



Transmitted via e-mail

February 29, 2016

Ms. Laurine Bohamera, Chief
External Audits-Contracts
Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Bohamera:

Final Report—San Bernardino Associated Governments, Proposition 1B Project Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the San Bernardino Associated Governments' (SANBAG) Proposition 1B-funded projects listed below:

<u>Project Number</u>	<u>Project Name</u>
8-44811	I-10 Tippecanoe Avenue Interchange
8-0F150	Westbound Mixed Flow Lane Addition
8-0A450	La Mesa Nisqualli Road Interchange
8-0071V	I-215 North Segments 1 & 2 – HOV & Mixed Flow Lane Addition
8-0G058	North Milliken Grade Separation at UPRR Lines

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

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

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, Audits and Investigations, California Department of Transportation
Mr. Ryan McEachron, President, Board of Directors, San Bernardino Associated Governments
Mr. Raymond Wolfe, Executive Director, San Bernardino Associated Governments
Mr. Garry Cohoe, Director of Project Delivery, San Bernardino Associated Governments
Ms. Karen Matthews, Document Control Manager, San Bernardino Associated Governments

San Bernardino Associated Governments
Proposition 1B Bond Program
Projects 8-44811, 8-0F150, 8-0A450, 8-0071V, and 8-0G058



Title: North Milliken Grade Separation at UPPR Lines (Bridge with Train)
Source: San Bernardino Associated Governments

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

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

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

You can contact our office at:

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

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 those funds to the California Department of Transportation (Caltrans) to implement various programs as follows:¹

Program Descriptions ²	
CMIA	• \$4.5 billion of bond proceeds made available to the Corridor Mobility Improvement Account (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.
STIP Augmentation	• \$2 billion of bond proceeds made available to the State Transportation Improvement Program (STIP) to augment funds otherwise available for STIP from other sources. The original STIP finances state highway improvements, intercity rail, and regional highway and transit improvements. These funds are available through the newly established Transportation Facilities Account (TFA).

Caltrans awarded the San Bernardino Associated Governments (SANBAG) \$106.1 million of Proposition 1B funds for the following projects:

- **I-10 Tippecanoe Avenue Interchange (8-44811)**—\$10 million of CMIA funds to complete the construction on Interstate 10 of the eastbound auxiliary lane, eastbound off-ramp, and widening of the Timoteo Bridge in the cities of Loma Linda and San Bernardino.
- **Westbound Mixed Flow Lane Addition (8-0F150)**—\$14.1 million of CMIA funds to construct one westbound mixed flow lane from west of the Live Oak Canyon Road Interchange to east of the Ford Street overcrossing.
- **La Mesa Nisqualli Road Interchange (8-0A450)**—\$16.2 million of CMIA funds to construct a new full service interchange at La Mesa and Nisqualli Road. The scope of work includes constructing a bridge overcrossing, entrance and exit ramps to the Interstate 15 freeway, and realigning frontage roads.
- **I-215 North Segments 1 & 2 – HOV & Mixed Flow Lane Addition (8-0071V)**—\$20.7 million to construct high-occupancy vehicle (HOV) and mixed-flow lanes.

¹ Excerpts were obtained from the bond accountability website. www.bondaccountability.dot.ca.gov/bondacc/

² Excerpts were obtained from the Caltrans website. <http://www.dot.ca.gov/hq/transprog/ibond.htm>

This project was initially awarded CMIA funding but was reimbursed with STIP Augmentation funds.

- **North Milliken Grade Separation at UPRR Lines (8-0G058)**—\$45.1 million of STIP Augmentation funds to construct a grade separation in the City of Ontario at the North Milliken Avenue and Union Pacific Railroad at-grade crossing.

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The audit period for each project is noted in Appendix A.

The audit objectives were to determine whether:

- Project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/CTC's program guidelines.
- Project deliverables (outputs) were consistent with the project scopes and schedules, and project outcomes were consistent with benefits described in the executed project agreements or approved amendments thereof.

