



Transmitted via e-mail

May 16, 2012

Mr. Malcolm Dougherty, Director  
California Department of Transportation  
1415 11<sup>th</sup> Street  
Sacramento, CA 95814

Dear Mr. Dougherty:

**Final Report—California Department of Transportation, Audit of Proposition 1B Bond Funds**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Proposition 1B, Public Transportation Modernization, Improvement, and Service Enhancement Account administered by the California Department of Transportation (Caltrans) for the period July 1, 2007 through June 30, 2011.

Caltrans' response to the report observations is incorporated into this final report. Caltrans agreed with our observations and we appreciate its willingness to implement corrective actions. The observations in our report are intended to assist management in improving the Public Transportation Modernization, Improvement, and Service Enhancement Program. This report will be placed on our website.

Please provide an updated Corrective Action Plan (CAP) addressing the observations and recommendations within six months from receipt of this letter. The CAP should indicate whether milestones and planned target dates are on track to correct all deficiencies.

We appreciate the assistance and cooperation of Caltrans and project sponsors. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Sherry Ma, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Richard Land, Chief Deputy Director, California Department of Transportation  
Mr. Martin Tuttle, Deputy Director, Mass Transportation, California Department of Transportation  
Ms. Jane Perez, Division Chief, Mass Transportation, California Department of Transportation  
Ms. Jila Priebe, Office Chief, Mass Transportation, California Department of Transportation  
Ms. Susan Bransen, Assistant Director, Audits and Investigations, California Department of Transportation  
Ms. MarSue Morrill, Chief, External Audits, California Department of Transportation

# Audit Report

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## California Department of Transportation Public Transportation Modernization, Improvement, and Service Enhancement Account Proposition 1B



Source: California of Department of Transportation—Imperial Valley College Bus Transfer Terminal Project

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

## **MEMBERS OF THE TEAM**

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

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## EXECUTIVE SUMMARY

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In accordance with the Department of Finance's bond oversight responsibilities, we audited the California Department of Transportation's (Caltrans) administration of Proposition 1B funding from July 1, 2007 through June 30, 2011. Our audit objectives were to: 1) determine if bond funds were awarded and expended in compliance with applicable legal requirements and established criteria, 2) determine if Caltrans had adequate project monitoring processes in place, and 3) determine whether Caltrans' use of bond funds achieved the intended outcomes. Specifically, our audit focused on the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

Based on our scope, we determined awarded funds and expenditures were appropriate and complied with applicable regulations and established criteria, and performance outcomes were generally achieved for projects. Except as noted below, Caltrans and the selected project sponsors reviewed have fiscal and programmatic controls established for PTMISEA. We noted the following observations:

- Project monitoring should be improved.
- Reliability of data on the Bond Accountability website can be strengthened.

Since program inception in November 2006, Caltrans has made significant strides in providing guidance to project sponsors and implementing departmental internal controls related to the disbursement of PTMISEA funds. Although Caltrans is faced with challenges such as limited-term staff, alternative methods should be explored and implemented to ensure fiscal and administrative controls over bond funds are more effective. Caltrans should develop corrective action plans to address the observations and recommendations noted in this report.

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

In November 2006, California voters passed the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Bond proceeds totaling \$19.925 billion are for various transportation-related projects, trade infrastructure and port security projects, school bus retrofit and replacement, transit and passenger rail improvements, transit security projects, and local bridge seismic retrofit projects.

Administered by a number of state departments, agencies, boards, and commissions, bond proceeds are allocated to 16 different programs. No one entity is charged to act as a lead agency for Proposition 1B. Each department is responsible for reporting its project and financial status to the appropriate parties.

Of the \$19.925 billion of Proposition 1B bond funds, the California Department of Transportation (Caltrans) received a total of \$3.6 billion to administer the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

### California Department of Transportation<sup>1</sup>

Caltrans' mission is to improve mobility across California by providing the safest transportation system in the nation for users and workers, maximize transportation system performance and accessibility, efficiently deliver quality transportation projects and services, preserve and enhance California's resources and assets, and promote quality service through an excellent workforce. Caltrans' Division of Mass Transportation administers the PTMISEA program.

