



Transmitted via e-mail

February 10, 2015

Ms. MarSue Morrill, Chief
External Audits–Contracts
Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Dear Ms. Morrill:

Final Report—City of Upland, Proposition 1B Project Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Upland's (City) project SLPPCL11-5147 (013), issued by the California Department of Transportation. This project was funded with Proposition 1B funds.

The enclosed report is for your information and use. The City's response to the report observation is incorporated into this final report. The City agreed with our observation 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 Frances Parmelee, Manager, or John Ponce, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Luisa Ruvalcaba, Audit Manager, Audits and Investigations, California Department of Transportation
Ms. Rosemary Hoerning, Public Works Director, City of Upland
Mr. Bob Critchfield, Principal Engineer, City of Upland
Ms. Christa Buhagiar, Finance Manager, City of Upland

AUDIT REPORT

City of Upland Proposition 1B Bond Program Project SLPPCL11-5147 (013)



Foothill Boulevard (Route 66) Improvement (median)
Source: City of Upland

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

John Ponce
Supervisor

Staff
Alexandria Tu Jiral
Joshua Mortimer

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

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
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(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 \$19.5 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 the funds to the California Department of Transportation (Caltrans) to implement various programs.

The \$1 billion of bond proceeds made available to the State-Local Partnership Program Account (SLPP) 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.

Caltrans awarded the City of Upland (City) \$1 million of Proposition 1B bond funds to widen Foothill Boulevard (Route 66) between Monte Vista Avenue and Central Avenue. Specifically, the project included a new curb, gutter, sidewalk, raised median, asphalt concrete, street lights, signing and striping, water line, storm drain, bridge widening and median and parkway landscaping. The City's Public Works Department administered this project which supports its goal to continuously maintain and improve the City's public facilities, enhance safety, and promote environmental and community revitalization efforts.

SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited project SLPPCL11-5147 (013) for the period June 22, 2012 through November 12, 2013. The audit objectives were to determine whether:

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

We did not assess the efficiency or effectiveness of the SLPP 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 SLPP.

METHODOLOGY

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

- Examined the project files, master agreement, program supplement, 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, progress payments, and cancelled checks.
- Selected a sample of claimed expenditures and reported match to determine if costs were project-related, properly incurred, authorized, and supported.
- Verified the match requirement was met.
- Reviewed significant contract change orders to ensure they were properly approved and supported.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Evaluated whether project deliverables were met by reviewing a sample of supporting documentation and conducting a site visit to verify project existence.

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

We conducted this audit in accordance with generally accepted government performance 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.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering bond funds.

Based on the procedures performed, the project costs were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and California Department of Transportation (Caltrans)/California Transportation Commission (CTC) program guidelines. Except as noted below, the project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments thereof. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Expenditures	Claimed
Proposition 1B Funds–Construction	\$ 1,000,000
Local Match Funds–Construction	4,159,033
Total Project Expenditures	\$ 5,159,033

Observation 1: Final Delivery Report Not Submitted

The City of Upland (City) accepted the project on August 12, 2013, which would have made the Final Delivery Report (FDR) due by February 12, 2014. As of September 2, 2014, the FDR had not been submitted. Covenant 3.2 of Program Supplement No. 198 and Article 14 of the SLPP Guidelines require that a certified FDR must be submitted to CTC within six months of project acceptance.

The City states it is experiencing staffing shortages hindering its ability to complete the FDR. Absent receiving an FDR, Caltrans and CTC are at risk of not fulfilling significant provisions required by Government Code, section 8879.50 (f)(2).

Recommendation:

Complete and submit the FDR to Caltrans as soon as possible.



PUBLIC WORKS DEPARTMENT
1370 North Benson Avenue
Upland, CA 91786-0460
Telephone (909) 291-2930
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February 02, 2015

Mr. Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations
Department of Finance
915 L Street, 6th Floor
Sacramento, CA 95814-3706

Subject: **Audit Report for Foothill Blvd. (Route 66) Improvements**
****Proposition 1B Bond Program Project SLPPCL11-5147 (013)****

Dear Mr. Sierra:

Thank you for providing the draft audit report for the subject project, and for allowing the City to review and respond. The City takes no exceptions to the report, and in accordance with the recommendations in the report, the City completed and submitted the Final Delivery Report (FDR) to Caltrans.

The City would like to express our appreciation for the Department of Finance staff that conducted the audit, specifically John Ponce, Joshua Mortimer, and Alexandria Tu. The audit staff exhibited the utmost professionalism throughout the audit process and were a pleasure to work with.

Sincerely,

Original signed by:

Rosemary Hoerning, P.E., P.L.S., M.P.A.
Director of Public Works

Enclosure: Final Delivery Report

CC: Bob Critchfield, P.E., Principal Engineer
 Christa Buhagiar, Finance Manager