

City of Salinas

Proposition 1B Bond Program

Project Number 0515000036

Report No. 20-2660-047
July 2020

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Final reports are available on our website at http://www.dof.ca.gov.

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Transmitted via e-mail

July 27, 2020

MarSue Morrill, Chief, Planning and Modal Office
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Final Report—City of Salinas, Proposition 1B Audit

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

Project Number	P Number	Project Name
0515000036	P2500-0014	Sanborn Road/US-101 Interchange Improvement

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 Rick Cervantes, Manager, or David Shockey, Supervisor, at (916) 322-2985.

Sincerely,

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

cc: Nancy Shaul, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation
Monte Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

BACKGROUND, SCOPE, METHODOLOGY, AND RESULTS

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.[1]

PROGRAM DESCRIPTION[1]

TCIF: $2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

CTC awarded the City of Salinas (City) $1.7 million of Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) for the Sanborn Road/US-101 Interchange Improvements project (0515000036). The scope of the project was to extend the raised median and signalize Sanborn Road, extend and widen Elvee Drive, construct a new bridge at a ditch crossing, and construct a ramp meter on north bound US-101. The City was required to provide a dollar-for-dollar match of local funds. Construction for this project is not complete.

SCOPE

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

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 project agreements.
2. Deliverables/outputs were consistent with the project scope and schedule.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report (FDR).

[1] Excerpts obtained from the bond accountability website https://bondaccountability.dot.ca.gov/.

At the time of fieldwork in May 2020, construction was not complete for Project 0515000036. Since the City had not yet submitted the FDR**,** we did not evaluate whether project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

In performing our audit, we considered internal controls significant to the audit objectives. See Appendix B for a list of significant internal control components and underlying principles.

The City's management is responsible for ensuring accurate financial reporting; compliance with executed 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. Caltrans and CTC are responsible for the state-level administration of the program.

METHODOLOGY

In planning the audit, we gained an understanding of the project and respective program, and identified relevant criteria, by interviewing Caltrans and City personnel, and reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations.

We conducted a risk assessment, including evaluating whether the City's key internal controls significant to our audit objectives were properly designed, implemented, and operating effectively. Key internal controls evaluated focused on procurement, progress payment preparation, reimbursement request preparation, review and approval process for expenditures, project deliverables/outputs completion, and project benefits/outcomes reporting. Our assessment included conducting interviews with City personnel, observing processes, and testing transactions related to construction phase expenditures, contract procurement, project deliverables/outputs, and project benefits/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 verification of the reliability of data from the City's financial system, New World Systems, 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
Objective 1: 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 project agreements.	• Determined whether the project was appropriately advertised, evaluated, and awarded to the lowest, responsible bidder by reviewing construction contractor procurement records, such as project advertisements, bidding documents, and the contract, and comparing to the City's policies and procedures and Caltrans Local Assistance Procedures Manual (LAPM) requirements. • Selected the most quantitatively significant reimbursement claim from the construction category, reviewed eight construction progress payments, and selected ten construction contract bid items from the last progress payment in the claim (three items quantitatively significant and seven items systematically selected). o Determined if selected reimbursed construction expenditures were allowable, authorized, project-related, incurred within the allowable project period, and supported, by tracing to accounting records, progress payments, construction contract bid item costs and quantities, copies of checks, and comparing to relevant criteria. o Determined if selected match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, quantity count sheets, daily engineer logs/inspection reports, and copies of checks, and comparing project reimbursed amounts with project expenditure reports. • Selected one quantitatively significant contract change order (CCO) and one CCO determined to have higher risk. Determined if selected CCOs were within the scope of work, within the project period, not a contract duplication, authorized, and supported, by reviewing the CCOs, daily engineer logs/inspection reports, contractor correspondence, progress payments, and accounting records. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the executed project agreements by reviewing a list of other funding sources, project accounting records, and claims submitted for reimbursement related to these other funding sources to identity possible duplicate payments.

Audit Objective	Methods
Objective 2: To determine whether deliverables/outputs were consistent with the project scope and schedule.	• Determined whether there is a system in place to report actual project deliverables/outputs for the interim project by reviewing project agreement Project Programing Request (PPR), Quarterly Progress Reports (QPR), and Caltrans permit for inspection, and interviewing Caltrans District 5 personnel to confirm consistency with the project's scope. • Determined whether project deliverables/outputs were on schedule by reviewing project files, project agreements, and QPRs.
Objective 3: To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.	• Determined whether there is a system in place to report actual project benefits/outcomes by interviewing City personnel and comparing the project agreement PPR to the QPRs and confirming the City had a plan to perform a traffic study to measure results.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.

We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scope and schedule. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay.

Additionally, there is a system in place to determine and report actual project benefits/outcomes.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Salinas: City
- Final Delivery Report: FDR
- Program Name: TCIF

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0515000036	$1,659,768	I	Y	Y	N/A	N/A	A-1

Legend
I = Construction is not complete.
Y = Yes
N/A = Not Applicable**,** the FDR had not been submitted as of May 2020, the end of our fieldwork.

Project Number: 0515000036

Project Name: Sanborn Road/US-101 Interchange Improvements

Program Name: TCIF

Project Description: The project will (1) extend the raised median of Sanborn Road to preclude left turns at Elvee Drive; (2) improve the right-turn lane on Westbound Sanborn Road to Work Street; (3) extend Elvee Drive to Work Street and construct a new bridge at existing reclamation ditch crossing; (4) signalize the Sanborn Road northbound loop off-ramp/Fairview Drive Avenue intersection, (5) construct a ramp meter on the northbound US 101 on-ramp (6) widen Elvee Drive, and (7) install curb, gutter, sidewalk and street lighting along Elvee Drive.

Audit Period: January 22, 2015 through May 20, 2018 for audit objective 1[2]
January 22, 2015 through May 29, 2020 for audit objectives 2 and 3[3]

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	$1,659,768
Total Proposition 1B Expenditures	**$1,659,768**

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 project agreements. Additionally, the match requirement was met**.**

Deliverables/Outputs

Target completion for the construction phase of this project is June 2020. At the time of our fieldwork in May 2020, project deliverables/outputs were consistent with the project scope and schedule as stated in the fiscal year 2019-20 third QPR submitted to Caltrans. Although the project was behind schedule, the City appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR had not been submitted at the time of our fieldwork in May 2020. However, a system is in place to measure achievements of actual project benefits/outcomes.

[2] The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.
[3] The audit period end date reflects the end of audit fieldwork.

APPENDIX B

We considered the following internal control components and underlying principles significant to the audit objectives:

Internal Control Component	Internal Control Principle
Control Activities	• Management designs control activities to achieve objectives and respond to risks. • Management implements control activities through policies.
Information and Communication	• Management uses quality information to achieve the entity's objectives. • Management externally communicates necessary quality information to achieve the entity's objectives.