



Contra Costa Transportation Authority

Proposition 1B Bond Programs

Project Numbers 0400000697 and 0400021104

Team Members

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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

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Final Report—Contra Costa Transportation Authority, Proposition 1B Audit

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

| <u>Project Number</u> | <u>P Number</u> | <u>Project Name</u> |
|-----------------------|-----------------|---|
| 0400000697 | P2505-0114 | State Route 4 Bypass-Sand Creek Road Interchange |
| 0400021104 | P2535-0126 | State Route 4 Widening from Hillcrest Avenue to State Route 160 |

Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

If you have any questions regarding this report, please contact Rebecca McAllister, Assistant Chief, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Becky McAllister for:

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

cc: Luisa Ruvalcaba, Audit Manager, 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

CTC awarded the Contra Costa Transportation Authority (CCTA) \$31.787 million of Proposition 1B Corridor Mobility Improvement Account (CMIA) funds and \$5.868 million of State-Local Partnership Program (SLPP) funds to support the following transportation construction projects:

- **State Route 4 Bypass-Sand Creek Road Interchange (0400000697)** – the CCTA was awarded \$31.787 million of CMIA funds to convert State Route 4 from a two lane, two way expressway into a four lane divided freeway, and to convert an at-grade Sand Creek Road Interchange into a grade separated interchange.
- **State Route 4 Widening from Hillcrest Avenue to State Route 160 (Segment No. 3B, 0400021104)** – The CCTA was awarded \$5.868 million of SLPP funds for the addition of two through lanes in both the east and westbound direction on State Route 4.
- The CCTA was required to provide a local fund dollar-for-dollar match for project 0400021104.

Both projects are complete and operational.

PROGRAM DESCRIPTION¹

CMIA: \$4.5 billion of bond proceeds made available to the CMIA to finance a variety of eligible transportation projects. CTC's general expectation is that each CMIA project will have a full funding commitment through construction, either from the CMIA alone or from a combination of CMIA and other state, local, or federal funds.

SLPP: \$1 billion of bond proceeds made available to the SLPP to finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds. Transportation Impact Fee funds were used to meet the match requirement.

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

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period 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 agreements.
2. Deliverables/outputs were consistent with the project scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report (FDR).

At the time of our site visits in October 2018, construction was complete for project 0400021104. However, the FDR had not been submitted at the end of fieldwork. Therefore, we did not evaluate whether project benefit/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

CCTA's management is responsible for ensuring accurate financial reporting; compliance with project agreements, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the programs.

METHODOLOGY

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

We conducted a risk assessment, including evaluating whether CCTA's key internal controls relevant to our audit objectives, were properly designed, implemented, and operating effectively. Key internal controls evaluated focused on procurement, progress payment preparation, reimbursement request preparation, and reviews and approvals processes. Our assessment included conducting interviews with CCTA personnel, observing processes, and testing transactions related to construction and construction engineering expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. During our audit, we did not identify deficiencies in internal controls within the context of our audit objectives or that warranted the attention of those charge with governance.

We determined verification of the reliability of data from CCTA's financial system, Tyler – New World ERP, 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.

Table of Methodologies

| Audit Objective | Methods |
|---|---|
| <p>Objective 1: To determine whether CCTA's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.</p> | <ul style="list-style-type: none"> • Reviewed procurement records to verify compliance with CCTA's policies and procedures to ensure the projects were advertised and awarded to the lowest, responsible, or most qualified bidder by reviewing project advertisements, bidding documents, CCTA staff reports and spreadsheets, CCTA board meeting minutes, and contracts. • Selected items from the construction and construction engineering expenditure categories to verify compliance with selected grant requirements. Specifically, for project 0400000697, selected the first and final reimbursement claim and for project 0400021104 select the first and eighth reimbursement claim for testing construction expenditures and the first and eighth claim for testing construction engineering expenditures. From each reimbursement claim, selected one line item from each progress payment and performed the following: <ul style="list-style-type: none"> ◦ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing contractor progress payments, engineering invoices, accounting records, and contractor payments, and comparing to relevant criteria. • Selected 10 construction change orders (CCO) and related supplementals, 4 from project 0400000697 and 6 from project 0400021104, for testing based on CCO amount and description. Determined if selected CCOs were project-related, not a duplication of work, properly approved, and supported, by reviewing CCO logs and memorandums, estimates, the project's scope of work, and comparing the work in the CCO to the original construction contract, and reviewing vendor invoices. • Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by reviewing project progress payments and accounting records to verify program funds were not used to make duplicate payments. |

| Audit Objective | Methods |
|--|---|
| <p>Objective 2: To determine whether project deliverables/outputs were consistent with the project scopes and schedules.</p> | <ul style="list-style-type: none"> • Determined whether project deliverables/outputs were consistent with the project scope and schedule by conducting site visits to verify project existence and performing the following: <ul style="list-style-type: none"> ◦ Project 0400000697, evaluated whether project deliverables/outputs were completed on schedule as described in the Project Programing Request by reviewing the FDR, the Notice of Completion, and Caltrans quarterly progress reports. ◦ Project 0400021104, determined whether there is a system in place to report actual project deliverables/outputs by reviewing supporting documentation and conducting a site visit to confirm consistency with the project scope. |
| <p>Objective 3: To determine whether project benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDR.</p> | <ul style="list-style-type: none"> • For project 0400000697, determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDR with the expected project benefits/outcomes described in the executed project agreements. We also evaluated whether project benefits/outcomes were adequately reported in the FDR by interviewing CCTA staff and reviewing the benefits calculation report prepared by a third party vendor used to support the reported benefits/outcomes. • For project 040021104, determined whether there is a system in place to report actual project benefits/ outcomes in the FDR by interviewing CCTA staff and comparing the Project Programming Request to the Project Plans and Resident Engineer's Daily Report Logs. |