#### *Division of Mass Transportation*

The Division of Mass Transportation's (DMT) primary responsibility is the administration of state and federal grant programs that provide funding for operating assistance and capital improvement projects. DMT provides technical assistance to agencies responsible for public transportation services including buses, demand-responsive accessible services for the elderly and disabled, rural transit, commuter and urban rail services, and waterborne ferry operations.

DMT supports the development of a multi-modal transportation system, which increases the mobility and access choices for employment opportunities, medical appointments, education and tourist attractions to California's citizens and visitors. This is accomplished by:

- Providing financial and management assistance statewide towards increased availability, efficiency, and effectiveness of transit.
- Providing funding assistance for transit for the elderly, persons with disabilities, and to rural areas.

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<sup>1</sup> Information obtained from the Department of Transportation website, [www.dot.ca.gov](http://www.dot.ca.gov).

- Mitigating congestion on highways for people, goods, and services through support of mass transportation alternatives. Developing strategic interagency partnerships to meet the increasing demand for better travel options for older persons, individuals with disabilities, those with low incomes, and the general public.

DMT is organized into two offices: the Office of State Transit Planning and Programs and the Office of Federal Transit Grants. The Office of State Transit Planning and Programs, Proposition 1B Branch, oversees the PTMISEA program and is responsible for developing guidelines, updating the Governor's Bond Accountability Input System for PTMISEA projects, and authorizing PTMISEA funds to be allocated to eligible agencies for projects that meet the eligible project categories.

### **Public Transportation Modernization, Improvement, and Service Enhancement Account**

The available \$3.6 billion of PTMISEA funds are designated for allocation over a ten year period for public transportation projects. Eligible project categories are: 1) transit rehabilitation, safety or modernization improvements, 2) capital service enhancements or expansions, 3) new capital projects, 4) bus rapid transit improvements, and 5) rolling stock procurement, rehabilitation, or replacement.

PTMISEA funds are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation to eligible entities. SCO identifies and develops the list of eligible project sponsors (transit agencies) and the amount each is eligible to receive annually in accordance with Public Utilities Code formula distributions: 50 percent allocated to local operators based on fare-box revenue and 50 percent to regional entities based on population.<sup>2</sup>

Caltrans authorizes PTMISEA funds to the eligible project sponsors identified by SCO for projects meeting established criteria. When bond funds are available for disbursement, the total allocation amounts for approved projects are advanced to project sponsors. Project sponsors must deposit PTMISEA funds into a separate bank account and track interest earned. Interest earned may be applied to the current project or transferred to an approved new or existing project.

As of March 30, 2012, \$2.8 billion has been appropriated, and Caltrans has authorized statewide distribution of PTMISEA funds in the amount of \$1.3 billion for over 650 projects.<sup>3</sup>

### **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we conducted an audit to determine whether bond funds were awarded and expended in accordance with applicable legal requirements and established criteria, if adequate monitoring processes were in place, and if use of bond funds met the intended outcomes. Specifically, our audit focused on the following areas:

- Project management and monitoring practices
- Achievement of intended outcomes
- Compliance with reporting requirements
- Appropriate expenditure of PTMISEA funds, including interest earned

<sup>2</sup> Information obtained from Caltrans, Mass Transportation website, <http://www.dot.ca.gov/hq/MassTrans/Proposition-1B.html>

<sup>3</sup> Information obtained from Bond Accountability Website for PTMISEA, <http://www.bondaccountability.dot.ca.gov/bondacc/MainMenuAction.do?>&page=modernization>

The audit period was July 1, 2007 through June 30, 2011. Our audit did not include an assessment of the bond authorization, issuance, and sale processes.

