



# Memorandum

**To:** RON SHEPPARD  
ACTING CHIEF  
DIVISION OF RAIL AND MASS TRANSPORTATION

SHARRI EHLERT  
DIRECTOR  
DISTRICT 6

**Date:** September 20, 2019  
**File:** P2545-0030  
P2545-0031  
P2510-0011

**From:** MARSUE MORRILL, CPA  
CHIEF  
**INDEPENDENT OFFICE OF AUDITS  
AND INVESTIGATIONS**  
P.O. BOX 942874, MS-2  
PHONE (916) 323-7111  
FAX (916) 323-7123  
TTY 711  
<https://ig.dot.ca.gov>

**Subject: FINAL REPORT – CITY OF TULARE, 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 City of Tulare's (City) Proposition 1B funded projects listed below. The complete audit report is attached.

<u>Project Name</u>	<u>Project Number</u>	<u>P Number</u>	<u>Fund</u>
Bardsley Avenue Grade Separation	0014000012	P2545-0030	HRCSA
Santa Fe Trail at Union Pacific Railroad Grade Separation	0015000197	P2545-0031	HRCSA
Cartmill Interchange	0600000368	P2510-0011	STE 99

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)

Ron Sheppard  
September 20, 2019  
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Attachment:

c: Dawn Cheser, Deputy Director, California Transportation Commission  
Gail Miller, Deputy District Director, Transportation Planning, District 6,  
California Department of Transportation  
Angel Pyle, Assistant Division Chief, Division of Rail and Mass Transportation,  
California Department of Transportation  
Anthony Perry, Prop 1B Coordinator, SR99, Division of Project Management,  
California Department of Transportation  
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming, California  
Department of Transportation  
Luisa Ruvalcaba, Audit Manager, Independent Office of Audits and  
Investigations  
P2545-0030  
P2545-0031  
P2510-0011



## City of Tulare

Proposition 1B Bond Programs

Project Numbers 0014000012, 0015000197, and 0600000368

Report No. 18-2660-014  
September 2019

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
Rebecca G. McAllister, CPA, Assistant Chief  
Humberto E. Cervantes, CPA, Manager  
Robert L. Scott, MSA, CPA, CGMA, Supervisor  
Jedediah Thompson, Lead  
Alan Garrett

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 12, 2019

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

Dear Ms. Morrill:

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

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0014000012	P2545-0030	Bardsley Avenue Grade Separation
0015000197	P2545-0031	Santa Fe Trail at Union Pacific Railroad Grade Separation
0600000368	P2510-0011	Cartmill Interchange

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, Assistant Chief, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

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>

CTC awarded \$11.1 million of Proposition 1B Highway-Rail Crossing Safety Account (HRCSA) and \$7 million of State Route 99 Corridor Account (SR 99) funds to the City of Tulare (City) to support three transportation construction projects:

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

**HRCSA:** \$250 million of bond proceeds made available to the HRCSA to finance completion of high-priority grade separation and railroad crossing safety improvements.

**SR 99:** \$1 billion of bond proceeds made available to the SR 99 to finance safety, operational enhancements, rehabilitation, and capacity improvements necessary to improve SR 99 in the San Joaquin and Sacramento Valleys.

- The Bardsley Avenue Grade Separation Project (0014000012) was awarded \$7.2 million of HRCSA funds for the construction of an underpass bridge structure and public roadway under the Union Pacific Railroad (UPRR) tracks to allow un-delayed and safer crossing at the UPRR tracks.
- The Santa Fe Trail at UPRR Grade Separation Project (0015000197) was awarded \$3.9 million of HRCSA funds for the construction of an overpass allowing bicycle and pedestrian traffic un-delayed and safer crossing over existing UPRR tracks and an arterial roadway to improve mobility in the central part of the City.
- The Cartmill Interchange Project (0600000368) was awarded \$7 million of SR 99 funds to replace an existing highway-city street interchange with a modified partial cloverleaf design to improve local access between SR 99 and Cartmill Avenue.

The City was required to provide dollar-for-dollar match funding for Project 0014000012.

Construction for these projects is complete and the projects are operational.

## SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including audit periods, and the reimbursed expenditures is presented in Appendix A.

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

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 scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports (FDR).

For Objective 3, project benefits/outcomes related to travel time, operating, and emissions cost savings, and level of service for Project 0600000368, are expected to be achieved over 20 years and year 2033, respectively. Accordingly, we did not evaluate whether those 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.

