

## Memorandum

*Serious drought.  
Help Save Water!*

To: RIHUI ZHANG, Chief  
Division of Local Assistance

Date: February 9, 2016

File: P2535-0024  
P2535-0030

### ORIGINAL SIGNED BY:

From: LAURINE BOHAMERA, Chief  
External Audits - Contracts  
Audits and Investigations

Subject: **PROPOSITION 1B AUDIT REPORT – COUNTY OF SAN LUIS OBISPO**

Caltrans Audits and Investigations (A&I) audited costs claimed and reimbursed to the County of San Luis Obispo (County) for two projects funded with Proposition 1B (Prop 1B) State-Local Partnership Program (SLPP) funds. The Los Osos Valley Road project was funded with \$116,467 and the Willow Road Extension/US Highway 101 Interchange Phase 2 project was funded with \$1,000,000 in SLPP funds. The audit period is from September 22, 2009 through May 20, 2014.

Based on our audit, we determined that reimbursed project costs were in compliance with the executed project agreements, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission (CTC) program guidelines.

This report is intended for the information of Caltrans management, the Federal Highway Administration, the CTC, and the County. This report is a matter of public record; therefore, its distribution is not limited. In addition, this report will be placed on Caltrans website.

If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Enclosure

cc: Wade Horton, Director, Department of Public Works, County of San Luis Obispo  
Stephen Maller, Deputy Director, California Transportation Commission  
Dawn Cheser, Assistant Deputy Director, California Transportation Commission  
Doris Alkebulan, Prop 1B Specialist, Division of Transportation Programming, Caltrans  
Sharon Ropp, Prop 1B Program Coordinator, Division of Local Assistance, Caltrans  
Annette Goudeau, Staff Services Analyst, Division of Local Assistance, Caltrans  
Luisa Ruvalcaba, Audit Manager, Audits and Investigations, Caltrans

County of San Luis Obispo  
Proposition 1B Audit  
P2535-0024 and P2535-0030  
February 2016

Prepared By:

Audits and Investigations

California Department of Transportation

## BACKGROUND

As approved by the voters in the November 2006 general elections, Proposition 1B (Prop 1B) enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including high-priority transportation corridor improvements, State Route 99 corridor enhancements, trade infrastructure and port security projects, school bus retrofit and replacement purposes, state transportation improvement program augmentation, transit and passenger rail improvements, state-local partnership transportation projects, transit security projects, local bridge seismic retrofit projects, highway-railroad grade separation and crossing improvement projects, state highway safety and rehabilitation projects, and local street and road improvement, congestion relief, and traffic safety.

Prop 1B funds were used from the State-Local Partnership Program (SLPP) Account for the construction of the Los Osos Valley Road project (Project 1), and the Willow Road Extension Phase 2 and the US Highway 101 Interchange project (Project 2). Project 1 was performed under Master Agreement 00322S and Program Supplement Agreement L57, between the County of San Luis Obispo (County) and Caltrans. Project 2 was performed under Cooperative Agreement 05-0224 and Amendment 1, between the County and Caltrans. The County was the implementing agency for the two projects which were funded with \$116,467 in SLPP funds for Project 1 and \$1 million for Project 2. The audit period is from September 22, 2009, through May 20, 2014.

## SCOPE

The scope of the audit was limited to financial and compliance activities related to the above-referenced projects. We performed our limited scope audit to specifically determine whether:

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

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

- Reviewed the County's prior audits and single audit reports;
- Reviewed the County's policies and procedures relating to the job cost system and procurement;
- Interviewed employees, completed a review of the internal control system, and gained an understanding of the County's internal controls, job cost system, timekeeping, accounts payable, and billing processes related to projects funded by Prop 1B.

For the projects under review, we performed the following audit procedures:

- Reviewed project billing invoices sent to Caltrans accounting office to ensure that the County properly prepared and/or billed Caltrans for reimbursement of project expenditures;
- From the project billing invoices selected a sample of charges funded by Prop 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were supported and in compliance with project agreements, state and federal laws and regulations, contract provisions and Caltrans/CTC Guidelines;
- Obtained procurement records to ensure that the County procured billed contracts in accordance with applicable state and federal procurement requirements;
- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed and compared project agreements and project final delivery reports to ensure that project deliverables (outputs) and outcomes were met and that variances to the project scope, schedule, costs and benefits were properly approved and supported.

The County is responsible for the fair presentation of incurred costs, ensuring compliance with contract provisions, state and federal regulations, CTC program guidelines, and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. Our responsibility, based on our audit, is to express an opinion on the allowability of the reimbursed costs in accordance with the applicable agreements, contract provisions, state and federal regulations, and Caltrans/CTC guidelines.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

## **METHODOLOGY**

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. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the County. Therefore, we did not audit, and are not expressing an opinion, on the County's financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and the records selected. An audit also includes assessing the accounting principles used and significant estimates made by the County, as well as evaluating the overall presentation.

## **CONCLUSION**

Based on our audit, we determined that reimbursed project costs were in compliance with the executed project agreements, state and federal regulations, and contract provisions; and that the project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreements or approved amendments.

Laurine Bohamera, Chief, External Audits

Luisa Ruvalcaba, Audit Manager

Eugene Ezimora, Auditor