## **METHODOLOGY**

To determine whether bond funds were awarded and expended in compliance with legal requirements and established criteria, adequate monitoring processes were in place, and use of bond funds achieved the intended outcomes, we performed the following:

- Reviewed applicable bond acts and Caltrans' grant management procedures, program guidelines, legal provisions, and regulations.
- Reviewed internet resources, including Caltrans' website, to gain an understanding of the bond funded program.
- Verified the financial information reported on the Bond Accountability website.
- Interviewed key Caltrans personnel responsible for administering bond funds to obtain an understanding of how Caltrans oversees various project stages: pre-award, in-progress monitoring, and follow-up.
- Assessed key controls at Caltrans and at the project sponsors to ensure controls were working as intended over bond expenditures.
- Reviewed a sample of 21 project files available at Caltrans.
- Identified and assessed Caltrans' and the project sponsors' project tracking and monitoring methods and processes.
- Performed site visits of 5 project sponsors and conducted interviews of key staff. 21 projects reported as "fully complete" by the selected project sponsors were reviewed to determine compliance with the applicable regulations and established criteria.
- Verified the 21 projects achieved the intended outcomes in accordance with established criteria and applicable regulations.

Recommendations were developed based on review of documentation made available to us and interviews with management and key staff directly responsible for administering PTMISEA at Caltrans and the selected project sponsors. This audit was conducted from September 2011 through March 2012.

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

In connection with this audit, there are certain disclosures required by government auditing standards. Finance is not independent of Caltrans, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

The California Department of Transportation (Caltrans) authorized Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds in compliance with applicable legal requirements and established criteria. Caltrans has established PTMISEA guidelines<sup>4</sup> and desk procedures which specify project status reporting requirements. All project data was recorded and tracked on extensive excel spreadsheets maintained on a shared drive. At the time of our audit, Caltrans had an approved request for proposal to develop a database that will replace the project tracking processes currently maintained on excel spreadsheets. Except as noted below, Caltrans and project sponsors reviewed have fiscal and programmatic controls established for the PTMISEA program. Project sponsor expenditures were appropriate and performance outcomes were generally achieved for projects. However, to further improve Caltrans' bond accountability, we noted the following observations and recommendations:

### **Observation 1: Project Monitoring Should Be Improved**

Our audit found that project monitoring controls should be improved to ensure adequate oversight and accountability of PTMISEA funds. Specifically, Caltrans' project monitoring relies on self-reported information from project sponsors without verification. Lacking a process to verify the validity of sponsors' project information puts Caltrans at risk that projects will not be within scope, schedule, and costs. During our review of Caltrans' project files, we found project status reporting requirements are not enforced (see textbox for a sample of project reporting requirements). Further, our site visits of project sponsors found instances of incorrect project information reported to Caltrans and weak grant management practices. See *Appendix A* for list of project sponsors and projects reviewed.

#### **Project Reporting Requirements**

- Project sponsors must provide a full funding plan that shows all funding sources needed to complete the project.
- A Corrective Action Plan (CAP) is required to be submitted to use interest earned on project funds on the existing or a new project, before any interest can be applied to the applicable project.
- To change a project's original approved scope, schedule, or costs, the project sponsor must obtain prior approval by submitting a CAP.
- A final report is required six months after project completion comparing actual to anticipated project performance, including total project costs and performance outcomes. Further, evidence of project completion, such as a photo, is required.
- Project sponsors receiving PTMISEA funds in a fiscal year for which a Transportation Development Act (TDA) audit is conducted, must submit a copy of the TDA audit report, which includes PTMISEA expenditures, to Caltrans within six months after close of the fiscal year (December 31).

*Source: Caltrans PTMISEA Guidelines*

<sup>4</sup> Guidelines revised December 2010.