Because final delivery reports were not submitted to Caltrans/CTC at the time of our audit for projects 8-0F150, 8-0A450, 8-0071V, and 8-0G058, we evaluated whether project deliverables (outputs) were consistent with the project scope and schedule milestones described in the executed project agreements or approved amendments. We did not evaluate whether project outcomes were consistent with benefits for these projects. Instead, we evaluated whether a system was in place to measure project outcomes and reported project benefits.

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

SANBAG'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 CMIA and STIP Augmentation programs.

METHODOLOGY

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

For all projects

- Examined the project files, master agreements, program supplements, program guidelines, and applicable policies and procedures.
- Reviewed procurement records to ensure compliance with applicable state and federal procurement requirements.
- Reviewed accounting records, project billing invoices, and progress payments.
- Selected a sample of claimed costs to determine if costs were project-related, properly incurred, authorized, and supported by accounting records.
- Reviewed significant contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.

For project 8-44811

- 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 outcomes were consistent with the project scope and determined whether there was a system in place to report project benefits.

For projects 8-0F150, 8-0A450, 8-0071V, and 8-0G058

- A sample of project deliverables (outputs) described in the executed project agreements were verified during site visits to ensure consistency with the project scopes.
- Evaluated whether there is a system in place to determine project outcomes and report project benefits.

In conducting our audits, we obtained an understanding of SANBAG's 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 audits and determined to be significant within the context of our audit objectives are included in this report.

We conducted these audits in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audits 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.

Except as noted below, project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and California Department of Transportation (Caltrans)/California Transportation Commission (CTC) program guidelines.

Project deliverables (outputs) were consistent with the project scopes and systems were in place to report project benefits for all the projects. For project 8-44811, the project outcomes also were consistent with the project scope. For projects 8-0F150, 8-0A450, 8-0071V, and 8-0G058, there was a system in place to determine project outcomes.

The *Summary of Projects Reviewed* is presented in Appendix A.

Observation 1: Procurement Documents Not Maintained

San Bernardino Associated Governments (SANBAG) did not retain date and time stamped bid envelopes from contract bidders and did not retain evidence that consultant contracts were publicly advertised. Properly documenting timely submissions of bids and public advertising of consultant contracts reduces the risks of bid protests and improperly awarded contracts. Inadequate record retention of procurement records for advertising consultant contracts was a prior audit issue reported in the Caltrans Incurred Cost Audit P1580-0013, issued August 2012.

In accordance with Caltrans' Local Assistance Procedures Manual (LAPM) section 15.5, all bids shall be logged in and stamped with the time and date. In addition, LAPM section 10.5 states that the solicitation process for consultant services shall be by public advertisement or by any other public forum. Finally, the agreements require all project related documents to be retained for three or four years from the date of final payment or completion of the work (specific retention periods and terms are identified in the project agreements).

Recommendation:

Retain date and time stamped bid envelopes and advertisements for consultant contracts in accordance with records retention provisions in the project agreements.

Observation 2: Final Delivery Reports Were Not Submitted

Required final delivery reports were not submitted to Caltrans/CTC for 4 of the 5 projects reviewed, as shown in the table below.

Project Name	Project Number	Construction Completion Date	Final Report Due Date	Final Report Submitted
Westbound Mixed Flow Lane Addition	8-0F150	7/29/2014	1/29/2015	No
La Mesa Nisqualli Road Interchange	8-0A450	3/5/2014	9/5/2014	No
I-215 North Segments 1 & 2 – HOV & Mixed Flow Lane Addition	8-0071V	11/26/2014	5/26/2015	No
North Milliken Grade Separation at UPRR Lines	8-0G058	1/15/2014	7/15/2014	No

Failing to submit final delivery reports decreases transparency of the status of projects and prevents Caltrans/CTC from reviewing project scope, final costs as compared to the project budget, duration as compared to project schedule, and performance outcomes in a timely manner.