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 programs.

## **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 selected transactions relating to construction expenditures, contract procurement, and project deliverables and outcomes. During our audit, we did not identify deficiencies in internal controls significant 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 financial and procurement system, EDEN Resource Planning System, was 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.



**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 Caltrans Local Assistance Procedures Manual (LAPM) requirements to determine if the project was appropriately advertised and awarded to the lowest, responsible bidder, by reviewing bidding documents, contracts, and project advertisements.</li> <li>• Selected significant and high-risk expenditure categories to verify compliance with selected project requirements. Specifically, we selected expenditures from the construction and construction engineering categories.</li> <li>• Selected five reimbursement claims and one progress payment from each claim. Additionally, selected a contract change order (CCO) from the construction payments and performed the following: <ul style="list-style-type: none"> <li>○ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowable timeframe, supported, and properly recorded, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria.</li> <li>○ Determined if reimbursed CCO was project-related, not a duplication of work, incurred within the allowable timeframe, and supported, by reviewing the project's scope of work, and comparing the work of the CCO 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 vendor activity reports and performing analytical procedures to identify possible duplicate payments.</li> </ul>
<p><b>Objective 2:</b> To determine whether the project deliverables/outputs were consistent with the project scopes and schedules.</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 FDRs and the Notice of Completions.</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 FDRs.</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 agreements or approved amendments.</li> <li>• Evaluated whether project benefits/outcomes were adequately reported in the FDR by reviewing studies that support reduced air emissions and reduced travel times.</li> <li>• Evaluated whether the estimated project benefits/outcomes for travel time, operating and emissions cost savings, and level of services for Project 0600000368, as described in the executed project agreements or approved amendments, were adequately supported by reviewing GradeDec.Net-System for Highway-Rail Grade Crossing Investment Analysis 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.



## RESULTS

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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 projects scopes. Although the projects were behind schedule, the City appropriately informed Caltrans and CTC of the delays.

Additionally, we obtained reasonable assurance the City achieved the expected project benefits/outcomes as described in the project agreements or approved amendments, and the benefits/outcomes were adequately reported in the FDRs.

## APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Tulare: City
- Final Delivery Report: FDR
- Highway-Railroad Crossing Safety Account: HRCSA
- State Route 99 Corridor Account: SR 99
- Union Pacific Railroad: UPRR

### Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0014000012	\$7,027,336	C	Y	Y	Y	Y	A1
0015000197	\$3,931,000	C	Y	Y	Y	Y	A2
0600000368	\$7,000,000	C	Y	Y	P	P	A3

#### Legend

C = Complete

Y = Yes

P = Partial

N/A = Not Applicable

**Project Number:** 0014000012

**Project Name:** Bardsley Avenue Grade Separation

**Program Name:** HRCSA

**Project Description:** Construct an underpass bridge structure and public roadway under the UPRR tracks to allow un-delayed and safer crossing at the UPRR tracks.

**Audit Period:** December 13, 2012 through July 31, 2016 for audit objective 1<sup>2</sup>  
December 13, 2012 through September 8, 2016 for audit objectives 2 and 3<sup>3</sup>

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

#### **Schedule of Proposition 1B Expenditures**

<b>Category</b>	<b>Reimbursed</b>
Construction	\$6,992,666
Construction Engineering	34,670
<b>Total Proposition 1B Expenditures</b>	<b>\$7,027,336</b>

#### **Results:**

##### Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC 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 September 2016. At the time of our site visit in April 2018, project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule and completed 35 months after the due date, the City appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. Additionally, the City achieved the expected project benefits/outcomes as described in the executed project agreement.

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

<sup>3</sup> The audit period end date reflects the FDR submission date.



<b>Expected Benefits/ Outcomes</b>	<b>Benefits/Outcomes Reported in FDR</b>	<b>Benefits/ Outcomes Achieved</b>
Improve emergency vehicle response times.	Improved emergency vehicle response times.	Yes
Reduce hydrocarbon emissions.	Reduced hydrocarbon emissions.	Yes
Reduce delay time for cross-town traffic.	Reduced delay time for cross-town traffic.	Yes
Increase safety and public convenience.	Increased safety and public convenience.	Yes
Improve access to future High Speed Rail station or allow passage of High Speed Rail.	Improved access to future High Speed Rail station or allowed passage of High Speed Rail.	Yes
Reduce vehicular/train accident potential and liability.	Reduced vehicular/train accident potential and liability.	Yes
Improve traffic circulation.	Improved traffic circulation.	Yes

**Project Number:** 0015000197

**Project Name:** Santa Fe Trail at UPRR Grade Separation

**Program Name:** HRCSA

**Project Description:** Construct an overpass allowing bicycle and pedestrian traffic un-delayed and safer crossing over existing UPRR tracks and an arterial roadway to improve mobility in the central part of the City.