- *Project reporting requirements not enforced.* Our review of Caltrans' project files found 15 of 21 (71 percent) project files with a final report that did not include evidence of project completion, such as a photograph to confirm completion of construction, property acquired, vehicle(s) purchased, or equipment installed. In addition, 8 of 21 (38 percent) project files were missing the required Transportation Development Act (TDA) audit report for the initial fiscal year PTMISEA funds were received. For one project, the TDA report did not identify all PTMISEA funds received for the fiscal year. For two projects, performance outcomes or use of remaining funds and interest earned were not properly reported on the final report. For example, the actual performance outcome reported for a project was the same as the anticipated outcome, which stated the acquired property will store 250 vehicles, instead of reporting the actual number of vehicles stored.
- *Inaccurate project information reported to Caltrans.* Although project sponsors generally submitted the reports as required, 3 of the 5 (60 percent) project sponsors' projects reviewed reported inaccurate project information. Specifically:
  - Ventura County Transportation Commission, Sacramento Area Council of Governments (SACOG), and San Joaquin Regional Transit District (SJRTD) reported incorrect project information on their final project reports. For example, expenditures funded with federal and local funds were not reported, interest was reported as project costs but was actually transferred to another project without Caltrans' prior approval, and anticipated project outcomes were erroneously reported.
  - SJRTD received \$875,883 in PTMISEA funds for its \$3.3 million regional operations facility project to purchase land "ready to be used" for bus parking. Our inspection of the property on January 10, 2012 found no buses visibly stored on the unpaved lot but a lone warehouse building on which the prior owner's business sign remains advertised. See *Appendix B* for photographs of property. Additionally, the final report dated August 4, 2010 listed actual performance outcomes as "new facility will house 250 vehicles." At the time of our review, SJRTD stated only six buses were stored in the warehouse. Subsequently, SJRTD indicated that as of February 15, 2012, 40 vehicles are now stored at the location. SJRTD stated security concerns prohibited full usage of the property. However, upon project application submittal to Caltrans, it was purported the property was ready to be used; therefore, challenges such as security should have been reported to Caltrans for consideration during its awarding process.
- *SACOG has weak grant management practices.* SACOG is a pass-through agency receiving PTMISEA funds for projects it administers itself or grants to subrecipients. As a project sponsor, SACOG is accountable to ensure adequate support is maintained for all projects. At the time of our site visit, SACOG's project files were co-mingled, unorganized, or unavailable. As a result, we determined the following:
  - Claimed costs were reimbursed without obtaining sufficient supporting documentation. Further inquiry with subrecipients was required to obtain explanation and additional documents to reasonably determine if expenditures were supported and valid.

- Support for achievement of project outcomes was not available. We had to contact subrecipients to review supporting documentation.
- Subrecipients were not in compliance with SACOG's reporting requirements.
- Subrecipient agreements were incomplete.

Caltrans stated limited staff resources contribute to its minimal in-progress and follow-up accountability monitoring and its key reliance is on the self-reported information. Although guidelines and desk procedures have been established, not all controls were consistently enforced, thus minimizing the effectiveness of established project monitoring controls.

As the administrative agency, it is critical Caltrans take a proactive role in overseeing bond-funded projects and provide further clarification, when necessary. Given the bond funds are advanced, Caltrans is accountable to ensure each project's scope and costs are achieved as intended and are valid. Caltrans' fiscal and programmatic monitoring controls for projects in progress and also after completion are essential to ensure the intent of the PTMISEA program, outcomes, and deliverables are met and operating effectively. Implementing effective controls and maintaining those controls will enable Caltrans to ensure bond funds are spent appropriately and effectively in accordance with the Bond Act, thereby decreasing the risk of waste and abuse.

**Recommendations:**

- A. Enforce PTMISEA guidelines consistently. Further, implement PTMISEA Desk Procedures, section 5.4, which states "spot audits" may be performed as necessary by Caltrans. A process should be developed to identify potential high risk project sponsors or projects and determine the necessity or frequency of spot audits.
- B. Ensure expenditures, interest, and other relevant information is properly reported. Communicate these requirements to project sponsors.
- C. Clarify and communicate expectations and responsibilities required of primary project sponsors receiving bond funds, regardless if the entity is passing through funds or directly administering bond-funded projects.
- D. Request project sponsors to submit updated report(s), as necessary, to reflect accurate and complete project information.