Projects 8-0F150, 8-0A450, and 8-0071V¹ follow Corridor Mobility Improvement Account (CMIA) guidelines. CMIA Implementation Plan, Section IV C.1 requires a final delivery report within six months of the date of the project becoming operable. In addition, the Program Supplement for project 8-0G058 requires a final delivery report within six months of the project becoming operable. Finally, Government Code section 8879.50 (f)(2) requires the agency receiving Proposition 1B funds to prepare and submit a final delivery report within six months of the project becoming operable.

During our audit in September 2015, SANBAG indicated it was working on final delivery reports for projects 8-0F150 and 8-0A450. For project 8-0071V, SANBAG indicated the final delivery report was delayed due to outstanding arbitration claims and a potential credit/reimbursement due to Caltrans. Finally, for project 8-0G058, SANBAG contends a final delivery report was not required.

Recommendation:

Submit the final delivery reports to Caltrans/CTC and ensure that future Proposition 1B projects' final delivery reports are submitted within six months of the projects becoming operable.

¹ Because 8-0071V project was initially awarded with CMIA funding, CMIA guidelines apply.

Summary of Projects Reviewed

Project name and Number	Claimed	Project Status	Expenditures Supported?	Deliverables (Output) and Outcomes Met?	Page
1. I-10 Tippecanoe Avenue Interchange 8-44811	\$10,000,000	C	Y	Y	A-1
2. Westbound Mixed Flow Lane Addition 8-0F150	\$12,481,405	C	Y	P	A-2
3. La Mesa Nisqualli Road Interchange 8-0A450	\$15,477,487	C	Y	P	A-3
4. I-215 North Segments 1 & 2 – HOV & Mixed Flow Lane Addition 8-0071V	\$20,504,967	C	Y	P	A-4
5. North Milliken Grade Separation at UPRR Lines 8-0G058	\$32,170,273	C	Y	P	A-5

Legend

C = Completed
 Y = Yes
 P = Partial

Project Number: 8-44811

Project Name: I-10 Tippecanoe Avenue Interchange

Funding Program: Corridor Mobility Improvement Account

Project Description: Complete the construction of the eastbound auxiliary lane, eastbound off-ramp and widening of Timoteo Bridge (phase 1) on Interstate 10 in the cities of Loma Linda and San Bernardino from 1.01 miles west of Tippecanoe Avenue to 1.02 miles east of Tippecanoe Avenue.

Audit Period: February 28, 2012 through June 30, 2014

Project Status: Completed

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Contract	\$ 10,000,000
Total Construction Expenditures	\$ 10,000,000

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission's program guidelines except:

- Date and time stamped bid envelopes of procurement contracts were not retained as support.
- Evidence that consultant contracts were publicly advertised was not retained.

Deliverables (Outputs) and Outcomes

The project's construction was completed in March 2015. At the time of our site visit in September 2015, project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits.

Project Number: 8-0F150

Project Name: Westbound Mixed Flow Lane Addition

Funding Program: Corridor Mobility Improvement Account

Project Description: Construct one westbound mixed flow lane from west of Live Oak Canyon Road Interchange to east of Ford Street overcrossing.

Audit Period: April 6, 2010 through July 29, 2014

Project Status: Completed

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Contract	\$ 12,481,405
Total Construction Expenditures	\$ 12,481,405

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission's program guidelines except:

- Date and time stamped bid envelopes of procurement contracts were not retained as support.
- Evidence that consultant contracts were publicly advertised was not retained.

Deliverables (Outputs) and Outcomes

The project's construction was completed in July 2014. At the time of our site visit in September 2015, project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits except the final delivery report was not submitted as required by CMIA guidelines. The due date for the final delivery report was January 2015.

Project Number: 8-0A450

Project Name: La Mesa Nisqualli Road Interchange

Funding Program: Corridor Mobility Improvement Account

Project Description: Construct a new full service interchange at La Mesa/Nisqualli Road. The scope includes constructing a bridge overcrossing, entrance and exit ramps to I-15 freeway and realigning the east and west-side frontage roads.

