

Memorandum

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To: RAY ZHANG
Division Chief
Division of Local Assistance

Date: December 28, 2017

File: P2535-0079

From: ALICE M. LEE 
Chief
External Audits — Contracts
Independent Office of Audits and Investigations

Subject: **AUDIT OF CITY OF IRVINE PROPOSITION 1B PROJECTS**

Attached is the audit report pertaining to the audit performed on the following Proposition 1 B (Prop 1B) project:

<u>Project Name</u>	<u>Project number</u>	<u>P Number</u>	<u>Amount Audited</u>
Campus Drive Rehabilitation (Culver to University)	1213000059	P2535-0079	\$1,137,756

The project's implementing agency is the City of Irvine. The project was funded using Prop1B State-Local Partnership Program Funds. The audit was for the period of January 8, 2013 through May 15, 2015.

As required by the Governor's Executive Order S-02-07 and SB88, the expenditures of bond proceeds and outcomes are subject to audit. The audit was performed by the Department of Finance on behalf of Caltrans. Deputy Directive 100-R1, "Departmental Responses to Audit Reports" cites responsibilities of Division Chiefs relative to audits performed. The audit does not disclose any findings.

If you have any questions, please contact Elena Guerrero, Acting Audit Manager, at (916) 323-7954.

RAY ZHANG
December 28, 2017
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Attachment

cc: Stephen Maller, Deputy Director, California Transportation Commission
Rick Guevel, Associate Deputy Director, California Transportation Commission
Reza Afhami, Acting Assistant Deputy Director, California Transportation Commission
Coco Briseno, Deputy Director, Planning and Modal Programs
Bruce De Terra, Division Chief, Transportation Programming
Sharon Bertozzi, Sr. Transportation Engineer, Division of Local Assistance
Doris M. Alkebulan, Prop IB Specialist, Transportation Programming
Carmen Wills, Audit Liason, Division of Local Assistance
Elena Guerrero, Acting Audit Manager, Audits and Investigations



City of Irvine

Proposition 1B Bond Program
Project Number 1213000059

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Rick Cervantes, CPA, Manager
Sherry Ma, CRP, Supervisor
Blanca Sandoval

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

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



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FINANCE

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Transmitted via e-mail

November 21, 2017

Ms. Alice M. Lee, Chief
External Audits—Contracts, Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Lee:

Final Report—City of Irvine, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1213000059	P2535-0079	Campus Drive (Culver to University) Rehabilitation

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 Sherry Ma, Supervisor, at (916) 322-2985.

Sincerely,

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits—Contracts, Audits and Investigations, California Department of Transportation
Ms. Sharon Bertozzi, State Leadership Partner Program Coordinator, Division of Local Assistance, California Department of Transportation
Mr. Manuel Gomez, Director, Department of Public Works, City of Irvine
Mr. Darrell Cheam, Associate Transportation Analyst, Department of Public Works, City of Irvine

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 \$1.1 million of Proposition 1B State-Local Partnership Program Account (SLPP) funds to the City of Irvine (City) for the Campus Drive Rehabilitation Project (1213000059). The project included the rehabilitation of the pavement surface, replacing the median curb, and installing video detection at the intersections on Campus Drive from Culver Drive to University Drive. Construction for this project is complete.

PROGRAM DESCRIPTION¹

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.

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 audit period for the project is identified in Appendix A.

The audit objectives were to determine whether:

- 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 agreement.
- Deliverables/outputs were consistent with the project scope and schedule.
- Benefits/outcomes as described in the executed project agreements or approved amendments were achieved and adequately reported in the Final Delivery Report.

We did not assess the efficiency or effectiveness of program operations.

The City's management is responsible for ensuring accurate financial reporting; compliance with contract provisions, 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 program.

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

METHODOLOGY

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

- Examined the project files, project agreements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable local and state procurement requirements.
- Reviewed accounting records, progress payments, and cancelled checks.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported by accounting records.
- Reviewed a sample of contract change orders to ensure they were within the scope of the project, properly approved, and supported.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Verified the match requirement was met.
- Evaluated whether project deliverables/outputs were met by reviewing a sample of supporting documentation and conducting a site visit to verify project existence.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project files, project agreements or amendments, and the Final Delivery Report.
- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes reported in the Final Delivery Report with the expected project benefits/outcomes described in the executed project agreements or approved amendments.
- Evaluated whether project benefits/outcomes were adequately reported in the Final Delivery Report by reviewing supporting documentation.

In conducting our audit, we obtained an understanding of internal control, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed, implemented, and operating effectively. No deficiencies in internal control were identified during our audit or determined to be significant within the context of our audit objectives.

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

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. In addition, the project deliverables/outputs were consistent with the project scope. Although the project was behind schedule, the City appropriately informed Caltrans and CTC of the delay.

Project benefits/outcomes were adequately reported in the Final Delivery Report. In addition, the City achieved the expected project benefits/outcomes as described in the executed project agreements, or approved amendments. The *Summary of Projects Reviewed* is presented in Appendix A.

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Irvine: City
- State-Local Partnership Program Account: SLPP

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
1213000059	\$1,137,756	C	Y	Y	Y	Y	A-1

Legend

C = Complete

Y = Yes

Project Number: 1213000059

Project Name: Campus Drive (Culver to University) Rehabilitation

Program Name: SLPP

Project Description: Rehabilitate the pavement surface on Campus Drive from Culver Drive to University Drive, replace the median curb and gutter, and install the required video detection at the intersections.

Audit Period: January 8, 2013 through May 15, 2015¹

Project Status: Construction is complete.

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$1,053,756
Construction Engineering	84,000
Total Proposition 1B Expenditures	\$1,137,756

Audit 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. In addition, the City met the match requirement.

Deliverables/Outputs

The construction phase for this project was completed in August 2014. At the time of our site visit in July 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed seven months late. The City updated Caltrans and CTC of the delay.

Benefits/Outcomes

The actual project benefits/outcomes were adequately reported in the Final Delivery Report. In addition, the City achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Extend the useful life to 15 years.	The project was designed and constructed to extend the useful life to 15 years.	Yes
Increase travel comfort and reduce normal wear and tear.	The roadway was rehabilitated to restore pavement structural stability. Additionally, it increased travel comfort and reduced normal wear and tear.	Yes

¹ The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.