**Observation 2: Reliability of Data on Bond Accountability Website Can Be Strengthened**

Executive Order S-02-07 (EO) requires departments to report ongoing in-progress actions taken to ensure bond-funded projects and activities remain within scope and cost. In addition, information on bond proceeds shall be listed on a public website, including a description of each project, the total amount expended for each project, and whether performance outcomes were achieved as intended. During our audit, we noted the following discrepancies:

- *Inaccurate financial data reported on Bond Accountability Website (website).* During our reconciliation of total expenditures recorded on the financial statements and the website as of June 30, 2011, a \$25 million variance was found. To resolve the variance, Caltrans performed a reconciliation of financial

data recorded on its Master Semi-Annual Spreadsheet<sup>5</sup> and ODIS<sup>6</sup>, comparing each project's dollar amount to identify discrepancies. Various causes were found to have contributed to the large variance (see textbox for details).

As of December 2011, Caltrans has updated its Master Semi-Annual Spreadsheet, ODIS, and the website to reflect correct financial data for each applicable project. Although a process was in place to record and track project data and Caltrans resolved the initial variance to a minimal amount, the causes and magnitude demonstrate the unreliability of data reported on the website.

- *Project status reporting is incomplete.* Not all project information is reported on the website. Currently, project delays or obstacles are not identified for applicable projects. Further, although multiple projects were identified as completed, the Closeout Reports link did not direct users to the applicable final report submitted for the projects.

#### Discrepancy Causes

- Incomplete or inconsistent training of staff at program inception and lack of a database.
- Operator error when recording transfers of funds between projects.
- Interest earned was incorrectly recorded as actual bond amounts allocated.
- Cost savings identified to be transferred from one project to another was not accurately recorded.
- Errors recording project identification number (ID) in ODIS. When an ID was incorrectly entered, the related information was entered as another project, causing double entry and double counting in ODIS, which was then reported to the website.

Caltrans was not aware of all reporting fields required and the full functionality of ODIS. The State Administrative Manual, section 20050, states that department management is accountable for activities carried out in their agencies, which include the establishment and maintenance of internal accounting and administrative controls. Further, the EO established the accountability requirements for each administering agency to ensure bond funds are used efficiently, effectively, and in the best interests of the state. The intent of the website is to enhance accountability and transparency of bond funds.

#### Recommendations:

- A. Perform periodic reconciliations between the Master Semi-Annual Spreadsheet and ODIS more frequently to ensure final data reported on the website is accurate and complete. Update desk procedures to reflect new reconciliation procedures implemented.
- B. Update the website to include descriptions of any project delays or obstacles, as needed. Further, explore using the *Closeout Reports* link function in ODIS to report comparisons of anticipated to actual project costs, activities, and performance outcomes on the website.

<sup>5</sup> Key tracking tool maintained internally for project monitoring. This spreadsheet records and tracks project data obtained from semi-annual progress reports, corrective action plans, and final reports.

<sup>6</sup> Online Data Input System - The Governor's Bond Accountability Input System used to report bond data on the Bond Accountability website.

# APPENDIX A

## Project Sponsors and Projects Reviewed

The column titled “PTMISEA Allocation” is the total amount advanced to project sponsors. For the column titled “PTMISEA Expenditures,” amounts are PTMISEA funds only and do not include federal or local funds.