Audit Period: June 15, 2011 through June 17, 2014

Project Status: Completed

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Contract	\$ 15,477,487
Total Construction Expenditures	\$ 15,477,487

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission's program guidelines except:

- Date and time stamped bid envelopes of procurement contracts were not retained as support.
- Evidence that consultant contracts were publicly advertised was not retained.

Deliverables (Outputs) and Outcomes

The project's construction was completed in March 2014. At the time of our site visit in September 2015, project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits except the final delivery report was not submitted as required by CMIA guidelines. The due date for the final delivery report was September 2014.

Project Number: 8-0071V

Project Name: I-215 North Segments 1 & 2 – HOV & Mixed Flow Lane Addition

Funding Program: Corridor Mobility Improvement Account (awarded)
State Transportation Improvement Program Augmentation (funded)

Project Description: Construct a high-occupancy vehicle and mixed flow lanes.

Audit Period: April 7, 2009 through September 26, 2014

Project Status: Completed

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Contract	\$ 14,409,967
Construction Engineering	6,095,000
Total Construction Expenditures	\$ 20,504,967

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission's program guidelines except:

- Date and time stamped bid envelopes of procurement contracts were not retained as support.
- Evidence that consultant contracts were publicly advertised was not retained.

Deliverables (Outputs) and Outcomes

The project's construction was completed in November 2014. At the time of our site visit in September 2015, project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits except the final delivery report was not submitted as required by CMIA guidelines.⁴ The due date for the final delivery report was May 2015.

SANBAG has outstanding claims totaling \$1,782,824 pending arbitration with the prime contractor and its subcontractors. Additionally, there is a potential reimbursement of \$413,519 to Caltrans pending arbitration with the prime contractor.

⁴ Because the project was initially awarded with CMIA funding, CMIA guidelines apply.

Project Number: 8-0G058

Project Name: North Milliken Grade Separation at UPRR Lines

Funding Program: State Transportation Improvement Program Augmentation

Project Description: Construct a grade separation in the City of Ontario at the North Milliken Avenue and UPRR at-grade crossing, between Guasti Road and Airport Drive.

Audit Period: June 30, 2010 through March 31, 2015

Project Status: Completed

Schedule of Project Costs

Proposition 1B Project Costs	Claimed
Construction Contract	\$ 3,162,101
Construction Engineering	29,008,172
Total Construction Expenditures	\$ 32,170,273

Audit Results:

Compliance

Claimed project costs were incurred and reimbursed in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission's program guidelines except:

- Date and time stamped bid envelopes of procurement contracts were not retained as support.
- Evidence that consultant contracts were publicly advertised was not retained.

Deliverables (Outputs) and Outcomes

The project's construction was completed in January 2014. At the time of our site visit in September 2015, project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits except the final delivery report was not submitted as required by the Program Supplement. The due date for the final delivery report was July 2014.

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- San Bernardino County Transportation Commission
 - San Bernardino County Transportation Authority
 - San Bernardino County Congestion Management Agency
 - Service Authority for Freeway Emergencies
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January 28, 2016

Cheryl L. McCormick, Assistant Chief
OFFICE OF STATE AUDITS AND EVALUATIONS
915 L Street
Sacramento, California 95814-3706

Dear Ms. McCormick,

In response to the Office of State Audits and Evaluations draft report of San Bernardino Associated Governments' (SANBAG) Proposition 1B-funded projects, SANBAG respectfully submits the following:

Observation 1: Procurement Documents Not Maintained

SANBAG did not retain date and time stamped bid envelopes from contract bidders and did not retain evidence that consultant contracts were publicly advertised. Properly documenting timely submissions of bid and public advertising of consultant contracts reduces the risks of bid protests and improperly awarded contracts. Inadequate record retention of procurement records for advertising consultant contracts was a prior audit issue reported in the Caltrans Incurred Cost Audit P1580-0013, issued August 2012.

In accordance with Caltrans' Local Assistance Procedures Manual (LAPM) section 15.5, all bids shall be logged in and stamped with the time and date. In addition, LAPM section 10.5 states that the solicitation process for consultant service shall be by public advertisement or by any other public forum. Finally, the agreements require all project related documents to be retained for three or four years from the date of final payment or completion of the work (specific retention periods and terms are identified in the project agreements).

