



# INSPECTOR GENERAL

California Department of Transportation

## City of Artesia Project Compliance Audit



**Independent Office of Audits and Investigations**

**Bryan Beyer**, Inspector General  
**Matt Espenshade**, Chief Deputy

May 2025  
23A.PJCT03



For questions or assistance concerning the contents of this report, please contact (916) 323-7111 or email [ioai.reports@dot.ca.gov](mailto:ioai.reports@dot.ca.gov). Alternative format reports available upon request.



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Matt Espenshade, Chief Deputy

May 13, 2025

Michael Keever  
Acting Director  
California Department of Transportation  
1120 N Street  
Sacramento, CA 95814

## Final Report — City of Artesia, Project Compliance Audit

Dear Acting Director Keever:

The Independent Office of Audits and Investigations (IOAI) has completed its project compliance audit of the City of Artesia (City). We audited the costs that the City incurred and the California Department of Transportation (Caltrans) reimbursed related to the City's Norwalk Artesia Boulevards Safe Streets Project totaling \$1,738,472. We also audited the project deliverables and benefits.

Enclosed is our final report, which includes the City's response to the draft report. Our evaluation of the response is incorporated into this final report. The final report is a matter of public record and will be posted on our website.

In accordance with Government Code section 14460(d)(2), IOAI reports the status of audit findings and recommendations on an annual basis to the Governor, the Legislature, and the California Transportation Commission. Therefore, IOAI will collaborate with Caltrans to assess the corrective actions taken on audit recommendations.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Matt Espenshade, CFE  
Chief Deputy Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations  
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Michael Kever  
May 13, 2025  
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23A.PJCT03

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## Selected Terms and Acronyms Used in Report

Terms/Acronyms	Definition
A&E	Architectural and engineering
ATP	Active Transportation Program
Benefits	Outputs plus outcomes
Caltrans	California Department of Transportation
City	City of Artesia
Commission	California Transportation Commission
IOAI	Independent Office of Audits and Investigations
LAPG	Caltrans' Local Assistance Program Guidelines
LAPM	Caltrans' Local Assistance Procedures Manual
Master Agreement	Agreement between a city, county, or other local public agency and the state defining the general terms and conditions that must be met to receive federal-aid or state funds.
Outcomes	The desired ATP pre-project goals and the post-project impacts that project implementers actually achieved through the completion of the ATP project.
Outputs	The tangible deliverables and actions that contribute to achieving a project's outcomes.
Program Supplement	Supplement to the Master Agreement that formalizes the financial responsibilities and provisions for a specific federal-aid or state-funded project.
Project	Norwalk Artesia Boulevards Safe Streets Project
SB 1	Senate Bill 1, Road Repair and Accountability Act of 2017 (Chapter 5, Statutes of 2017)

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## Summary

The purpose of our audit was to determine if the Norwalk Artesia Boulevards Safe Streets Project (Project) costs claimed by the City and reimbursed by Caltrans were allowable and adequately supported in compliance with Caltrans' agreement provisions and state requirements. An additional purpose for our audit was to determine if Project deliverables and outputs were consistent with the Project scope and schedule and if Project benefits were achieved and reported in accordance with applicable requirements.

The City was reimbursed a total of \$1,738,472 by Caltrans for the Project costs it claimed.

Based on the work we performed for this audit, we determined Project costs claimed by the City and reimbursed by Caltrans totaling \$188,866 were not allowable or not adequately supported in compliance with Caltrans' agreement provisions and state requirements, as detailed in Findings 1, 2, and 3 and summarized in Table 1 below.

Further, we determined that the City did not achieve or accurately report to Caltrans the Project benefits and that it did not submit required Project reports and requests for reimbursement on time, as detailed in Findings 3 and 4 and summarized in Table 1 below.

**Table 1. Summary of Findings and Questioned Costs**

Finding Number	Description	Questioned Costs
1	The City did not maintain records sufficient to support construction costs that it billed Caltrans.	\$34,766
2	The City billed Caltrans for architectural and engineering (A&E) consultant costs that it incurred without complying with significant Caltrans A&E procurement requirements.	\$82,419
3	The City did not achieve or accurately report to Caltrans the Project benefits described in its Project application.	\$71,681
4	The City submitted its Project completion report, request for reimbursement for Project costs, and final report of expenditures to Caltrans well beyond the six-month due dates.	\$0
<b>Total Questioned Costs</b>		<b>\$188,866</b>

Source: Analysis by IOAI of Caltrans' and the City's Project and accounting records.

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## Introduction

### Background

Senate Bill 1 (SB 1), also known as the Road Repair and Accountability Act of 2017, provided the first significant, stable, and ongoing increase in state transportation funding in more than two decades. The Legislature provided additional funding to the California Transportation Commission (Commission), increased the Commission's role in several existing programs, and created new programs for the Commission to oversee. These programs include the Active Transportation Program (ATP). While the Commission is authorized to program and allocate funding for SB 1 programs, Caltrans provides the administrative oversight for SB 1 programs and ensures that the terms and conditions of the Commission's guidelines and subsequent programming, allocation, reporting, and other actions are followed.

The purpose of the ATP is to encourage increased use of active modes of transportation by achieving the program's goals of increasing the proportion of trips accomplished by biking and walking and the safety and mobility for nonmotorized users, advancing the active transportation efforts of regional agencies to achieve greenhouse gas reduction goals, enhancing public health, ensuring that disadvantaged communities fully share in the benefits of the program, and providing a broad spectrum of projects to benefit many types of active transportation users.<sup>1</sup>

In May 2019, the Commission allocated \$1,987,000 in SB 1 ATP funding for construction of the City's Project to install safety features, such as bike lanes, improved sidewalks, crosswalks and lighting, and a center safety pedestrian refuge for school-aged children and adults who walk or bike along Norwalk and Artesia Boulevards. See Table 2 below for a summary of Project details.