Project Number	Project Title	PTMISEA Allocation	PTMISEA Expenditures
<b>Golden Gate Bridge, Highway, &amp; Transportation District</b>			
07/08-2-2H(002)	Build Data Center	\$ 1,600,000	\$ 1,600,000
07/08-1-2H(003)	Body Shop Roof and Skylights Replacement	414,019	414,019
07/08-1-2H(002)	Purchase 2 Shuttle Vehicles	151,610	151,610
08/09-2-2H(005)	Purchase 2 Used Muir Woods Shuttles (30-35 Foot Buses)	600,526	600,526
07/08-3-2H(003)	Purchase 7 35-Foot Low Floor Hybrid Buses	872,020	872,020
07/08-1-2H(001)	Purchase 23 45-Foot Buses	1,264,140	1,264,140
<b>Sacramento Area Council of Governments</b>			
07/08-2-3(006)	Modernization/Destination Signs <sup>7</sup>	65,260	-
07/08-2-3(008)	Capital Service-Construct CNG Station	275,000	275,000
07/08-2-3(013)	Ahern-12th Street Improvements	70,000	53,856
07/08-2-3(004)	Replace Paratransit Vehicle	72,000	72,000
07/08-2-3(007)	Rolling Stock Commuter Bus Fleet Replacement	378,371	378,371
07/08-2-3(016)	Unitrans Bus Replacement	2,310,000	2,310,000
07/08-2-3(003)	Yolo County Regional Transit District Replacement Commuter Bus Upgrade	1,612,245	1,612,245
08/09-2-3(002)	Vehicles for Agriculture Work Transportation	100,000	100,000
<b>San Francisco Municipal Transportation Agency</b>			
07/08-1-2M(001)	Automated Passenger Counter Equipment	2,500,000	1,199,311
07/08-1-2M(007)	Farebox Rehabilitation	20,000,000	18,040,100
<b>San Joaquin Regional Transit District</b>			
08/09-2-37D(002)	Regional Operations Facility (Parcel II)	875,883	875,883
07/08-1-37D(001)	Particulate Filter Systems	410,176	410,176
07/08-2-37D(003)	Purchase of Commuter Buses	678,389	493,723
<b>Ventura County Transportation Commission</b>			
07/08-1-49(001)	Thousand Oaks Community Transportation Center	700,000	700,000
07/08-1-49(002)	Coordinated Paratransit Management System	1,400,000	1,167,727

<sup>7</sup> Testing of project expenditures was not completed because at the time of site visit, a reimbursement request for costs incurred had not been submitted by the sub-recipient. Therefore, although the project was completed, PTMISEA funds had not yet been expended.

**San Joaquin Regional Transit District  
Regional Operations Facility Project**



**Above:** Property acquired (parcel two) for the Regional Operations Facility Project. Final Report dated August 4, 2010 stated “new facility will house 250 vehicles.” At the time of site visit on January 10, 2012, six buses were stated as parked in the warehouse.



**Above:** Adjacent property acquired (parcel one) included in the acquisition. Property was also to be used for storage of transit vehicles.



**DEPARTMENT OF TRANSPORTATION**

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*Flex your power!  
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May 3, 2012

Mr. David Botelho  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Botelho:

I am pleased to provide the California Department of Transportation's (Caltrans) response to the Department of Finance, Office of State Audits and Evaluations' (Finance) observations as reported in Finance's audit report titled, "California Department of Transportation Public Transportation Modernization, Improvement, and Service Enhancement Account Proposition 1B."

In accordance with Finance's bond oversight responsibilities, Finance conducted an audit of Caltrans' administration of Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding as of June 30, 2011.

Finance determined that, based on their audit scope, awarded funds and expenditures were appropriate and complied with applicable regulations and established criteria, and performance outcomes were generally achieved for projects. Further, Finance determined that Caltrans and the selected project sponsors reviewed have fiscal and programmatic controls established for PTMISEA. However, Finance auditors did note the following observations:

- Project Monitoring Should Be Improved.
- Reliability of Data on Bond Accountability Website Can Be Strengthened.

Finance provided audit recommendations to address the observations identified. Finance's recommendations and Caltrans' responses (in bold) are as follows:

Observation 1 – Project Monitoring Should Be Improved

- A. Enforce PTMISEA Guidelines consistently. Further, implement PTMISEA Desk Procedures, section 5.4, which states "spot audits" may be performed as necessary by Caltrans. A process should be developed to identify potential high risk project sponsors or projects and determine the necessity or frequency of spot audits.