**Audit Period:** November 01, 2014 through September 30, 2106 for audit objective 1<sup>4</sup>  
November 01, 2014 through August 8, 2017 for audit objective 2<sup>5</sup>  
November 01, 2014 through November 28, 2016 for audit objective 3<sup>6</sup>

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

#### **Schedule of Proposition 1B Expenditures**

<b>Category</b>	<b>Reimbursed</b>
Construction	\$3,473,980
Construction Engineering	457,020
<b>Total Proposition 1B Expenditures</b>	<b>\$3,931,000</b>

#### **Results:**

##### Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed agreements.

##### Deliverables/Outputs

The construction phase of the project was completed in August 2017. At the time of our site visit in April 2018, project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule and completed 28 months after the due date, the City appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. Additionally, the City achieved the expected project benefits/outcomes as described in the executed project agreement.

<sup>4</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>5</sup> The audit period end date reflects the Notice of Completion date.

<sup>6</sup> The audit period end date reflects the FDR submission date.

<b>Expected Benefits/ Outcomes</b>	<b>Benefits/Outcomes Reported in FDR</b>	<b>Benefits/ Outcomes Achieved</b>
Improve access to medical and government facilities.	Improved access to medical and government facilities.	Yes
Reduce hydrocarbon emissions.	Reduced hydrocarbon emissions.	Yes
Reduce delay time for cross-town traffic.	Reduced delay time for cross-town traffic.	Yes
Increase safety and public convenience.	Increased safety and public convenience.	Yes
Reduce pedestrian/bicycle, vehicular/train accident potential and liability.	Reduced pedestrian/bicycle, vehicular/train accident potential and liability.	Yes
Environmental Justice	Environmental Justice	Yes
Continuation of multi-use trail.	Continuation of multi-use trail.	Yes
Improve traffic circulation.	Improved traffic circulation.	Yes



**Project Number:** 0600000368

**Project Name:** Cartmill Interchange

**Program Name:** SR 99

**Project Description:** Replace an existing highway-city street interchange with a modified partial cloverleaf design to improve local access between SR 99 and Cartmill Avenue.

**Audit Period:** January 30, 2014 through March 31, 2016 for objective 1<sup>7</sup>  
January 30, 2014 through March 31, 2016 for objectives 2 and 3<sup>8</sup>

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

#### **Schedule of Proposition 1B Expenditures**

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

##### Deliverables/Outputs

The construction phase of the project was completed in June 2016. At the time of our site visit in April 2018, project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule and completed 15 months after the due date, the City appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual project benefits/outcomes relating to capacity, traffic circulation, access, and safety were adequately reported in the FDR. Additionally, for those categories the City achieved the expected project benefits/outcomes as described in the executed project agreement. The project benefits/outcomes for travel time, operating and emission cost savings, and level of service expected to be achieved over 20 years and year 2033, as described in the executed project agreements and amendments, were adequately supported.

<sup>7</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>8</sup> The audit period end date reflects the FDR submission date.

<b>Expected Benefits/ Outcomes</b>	<b>Actual Benefits/ Outcomes</b>	<b>Benefits/ Outcomes Achieved</b>
Provide additional capacity.	Provided additional capacity.	Yes
Provide improved east-west traffic circulation.	Provided improved east-west traffic circulation.	Yes
Provide improved local access with SR 99.	Provided improved local access with SR 99.	Yes
Improve traffic safety	Improved traffic safety.	Yes
Over 20 year life, it is estimated to provide: <ul style="list-style-type: none"> <li>• \$60.7 million in travel time savings</li> <li>• \$23.2 million in vehicle operating costs savings</li> <li>• \$3 million in emission cost savings</li> </ul>	Over 20 year life, it is estimated to provide: <ul style="list-style-type: none"> <li>• \$60.7 million in travel time savings</li> <li>• \$23.2 million in vehicle operating costs savings</li> <li>• \$3 million in emission cost savings</li> </ul>	N/A
Level of Service (LOS) in year 2033 will improve from LOS F to LOS D (Min.).	Expected to be achieved in 2033.	N/A