**Table. 2 Details of the City's Project**

Project Name	Project Number	Project Code	Project Status	Funding Program	Funding Source	Allocated Amount	Reimbursed Amount
Norwalk Artesia Boulevards Safe Streets Project	ATPSB1L-5355(028)	0718000296	Completed <sup>2</sup>	ATP	State funded	\$1,987,000	\$1,738,472
<b>Total</b>						<b>\$1,987,000</b>	<b>\$1,738,472</b>

Source: Analysis by IOAI of Caltrans' and the City's Project and accounting records

<sup>1</sup>Source: [Active Transportation Program | Caltrans](#).

<sup>2</sup>The City filed a notice of completion with the Los Angeles County Recorder's Office, which the City signed on November 15, 2020, stating work was completed on September 8, 2020.

**Figure 1. The Image Shows the Project Prior to Construction**



Source: Map data: © March 2019 Google.

**Figure 2. The Image Shows the Project After Construction**



Source: Map data: © July 2022 Google.

## Audit Results

### Finding 1. The City Did Not Maintain Records Sufficient to Support Construction Costs That It Billed to Caltrans

#### Condition

The City billed Caltrans a total of \$1,813,557 for construction contract work it incurred to complete the Project. Contract work, as bid on by the contractor, is measured and paid for as bid items. Bid items are measured for payment as units, such as units of count, length, area, volume, weight, or lump sum. The City executed a construction contract with the contractor in June 2019 that included 47 bid items with various units of measurement; the City billed Caltrans for costs it incurred under 44 of the 47 bid items.

As part of our testing of construction costs that the City billed Caltrans, we requested source documents from the City to support the actual quantities of bid items it billed to Caltrans. Source documents are the permanent record sheets that create a clear and easily followed accounting trail from the total pay quantities in the proposed final estimate to the first measurement or calculation for each bid item. Examples of source documents include:

- **Contract item quantity calculation sheets:** Contract item quantity calculation sheets, also known as Q sheets, support and document item payments made to the contractor each month.
- **Engineer's daily reports:** The engineer's daily reports document what work was performed, where and how it was performed, and who performed it. Daily reports support quantity calculation sheets.
- **Weight tickets:** Weight tickets, sometimes referred to as load slips, are used to support item quantity payments made based on weight.

Based on our testing, we determined the City did not obtain and maintain source documents to support actual quantities of 42 out of 44 bid items measured in linear feet, square feet, each, or lump sum. Rather, the City relied on the Project as-built plan to support the actual measurements. As-built plans are the project plan sheets that have been updated to reflect the changes, if any, which occurred during construction. As-built plans represent the field conditions at the completion of a project. However, unlike source documents, as-built plans do not support the actual quantities of each bid item billed to Caltrans. Therefore, without source documents, the City was unable to support the actual quantities of 42 of 44 bid items that it billed to Caltrans.

For the remaining two bid items, the City billed costs measured by weight. The City was able to provide weight tickets to support actual quantities; however, the weight tickets only supported a total of 4,153 of the 4,480 of

tons that the City billed to Caltrans. The City was unable to support the remaining 327 tons at a total cost of \$38,268. Caltrans reimbursed the City \$34,766, at a ratio of 90.85 percent<sup>3</sup> of costs billed (\$38,268).

### Criteria

The City signed a Program Supplement for the Project in 2019 that required it to administer the Project in accordance with Caltrans' Local Assistance Procedures Manual (LAPM). The LAPM describes the processes, procedures, documents, authorizations, approvals, and certifications required to receive federal-aid and/or state funds. The LAPM is a compilation and summary of information from many sources, including federal and state law, regulations, guidelines, and operating practices. Chapter 5, Section 5.5, of the 2019 LAPM states:

Local agencies must maintain all supporting backup documentation for costs incurred and claimed for reimbursement in their project files.

Chapter 5, Section 5.3, of the 2019 LAPM states:

Eligible construction costs include the actual costs to construct the transportation facility and its appurtenant facilities.

Chapter 5, Section 5.8 of the LAPM states:

The local agency shall maintain written source document records that account for agency costs and payments made to consultants, vendors, and contractors. Contract records must be retained by the local agency for a minimum period of three years from the date of the final payment by the state.

Chapter 19, Section 19.2, of the LAPM states:

Good records of all project related activities clearly demonstrate to all concerned that project supervision and control were maintained on the project.

The City signed a Master Agreement for state-funded projects with Caltrans in 2008 that described terms and conditions applicable to the City when receiving state funds for a designated project. Article I, Section 17, of the Master Agreement states:

Administering Agency shall provide or arrange for adequate supervision and inspection of each project.

<sup>3</sup>Caltrans paid the City on a reimbursement basis using a state reimbursement ratio defined in the local agency invoice submitted by the City. For the City's billed costs, Caltrans reimbursed the City with ATP funds at a rate of 90.85 percent of billed costs.



Article IV, Section 7, of the Master Agreement states:

Payments to Administering Agency can only be released by State as reimbursements of actual allowable project costs already incurred and paid for by Administering Agency.

### **Cause**

The City stated that it relied on the A&E consultant it procured for the Project to monitor the contractor's work and to review and approve contractor invoices. However, the City did not require the A&E consultant to provide the City documentation of its review and approval of contractor invoices, or reports and support for actual work completed.

### **Effect**

The City displayed deficient project supervision and control by not obtaining and maintaining adequate source documents to support the actual bid item quantities that it billed Caltrans, which resulted in \$34,766 of questioned costs and potentially substantially more costs that Caltrans will require to be reimbursed based on its review.