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. We also obtained reasonable assurance the projects' deliverables/outputs were consistent with the project scopes and schedules. Although the projects were behind schedule, the CCTA appropriately informed Caltrans and CTC of the delays.

Additionally, for Project 0400000697, we obtained reasonable assurance the CCTA achieved the expected benefits/outcomes as described in the project agreement, and the benefits/outcomes were adequately reported in the FDR. For project number 0400021104, we obtained reasonable assurance there is a system in place for CCTA to report actual project benefits/outcomes in the FDR.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Contra Costa Transportation Authority: CCTA
- Corridor Mobility Improvement Act: CMIA
- State-Local Partnership Program: SLPP

Summary of Projects

| Project Number | Expenditures Reimbursed | Project Status | Expenditures In Compliance | Deliverables/ Outputs Consistent | Benefits/ Outcomes Achieved | Benefits/ Outcomes Adequately Reported | Page |
|----------------|-------------------------|----------------|----------------------------|----------------------------------|-----------------------------|--|------|
| 0400000697 | \$31,786,691 | C | Y | Y | Y | Y | A-1 |
| 0400021104 | \$5,839,292 | C | Y | Y | Y | N/A | A-2 |

Legend

C = Complete

Y = Yes

N/A = Not Applicable

Project Number: 0400000697

Project Name: State Route 4 Bypass-Sand Creek Road Interchange

Program Name: CMIA

Project Description: Convert State Route 4 from a two lane, two way expressway into a four lane divided freeway, and convert an at-grade Sand Creek Road Interchange into a grade separated interchange.

Audit Period: December 30, 2011 – September 20, 2014²
December 30, 2011 – March 14, 2017³

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

Schedule of Proposition 1B Expenditures

| Category | Reimbursed |
|--|----------------------|
| Construction | \$ 27,656,552 |
| Construction Engineering | 4,130,139 |
| Total Proposition 1B Expenditures | \$ 31,786,691 |

Results:

Compliance-Proposition 1B Expenditures

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

Deliverables/Outputs

The construction phase of the project was completed in October 2015. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. Additionally, the Implementing Agency achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

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 FDR submission date.

| Expected Benefits/Outcomes Reported in the Project Agreement | Actual Benefits/Outcomes Reported in the FDR | Benefits/ Outcomes Achieved |
|---|---|--|
| Hours of Daily Vehicle Hours of Delay Saved = 975 | Hours of Daily Vehicle Hours of Delay Saved = 1,316 | Yes |
| Minutes of Daily Peak Duration Person-Minutes Saved = 77,651 | Not Reported ⁴ | Yes |
| Not Included in the Project Agreement ⁵ | Peak Period time Savings (minutes) = 52,560 ⁵ | N/A |
| Reduction in Duration of Congestion = 8 hours | Not Reported ⁶ | Yes |

⁴ Not reported on the Supplemental FDR because CalTrans revised the FDR report format to no longer include information on the Daily Peak Duration Person-Minutes Saved; however, confirmed the benefits/outcomes were met based on our review of CCTA's consultant's report. Minutes of Daily Peak Duration Person-Minutes Saved were reported as 90,821

⁵ This time savings metric was added to the FDR but was not included in the PPR.

⁶ Not reported on the Supplemental FDR because CalTrans revised the FDR report format to no longer include information on the Reduction in Duration of Congestion; however, confirmed the benefits/outcomes were met based on our review of CCTA's consultant's report. Reduction in Duration of Congestion was reported as 8 hours.

Project Number: 0400021104

Project Name: State Route 4 Widening from Hillcrest Avenue to State Route 160

Program Name: SLPP

Project Description: Add two through lanes in both the eastbound and westbound directions of State Route 4.

Audit Period: May 24, 2012 – September 20, 2016⁷
May 24, 2012 – July 19, 2017⁸

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

Schedule of Proposition 1B Expenditures

| Category | Reimbursed |
|--|---------------------|
| Construction | \$ 5,839,292 |
| Total Proposition 1B Expenditures | \$ 5,839,292 |

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in July 2017. At the time of our site visit in October 2018, project deliverables/outputs were consistent with the project scope and schedule.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because FDR had not been submitted at the time of our fieldwork in October 2018. However, a system is in place to measure achievements of actual project benefits/outcomes to report in the FDR.

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

⁸ The audit period end date reflects the Notice of Completion contract acceptance date.