



# INSPECTOR GENERAL

California Department of Transportation

## SAN JOAQUIN COUNCIL OF GOVERNMENTS

Project Audit



**Independent Office of Audits and Investigations**

**Bryan Beyer**, Inspector General  
**Diana Antony**, Chief Deputy

December 2022  
23A.PJCT01



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



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

December 6, 2022

Tony Tavares, Director  
California Department of Transportation  
1120 N Street  
Sacramento, CA 95814

## Final Report – San Joaquin Council of Governments, Project Audit

Dear Director Tavares:

The Independent Office of Audits and Investigations has completed its audit of the San Joaquin Council of Governments (SJCOG). We audited project number 1000000229 - State Route 4 Crosstown Freeway Ramp Extension to determine if SJCOG met the dollar-for-dollar matching requirement.

Enclosed is the final report, which includes SJCOG's response to the draft report. The final audit report is a matter of public record and will be posted on IOAI's website.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations must be developed in accordance with the Local Assistance Procedures Manual, Chapter 20, Section 20.5. The CAP should be sent to [ioai.reports@dot.ca.gov](mailto:ioai.reports@dot.ca.gov).

If you have any questions, please contact David Wong, Audit Chief, at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG  
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations  
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Tony Tavares  
December 6, 2022  
Page 2

cc: Diane Nguyen, Executive Director, San Joaquin Council of Governments  
Grace Magsayo, Deputy District Director, District 10, California Department of Transportation  
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## Contents

Terms Used in Report .....	VI
Summary .....	1
Introduction.....	2
Background.....	2
Figure 1. Map of Project Location .....	2
Figure 2. Aerial Photo of Project .....	3
Scope and Methodology .....	4
Audit Results .....	5
Table 1. SJCOG’s Unmet Match Calculation.....	5
Recommendations .....	6
Auditee’s Response .....	7

## Terms Used in Report

Term/Acronym	Definition
Caltrans	California Department of Transportation
Commission	California Transportation Commission
District 10	California Department of Transportation - District 10
DOF	California Department of Finance
Proposition 1B	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006
IOAI	Independent Office of Audits and Investigations
Project	Project 1000000229 - SR 4 Crosstown Freeway Ramp Extension
SJCOG	San Joaquin Council of Governments
TCIF	Trade Corridors Improvement Fund

## Summary

Caltrans' Trade Corridors Improvement Fund (TCIF) program funds infrastructure improvement projects along corridors that have a high volume of freight movement. In 2014, Caltrans' District 10 was allocated \$69,458,000 for the construction of two mixed flow lanes and two auxiliary lanes in each direction on State Route 4 Crosstown Freeway between Fresno Avenue and Navy Drive in Stockton, California. Pursuant to TCIF program requirements, this amount was intended to fund 50 percent of the total project costs, which amounted to \$129,900,586. As such, Caltrans' District 10 and San Joaquin Council of Governments (SJCOG) were project co-sponsors – each were responsible for expending 50 percent of the total project costs.

In July 2022, an audit performed by the California Department of Finance (DOF) found that District 10 could not demonstrate that SJCOG provided its match requirement. As a result, we followed up with SJCOG to determine whether it could provide support for its portion of the match requirement. Our audit determined that SJCOG was able to support \$60,442,586 towards the match requirement; however, this amount was short of the full amount by \$4,507,707. Therefore, we recommend SJCOG remit that amount to Caltrans to balance the total cost of the project.

## Introduction

### Background

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for approximately \$20 billion. The bond proceeds finance a variety of transportation programs, including the Trade Corridors Improvement Fund (TCIF) program. The TCIF program received \$2 billion of the bond proceeds to finance infrastructure improvements along corridors that have a high volume of freight movement. Program funds were made available upon appropriation by the Legislature, and funds were subsequently allocated by the California Transportation Commission (Commission). Proposition 1B mandated that the Commission allocate TCIF program funds to projects that had identified and committed supplemental (match) funding from appropriate local, federal, or private sources.

In 2014, the Commission allocated \$69,458,000 in TCIF program funds to Caltrans' District 10 for the construction of two mixed flow lanes and two auxiliary lanes<sup>1</sup> in each direction on State Route 4 Crosstown Freeway between Fresno Avenue and Navy Drive in Stockton, California. District 10 and SJCOG were the co-sponsors for the project with each entity responsible for providing 50 percent of the total project costs.

Figure 1. Map of Project Location



<sup>1</sup> An auxiliary lane is a lane adjoining roadway to help drivers move on or off the roadway such as for on-ramps and off-ramps. A mixed lane is a lane open to all motorists [i.e., not a high occupancy vehicle (HOV) or high occupancy toll (HOT) lane].