### **Recommendations**

- 1.1 The City should reimburse Caltrans \$34,766.
- 1.2 Caltrans should review all bid items the City billed that were measured in linear feet, square feet, each, or lump sum. Based on its review, Caltrans should determine if the City should reimburse additional costs.
- 1.3 The City should establish a process for Caltrans projects to ensure it obtains source documents directly or through its A&E consultant and maintains the documents to support actual bid item quantities that it bills to Caltrans.

## **Finding 2. The City Billed Caltrans for A&E Consultant Costs That It Incurred Without Complying With Significant Caltrans A&E Procurement Requirements**

### **Condition**

The City billed Caltrans a total of \$90,720 for A&E consultant costs that it incurred under two purchase orders and an executed agreement. The City issued two purchase orders for services to be provided by an A&E consultant on the Project, one in July 2019 for \$32,000 and one in August 2019 for \$8,120. The City then executed an agreement with the same A&E consultant effective November 2019 for an additional \$50,600 for services to be provided on the Project.

As part of our testing of the A&E consultant costs that the City billed to Caltrans, we reviewed the City's procurement practices and records to determine if it procured the A&E consultant in compliance with state and Caltrans requirements, such as utilizing open and fair competition and performing an independent cost comparison of the consultant's cost proposal. Based on our testing, we concluded the City did not comply with significant Caltrans A&E procurement requirements. Specifically, we identified the following noncompliant issues:

- The City did not procure the A&E consultant through a qualifications-based selection process using open and fair competition. Specifically, the City did not solicit the A&E work in an open and competitive manner or evaluate at least three consultants and rank them based on published criteria. Rather, the City chose the A&E consultant for Project services because it had worked with the A&E consultant on prior projects.
- The City incorporated the A&E consultant's cost proposal into the A&E agreement without performing an independent cost comparison. Based on our review of the A&E consultant's cost proposal, we noted issues that the City should have identified had it performed an independent cost comparison. For example, the A&E consultant's cost proposal included a scope of services with 11 tasks for construction support services to be performed on a lump sum fee basis. However, the consultant's proposal did not identify the costs per task to support the total lump sum fee, which should have been identified by the City had it attempted to perform an independent cost comparison.

Additionally, we identified one task that could not have been performed within the terms of the agreement: "3. Assist and perform review, and analyze bids." This task should not have been included in the agreement because the City opened bids and executed the construction contract for the Project in June 2019, five months prior to the November 2019 effective date of the A&E consultant agreement.



The City billed Caltrans for the entirety of each purchase order and the executed agreement, totaling \$90,720. Caltrans reimbursed the City at a ratio of 90.85 percent of costs billed (\$90,720), or \$82,419. The City did not comply with significant procurement requirements, causing us to question \$82,419.

### **Criteria**

Chapter 10, Section 10.2.3, of the 2019 LAPM states:

All A&E contracts shall be procured through a qualifications based selection utilizing open and fair competition. Evaluate at least three consultants using published evaluation criteria and rank these firms in order of preference ... Selection of a firm shall be based on qualifications and the order of ranked preference.

Solicitations for A&E contracts shall be in a manner that is open and competitive ... The solicitations shall include published evaluation criteria to rank in order of preference. Clearly define expectations in the solicitation in order to evaluate firms.

An independent cost comparison to the consultant's cost proposal shall be done in order to ensure the contract is negotiated at a fair and reasonable price.

### **Cause**

The City stated it was not aware of the Chapter 10 requirements in the LAPM and that it followed its own purchasing policy at the guidance of the Caltrans Grant Administrator.

Based on our review, we determined the City's purchasing policy did not contain the requirements outlined in Chapter 10 of the 2019 LAPM for the procurement of A&E agreements.

### **Effect**

The City was reimbursed from Caltrans for A&E consultant costs that it incurred without complying with significant Caltrans A&E procurement requirements, resulting in \$82,419 of questioned costs.

### **Recommendations**

- 2.1 The City should reimburse Caltrans \$82,419.
- 2.2 The City should update its purchasing policy or create a new policy for awards from Caltrans to ensure it complies with the A&E procurement requirements in Chapter 10 of the LAPM.

### Finding 3. The City Did Not Achieve or Accurately Report to Caltrans the Project Benefits Described in Its Project Application

#### Condition

In May 2019, the Commission allocated state ATP funding for the City's Project. For ATP projects, Caltrans defines benefits as outputs plus outcomes. Outputs are the tangible deliverables and actions. Outcomes are the desired ATP pre-project goals and the post-project impacts actually achieved through the completion of the ATP project. We determined the City did not achieve or accurately report to Caltrans the Project benefits, as described below.

#### Outputs

As part of our testing of Project outputs, we reviewed the outputs in the City's Project application and compared those to the outputs that the City reported in its Project completion report and final delivery report. Additionally, we reviewed the Project as-built plans with the City and its A&E consultant engineer to determine the actual Project outputs as compared to the outputs in the City's Project application. Based on our testing, we identified inconsistencies among the output quantities in the City's Project application, the output quantities the City reported in Project reports, and actual Project outputs, as detailed in Table 3 below.

**Table 3. Project Outputs: Comparison of Project Application, Reports, and Actuals**

Output Descriptions in the City's Project Application	Quantities From the City's Project Application	Quantities Reported by the City in Its Completion Report <sup>4</sup>	Quantities Reported by the City in Its Final Delivery Report <sup>5</sup>	Actual Quantities Described by the City's A&E Consultant Engineer
Americans with Disabilities Act (ADA) Ramp Improvements: New Curb Ramp	5 Each (EA)	3	5	2 <sup>6</sup>
New Bike Lanes/Routes: Class 2	26,400 Linear Feet (LF)	13,520	26,400	13,200
Signalized Intersections: Pedestrian-Heads	28 EA	Not Reported	28	0
Sidewalks: New Barrier Protected	3,000 LF	Not Reported	3,000	1,726
Sidewalks: Reconstruct/Enhance Existing	835 LF	Not Reported	835	317
Lighting: Roadway Segments	2,400 LF	Not Reported	Not Reported	0

Source: Analysis by IOAI of the City's Project application, reports, and as-built plans.

