



Transmitted via e-mail

October 11, 2016

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 Big Bear Lake, Proposition 1B Project Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Bear Lake's (City) Proposition 1B funded project:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
SLPP-5426(010)	P2535-0031	Village "L" Street Improvements Project

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.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report please contact Jon Chapple, Manager, or Robert Scott, 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. Jeff Mathieu, City Manager, City of Big Bear Lake  
Mr. David Lawrence, Director, Public Works Department, City of Big Bear Lake  
Ms. Kelly Ent, Director, Administration, City of Big Bear Lake

City of Big Bear Lake  
Proposition 1B Bond Program  
Project Number SLPP-5426(010)



Village "L" Street Improvement Project

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

## **MEMBERS OF THE TEAM**

Frances Parmelee, CPA  
Manager

Robert Scott, MSA, CPA, CGMA  
Supervisor

Staff  
Kweku Atta-Mensah

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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# 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.<sup>1</sup>

Caltrans awarded \$1.2 million of State-Local Partnership Program Account (SLPP) funds to the City of Big Bear Lake (City) to fund the Village “L” Street Improvements project. Specifically, this project includes removing and replacing curbs, gutters, and a sidewalk along Village Drive and Pine Knot Avenue as well as resurfacing both streets and installing new drainage structure and piping to prevent flooding. The project construction cost totaled \$5.2 million.

The City’s Public Works Department is responsible for overseeing all publicly-constructed facilities, submitting claims for reimbursement, and providing and maintaining supporting documents.<sup>2</sup> This project is complete.

## SCOPE

As requested by Caltrans, the Department of Finance, Office of State Audits and Evaluations, audited project SLPP-5426(010). The audit period is January 8, 2013 through January 1, 2014.

The audit objectives were to determine whether:

- Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines.
- Deliverables/outputs were consistent with the project scope and schedule, and benefits/outcomes were adequately reported in the Final Delivery Report.

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

### **PROGRAM DESCRIPTION**<sup>1</sup>

**SLPP:** \$1 billion of bond proceeds were 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. Transportation Impact Fee funds were used to meet the match requirement.

<sup>1</sup> Excerpts were obtained from the bond accountability website. [www.bondaccountability.dot.ca.gov/bondacc/](http://www.bondaccountability.dot.ca.gov/bondacc/)

<sup>2</sup> Excerpts were obtained from the City’s website. [www.cityofbigbearlake.com](http://www.cityofbigbearlake.com)

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.

## **METHODOLOGY**

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

- Examined the project file, project agreement, 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 match to determine if the expenditures 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 project, properly approved, and supported.
- Verified the match requirement was met.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.
- Evaluated whether deliverables/outputs were met by reviewing a sample of supporting documentation and conducting a site visit to verify project existence.
- Evaluated whether deliverables/outputs were completed on schedule by reviewing the project file and the project agreement or amendments.
- Evaluated whether benefits/outcomes were adequately reported in the Final Delivery Report by reviewing a sample of supporting documentation and interviewing key staff.

In conducting our audit, we obtained an understanding of the City'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 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 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 agreement, state and federal regulations, contract provisions, and Caltrans/CTC program guidelines. In addition, the match requirement was met.

At the time of our site visit in February 2016, deliverables/outputs were consistent with the project scope described in the executed project agreement or approved amendments. In addition, benefits/outcomes were adequately reported in the Final Delivery Report.

### Schedule of Expenditures

<b>Expenditures</b>	<b>Claimed</b>
Proposition 1B Funds—Construction	\$ 1,200,000
Match Funds—Construction	1,200,000
<b>Total Claimed Expenditures</b>	<b>\$ 2,400,000</b>