**Figure 2. Aerial Photo of Project**

Source: [Projects | San Joaquin Council of Governments, CA \(sjcog.org\)](https://www.sjcog.org/Projects)

The project's baseline agreement identified Measure K<sup>2</sup> as SJCOG's local funding source for the project. Based on District 10's records, construction was completed, and the project was open to the public as of December 2017.

On behalf of the Independent Office of Audits and Investigations (IOAI), DOF conducted audits of several Proposition 1B funded projects. In July 2022, DOF completed an audit of Caltrans' District 10 and found that the district could not provide documentation to support whether the required 50 percent match was provided by SJCOG. Since the DOF audit focused on reviewing District 10's project costs and did not review SJCOG's project costs, we performed this audit to determine if SJCOG met the required match.

<sup>2</sup> Measure K is San Joaquin County's first half-cent sales tax for transportation projects for improvements on freeways, streets, roads, and the transit system. Source: <https://www.sjcog.org/423/About-Measure-K>

## Scope and Methodology

We gained an understanding of the project and relevant criteria by reviewing the executed project agreements, Commission and TCIF guidelines, applicable state and federal regulations, and by interviewing SJCOG personnel. To determine total project costs, we verified costs incurred by both District 10 and SJCOG. We confirmed District 10's total TCIF project costs of \$69,458,000 by relying on the Proposition 1B audit of District 10 and reviewing project cost reports from Caltrans' Division of Accounting through August 30, 2022. In addition, we reviewed project costs recorded in SJCOG's accounting systems to determine if they were adequately supported and eligible for match. The audit included project costs during the period of August 21, 2008, through August 30, 2022.

We performed a risk assessment, including identifying and evaluating whether internal controls significant to our audit objectives were properly designed and implemented. Our evaluation of internal controls focused on SJCOG's review and approval processes of costs. Our methodology included interviewing key personnel, analyzing relevant documentation, and testing transactions related to costs incurred. We did not identify deficiencies in internal controls significant within the context of our audit objectives.

In addition, we assessed the sufficiency and appropriateness of the computer-processed information that we used to support our findings, conclusions, and recommendations. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if selected costs were supported by source documentation. We assessed the reliability of data obtained from two accounting systems used to identify and track project costs. In July 2016, SJCOG upgraded from the Legacy System to an accounting system called New World. As noted in this audit report, we identified duplicate accounting system entries and ineligible costs and brought them to SJCOG's attention. The discrepancies are identified as questioned costs in Audit Results of this audit report. Apart from the questioned costs, we determined that the data was sufficiently reliable to meet our audit objectives.

We conducted this audit according to 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 findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

## Audit Results

We found that SJCOG did not meet its match requirement by \$4,507,707. Government Code Section 8879.52 subdivision (f)(1)(B)(i) states that TCIF funding provided by the state shall not exceed 50 percent of the total project costs.

As noted in Table 1 below, to determine the match requirement amount, we first calculated the total project costs of \$129,900,586, which consisted of \$69,458,000 for District 10 and \$60,442,586 for SJCOG. For District 10, the \$69,458,000 was previously audited by DOF as noted in the Background section of this report. For SJCOG, the \$60,442,586 was validated during this audit. Specifically, we obtained cost accounting reports and identified \$63,650,249 in total project costs; however, we determined \$3,207,663 in costs were ineligible as follows:

- Duplicate Entries:** While SJCOG provided accounting cost reports that indicated a total of \$63,650,249 in project costs, we identified \$2,552,954 in duplicate accounting entries. Specifically, SJCOG provided cost reports from their legacy accounting system and its newly upgraded system; however, upon further analysis and comparison of the reports, we identified \$2,552,954 of duplicate transactions.
- Costs Incurred Prior to Project Agreement Date:** We found \$654,709 in costs incurred prior to the execution date of the Cooperative Agreement between SJCOG and District 10. Clause 37 of this agreement states that partners will not incur costs beyond the funding commitment in the agreement.

As a result, SJCOG's eligible project costs totaled \$60,442,586 (\$63,650,249 - \$3,207,663). As noted in Table 1 below, SJCOG did not meet the match requirement by a total of \$4,507,707.

**Table 1. SJCOG's Unmet Match Calculation**

District 10's Project Costs <sup>3</sup>	\$69,458,000
SJCOG's Project Costs	60,442,586
Total Project Costs	129,900,586
<b>50% Match Requirement</b>	<b>64,950,293</b>
SJCOG's Project Costs	(60,442,586)
<b>SJCOG's Unmet Match</b>	<b>\$4,507,707</b>

Source: Analysis by the Independent Office of Audits and Investigations.