<sup>4</sup>The City submitted its Project completion report to Caltrans on February 16, 2023.

<sup>5</sup>The City submitted its Project final delivery report to Caltrans on February 23, 2022.

<sup>6</sup>The City completed two ADA curb ramps and one ADA ramp with railing attached to a private building, as described further in this finding.

Additionally, based on our review of the Project outputs, we determined the City made Project scope changes that impacted the Project benefits and that the City should have submitted for review by Caltrans and approval by the Commission. Specifically, based on the City's Project application:

- The City was to build five ADA curb ramps for the Project. However, the City lowered the number of ADA curb ramps to three prior to putting the Project out to bid to contractors. Then, during construction, the City only built two ADA curb ramps. The City also built an ADA ramp with railing on a private building that it said was required to build the adjacent ADA curb ramp. Based on the engineer's estimate in the City's Project application, the cost of building the three ADA curb ramps would have been \$16,500.
- The City was to install 28 pedestrian heads signals. The City removed this Project output altogether prior to putting the Project out to bid to contractors. Based on the engineer's estimate in the City's Project application, the cost of installing the pedestrian heads would have been \$19,200.
- The City was to install 2,400 linear feet of roadway lighting. The City removed this Project output altogether prior to putting the Project out to bid to contractors. Based on the engineer's estimate in the City's Project application, the cost of installing the roadway lighting would have been \$43,200.

Caltrans' Local Assistance Program Guidelines (LAPG) required the City to complete the Project in accordance with the scope of work in the original Project application, unless a scope change was submitted to Caltrans for review and approved by the Commission. The City stated that it did not have official approval for the Project scope changes detailed above, totaling \$78,900.

Caltrans agreed to reimburse the City at a ratio of 90.85 percent of eligible Project costs (\$78,900), which would have been \$71,681 had the City completed the Project outputs detailed in the bullets above. The City did not receive approval for Project scope changes, causing us to question \$71,681.

### *Outcomes*

As part of our testing of Project outcomes, we reviewed the outcomes in the City's Project application and compared those to the Project outcomes that the City reported in its Project completion report and final delivery report. Additionally, we reviewed the City's Project completion report for descriptions of the methodologies and assumptions it used to evaluate how the City calculated Project outcomes. Based on our testing, we determined the City did not report on all Project outcomes in its completion report and it only reported the methodologies it used to evaluate one of the Project outcomes. Additionally, we determined the City did not report on any Project outcomes in its final delivery report. See Table 4 on the following page for a summary of the City's Project outcomes from its Project application versus the Project outcomes reported by the City.

**Table 4. Project Outcomes: Project Application Versus Reports**

<b>Project Outcomes in the City's Project Application</b>	<b>Project Outcomes Reported by the City in Its Completion Report</b>	<b>Project Outcomes Reported by the City in Its Final Delivery Report</b>
<ul style="list-style-type: none"> <li>• Increase the proportion of trips accomplished by biking and walking.</li> <li>• Increase safety and mobility for nonmotorized users.</li> <li>• Reduce greenhouse gas emissions.</li> <li>• Enhance public health.</li> <li>• Provide opportunities for disadvantaged communities to fully share in the benefits of this ATP program.</li> </ul>	<ul style="list-style-type: none"> <li>• The City reported a comparison of user counts before and after the Project's completion and its methodology to support the increase of bicyclists and pedestrians.</li> <li>• The City reported that 100 percent of the state ATP funds were spent within a disadvantaged community and that 100 percent of the Project benefited a disadvantaged community. However, the City did not report on the methodology it used to support its statements.</li> <li>• The City also reported the following broad assessment of the qualitative Project benefits:</li> <li>• Project closed gaps in the City's master plan to provide safe bike and pedestrian paths for the City's residents, school children, and commuting adults. The project also directly links major activity centers with majority of the City's disadvantaged community, located along southern Norwalk Boulevard.</li> </ul>	<p>The City did not report on Project outcomes in its final delivery report.</p>

Source: Analysis by IOAI of the City's Project application and reports.

### Criteria

The City signed a Program Supplement for the Project in 2019 that required it to administer the Project in accordance with the LAPG. Chapter 22, Section 22.9, of the 2019 LAPG states:

The implementing agency is required to complete the project as programmed and as represented in the scope of work identified in the original CTC<sup>7</sup> approved project application, unless a project Scope Change Request has been submitted to Caltrans for review and approved by CTC.

The Program Supplement the City signed also required it to administer the Project in accordance with the Commission's SB 1 Accountability and Transparency Guidelines (SB 1 Guidelines). The Commission's 2018 SB 1 Guidelines state:

<sup>7</sup>California Transportation Commission

Within six months of construction contract acceptance or the project becoming operable (open to the public), whichever comes sooner, the Implementing Agency shall provide a Completion Report to the Department on the scope of the completed project, its estimated final cost, estimated schedule, and project benefits as compared to those included in the executed project agreements. Additionally, the Completion Report shall describe the methodologies and assumptions used to evaluate how the project benefits were calculated as compared to the methodologies and assumptions used in the executed project agreements. In the event the project benefits identified in the Completion Report differ from those identified in the executed program agreements (cooperative, funding, or baseline), the difference must be noted, quantified, and explained. Documentation used for the benefit evaluation shall be preserved and made available for review by the Department, the Commission, the Transportation Inspector General, Department of Finance, and/or the California State Auditor, if requested.

The SB 1 Guidelines go on to state:

A Final Delivery Report must be submitted within 180 days of the conclusion of all remaining project activities beyond the acceptance of the construction contract to reflect final project expenditures, any changes that occurred after submittal of the Completion Report and an updated evaluation of the benefits.

