



Transmitted via e-mail

March 13, 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 Del Mar, Proposition 1B Audit

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

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
STPLZ-5356(003)	P2540-0059	North Torrey Pines Road/Bridge Number 57C0207

The enclosed report is for your information and use. The City's response to the report finding is incorporated into this final report. The City agreed with our finding and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, External Audits—Contracts, Audits and Investigations,
California Department of Transportation
Mr. Eric Minicilli, Public Works Director, City of Del Mar
Ms. Teresa McBroome, Director of Finance, City of Del Mar
Ms. Monica Molina, Senior Accountant, City of Del Mar

AUDIT REPORT

City of Del Mar Proposition 1B Bond Program Project Number STPLZ-5356(003)



North Torrey Pines Road Bridge

Prepared By:
Office of State Audits and Evaluations
California Department of Finance

MEMBERS OF THE TEAM

Jon Chapple, CPA
Manager

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Supervisor

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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

BACKGROUND, SCOPE AND METHODOLOGY

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 \$3.6 million of Proposition 1B Local Bridge Seismic Retrofit Account (LBSRA) funds to the City of Del Mar (City) for the North Torrey Pines Road Bridge seismic retrofit project (STPLZ-5356(003)). The North Torrey Pines Road Bridge is situated in the coastal zone between the City of San Diego to the south and the City of Del Mar to the north. The project addresses the seismic retrofit and rehabilitation of the existing bridge with the objective of maintaining capacity and the visual characteristics of the bridge.² Construction for this project is complete.

PROGRAM DESCRIPTION¹

LBSRA: \$125 million of bond proceeds made available to the LBSRA to provide the 11.5 percent required match for federal Highway Bridge Replacement and Repair funds for seismic work on local bridges, ramps, and overpasses.

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, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.
- Deliverables/outputs were consistent with the project scope and schedule.
- Benefits/outcomes as described in the executed project agreements, approved amendments, or Baseline Agreements were achieved, and adequately reported in the Final Delivery Report.

At the time of our site visit in November 2016, the construction phase of the project was complete. However, since the City had not submitted the Final Delivery Report at the time of our audit, 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.

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

² Source: Caltrans and City of Del Mar Oversight Co-Operative Agreement for the North Torrey Pines Road Bridge

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 costs. CTC and Caltrans are responsible for the state-level administration of the program.

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, state, and federal 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 whether there is a system in place to ensure the match requirement will be 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 Baseline Agreement.
- Evaluated whether there is a system in place to report actual project benefits/outcomes.

In conducting our audit, we obtained an understanding of internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

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.

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines. In addition, except as noted below, 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, we determined there was a system in place to report actual project benefits/outcomes. The *Summary of Projects Reviewed* is presented in Appendix A.

Finding 1: Final Delivery Report not Submitted Timely

The project's Final Delivery Report was due January 2016 and had not been submitted to Caltrans as of November 2016. According to the City, the report was delayed to ensure the establishment period for landscaping and plants was achieved, and to complete environmental mitigation activity. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes. The LBSRA Guidelines requires a Final Delivery Report within six months after the project becomes operable. This section states that a project becomes operable at the end of the construction phase when the construction contract is accepted. For this project, the construction contract was accepted in July 2015.

Recommendation:

Submit all Proposition 1B project Final Delivery Reports to CTC within six months of the project becoming operable (construction contract acceptance date).

APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Del Mar: City
- Local Bridge Seismic Retrofit Account: LBSRA

Summary of Projects Reviewed

Project Name	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
North Torrey Pines Road/ Bridge Number 57C0207	\$2,449,951	C ¹	Y	Y	N/A ²	N/A ²	A-1

Legend

C = Complete

Y = Yes

N/A = Not Applicable

¹ The construction phase of the project was completed in July 2015.

² Although construction was complete, the City had not submitted the Final Delivery Report as of November 2016; therefore, we did not evaluate whether project benefits/outcomes were achieved or adequately reported.

Project Number: STPLZ-5356(003)

Project Name: North Torrey Pines Road/Bridge Number 57C0207

Program Name: LBSRA

Project Description: To seismically retrofit the bridge in accordance with Caltrans Standards.

Audit Period: March 22, 2010 through February 1, 2016³

Project Status: Complete

Schedule of Proposition 1B Expenditures

Proposition 1B Expenditures	Reimbursed
Construction	\$ 691,679
Construction Engineering	1,758,272
Total Proposition 1B Expenditures	\$2,449,951

Audit Results:

Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines. In addition, the City has a system in place to ensure the match requirement will be met.

Deliverables/Outputs

The construction phase of the project was completed in July 2015. At the time of our site visit in November 2016, deliverables/outputs were consistent with the project scope. However, the project's Final Delivery Report was due January 2016 and has not been submitted as of November 2016. Additionally, the project was behind schedule and completed 33 months late. The City updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual benefits/outcomes have not been reported because the Final Delivery Report was not submitted to Caltrans as of November 2016. However, there is a system in place to report actual project benefits/outcomes.

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



City of Del Mar



February 16, 2017

Ms. Jennifer Whitaker, Chief
Office of State Audits and Evaluations
Department of Finance

RE: City of Del Mar, Proposition 1B Audit

Dear Ms. Whitaker,

The City of Del Mar is in receipt of the draft audit report. Listed below is the City's response to the finding that was noted in the report.

Finding 1: Final Delivery Report not Submitted Timely

The project's Final Delivery Report was due January 2016 and had not been submitted to Caltrans as of November 2016. According to the City, the report was delayed to ensure the establishment period for landscaping and plants was achieved, and to complete environmental mitigation activity. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes. The LBSRA Guidelines requires a Final Delivery Report within six months after the project becomes operable. This section states that a project becomes operable at the end of the construction phase when the construction contract is accepted. For this project, the construction contract was accepted in July 2015.

Recommendation:

Submit all Proposition 1B project Final Delivery Reports to CTC within six months of the project becoming operable (construction contract acceptance date).

Response:

The City was unaware of the requirement that the project's Final Delivery Report was due six months after the end of the construction phase of the project. Since the City was still incurring costs for landscaping and considered it an ongoing project, the City was not expecting to submit the report until the mitigation process was complete. After being informed of the reporting requirement, the City has submitted the Final Delivery Report to Caltrans and is in compliance of this requirement.

If you have any questions, please contact me directly at (858) 755-9354.

Sincerely,

Original signed by

Teresa S. McBroome
Director of Finance/Treasurer