<sup>3</sup>Project costs audited by DOF in July 2022. See audit report at <https://ig.dot.ca.gov/-/media/ig-media/documents/1b/final-reportcalifornia-department-of-transportation-district-10-proposition-1b-audit.pdf>

When asked about these issues, SJCOG stated that project costs were temporarily captured in both systems, but it failed to remove the duplicate transactions from its project cost reports. SJCOG also stated that it did not meet the dollar-for-dollar match requirement because it was not aware of District 10's project costs. Nevertheless, it is important to perform a thorough review of cost reports to ensure the accuracy of match contributions. Without these reviews, SJCOG is at risk of non-compliance with statutory requirements. In addition, as noted in the DOF audit of District 10, the district did not have a system in place to monitor and verify external partner's match contributions. In response to the audit report, District 10 stated that it would establish more efficient business practices for receiving and tracking invoices and total expenditures incurred by external partners. SJCOG should implement similar procedures to ensure that it meets all match requirements for state funded projects.

### **Recommendations**

1. Caltrans should coordinate with SJCOG to develop a corrective action plan to resolve and close the finding identified in this audit. We also recommend that Caltrans recover \$4,507,707 to meet the TCIF match requirement.
2. SJCOG should maintain accurate accounting records by performing reconciliations and resolving discrepancies (such as duplicate entries) in a timely matter.
3. SJCOG should develop, implement, and maintain an adequate review process to ensure project costs are incurred within the eligibility period described in the Cooperative Agreement.
4. SJCOG should develop and implement procedures to monitor and ensure matching requirements are met.

# Auditee's Response

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## SAN JOAQUIN COUNCIL OF GOVERNMENTS

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November 18, 2022

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JOAQUIN

Subject: Management Response to Confidential draft audit report of State Route 4 Crosstown Freeway project number 1000000229.

Dear Mr. Beyer:

This document provides responses to the findings of the California Department of Transportation (Caltrans), District 10 Proposition 1B Audit as outlined in the Confidential Draft Report prepared by the Department of Finance, Office of State Audits and Evaluations.

The following summarizes SJCOC's responses to the items noted on the confidential draft audit report.

### Findings and Action Plan

#### **Finding 1: SJCOC did not meet its match requirement by \$4,507,707**

Government Code Section 8879.52 subdivision (f)(1)(B)(i) states that TCIF funding provided by the state shall not exceed 50 percent of the total project costs.

#### **Recommendation**

Caltrans should coordinate with SJCOC to develop a corrective action plan to resolve and close the finding identified in this audit. We also recommend that Caltrans recover \$4,507,707 to meet the TCIF match requirement.

#### **SJCOC's Response**

SJCOC is prepared to reimburse Caltrans upon receipt of their invoice.

#### **Finding 2: Duplicate entries**

While SJCOC provided accounting cost reports that indicated a total of \$63,650,249 in projects costs, we identified \$2,552,954 in duplicate accounting entries. Specifically, SJCOC provided cost reports from their legacy accounting system and its newly upgraded system; however, upon further analysis and comparison of the reports, we identified \$2,552,954 of duplicate transactions.

#### **Recommendation**

SJCOC should maintain accurate accounting records by performing reconciliations and resolving discrepancies (such as duplicate entries) in a timely manner.

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**SJCOG’s Response**

SJCOG ran parallel accounting systems during the implementation of the new accounting software solely for the purpose of ensuring the accuracy of the data input and output. This is not SJCOG’s normal practice and does not warrant a finding. However, SJCOG staff should have identified these entries prior to providing them to the auditors. SJCOG staff does conduct regular reconciliations and has put into place better project management systems that provides for a better check and balance.

**Finding 3: Costs incurred prior to project agreement**

We found \$654,709 in costs incurred prior to the execution date of the cooperative agreement between SJCOG and District 10. Clause 37 of this agreement states that partners will not incur costs beyond the funding commitment in the agreement.

**Recommendation**

SJCOG staff should develop, implement, and maintain an adequate review process to ensure projects costs are incurred within the eligibility period described in the cooperative agreement.

**SJCOG’s Response**

SJCOG’s new accounting system provides the means to prevent this from happening in the future.

**Finding 4: SJCOG did not meet its match requirement**

SJCOG stated that it did not meet the dollar-for-dollar match requirement because it was not aware of District 10’s project costs. Nevertheless, it is important to perform a thorough review of cost reports to ensure the accuracy of match contributions. Without these reviews, SJCOG is at risk of non-compliance with statutory requirements. In addition, as noted in the DOF audit of District 10, the district did not have a system in place to monitor and verify external partner’s match contributions. In response to the audit report, District 10 stated that it would establish more efficient business practices for receiving and tracking invoices and total expenditures incurred by external partners. SJCOG should implement similar procedures to ensure that it meets all match requirements for state funded projects.

**Recommendation**

SJCOG should develop and implement procedures to monitor and ensure matching requirements are met.

**SJCOG’s Response**

SJCOG’s new accounting system provides the means to prevent this from happening in the future.

DocuSigned by:  
 11/18/2022  
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Steve Dial  
Deputy Executive Director/CFO





## Independent Office of Audits and Investigations

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