### **Cause**

Regarding its unapproved Project scope changes, the City stated that it had an in-person meeting with its Caltrans Grant Administrator where the City presented its updated construction plans. However, the Caltrans Grant Administrator did not prompt the City to do a scope change, and the City was not aware of the scope change process at the time.

As to its inaccuracies in reporting Project outputs, the City relied on its A&E consultant to monitor the contractor's work, but it did not require the consultant to review and approve its Project completion report and final delivery report. The City also did not have a review process in place to ensure the reports were accurate.

For its deficiencies in reporting Project outcomes, the City was unaware of the requirements to report actual Project outcomes and that due to its size, it does not have funding to do project specific surveys or studies. The City stated that it believed the consultant that prepared its Project application used data provided by the State of California and that the City had not been asked to provide updates after the Project was closed out.

## **Effect**

The City made scope changes without appropriate authorization that resulted in the City not achieving all Project outputs from the Project application. Additionally, the City's unauthorized scope changes resulted in \$71,681 of questioned costs, and Caltrans may determine additional costs should be reimbursed by the City.

The City's inaccurate and incomplete Project reporting hindered Caltrans' ability to evaluate Project benefits and impacted Caltrans' ability to accurately report Project completion information for SB 1 programs to the Commission.

## **Recommendations**

- 3.1 The City should reimburse Caltrans \$71,681.
- 3.2 Caltrans should review the Project outputs to determine if the City should reimburse any additional costs for costs associated with unapproved scope changes.
- 3.3 For future Caltrans projects, the City should create an internal project scope change review and approval process to ensure it complies and documents its compliance with applicable Caltrans requirements for project scope changes.
- 3.4 The City should update its Project completion report and final delivery report to include accurate measurements of Project outputs. The City should submit the updated reports to Caltrans.
- 3.5 The City should update its Project completion report and final delivery report to include an evaluation of all Project outcomes and the methodologies it used to evaluate the Project outcomes. The City should submit the updated reports to Caltrans.
- 3.6 For future Caltrans projects, the City should create a report preparation and review process to ensure it is aware of all reporting requirements associated with the applicable Caltrans funding and to ensure it completely and accurately reports on project outputs and outcomes.

#### **Finding 4. The City Submitted Its Project Completion Report, Request for Reimbursement for Project Costs, and Final Report of Expenditures to Caltrans Well Beyond the Six-Month Due Dates**

##### **Condition**

The Commission's 2018 SB 1 Guidelines required the City to submit a completion report for the Project within six months of contract acceptance or the Project becoming operable. The completion report is a required report to Caltrans to detail, among other items, the scope of the completed Project, its estimated final cost, estimated schedule, and Project benefits as compared to those included in the executed Project agreements. The City filed a notice of completion with the Los Angeles County Recorder's Office, which the City signed on November 15, 2020, stating work was completed by the contractor on September 8, 2020. However, the City did not submit its completion report for the Project to Caltrans until February 16, 2023, which was well beyond the six-month time frame.

Additionally, the City's Master Agreement with Caltrans and the 2019 LAPM required the City to submit a request for reimbursement for Project costs to Caltrans at least once every six months after the state funds were committed for the Project. In May 2019, Caltrans issued a finance letter to the City stating that the Commission allocated state funds for the Project, effective May 15, 2019. The City submitted its one and only request for reimbursement for Project costs to Caltrans on August 13, 2021, which was well beyond the initial six-month due date. The City's August 13, 2021, reimbursement request included costs that it had incurred from July 2019 through September 2020.

Finally, Caltrans' 2019 LAPM required the City to submit a final report of expenditures and claim all reimbursable Project work within six months of the Project completion. As previously mentioned in this finding, the Project was completed on September 8, 2020. The City submitted both its one and only request for reimbursement and its final report of expenditures for the Project to Caltrans on August 13, 2021, which was well beyond the final six-month due date to request reimbursement for Project costs and beyond the six-month time frame to submit the final report of expenditures.

##### **Criteria**

The Commission's 2018 SB 1 Guidelines state:

*Within six months of construction contract acceptance or the project becoming operable (open to the public), whichever comes sooner, the Implementing Agency shall provide a Completion Report to the Department on the*

scope of the completed project, its estimated final cost, estimated schedule, and project benefits as compared to those included in the executed project agreements.

The 2018 SB 1 Guidelines go on to state:

To the extent that the Department or other Implementing Agencies do not meet the aforementioned accountability requirements they will be considered noncompliant agencies. The Commission expects that the Department will recommend and the Commission will determine appropriate actions for noncompliant agencies.

The City signed a Master Agreement for state-funded projects with Caltrans in 2008 that described terms and conditions applicable to the City when receiving state funds for a designated project. Article IV, Section 4, of the Master Agreement states:

Administering Agency agrees, as a minimum, to submit invoices at least once every six months commencing after the state funds are encumbered on either the project-specific Program Supplement or through a project-specific finance letter approved by state.

Chapter 5, Section 5.2 of the 2019 LAPM states:

The local agency may submit monthly invoices for reimbursement of participating costs (costs eligible for state and/or federal reimbursement). Amounts claimed must reflect the cost of completed work, which has been paid for. The local agency must claim all reimbursable work within 180 days of project completion or prior to the expiration date of the project agreement, whichever comes first. Per the Master Agreement, an invoice must be submitted at least every six months to avoid being classified as inactive.

Chapter 5, Section 5.5, of the 2019 LAPM states:

The local agency may submit invoices once a month for reimbursement but must submit an invoice at minimum every six months to avoid inactivity on a project.

Chapter 5, Section 5.6, of the 2019 LAPM states:

The local agency must submit the Final Report of Expenditures, which includes the final invoice, to the District Local Assistance Engineer within six months of project completion.