**Caltrans agrees with the recommendation. The PTMISEA guidelines were updated in December 2010 to address the need for project sponsors to ensure and document project completion. Caltrans will ensure that all project sponsors comply with the guidelines in the preparation and submittal of project final reports. Further, Caltrans will develop a list of high risk project sponsors within 30 days. This list will be used to prioritize and perform spot audits to ensure guidelines are consistently applied. The desk procedures will be updated to include the process for conducting spot audits by October 31, 2012.**

- B. Ensure expenditures, interest, and other relevant information is properly reported. Communicate these requirements to project sponsors.

**Caltrans agrees with the recommendation. Project sponsors are required to properly report expenditures, interest, and other relevant information. Caltrans will periodically verify reported information as part of the spot audit process. Project sponsors will be reminded of reporting requirements at industry conferences beginning with the CalACT conference, April 2012, and anytime reports are due to Caltrans.**

- C. Clarify and communicate expectations and responsibilities required of primary project sponsors receiving bond funds, regardless if the entity is passing through funds or directly administering bond-funded projects.

**Caltrans agrees with the recommendation. The PTMISEA guidelines will be updated by October 31, 2012, to clarify and communicate expectations and responsibilities required of all project sponsors receiving bond funds.**

- D. Request project sponsors to submit updated report(s) as necessary, to reflect accurate and complete project information.

**Caltrans agrees with the recommendation. The PTMISEA guidelines require project sponsors to report accurate and complete reports. As part of communicating expected procedures, roles, responsibilities, and expectations, Caltrans will also reinforce to project sponsors that, when necessary, updated reports are required to ensure accurate and complete project information is provided. In cases where it has been determined that project sponsors have submitted reports containing inaccurate project information, Caltrans will contact the project sponsors to ensure the submission of updated reports to reflect accurate and complete information. The PTMISEA guidelines will be updated by October 31, 2012, to include this requirement.**

Mr. David Botelho  
May 3, 2012  
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Observation 2 – Reliability of Data on Bond Accountability Website Can Be Strengthened

- A. Perform periodic reconciliations between the Master Semi-Annual Spreadsheet and the Online Data Input System (ODIS) more frequently to ensure final data reported on the website is accurate and complete. Update desk procedures to reflect new reconciliation procedures implemented.

**Caltrans agrees with the recommendation and will implement a process to periodically verify that all data in ODIS is accurate, complete and reconciles with the Master Semi-Annual Spreadsheet. The desk procedures will be updated to include this process within 90 days. Additionally, a new process was implemented in March 2012 to allow the transfer of PTMISEA data to the external website based on the schedule of PTMISEA reporting.**

- B. Update the website to include descriptions of any project delays or obstacles, as needed. Further, explore using the *Closeout Reports* link function in ODIS to report comparisons of anticipated to actual project costs, activities, and performance outcomes on the website.

**Caltrans agrees with the recommendation and will include on the website descriptions of PTMISEA project delays or obstacles, as applicable, by October 31, 2012. The *Closeout Reports* link is a new function of ODIS created in October 2011. Final project information has been entered and comparison information is now available on the website for all closed projects.**

If you have any questions, please contact Jane Perez, Division Chief, Division of Mass Transportation, at (916) 654-8144.

Sincerely,

Original signed by:

MALCOLM DOUGHERTY  
Acting Director

Mr. David Botelho  
May 3, 2012  
Page 4

- c: Brian P. Kelly, Acting Secretary, Business, Transportation and Housing Agency
- Michael Tritz, Deputy Secretary, Audits and Performance Improvement, Business,  
Transportation and Housing Agency
- Bimla Rhinehart, Executive Director, California Transportation Commission
- Maura Twomey, Deputy Director, California Transportation Commission
- Rick Land, Acting Chief Deputy Director, Caltrans
- Norma Ortega, Deputy Director, Finance, Caltrans
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- Clark Paulsen, Chief, Division of Accounting, Caltrans
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