Recommendation:

Retain date and time stamped bid envelopes and advertisements for consultant contracts in accordance with records retention provisions in the project agreements.

SANBAG Response:

In response to retaining documentation related to public advertisement, as of August 28, 2013, SANBAG uses a web based publication, PlanetBids for posting of contract solicitations for construction contracts and formal A&E consultant contracts/proposals. Posting on PlanetBids satisfies the requirement of the Caltrans Local Assistance Procedure Manual (LAPM) Section 10.5 and provides archiving services of all projects. Screen shots of postings are maintained in SANBAG project procurement files.

In response to the retention of bid envelopes, SANBAG requested clarification from the State Auditors regarding this requirement. Caltrans Audits and Investigations Unit deferred to Caltrans Prop 1B Coordinator, Matt Bailey for guidance. In discussion with Mr. Bailey, it was his opinion that the bid envelopes are not required to be maintained in the project procurement files, the bid opening results log would suffice. Although Mr. Bailey stated this was not a requirement, SANBAG will scan the bid envelopes and maintain a copy in the project procurement files.

Observation 2: Final Delivery Reports Were Not Submitted

Required final delivery reports were not submitted to Caltrans/CTC for 4 of the 5 projects reviewed, as shown in the table below.

Project Name	Project Number	Construction Completion Date	Final Report Due Date	Final Report Submitted	SANBAG Update
Westbound Mixed Flow Lane	8-0F150	7/29/2014	1/29/2015	No	Submitted to Caltrans 9/23/15
La Mesa Nisqualli Road Interchange	8-0A450	3/5/2014	9/5/2014	No	Submitted to Caltrans 1/4/2016
1-215 Segments 1&2 – HOV & Mixed Flow Lane	8-0071V	11/26/2014	5/26/2015	No	Submitted to Caltrans 1/5/2016
North Milliken Grade Separation	8-0G058	1/15/2014	7/15/2014	No	Pending; anticipated by 2/12/16

Failing to submit final delivery reports decreases transparency of the status of projects and prevents Caltrans/CTC from reviewing project scope, final costs as compared to the project budget, duration as compared to project schedule, and performance outcomes in a timely manner.

Projects 8-0G150, 8-0A450, and 8-0071V follow CMIA guidelines. CMIA Implementation Plan, Section IV C.1 requires a final delivery report within six months of the date of the project becoming operable. In addition, the Program Supplement for project 8-0G058 requires a final delivery report within six months of the project becoming operable. Finally, Government Code section 8879.50(f)(2) requires the agency receiving Proposition 1B funds to prepare and submit a final delivery report within six months of the project becoming operable.

During our audit in September 2015, SANBAG indicated it was working on final delivery reports for projects 8-0F150, and 8-0A450. For project 8-0071V, SANBAG indicated the final delivery report was delayed due to outstanding arbitration claims and a potential credit/reimbursement due to Caltrans. Finally, for project 8-0G058, SANBAG contends a final delivery report was not required.

Recommendation:

Submit the final delivery reports to Caltrans/CTC and ensure that future Proposition 1B projects' final delivery reports are submitted within six months of the projects becoming operable.

SANBAG Response:

Submission of the CMIA Final Delivery Report within six months of the date of the project becoming operable is not always achievable on SANBAG's major projects due to outstanding claims, arbitration, and final accounting. In discussion with the auditors, it was agreed that SANBAG would submit a 'draft' CMIA Final Delivery Report within the required time period and finalize the report when all outstanding issues are resolved. As indicated in the table above, SANBAG has submitted three of the four outstanding reports and will endeavor to submit the final report for North Milliken Grade Separation Project by February 12, 2016.

Should you have any questions regarding this response, please contact Garry Cohoe, Director of Project Delivery at (909) 884-8276x176.

Sincerely,

ORIGINAL SIGNED BY:

Raymond W. Wolfe
Executive Director

cc: Garry Cohoe, Director of Project Delivery