## **Cause**

For its late Project completion report, the City stated that it relied on emails from Caltrans' reporting system CalSMART<sup>8</sup> to prompt it to submit Project reports. The City did not have another process in place to ensure it submitted Project reports on time.

The City went on to state that it received an email from CalSMART on January 14, 2021, noting the completion report was done, and that it did not receive any other notification to complete the report after that date. However, the City did not recall the completion report and it could not provide a copy. Caltrans was also unable to locate the completion report. In January 2023, Caltrans requested from the City a copy of the completion report. The City subsequently prepared and submitted its Project completion report on February 16, 2023.

Regarding its late submission to Caltrans for its request for reimbursement and final expenditure report, the City stated it was told by the Caltrans Grant Administrator that submitting one final invoice (request for reimbursement) to Caltrans for the Project was acceptable. The City went on to state that it made several attempts prior to August 13, 2021, to submit invoices to Caltrans but that emails were not successfully sent or it was unable to schedule time with its Caltrans Grant Administrator to complete the documents.

The City relied on information and communication from Caltrans to ensure it met applicable deadlines. However, as detailed in the Criteria section of this finding and Finding 3, the City signed agreements that required it to comply with specified Project reporting and invoicing requirements.

## **Effect**

The City was out of compliance with Caltrans and the Commission for not adhering to the required completion report submission deadline. In addition, because the City did not submit the required completion report in a timely manner, Caltrans was not able to accurately report project completion information for SB 1 programs to the Commission.

Additionally, the City not submitting its request for reimbursement in a timely manner hindered Caltrans' ability to determine whether the City's interim Project costs were allowable and adequately supported prior to Project completion. Finally, the City not submitting its final expenditure report in a timely manner hindered Caltrans' ability to review Project costs and reconcile the costs to Caltrans' financial system.

<sup>8</sup>CalSMART is an online project reporting tool to meet the Commission's reporting requirements for SB 1 projects.

## **Recommendations**

- 4.1 The City should establish and document its own process to ensure it is aware of project reporting requirements and that it meets applicable reporting deadlines without relying on Caltrans or a Caltrans reporting system.
- 4.2 The City should establish and document its own process to ensure it is aware of project invoicing and final expenditure report requirements and that it meets applicable deadlines without relying on Caltrans.

## Appendix A. Scope and Methodology

### **Audit Objectives**

We conducted this audit to determine if Project costs claimed by the City and reimbursed by Caltrans were allowable and adequately supported in compliance with Caltrans' agreement provisions and state requirements. Additionally, we conducted this audit to determine if Project deliverables and outputs were consistent with the Project scope and schedule and to determine if Project benefits were achieved and reported in accordance with applicable requirements.

### **Audit Period**

Our audit period was from May 15, 2019, through February 16, 2023.

### **Criteria**

We gained an understanding of the Project and identified relevant criteria by reviewing applicable state requirements, Commission guidelines, Caltrans guidelines, City policies and procedures, executed Project agreements, and Project records, and by interviewing key personnel from the City and Caltrans.

### **Risk Assessment and Internal Control**

We performed a risk assessment, including identifying and evaluating whether the City properly designed and implemented internal controls significant to our audit objectives. Our evaluation of internal controls focused on the City's vendor invoice review processes for contractor and consultant costs, its procurement processes, and its processes for tracking project costs and submitting requests for reimbursement to Caltrans. We also assessed the City's project oversight processes and its processes for gathering project information and submitting required project reports to Caltrans.

### **Assessment of Data Reliability**

Generally accepted government auditing standards require we assess the sufficiency and appropriateness of computer-processed information if it will be used to materially support our findings, conclusions, and recommendations. In performing this audit, we identified an expenditure report from Caltrans' data reporting system, InfoAdvantage, used to track the reimbursements made by Caltrans to the City during our audit period. To assess the reliability of the data, we traced and agreed the total amounts from the City's reimbursement request for the Project to the expenditure report. We determined the expenditure report was sufficiently reliable to meet our audit objectives.

### **Compliance Statement**

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.

### Methodology

Based on our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives, as detailed in Table 5 below.

**Table 5. Objectives and Methods in the Audit Process**

Audit Objective	Methods
<p><b>Objective 1</b></p> <p>To determine if Project costs claimed by the City and reimbursed by Caltrans were allowable and adequately supported in compliance with Caltrans' agreement provisions and state requirements.</p>	<p>Selected significant and high-risk areas to verify compliance with Caltrans' agreement provisions and state requirements. Those selected areas were:</p> <ul style="list-style-type: none"> <li>• A&amp;E Consultant Costs</li> <li>• Construction Contractor Costs</li> <li>• Procurement</li> </ul> <p><b>A&amp;E Consultant Costs</b></p> <p>Selected four of seven A&amp;E consultant invoices from the City's billing to Caltrans. Determined if selected costs were allowable and adequately supported by comparing invoiced costs to the contract and supporting documentation. Determined if selected costs were incurred by the City and calculated correctly by reviewing the City's accounting records and reperforming calculations.</p> <p><b>Construction Contractor Costs</b></p> <p>Selected six bid items from four of five contractor pay estimates from the City's billing to Caltrans. Determined whether selected costs were allowable, supported, authorized, project related, and incurred within the allowable time frame by reviewing the City's Project and accounting records. Expanded testing to all bid items from all five contractor pay estimates that the City billed to Caltrans to determine if selected costs were supported.</p> <p><b>Procurement</b></p> <p>Reviewed the City's A&amp;E consultant contract procurement to determine compliance with state and Caltrans requirements by comparing the City's procurement practices and records to relevant criteria.</p> <p>Reviewed the City's construction contractor procurement records to determine compliance with state and Caltrans requirements, including the invitation for bids, bid receipt records, bid assessments, advertisement documentation, and the executed contract.</p>

Audit Objective	Methods
<b>Objective 2</b> To determine if Project deliverables and outputs were consistent with the Project scope and schedule.	Determined whether the Project deliverables were consistent with the Project scope and schedule by reviewing the Project application, construction allocation documentation, before and after photographs, notice of completion, Project reports, and as-built plans, and by interviewing City personnel and its A&E consultant.
<b>Objective 3</b> To determine if Project benefits were achieved and reported in accordance with applicable requirements.	Determined whether the Project benefits were achieved and reported to Caltrans and if the City had data to compare planned versus actual project benefits by reviewing the Project application, Project reports, and pedestrian and bicyclist user count sheets, and by interviewing City personnel and its A&E consultant.

