

Memorandum

*Flex your power!
Be energy efficient!*

To: BASEM E. MUALLEM, P.E.
District Director, District 8

Date: January 10, 2014

File: P2515-0020

From: MARSUE MORRILL, Chief *Marsue*
External Audits- Contracts
Audits and Investigations

Subject: **AUDIT OF DEPARTMENT OF TRANSPORTATION, DISTRICT 8**

Attached is the audit report pertaining to the audit performed on the Department of Transportation (Caltrans), District 8, relative to a project funded and reimbursed by Proposition 1B (Prop 1B) State Highway Operations and Protection Program Augmentation. The name of the project audited is "Install Vehicle Detection Stations-Riverside County". The Prop 1B programmed amount was \$6,760,000. The audit was for the period of March 17, 2008, through October 22, 2012.

As required by the Governor's Executive Order S-02-07 and SB 88, the expenditures of bond proceeds and outcomes are subject to audit. The audit was performed by the State Controller's Office on behalf of Caltrans. You are receiving the audit report since this project was implemented under the responsibility of District 8 Project Management. Deputy Directive 100, "Departmental Responses to Audit Reports" cites responsibilities of District Directors relative to audits performed. However, as this audit report did not disclose any deficiencies there is no subsequent action required on your part.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Attachment

c: Stephen Maller, Deputy Director, California Transportation Commission
Teresa Favila, Assistant Deputy Director, California Transportation Commission
James E. Davis, Chief, Division of Project Management
Rachel Falsetti, Chief, Transportation Programming
Susan Harris, Deputy District Director of Administration, District 8
Meardey Tim, Project Manager, Program/Project Management, District 8
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Matt Bailey, Prop 1B Program Coordinator, Division of Project Management
Luisa Ruvalcaba, Audit Manager, Audits and Investigations

**CALIFORNIA DEPARTMENT OF
TRANSPORTATION
DISTRICT 8, RIVERSIDE**

Audit Report

**STATE HIGHWAY OPERATIONS
AND PROTECTION PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECTS
EA No. 08-0K500/P2515-0020**

March 17, 2008, through October 22, 2012



JOHN CHIANG
California State Controller

December 2013



JOHN CHIANG
California State Controller

December 17, 2013

MarSue Morrill, Chief
Audits and Investigations
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Ms. Morrill:

The State Controller's Office (SCO) audited the California Department of Transportation, District 8, Riverside's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of March 17, 2008, through October 22, 2012.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond funded project EA No. 08-0K500, Install Vehicle Detention Stations—Riverside County, and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.
- Schedule 1 of this report is a summary of project costs programmed, approved, expended, and audited during the audit period.

Our audit did not disclose any findings.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by phone at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Marty Namjou, Audit Manager
Division of Audits – Bond Unit
State Controller’s Office
Brandon Wong, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller’s Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Official	4
Restricted Use	4
Schedule 1—Summary of Project Costs Approved, Expended, and Audited	5

Audit Report

Summary

The State Controller's Office (SCO) audited the California Department of Transportation, District 8, Riverside's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of March 17, 2008, through October 22, 2012.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (the Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project EA No. 08-0K500, Install Vehicle Detection Stations—Riverside County, and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.
- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit did not disclose any findings.

Background

In accordance with California Department of Transportation (Caltrans) and Transportation Commission (Commission) executed project agreement(s) or approved amendments, the project EA No. 08-0K500, Install Vehicle Detection Stations—Riverside County, was programmed and approved to receive \$6,760,000 in Proposition 1B bond funds, for one or more phases of work, under the State Highway Operations and Protection program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's agreement(s). The project's completion date was June 30, 2009.

Objectives, Scope, and Methodology

The SCO audited the implementing agency's financial management system relative to projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of March 17, 2008, through October 22, 2012.

The objectives of our audit were to determine whether:

- The implementing agency's accounting system and internal controls were adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines, procedures, project agreements, or approved amendments.
- The implementing agency complied with applicable federal and state procurement requirements as required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the implementing agency's prior audits and single audit reports;
- Reviewed the implementing agency's written policies and procedures relating to accounting systems, construction project management, and contract management; and
- Interviewed employees, completed the internal control questionnaire, and performed a system walk-through in order to gain an understanding of the implementing agency's internal controls, accounting systems, timekeeping and payroll systems, and billing processes related to transportation projects; specifically, projects funded by Proposition 1B.

For the project(s) under review, we performed the following audit procedures:

- Obtained project files and reviewed preliminary information to ensure that the implementing agency complied with applicable state and federal procurement requirements;

- Obtained project expenditure reports, selected a sample of activities that were funded by Proposition 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were reasonable, allocable, and allowable in accordance with Caltrans and Commission program guidelines, procedures, agreements, and applicable state and federal requirements;
- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed project final reports, close-out documents, finance letters, and baseline agreements to ensure that variances or changes to the project's scope, schedule, costs, and benefits were properly approved and supported; and
- Reviewed the project payment history file and/or invoices sent to the Caltrans accounting office to ensure that the implementing agency properly prepared and/or billed Caltrans for reimbursement of project expenditures as required by Caltrans' local assistance procedures.

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.

We did not audit the implementing agency's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives.

Conclusion

We determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines and agreements.

We audited the Proposition 1B bond-funded project EA No. 08-0K500, Install Vehicle Detection Stations—Riverside County, and determined that:

- The implementing agency complied with applicable federal and state procurement requirements required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with the executed project baseline agreements or approved amendments thereof, state and federal laws and regulations, contract provisions, and Commission guidelines.

- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit did not disclose any findings.

**Views of
Responsible
Official**

We discussed our audit results with Caltrans' representatives during an exit conference conducted on September 17, 2013. Tim Meardey, Project Manager, agreed with the audit results. Mr. Meardey declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of California Department of Transportation, Caltrans District 8 (Riverside); and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 17, 2013

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
March 17, 2008, through October 22, 2012**

Project No./EA No.: 08-0K500

Project Information: Install Vehicle Detection Stations-Riverside County

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Approved</u>	<u>Expended</u>	<u>Audited</u>
PA&ED	\$ 300,000	\$ 23,939	\$ 23,939
PS&E	570,000	317,485	—
R/W	50,000	—	—
Con. E	640,000	590,543	590,543
Construction	5,200,000	3,241,682	3,241,682
Total	<u>\$ 6,760,000</u>	<u>\$ 4,173,649</u>	<u>\$ 3,856,164</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning Construction	06/01/2008	06/01/2008	10/04/2008
End Construction	12/01/2008	12/01/2008	04/01/2009
Beginning Closeout	12/01/2008	12/01/2008	
End Closeout	03/01/2009	03/01/2009	04/01/2010

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<http://www.sco.ca.gov>