traffic congestion.</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.

## RESULTS

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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 deliverable/outputs were consistent with the project scope. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay.

Further, we obtained reasonable assurance the City achieved the expected project benefits/outcomes and reported project benefits/outcomes adequately in the Final Delivery Report as described in the project agreements or approved amendments.



# APPENDIX A

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The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Palm Desert: City
- 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
0800000110	\$2,585,024	C	Y	Y	Y	Y	A-1

### Legend

C = Complete

Y = Yes

**Project Number:** 0800000110

**Project Name:** I-10/Monterey Avenue Interchange Ramp Modification

**Program Name:** SLPP

**Project Description:** Reconfiguring an interchange to add a new I-10 westbound entry ramp, and relocate the I-10 westbound exit ramp onto Monterey Avenue.

**Audit Period:** April 6, 2009 through August 31, 2016 <sup>2</sup>

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

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$2,585,024
<b>Total Proposition 1B Expenditures</b>	<b>\$2,585,024</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 March 2016. At the time of our site visit in January 2019, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 22 months late. The City appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, the City achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/ Outcomes Achieved
Eliminate the congestion and queuing of vehicles entering westbound I-10 that is experienced on northbound Monterey Avenue.	Eliminated the congestion and queuing of vehicles entering westbound I-10 that was experienced on northbound Monterey Avenue.	Yes

<sup>2</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.