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## Auditee's Response



"Service Builds Tomorrow's Progress"

### THE CITY OF ARTESIA, CALIFORNIA

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May 6, 2025

Matt Espenshade, CFE  
Chief Deputy Inspector General  
Independent Office of Audits and Investigations  
P.O. Box 942874, MS-2  
Sacramento, CA 94274-0001

RE: City of Artesia Project Compliance Audit ATPSB1L-5355(028)

Dear Mr. Espenshade,

As a small disadvantaged community with limited resources, the City of Artesia relies heavily on state grant funding for the maintenance and improvement of its transportation network. City Staff have done, and continue to do, their absolute best to deliver projects that both serve the community and comply with the extensive regulations and requirements that accompany state funding. The City remains grateful for the award of Active Transportation Program grant funds for the implementation of Project No. ATPSB1L-5355(028) and appreciates the opportunity to provide this response letter for your review and consideration.

The City of Artesia has received the Confidential Draft Audit Report, delivered via electronic mail on April 22, 2025 and has participated in an exit conference with your audit team on April 30, 2025. The audit includes the following findings and recommendations to the City:

1. Audit Finding: The City did not maintain records sufficient to support construction costs it billed to Caltrans.

Audit Recommendation: The City should reimburse Caltrans \$34,766. Caltrans should review all bid items the City billed that were measured in lineal feet, square feet, each or per single item, or lump sum. The City should establish a process for Caltrans projects to ensure it obtains and maintains source documents to support actual bid item quantities and provide training to its Staff.

City Response: The Draft Audit Report indicates that the project weight tickets only supported a total of 4,153 of the 4,480 tons that the City billed to Caltrans and that the remaining 327 tons are unsupported. The City accepts that deficient project supervision and control occurred and they are a result of operational and record keeping disruptions caused by the Covid-19 Pandemic. The City maintains that it acted wholly in good faith in its project implementation and understands that the project records were not fully compliant with LAMP standards.

①

City Proposed Corrective Action: The City respectfully requests the opportunity to recalculate all quantities through detailed measurement of the built environment and track down any missing weight tickets. The City has already implemented the appropriate processes that would prevent this finding in the future. Therefore, the City respectfully requests that the recovery of funds should be reconsidered as part of a resolution to this finding and instead proposes to utilize City funds to further train City Staff on LAMP record keeping standards.

2. Audit Finding: The City billed Caltrans for A&E Consultant Costs that it incurred without complying with significant Caltrans A&E Procurement Requirements.  
Audit Recommendation: The City should reimburse Caltrans \$82,419. The City should update its purchasing policy or create a new policy for Caltrans' awards to ensure it complies with the procurement requirements in Chapter 10 of the LAMP and provide training to its Staff.

City Response: The Draft Audit Report indicates that the City did not procure the A&E consultant in accordance with LAMP requirements, which state that all A&E contracts must be procured through an open and competitive process. The City adhered to its own purchasing policy for the procurement of professional services such as the A&E consultant and has noted that the policy does not consider LAMP requirements for state funded projects. The City maintains that it acted wholly in good faith in its project implementation and understands that the process was not fully compliant with LAMP standards. The City did procure the engineering team in 2018 through a fair and competitive Request for Proposal process in which they were selected based on qualifications. During their work on Project No. ATPSB1L-5355(028), the firm merged with a larger company and underwent a name change. Had the name change not occurred, the competitively bid contract could have been amended to include the additional work, which would have met the LAMP standards. However, because of this merger, the City and the engineering team had to enter into a new agreement under the name of the new company to amend the scope. While the procurement and amended scope changes complied with the City's procurement policy and the engineering team was initially procured by a fair and competitive process, the City understands why the contract procurement did not fully comply with LAMP requirements, but that only occurred due to the unforeseen merger and name change, which is beyond our control.

City Proposed Corrective Action: The City respectfully requests that the recovery of \$82,419 should be reconsidered as part of a resolution to this finding and instead proposes to utilize City funds to further train City Staff, and create and adopt a new purchasing policy for Caltrans awards that adheres to LAMP requirements. The City accepts the remaining recommendation and looks forward to working with Caltrans to comply with LAMP requirements.

②



3. Audit Finding: The City did not achieve or accurately report to Caltrans the project benefits described in its Project Application.

Audit Recommendation: The City should reimburse Caltrans \$71,681. Caltrans should review the Project outputs to determine if the City should reimburse any additional costs for costs associated with unapproved scope changes. For future Caltrans projects, the City should create an internal project scope change review and approval process to ensure it complies and documents its compliance with applicable Caltrans requirements for project scope changes and provide training to its Staff. The City should update its Project completion report and final delivery report to include accurate measurements of project outputs. The City should submit the updated reports to Caltrans. The City should update its Project completion report and final delivery report to include an evaluation of all Project outcomes and the methodologies it used to evaluate the Project outcomes. The City should submit the updated reports to Caltrans. For future Caltrans projects, the City should create a report preparation and review process to ensure it is aware of all reporting requirements associated with the applicable Caltrans funding and to ensure it completely and accurately reports on project outputs and outcomes and provides training to its Staff.

City Response: The Draft Audit Report indicates that the City made scope changes without appropriate authorization and the unauthorized scope changes resulted in \$71,681 in questioned costs. The City accepts that a scope change was not properly authorized and maintains that the Local Assistance Office was aware of the change but did not prompt the City to apply for a formal scope change through the California Transportation Commission. The City disagrees with the recommendation to reimburse Caltrans \$71,681 in questioned improvement costs because those specific improvements were not constructed nor were they billed to Caltrans. The City was allocated a total of \$1,987,000 and completed Project No. ATPSB1L-5355(028) under budget by \$173,443. The questioned improvements totaling \$71,681 were not part of the project's bid sheet and were not constructed as part of this project. The City accepts that there were discrepancies between the project's bid sheet and project reports submitted to Caltrans. The City maintains that it acted wholly in good faith in its project implementation and understands that reports were not fully compliant with LAMP standards.

City Proposed Corrective Action: The City respectfully requests that the recovery of \$71,681 be reconsidered as part of a resolution to this finding and instead proposes that the City be afforded the opportunity to construct any outstanding improvements from the initial application of Project No. ATPSB1L-5355(028) using City funds. The City believes that the construction of additional active transportation improvements in Artesia will honor the original project application and further the collective goals of the City and Caltrans. The City accepts the remaining recommendations and looks forward to working with Caltrans to complete them and complying with LAMP requirements.

③

4. Audit Finding: The City submitted its Project Completion Report, request for reimbursement for project costs, and final report for expenditures to Caltrans well beyond the six-month due dates.

Audit Recommendation: The City should establish its own process to ensure it is aware of project reporting requirements and that it meets applicable reporting deadlines without relying on Caltrans or a Caltrans reporting system and provide training to its Staff. The City should establish its own process to ensure it is aware of projecting invoicing and final expenditure report requirements that it meets applicable deadlines without relying on Caltrans and provide training to its Staff.

City Response: The Draft Audit Report indicates that the City did not adhere to report submission deadlines and that late submissions hindered Caltrans' ability to determine if project costs were allowable and adequately supported. The City accepts that reports and reimbursement requests were not submitted in accordance with LAMP requirements and are a result of operational disruptions caused by the Covid-19 Pandemic. The City relied on submission prompts from Caltrans' reporting system and from feedback from the Local Assistance Office. The City understands the importance of establishing its own process to ensure that all submissions are accurate and comply with LAMP requirements.

City Proposed Corrective Action: The City will develop policies and procedures regarding report submission deadlines and reimbursement requests that comply with LAMP requirements and looks forward to guidance from Caltrans to prevent this finding in the future.

The City of Artesia hopes this response will be considered. The City feels this process has already been particularly beneficial in improving internal processes and procedures in implementing public projects. The City looks forward to receiving the final report and working with Caltrans Headquarters and Local Assistance staff to resolve these findings and identify necessary changes to our project management procedures and processes.

Respectfully,



Abel Avalos  
City Manager  
City of Artesia

## Comments Concerning the Response Received From the City of Artesia

To provide clarity and perspective, we are commenting on the City's response to our report. The numbers below correspond to the numbers we have placed in the margins of the response.

1. The City did not contest Finding 1. However, the City proposed that our recommendations related to the recovery of funds be reconsidered as part of the resolution to the finding.

As indicated on page 6 of our report, the City signed agreements with Caltrans that required it to adhere to specified requirements as a condition of receiving state funds. The City did not adhere to Caltrans' requirements. As such, our recommendations related to the City reimbursing Caltrans remain unchanged. The City should work with Caltrans to determine its appropriate corrective actions based on our finding and recommendations.

2. In its response to Finding 2, the City claimed that it procured the engineering team (A&E consultant) in 2018 through a fair and competitive request for proposal process in which they were selected based on qualifications. The City noted that the firm merged with a larger company and underwent a name change; had the name change not occurred, the competitively bid contract could have been amended to include the additional work, which would have met the LAPM standards. The City proposed that our recommendation related to the recovery of funds be reconsidered as part of the resolution to the finding.

The City did not provide evidence of its 2018 procurement or evidence to support its claim that in lieu of the A&E consultant's name change, the City could have met LAPM requirements. As we describe on pages 8 and 9 of our report, the City did not meet significant A&E procurement requirements, as it was unaware of the A&E procurement requirements detailed in the LAPM and followed its own purchasing policy that did not contain the LAPM requirements. The City did not provide evidence during our audit or as part of its response. As such, our finding and our recommendation that the City reimburse Caltrans remain unchanged. If the City has evidence to support its claims about the 2018 procurement, the City should provide the evidence to Caltrans for its consideration during the corrective action process.

3. The City disagreed with our recommendation for Finding 3 to reimburse Caltrans \$71,681 in questioned improvement costs because those specific improvements were not constructed nor billed to Caltrans. The City stated the Project was completed

under budget and it proposed that our recommendation related to the recovery of funds be reconsidered.

As we cite on page 12 of our report, the LAPG required the City to complete the Project in accordance with the scope of work in the original Project application, unless a scope change was submitted to Caltrans for review and approved by the Commission. The City made unapproved Project scope changes that resulted in the City not completing approved Project outputs from the Project application. Further, as detailed in Table 3 on page 10 of our report, the City did not achieve actual output quantities for numerous Project outputs compared to the output quantities from the City's Project application. Therefore, we disagree with the City's assertion that the Project was completed under budget because the City did not complete the Project in accordance with the Project scope in the City's Project application. As such, our finding and recommendations related to the costs associated with the unapproved Project scope changes remain unchanged. Caltrans will work with the City to determine the appropriate corrective actions based on our finding and recommendations.







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